Sydney Airport's Aviation Green Paper Submission

(EXCLUDING CONFIDENTIAL INFORMATION)

1 DECEMBER 2023

Sydney Airport Corporation Limited

Locked Bag 5000
Sydney International Airport
NSW 2020

The Nigel Love Building
10 Arrivals Court
Sydney International Airport
NSW 2020 Australia

T +61 2 9667 9111

SYD

sydneyairport.com.au

Sydney Airport Corporation Limited
ACN 082 578 809

The Nigel Love Building, 10 Arrivals Court, Locked Bag 5000
Sydney International Airport, NSW 2020 Australia

T +61 2 9667 9111

Contents

1 Executive summary

1.1 Executive summary

Sydney Airport Corporation Limited (**SYD**) welcomes this opportunity to respond to the Australian Government's Aviation Green Paper (the **Green Paper**).

Aviation is vitally important to the Australian economy. Prior to the COVID-19 pandemic (**COVID**), the aviation sector accounted for approximately 5.5 per cent of Australia's national GDP, and directly employed around 176,000 people.[1]

Sydney Kingsford Smith Airport (**Sydney Airport**) is at the heart of Australia's aviation industry, as the largest airport in Australia and the oldest continually operating commercial airport in the world. Importantly, the interconnectedness of aviation means Sydney Airport has an outsized impact on the health of the broader industry. In this sense, when Sydney Airport is operating efficiently and productively, the industry as a whole benefits.

In 2021, a study by Deloitte Access Economics into the economic contribution of Sydney Airport quantified the benefits of the airport's operations. The study found that Sydney Airport:

- generated or facilitated 336,400 jobs - equivalent to 9.5 per cent of New South Wales (**NSW**) employment - including 31,300 at Sydney Airport itself
- contributed $42.0 billion in economic activity - equivalent to 6.7 per cent of the NSW economy and 2.1 per cent of the Australian economy
- hosted more than a quarter of the national total of air travel passengers, with 44.4 million passengers using Sydney Airport in a single year
- facilitated the export of more than 213,600 tonnes of international airfreight.[2]

The sustainable growth of Sydney Airport and the aviation sector is critical to achieving future employment, tourism and development objectives at local, state and national levels. Effective regulation of the aviation sector is therefore crucial to the Australian economy, Sydney Airport's day-to-day operations and staff, and the millions of passengers who rely on Sydney Airport.

Several aspects of the legislative and regulatory framework that apply to the aviation sector, and in particular Sydney Airport, are no longer fit for purpose. This has led to compromised outcomes in terms of productivity and efficiency, and also in the context of the experience for passengers, the local community and the environment.

This submission proposes changes that would improve not only the efficiency of Sydney Airport but would enhance the experience for passengers and support trade, tourism and economic growth for Australia and the entire region.

In developing this submission, SYD has responded to the specific Green Paper questions in each chapter, except those questions where SYD does not have a position or sufficient expertise to provide an informed view. For ease of reference, the issues that are most material to Sydney Airport's productivity and efficiency, and therefore Australia's aviation industry and economy more broadly, are summarised below.

[1] IATA, *The importance of air transport to Australia*, IATA, n.d., accessed 27 November 2023.
[2] Deloitte Access Economics, *Economic contribution of Sydney Airport 2019*, DAE, 2021, accessed 27 November 2023.

Slots and demand management at Sydney Airport

Of the regulations that impact efficiency, competition and consumer outcomes, the Sydney Airport demand management framework – or 'slot regime' – requires the most urgent reform. Sydney Airport is the only airport in Australia that is subject to a slot regime, established under the *Sydney Airport Demand Management Act* 1997 (Cth) (**SADM Act**) and the *Sydney Airport Slot Management Scheme* 2013 (**Slot Management Scheme**). Under the regulatory framework that was introduced in 1997 to address noise concerns, Sydney Airport is restricted to no more than 80 movements (take-offs or landings, for which a slot is required) per rolling hour. Practically, Sydney Airport reaches this limit less than one per cent of the time. There are several reasons for this, but the consequences are that it reduces competition amongst airlines leading to less choice and higher airfares for consumers, restricts Sydney Airport's ability to meet airline and passenger demand, and constrains economic benefit to NSW and Australia. Further, the outdated regime fails to take advantage of new technologies that would reduce noise and emissions which would benefit the local community and assist Australia to meet net zero targets.

This regime also entrenches inefficiency as it permits slot misuse and is open to manipulation by airlines. Addressing inefficient slot allocation and slot misuse is critical to ensuring competition amongst airlines, value for consumers and the Australian economy, and the efficient use of nationally important infrastructure.

Given that inefficiencies in the demand management regime at Sydney Airport have a significant negative impact on consumers through lower quality of service, high cancellations, higher airfares, and limited airline competition, SYD calls for the Australian Government to adopt and implement the recommendations contained in the independent review of demand management at Sydney Airport (the **Harris Review**)[3], in addition to a range of other measures as part of a broader aviation market reform. These are discussed in detail in this submission.

Economic regulation of the aviation sector

The current regulatory regime that applies to airports is often described as a 'light-handed' regime. This regime has three principal components: the Australian Competition and Consumer Commission (**ACCC**) monitoring regime, the threat of increased regulation (for example, through the price inquiry and notification provisions of the *Competition and Consumer Act* 2010 (Cth) (**CCA**) and the prohibition on the misuse of market power. These interlocking components provide airports with a strong incentive to act reasonably in their interactions with airlines, land transport operators and passengers, and remain fit for purpose.

However, these regulatory settings have largely focused on airports and have failed to adequately regulate airline behaviour. The effective airline duopoly in Australia has resulted in high airfares, poor quality of service, high cancellation rates, and behaviour that hinders the ability of new entry or expansion by airlines in Australia. A focus on airline behaviour is needed to ensure a competitive and vibrant aviation sector in Australia, which will benefit consumers and the Australian economy. This can be achieved by implementing the slot reforms at Sydney Airport, together with continuing to closely monitor and scrutinise airline behaviour through continuous ACCC airline monitoring.

Western Sydney International Airport

Existing regulations that apply to Sydney Airport should also be reconsidered in light of the scheduled opening of Western Sydney International Airport (**WSI**) in 2026. The regulatory framework that applies to SYD is, in large part, premised on Sydney Airport being a natural monopoly in the Sydney aviation market. The entry of WSI will introduce competition and therefore necessitates consideration of, and reform to, regulations that

[3] Peter Harris AO, *Review of the Sydney Airport Demand Management Scheme*, DITRDCA, 2021, accessed 27 November 2023.

unduly restrict Sydney Airport, such as the curfew, the movement cap, the regional ring fence (**RRF**), the regional price cap and notification regime, classification for the purposes of bilateral air service agreements (**ASAs**) and the ACCC monitoring regime. If these, and other regulations, are not modernised or are applied inequitably between Sydney Airport and WSI, it could create an unfair competitive advantage for WSI. This would lessen the benefits of competition and would be contrary to the Commonwealth Competitive Neutrality Policy (the **Competitive Neutrality Policy**), which supports merit-based competition between Sydney Airport and the government-owned WSI. There is no evidence to suggest that this competitive advantage would provide clear benefits to consumers or the aviation sector more generally. Rather, it would be likely to create inefficiencies, distort decisions on investment, and distort efficient trade and passenger flows.

Noting that WSI is owned and operated by the Australian Government, it is of particular importance that WSI sets its charges and prices for services on a commercial basis having regard to the costs and returns that a private entity would need to consider when managing its business. Any variance from such an approach would not only provide an unreasonable competitive advantage for WSI but would also place an ongoing and significant burden on taxpayers and distort investment and efficient behaviour.

Achieving net zero

It is essential that Australian Government policy supports sustainable aviation in Australia that keeps pace with leading international jurisdictions. If the industry falls behind competitors or fails to decarbonise, there is a real risk the sector will be priced out of the global aviation network. Policy changes are needed to support decarbonisation in the short- and medium- to long-terms.

In the short-term, there are a number of immediate actions the Australian Government could take to reduce needless emissions at, and around, Sydney Airport, including reforming Sydney Airport's inefficient slot management system, modernising Sydney Airport's airspace and flight paths, and reviewing the *Sydney Airport Curfew Act* 1995 (Cth) (the **Curfew Act**). The lack of appetite to implement any change over the last 25 years has embedded inefficient frameworks and behaviours, which must be reviewed and amended if Australia is to meet challenging targets.

In the medium- to long-term, sustainable aviation fuel (**SAF**) is the primary pathway for aviation to credibly decarbonise. While Australia is well placed to become a significant global producer of SAF and other renewable fuels, production of SAF in Australia is dependent on the timely development of clear government policy to establish a local market and catalyse private sector investment in SAF refining capacity.

In realising these priorities, Australia can play an outsized role in the decarbonisation of the aviation sector and become a world leader in the production of SAF.

A partnership approach between government and non-government stakeholders

The shared goal for airports, airlines, aviation stakeholders and relevant government agencies should be to provide for the safest, most seamless and efficient journey possible for travellers and the transport of freight.

To achieve this, agencies and airport stakeholders must work in partnership to improve the passenger experience, including through increased data sharing, the use of new technology, and the implementation of service level agreements (**SLAs**) to monitor and achieve agreed outcomes.

In this globally competitive industry, Australia needs to ensure that it keeps pace with international advancements and is not left behind with old fashioned, slow and repetitive processes. The expectation of passengers is for increased digitisation and smoother border processes, in addition to safety and security. If Australia fails to meet this expectation, it will become less competitive in the global markets for tourism and trade, both of which are significant contributors to the Australian economy.

Regulation to 2050

The Green Paper is an important step in developing the Aviation White Paper (**White Paper**) which will set the policy direction for the aviation sector until 2050. SYD welcomes this forward-looking approach to regulating the aviation industry. However, as mentioned the regulatory framework impacting operations at Sydney Airport has been largely unchanged since 1997. The lack of flexibility and ongoing review has stifled growth at Australia's busiest airport and had a negative impact on the entire aviation network as well as the travelling public. This should not be allowed to persist. The regulatory frameworks impacting operations at airports, and particularly those most heavily regulated such as Sydney Airport, should be regularly and actively reviewed and updated to promote the best outcomes for consumers and the community.

By way of example, even if the Harris Review recommendations are implemented, additional steps still need to be taken to ensure 80 movements per hour are achieved consistently at Sydney Airport. While recognising the impacts on the local community, the benefits of Sydney Airport to the Sydney basin and the broader Australian aviation network will require a mature debate regarding restrictions as we look to 2050. This should include discussions around the curfew and cap, and balancing Sydney Airport's restrictions with those that exist across other Australian airports.

As the Hon. Catherine King MP has noted in response to calls for a curfew and cap at Brisbane Airport, such restrictions could have "*significant economic consequences*".[4] This is also the case at Sydney Airport. As we look beyond 2023, a sensible discussion should be undertaken around balancing the economic benefits and opportunities for consumers from reducing restrictions, with the impacts on the local community. These discussions will become more necessary as we look to meet Australia's and Sydney Airport's net zero targets.

Conclusion

The critical role aviation plays in the nation's economy, and Sydney Airport's pivotal position within the industry, underscores the urgent need for a comprehensive review and modernisation of the operational regulatory framework governing Sydney Airport. The inefficiencies in the demand management regime, competitive considerations regarding WSI, and the imperative to achieve net-zero emissions all highlight the multifaceted nature of the issues at hand. SYD advocates for a collaborative approach between government and industry stakeholders to ensure a seamless, efficient, and sustainable aviation sector that delivers benefits for passengers and Australia's economy. As the aviation industry evolves towards 2050, SYD emphasises the necessity for ongoing regulatory flexibility, periodic reviews, and a balanced discourse on restrictions to foster economic growth, consumer benefits, and environmental sustainability in the decades to come.

1.2 Recommendations

Chapter 3

Recommendation 1

The Australian Government immediately implement the following recommendations of the Harris Review:

- update the definition of new entrant as now included in the Worldwide Airport Slot Guidelines
- a preference for changes to historic slots ranking ahead of new entrant requests
- the ability to retime regional slots by up to 60 minutes
- reduce the classification of morning and evening peak times

[4] C King, *Transcript – National Press Club address* [media release], Australian Government, 1 March 2023, accessed 27 November 2023.

- closer alignment to the Worldwide Airport Slot Guidelines, including the definition of a slot and dropping the size of aircraft test
- strengthen and increase resourcing of the Compliance Committee, including alignment to the Worldwide Airport Slot Guidelines on slot misuse, as well as regular auditing
- retime stranded slots
- Airservices Australia to report movements on a clock hour basis only
- implement a recovery period following adverse weather or a major event
- open a discussion regarding the appointment of the Slot Manager and how best to meet additional costs
- improve data sharing and transparency from the Slot Manager.

Recommendation 2

The Australian Government implement a range of further reforms to the demand management regime to enable Sydney Airport to improve efficiency, competition and consumer outcomes, and achieve 80 movements per hour. These include, among others:

- permit above 80 slots in the schedule (over-filing), recognising that at least two per cent always cancel on the day of operations
- smooth, or average, the regional ring fence to create a consistent number of regional slots in the morning and evening peak every day of the week. This will reduce fragmentation in the schedule
- improve data transparency between the Slot Manager and SYD
- remove the ‘Australian Holiday Period’ exemption
- require open tender processes with clear key performance indicators and appropriate contracts for the appointment of the Slot Manager
- modernise the 'use it or lose it' rule to implement a slot usage requirement/buffer ratio of 95/5
- implement a public disclosure regime for the use it or lose it rule
- enhance compliance and enforcement options for the slot regime rules, including appropriate penalties for contraventions.

Recommendation 3

The Australian Government develop a more modern approach to the movement cap at Sydney Airport to allow greater flexibility, including:

- measure the movement cap on a scheduled basis over a clock hour rather than a 15-minute rolling hour, i.e., define a regulated hour as a period of 60 minutes starting on the hour, or
- allow an average across the peak periods e.g., a maximum of 320 movements in the morning peak, or
- implement a daily, monthly, seasonal or annual cap, or
- focus on 80 movements in the schedule only and not counting on the day of operations
- exempt emergency, air ambulance, defence and government flights from the movement cap, given they happen on an ad hoc rather than scheduled basis.

Recommendation 4

The Australian Government subject Western Sydney International Airport to the Commonwealth Competitive Neutrality Policy to enable merit-based competition between Sydney Airport and the government-owned Western Sydney International Airport, including ensuring an equal application of rules and regulations, as well as reconsidering the existing regulation at Sydney Airport to reflect the changing dynamics of the aviation market in Sydney. This includes the curfew, the movement cap, the regional ring fence, the regional price cap and

notification regime, classification for the purposes of bilateral air services agreements and the ACCC monitoring regime.

Consider whether the regulations that apply uniquely to Sydney Airport remain fit for purpose in light of competition and access to the Sydney basin changing once Western Sydney International Airport becomes operational.

Recommendation 5

The Australian Government update the Head Lease under which Sydney Airport operates to account for the opening of Western Sydney International Airport. This includes removing the requirement for Sydney Airport to accept all interstate, intrastate, and international traffic and to develop the site for anticipated demand, once Western Sydney International Airport is operational and therefore be available to meet some of this demand.

Recommendation 6

The Australian Government amend the *Sydney Airport Curfew Act* 1995 (Cth) to allow shoulder curfew flights to remain at Sydney Airport once Western Sydney International Airport is operational, and modernise the rules around permissible flights in the shoulder and curfew periods to ensure that next generation quieter aircraft are able to operate during the curfew rather than the older noisier aircraft currently mandated.

Recommendation 7

The Australian Government regularly and actively review the operational regulatory frameworks at airports – particularly those most heavily regulated, such as Sydney Airport – every five years to ensure they remain fit for purpose, meet passenger expectations, and can accommodate demand out to 2050. Review of regulations should be done in partnership between government, Sydney Airport and other stakeholders depending on the issue being considered.

Recommendation 8

The Australian Government enable increased data collection and sharing between government agencies, airports and other aviation stakeholders. This should include between the Slot Manager and SYD, with respect to slots at Sydney Airport. To the extent possible, such data should be shared via a live portal.

Recommendation 9

While no changes are required to the current scope of ACCC airport monitoring, it should be reviewed regularly to ensure it maintains a balance between the benefits that the information can provide and the time and costs of providing such information, and appropriately considers the broader commercial context in which it is published. It should also apply equally to Western Sydney International Airport.

ACCC airline monitoring should be conducted on a permanent, but half-yearly basis.

Recommendation 10

The Aeronautical Pricing Principles remain relevant and useful but should not be mandated by the Australian Government.

Recommendation 11

The Australian Government should review and improve consumer protection arrangements. However, the Australian Government should first address the underlying cause of the most significant issues confronting consumers by reforming the slot regime at Sydney Airport.

Recommendation 12

The Australian Government should bring together airports and airlines to reach alignment on disability access in aviation across Australia. This could be undertaken via a refreshed Aviation Access Forum or other means, but would need to be driven by government, with agreed objectives and clearly articulated responsibilities, accountability, and measurable outcomes.

Recommendation 13

Any proposed Productivity Commission inquiry into regional access should re-examine the definition of 'regional service' in the *Sydney Airport Slot Management Scheme* 2013 (Cth) to ensure it remains fit for purpose. For example, whether certain intra-state locations such as Ballina/Byron Bay, currently included in the regional ring fence, should still be considered 'regional' given current market dynamics.

Chapter 4

Recommendation 14

The Australian Government reform regional access at Sydney Airport, including:

- release trapped slots so regional airlines can build consistent daily schedules, and to make the regional ring fence more usable
- smooth, or average, preserved regional slots to ensure the same number of regional slots are available every day in the morning and evening peaks
- provide the ability to retime regional slots by up to one hour to help with slot fragmentation.

Recommendation 15

The Australian Government limit future declarations relating to the regional price cap and notification regime at Sydney Airport to aeronautical services and facilities that are not covered in commercial agreements between SYD and airlines.

Recommendation 16

The Australian Government review the regional ring fence in consideration of the impact of Western Sydney International Airport on regional requirements at Sydney Airport. This should include evaluating whether the same number of regional slots are required where larger aircraft are used in the future, and applying the regional ring fence and regional pricing regime equally to Western Sydney International Airport to promote government accountability and uphold competitive neutrality.

Chapter 5

Recommendation 17

The Australian Government immediately make the following changes to the demand management framework at Sydney Airport to reduce emissions and support the path to net zero:

- reform Sydney Airport's inefficient slot management system
- modernise Sydney Airport's airspace and flight paths
- review the *Sydney Airport Curfew Act* 1995 (Cth).

Recommendation 18

The Australian Government set a clear objective for sustainable aviation fuel that is underpinned by global best practice policy mechanisms, prioritise feedstock for use in sustainable aviation fuel, and catalyse industry uptake with a volume-based target for domestic sustainable aviation fuel sales.

Chapter 6

Recommendation 19

The Australian Government increase resourcing for the Noise Complaints Information Service to ensure it can deal with noise complaints expeditiously, as well as implement various improvements to the existing noise complaint handling arrangements recommended by the Aircraft Noise Ombudsman.

Recommendation 20

The Minister for Infrastructure, Transport, Regional Development and Local Government amend the manner of endorsement for an Australian Noise Exposure Forecast to include a draft, rather than endorsed, Australian Noise Exposure Forecast in the preliminary draft Master Plan. This will avoid stakeholder confusion and allow stakeholders to comment on both in the one submission. The draft Australian Noise Exposure Forecast would then become endorsed at the same time the draft Master Plan is approved by the Minister.

Recommendation 21

As chair of the National Airports Safeguarding Advisory Group, the Australian Government should ask states and territories to confirm whether or not the recommendations of the National Airports Safeguarding Framework Guideline A (Measures for Managing Impacts of Aircraft Noise) - requiring that anyone purchasing or moving to a property affected by aircraft noise is made aware of the potential impacts - have been implemented within their jurisdictions.

Recommendation 22

The Australian Government work with SYD to consider the following initiatives, to better balance the operation and efficiency of airports with impacts on the local community:

- the introduction of next generation quieter aircraft, including during the curfew
- improvements to flight paths and airspace
- no new high density residential developments in areas already significantly affected by aircraft noise
- better flight path design and aircraft operations, including technologies such as Continuous Descent Approaches
- consideration of a ‘noise envelope’.

Recommendation 23

Government drive national adoption of the eight recommendations of the 2021 National Airports Safeguarding Framework Review into state and territory government land-use planning systems.

Recommendation 24

Given the need to balance a broad range of airport-related issues beyond just noise, the Australian Government consider broadening the terms of reference and membership of the Sydney Airport Community Forum to make its deliberations more relevant to a wider range of issues.

Recommendation 25

The Australian Government amend the *Airports Act* 1996 (Cth) to simplify and streamline the process for major airport developments, including:

- removing the monetary threshold for major airport developments
- simplifying the criteria for what constitutes a major airport development
- simplifying the process for submitting a major development plan.

Recommendation 26

If the monetary threshold for a major airport development is not removed altogether, The Australian Government amend the *Airports Act 1996* (Cth) so that major airport developments can be considered and approved on a precinct basis, including increasing the threshold for major airport developments to at least $50 million, with an appropriate building cost-related indexation to be applied annually thereafter.

Chapter 8

Recommendation 27

Government agencies and airports adopt a customer focused approach and work in partnership to improve the passenger and exporter experience, including:

- agree and implement service level agreements, where relevant, outlining ways of working, the outcomes to be achieved, resourcing levels required to achieve those outcomes, measurable targets, and committing to ongoing review against these service levels
- increase data collection and data sharing
- provide the ongoing resources required to meet each agency's obligations to a sufficient standard
- establish working groups
- test and implement new technologies.

Recommendation 28

The Australian Government establish a framework for sharing and reporting data, to reduce delays and improve coordination between airports, airlines and the Australian Government.

Recommendation 29

The Australian Government establish a working group (similar to the Australian Border Force's Customs Advisory Board) with relevant government agencies and Australia's major international airports, to examine the border process in its entirety. This group would identify new technologies and processes to deliver a more robust, efficient and seamless process, while ensuring Australia's high standards are met, or even exceeded. It should include the collection and sharing of digital and biometric data early in the passenger journey, to improve data quality and enable detailed security assessments to be completed in advance, reducing the reliance on airport processing while keeping the border strong and secure.

This working group should use the simplified border with New Zealand as its first project.

Recommendation 30

The Australian Government treat SYD and Western Sydney International Airport equally through the provision of advanced technology, resourcing, processes and procedures, in accordance with the Commonwealth Competitive Neutrality Policy.

Recommendation 31

The Australian Government commit to providing the ongoing resources required to ensure that government agencies operating in aviation continue to meet their obligations to an acceptable standard. Beyond covering the cost of passenger processing and biosecurity, the additional revenue generated by the passenger movement charge must be allocated to modernising and improving the efficiency of Australia's border processes for the benefit of passengers and exporters.

Recommendation 32

With respect to Airport Coordination Australia and slot coordination services specifically, and in addition to recommendation 26:

- a review should be undertaken by the Australian Government every three years to assess whether a competitive tender process for the provision of slot coordination services at Sydney Airport should be conducted
- the contract for slot coordination services include detailed service level agreements around process and outcomes of coordination, developed in consultation with SYD
- the information supplied by the slot coordinator to stakeholders align with best practice recommendations of the Worldwide Airport Slot Board
- if Airport Coordination Australia is to continue as the slot coordinator, SYD and other current stakeholders should divest their shareholdings in Airport Coordination Australia to ensure true independence.

Recommendation 33

Given the importance of the operations at Sydney Airport to the national aviation network, Airservices Australia should prioritise resourcing, policy and operational changes required to:

- rectify the air traffic controller shortage as a matter of urgency
- enable 80 movements per hour by focusing on an 'average' rolling hour rather than a conservative approach to 80 scheduled movements
- review Sydney Airport's flight paths and adopt improved technology to reduce noise and emissions
- notify SYD of any changes to Sydney Airport's prescribed airspace as required under the *Airports (Protection of Airspace) Regulations* 1996 (Cth)
- maintain current arrangements and service levels with Aviation Rescue Fire Fighting Service, and increase consultation, while the program is reviewed
- implement the agreed engagement standards without repurposing resources from the safe and efficient management of Australia's airspace.

Recommendation 34

Airservices Australia remediate per- and poly-fluoroalkyl substances, or PFAS, contamination generated by its activities.

The Australian Government hold Airservices Australia to account for remediating that PFAS contamination at Sydney Airport.

Recommendation 35

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts actively and regularly review regulations that apply to Sydney Airport, including considering how regulations are applied equally to both Sydney Airport and Western Sydney International Airport.

Recommendation 36

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts conduct further consultation to address concerns raised prior to implementation of changes to the Airport Environment Officer responsibilities and the associated cost recovery plans.

Recommendation 37

The Cyber and Infrastructure Security Centre and SYD develop a clear set of guidelines to cover the processes and responsibilities between them, as well as the resourcing to be provided by government to manage risks in the aviation environment.

Recommendation 38

With respect to security screening at Australian airports, the Cyber and Infrastructure Security Centre should:

- deregulate security programs and move towards a more adaptive, risk-based approach to managing security risks, in particular where airport operators implement a Security Management System
- partner with SYD and peer airports to adopt new technologies to deliver higher security outcomes, expedited passenger processes, and an enhanced customer experience
- provide clarity on the regulatory timeline for the approval of Automated Prohibited Item Detection Systems in live operational environments
- revisit current policies concerning liquids, aerosols and gels restrictions. SYD supports replacing current restrictions with latest generation screening technologies in order to modernise the existing process
- adopt a scaled regulatory approach (including compliance) to testing programs that aligns with an individual airport's level of security sophistication and maturity.

Recommendation 39

Government security agencies assist airports to build appropriate risk assessments and monitor and track emerging risks in partnerships with airports. The outcomes of such engagement should inform security settings and policy review.

Recommendation 40

The Cyber and Infrastructure Security Centre continue to closely engage with relevant industry stakeholders on cyber risk assessment, monitoring and response, including through information sharing arrangements, communication channels, regulatory frameworks and consequence management.

Recommendation 41

Any changes to safety regulation by the Australian Government must support Australia's internationally recognised high standards of safety. Whilst regulation is robust for airlines and airport operators, there is little oversight or supporting standards regarding safety-critical ground servicing and handling processes across the airport environment. Given the complexity of the operating environment, more collaboration from Civil Aviation Safety Authority is welcomed in this area to support an airport's ability to drive the highest safety and performance standards.

Recommendation 42

The Australian Government review the airspace around Sydney Airport to ensure it is optimised for the future, including a review of Sydney Airport's Long Term Operating Plan, along with the implementation of next generation navigation systems such as Performance Based Navigation and Continuous Descent Approaches. Amendments to the *Airports (Protection of Airspace) Regulations* 1996 (Cth) should also be considered.

Recommendation 43

Where cost recovery arrangements are required to support changes to infrastructure or investments in new technologies, such arrangements must be:

- developed in close consultation with airports and airport stakeholders
- effective, with clear measurable improvements in operational outputs for stakeholders and the travelling public – for example additional aircraft movements, reduced passenger processing times, shorter assessment times for development plans - as well as meeting government policy outcomes
- efficient, to ensure that the proposed costs are proportionate to the intended benefits of the activity
- transparent, including the sharing of information between government and stakeholders
- clear about the roles and responsibilities for key stakeholders, with agreed service level agreement to which they are held to account.

Recommendation 44

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts seek feedback from airport operators on their data requirements and adopt recommendations that achieve the objective of providing freight flow data in a consistent format and available in real time through a single source database made available for use by key stakeholders.

Chapter 9

Recommendation 45

The Australian Government implement a new regulatory framework to address emerging technologies (such as drones and Advanced Air Mobility services) and protect the prescribed airspace of airports.

Chapter 10

Recommendation 46

Government and industry work together to identify skills gaps and invest in training programs to support the development of future skills, in addition to upskilling the existing workforce and attracting new entrants to the industry.

Recommendation 47

The Australian Government undertake initiatives to attract a more diverse workforce and increase the number of women and young employees in aviation, including by partnering with industry, secondary schools, TAFE and other VET providers, and developing apprenticeships and internship programs to provide a structured entry into the aviation industry.

Chapter 11

Recommendation 48

As a matter of priority, the Australian Government seek to increase the number of open skies agreements it has with certain countries and regions. Where it is not possible to remove capacity restrictions from bilateral air service agreements, it should be Australian Government policy to remove existing city limit restrictions.

Recommendation 49

The Australian Government apply consistent rules and regulations regarding bilateral air service agreements equally to Sydney Airport and Western Sydney International Airport, in accordance with the Commonwealth's Competitive Neutrality Policy.

2 Likely future directions out to 2050

Summary

International aviation is vitally important to the Australian economy. The three largest contributors to the sector are education, freight and tourism and these should remain an investment focus for the Australian Government.

SYD supports the creation of a clear plan for long-term decarbonisation of the sector.

Key objectives for the aviation sector

2.1.1 What emphasis should the Australian Government place on trends to help guide the future of the sector? Are there any other trends the Australian Government could add?

SYD considers that the scenarios mapped by LEK Consulting over the short- (to 2030), medium- (2030 to 2040) and long-term (2040 to 2050), represent a reasonable range of likely future directions to 2050.

SYD notes the conclusion in the Green Paper is that Australia is likely to have sufficient airport capacity to meet growth. What is lacking, however, is a focus on whether the growth targets are sufficiently ambitious, and how the Australian Government will contribute to demand side drivers to achieve ambitious growth targets.

International aviation is worth over $100 billion to Australia, with education ($40.3 billion), freight ($34.5 billion) and tourism ($13.3 billion) the three largest contributors.[5] The Australian Government should be using all levers at its disposal to grow these sectors, including continued investment in Austrade, Tourism Australia, and ensuring our education sector remains world leading.

Noting the importance of international aviation to Australia's economy, Australia stands exposed to significant risk if a clear pathway to long term decarbonisation is not achieved. As discussed in Chapter 5.1.1, Australia does not have viable alternatives for travel to and from Australia, unlike Europe which has an advanced rail network. So, while there is opportunity to invest and grow demand side drivers, it is imperative that our nation has a plan to do this sustainably so as not to miss out on the economic benefits which result from international aviation.

[5] EY, *The role of aviation in Australia's economic recovery*, EY, 2020, accessed 27 November 2023.

3 Airlines, airports and passengers – competition, consumer protection and disability access settings

Summary

Consumers and businesses benefit from an open, efficient, and competitive aviation industry that delivers increased choice, lower airfares, a reliable service, and improved standards of customer service. Effective regulation is key to ensuring this occurs. While the economic regulatory framework applicable to airports remains fit for purpose and provide airports with a strong incentive to act reasonably, there are several areas of operational regulation that require urgent and ongoing reform to ensure these outcomes are achieved.

Demand management reform is the key to delivering efficiency and good customer outcomes

The Sydney Airport demand management framework, or slot regime, requires urgent reform. The slot regime:

- is inefficient and outdated, as the movement cap was implemented in 1997 and has not been updated to account for modern aircraft and noise mitigation measures
- is open to misuse by major airlines, as the current rules incentivise incumbent airlines to hoard more slots than they need, thereby blocking new entrants and reducing competition
- results in higher levels of noise and emissions than necessary
- adversely affects consumers by increasing flight delays and cancellations as well as leading to higher airfares.

Given these issues, SYD considers that:

- the best way to address the most significant issues facing consumers, being flight cancellations and delays, is to address the underlying causes of these – an inefficient and outdate slot regime
- there is a clear case for sharing more data and analysis around the allocation and use of slots, as the effectiveness of the slot regime is heavily dependent on the flow of critical information between airlines, Sydney Airport and the Slot Manager
- SYD's pricing structures in aeronautical services agreements with airlines need to incentivise airlines to behave more efficiently.

This is discussed in detail in Chapter 3.1.1.

Further reform is required to drive competition and growth to 2050

The existing regulations that apply to Sydney Airport should also be reviewed in light of the impending opening of WSI in 2026 to ensure that the Competitive Neutrality Policy, which supports merit-based competition between Sydney Airport and the government-owned WSI, is met.

Permitting aircraft movements during the curfew shoulder periods is vitally important for airlines, the travelling public and the Australian economy. In particular, they enable airlines to schedule flights in a way that ensures their international networks function effectively, especially where there are differing daylight savings time periods that mean scheduling flexibility is crucial to the functioning of global aviation. SYD strongly recommends that the Curfew Act be amended to allow shoulder flights to continue at Sydney Airport even once WSI is operational. SYD also recommends that a review be undertaken to modernise the rules around

permissible flights in the shoulder and curfew periods to reflect improvements in aircraft technology and airspace design and enable more balanced operational and noise outcomes during these periods.

Regulatory reform should not be a 'set and forget'. To ensure Sydney Airport can accommodate demand and meet passenger expectations to 2050, active and ongoing review and reform of the operational regulations applying to Sydney Airport is required to ensure they remain fit for purpose. This is discussed in detail in Chapter 3.1.1.

Light-handed regulation remains fit for purpose

As recognised consistently by the Productivity Commission (**PC**) over multiple inquiries, including most recently in 2019,[6] the current light-handed regulatory regime that applies to airports remains fit for purpose. The interlocking components of the current regime provide airports with a strong incentive to act reasonably in their interactions with airlines, land transport operators and passengers.

The need for airports to reach agreements with airlines to provide required investment certainty, along with the potential recourse of airlines to Part IIIA of the CCA, provide a conducive environment for all parties to reach balanced commercial agreements for the supply of aeronautical services and facilities. For over twenty years airports and airlines have consistently demonstrated the ability to reach commercial agreement for a very broad range of aeronautical services and these agreements have underpinned billions of dollars in investment.

SYD does not consider that a negotiate-arbitrate framework is appropriate in relation to aeronautical services agreements. The significant countervailing power of airlines acts as a constraint on airports' ability to exercise any market power, and airlines are therefore able to and do protect their interests in commercial negotiations.

The Aeronautical Pricing Principles (**APPs**) have served as a significant aid to ensuring airlines and airports negotiate in a manner that supports open and transparent exchanges of information, leading to balanced commercial outcomes that facilitate efficient investment in infrastructure. The APPs remain relevant and provide a useful reference point to guide SYD's engagement with its airlines. However, mandating the use of the APPs seems unnecessary for price monitored airports, as the APPs already underpin the negotiation process. While SYD uses the APPs in its negotiations, particularly in respect of the preparation of information that will be provided to airlines at the commencement of negotiations, the APPs do not solely determine negotiated outcomes. Airport/airline negotiations are not generic and many airlines have bespoke or specific desires in the context of aeronautical services and facilities. For this reason, the principles in the APPs are of assistance in guiding negotiations without being overly restrictive and limiting commercially negotiated outcomes. SYD believes this balance between having clear negotiation guiding principles in the APPs while also allowing commercial parties to reach negotiated outcomes remains important.

In SYD's view, any review of the APPs should focus on how it can be used to alleviate ongoing slot issues and subsequent poor consumer outcomes. SYD is actively considering how its pricing structures in aeronautical services agreements can better incentivise efficient airline behaviour including the use of scarce slots at Sydney Airport. This is discussed in detail in Chapters 3.1.1 and 3.1.3.

The collection and sharing of data is critical

The collection and sharing of appropriate, accurate and timely data is critical to the efficient operation of airports and for building public confidence in the aviation system. The clearest case for sharing more data and analysis is in relation to the allocation and usage of slots. Currently, the industry relies on datasets published

[6] Productivity Commission, *Economic Regulation of Airports, Inquiry Report no. 92*, PC, 2019, accessed 27 November 2023.

by the Bureau of Infrastructure and Transport Research Economics (**BITRE**). However, these datasets are inadequate for the purpose of monitoring slot usage and compliance at Sydney Airport. Moreover, the Slot Manager releases very limited information regarding slots and regularly allocates 'confidential slots'. The current system is opaque and does not work. This is discussed in detail in Chapter 3.1.2.

Opportunities exist to improve the passenger experience

SYD welcomes the Australian Government's efforts to improve consumer outcomes and supports further enhancement of consumer protection arrangements in principle. However, SYD considers that responding to consumer concerns should begin by addressing the underlying cause of the most significant issues confronting consumers, such as flight cancellations and delays at Sydney Airport. In SYD's view, that root cause is the slot regime. The highly concentrated domestic airline market should also be addressed, as should the improvement of data sharing.

SYD acknowledges that passengers with disabilities face a variety of challenges when accessing air travel. Although each airport and airline have different operational requirements, collectively, stakeholders in the aviation industry should and can create a better experience for these passengers. Strategic oversight, and in some cases investment, is required to set baseline, standardised, or endorsed training programs to ensure equitable access for all. This is discussed in detail in Chapters 3.2 and 3.3.

Recommendations

Recommendation 1

The Australian Government immediately implement the following recommendations of the Harris Review:

- update the definition of new entrant as now included in the Worldwide Airport Slot Guidelines
- a preference for changes to historic slots ranking ahead of new entrant requests
- the ability to retime regional slots by up to 60 minutes
- reduce the classification of morning and evening peak times
- closer alignment to the Worldwide Airport Slot Guidelines, including the definition of a slot and dropping the size of aircraft test
- strengthen and increase resourcing of the Compliance Committee, including alignment to the Worldwide Airport Slot Guidelines on slot misuse, as well as regular auditing
- retime stranded slots
- Airservices Australia to report movements on a clock hour basis only
- implement a recovery period following adverse weather or a major event
- open a discussion regarding the appointment of the Slot Manager and how best to meet additional costs
- improve data sharing and transparency from the Slot Manager.

Recommendation 2

The Australian Government implement a range of further reforms to the demand management regime to enable Sydney Airport to improve efficiency, competition and consumer outcomes, and achieve 80 movements per hour. These include, among others:

- permit above 80 slots in the schedule (over-filing), recognising that at least two per cent always cancel on the day of operations

- smooth, or average, the regional ring fence to create a consistent number of regional slots in the morning and evening peak every day of the week. This will reduce fragmentation in the schedule
- improve data transparency between the Slot Manager and SYD
- remove the ‘Australian Holiday Period’ exemption
- require open tender processes with clear key performance indicators and appropriate contracts for the appointment of the Slot Manager
- modernise the 'use it or lose it' rule to implement a slot usage requirement/buffer ratio of 95/5
- implement a public disclosure regime for the use it or lose it rule
- enhance compliance and enforcement options for the slot regime rules, including appropriate penalties for contraventions.

Recommendation 3

The Australian Government develop a more modern approach to the movement cap at Sydney Airport to allow greater flexibility, including:

- measure the movement cap on a scheduled basis over a clock hour rather than a 15-minute rolling hour, i.e., define a regulated hour as a period of 60 minutes starting on the hour, or
- allow an average across the peak periods e.g., a maximum of 320 movements in the morning peak, or
- implement a daily, monthly, seasonal or annual cap, or
- focus on 80 movements in the schedule only and not counting on the day of operations
- exempt emergency, air ambulance, defence and government flights from the movement cap, given they happen on an ad hoc rather than scheduled basis.

Recommendation 4

The Australian Government subject Western Sydney International Airport to the Commonwealth Competitive Neutrality Policy to enable merit-based competition between Sydney Airport and the government-owned Western Sydney International Airport, including ensuring an equal application of rules and regulations, as well as reconsidering the existing regulation at Sydney Airport to reflect the changing dynamics of the aviation market in Sydney. This includes the curfew, the movement cap, the regional ring fence, the regional price cap and notification regime, classification for the purposes of bilateral air services agreements and the ACCC monitoring regime.

Consider whether the regulations that apply uniquely to Sydney Airport remain fit for purpose in light of competition and access to the Sydney basin changing once Western Sydney International Airport becomes operational.

Recommendation 5

The Australian Government update the Head Lease under which Sydney Airport operates to account for the opening of Western Sydney International Airport. This includes removing the requirement for Sydney Airport to accept all interstate, intrastate, and international traffic and to develop the site for anticipated demand, once Western Sydney International Airport is operational and therefore be available to meet some of this demand.

Recommendation 6

The Australian Government amend the *Sydney Airport Curfew Act* 1995 (Cth) to allow shoulder curfew flights to remain at Sydney Airport once Western Sydney International Airport is operational, and modernise the rules

around permissible flights in the shoulder and curfew periods to ensure that next generation quieter aircraft are able to operate during the curfew rather than the older noisier aircraft currently mandated.

Recommendation 7

The Australian Government regularly and actively review the operational regulatory frameworks at airports – particularly those most heavily regulated, such as Sydney Airport – every five years to ensure they remain fit for purpose, meet passenger expectations, and can accommodate demand out to 2050. Review of regulations should be done in partnership between government, Sydney Airport and other stakeholders depending on the issue being considered.

Recommendation 8

The Australian Government enable increased data collection and sharing between government agencies, airports and other aviation stakeholders. This should include between the Slot Manager and SYD, with respect to slots at Sydney Airport. To the extent possible, such data should be shared via a live portal.

Recommendation 9

While no changes are required to the current scope of ACCC airport monitoring, it should be reviewed regularly to ensure it maintains a balance between the benefits that the information can provide and the time and costs of providing such information, and appropriately considers the broader commercial context in which it is published. It should also apply equally to Western Sydney International Airport.

ACCC airline monitoring should be conducted on a permanent, but half-yearly basis.

Recommendation 10

The Aeronautical Pricing Principles remain relevant and useful but should not be mandated by the Australian Government.

Recommendation 11

The Australian Government should review and improve consumer protection arrangements. However, the Australian Government should first address the underlying cause of the most significant issues confronting consumers by reforming the slot regime at Sydney Airport.

Recommendation 12

The Australian Government should bring together airports and airlines to reach alignment on disability access in aviation across Australia. This could be undertaken via a refreshed Aviation Access Forum or other means, but would need to be driven by government, with agreed objectives and clearly articulated responsibilities, accountability, and measurable outcomes.

Recommendation 13

Any proposed Productivity Commission inquiry into regional access should re-examine the definition of ‘regional service’ in the *Sydney Airport Slot Management Scheme* 2013 (Cth) to ensure it remains fit for purpose. For example, whether certain intra-state locations such as Ballina/Byron Bay, currently included in the regional ring fence, should still be considered ‘regional’ given current market dynamics.

3.1 A competitive aviation sector

3.1.1 What measures should be taken to ensure Australian aviation markets operate efficiently, improve competition settings, and deliver optimal consumer outcomes?

Consumers and businesses benefit from an open, efficient and competitive aviation industry that delivers increased choice, lower airfares, a reliable service and improved standards of customer service. Effective regulation is key to ensuring this occurs. While the economic regulatory framework that applies to airports remains fit for purpose and provides airports with a strong incentive to act reasonably, there are several areas of operational regulation that require urgent and ongoing reform to ensure these outcomes are achieved.

3.1.1.1 Slots and demand management at Sydney Airport

The slot system at Sydney Airport is outdated and inefficient

Of the regulations that impact efficiency, competition and consumer outcomes, the Sydney Airport demand management framework, or slot regime, requires the most urgent reform. Introduced in 1997 to address noise concerns, Sydney Airport is the only airport in Australia that is subject to a slot regime, which limits the number of arrivals and departures (movements) per hour.[7] Under this regime, scheduled movements and actual movements are both presently capped at 80 per rolling hour. Practically, Sydney Airport rarely reaches this cap, with peak hours averaging 72 to 73 movements.

When Sydney Airport's demand management framework was introduced, the airport was a lot less busy than it is today, making it relatively easy for an airline to gain access to slots. As the airport has become more congested over time, the value of slots has increased as competing airlines attempt to gain slots at specific times, with those in the peak periods being significantly more valuable and in demand than non-peak slots. At the same time, a lack of any meaningful reform to the rules over the last 26 years, including to the legislative framework underpinning the Sydney Airport slot compliance regime, means that the rules are no longer fit for purpose and no effort has been made to monitor or track compliance in recent years.

As outlined in more detail below, the rules are open to slot misuse by major domestic airlines, are inefficient, reduce competition, and lead to greater noise and emissions than necessary. The slot system at Sydney Airport is outdated and inefficient and requires urgent and ongoing reform.

Domestic airlines take advantage of the slot system to misuse slots

Fundamentally, the way the current rules are written incentivises incumbent airlines to both over file for and hold too many slots (even where they have no demand or requirement for them), to hoard slots or block competitors' access to them. Indeed, the incumbent major domestic airlines currently hold 72 per cent of all slots at Sydney Airport, and their slot holdings have continued to increase on the busiest domestic routes despite these markets not growing in line with the corresponding slot filings.

There is no cost for airlines to apply for a slot, and the requirements to retain them are relatively easy to meet. To retain slots in perpetuity, airlines must meet the low threshold of operating the slot at least 80 per cent of the time, otherwise known as 'the 80/20 rule'. On top of this threshold, the existing slot regime is poorly worded and interpreted too widely. Under the Worldwide Airport Slot Guidelines 2020 (**WASG**) non-use of a slot is justified for "*unforeseeable and unavoidable causes outside the airlines control, for example a closure of an*

[7] The slot regime is established by the *Sydney Airport Demand Management Act 1997* (Cth) and several additional regulatory instruments

airport or airspace, or severe weather"[8], and this sits outside of the 80/20 rule. It is unclear exactly what is included in the 20 percent non-use buffer, other than the operational choices of airlines. The buffer should include all reasons for cancellation, including adverse weather (and as discussed later in this Chapter, the rule should be amended to 95/5 for domestic flights).

Data indicates the trend of major incumbent domestic airlines filing for more slots than required, then cancelling specific flights on high frequency domestic routes (Sydney to Melbourne, Sydney to Canberra, and Sydney to Brisbane) and consolidating those services with lower passenger numbers onto flights either side of the original time, but always staying above the 80 per cent usage requirement to retain the slots moving forward.

Such behaviour locks up part of the slot pool and makes it much more difficult for new entrants to gain a foothold in the market, ultimately hampering competition amongst airlines at Australia's busiest airport. These patterns of behaviour have led to concerns being raised by the ACCC, the PC, Mr Peter Harris AO and two former ACCC Commissioners.

Airlines have argued that their slot holdings build resilience into the system, blaming weather and Air Traffic Control (**ATC**) staffing for cancellations. While it is a fact that weather and ATC do contribute to schedule interruptions, data demonstrates that a substantial number of cancellations occur for reasons unrelated to weather and ATC. For example:

- in April 2023, 15 days at Sydney Airport were impacted to some degree by adverse weather or ATC staffing shortages. However, 46 per cent (188 of 407) of the total cancellations on the Sydney to Melbourne route occurred on days with no such impacts
- in June 2023, 17 days at Sydney Airport were impacted to some degree by adverse weather or ATC staffing shortages. However, 34 per cent (127 of 372) of cancellations on the Sydney to Melbourne route occurred on the 13 days where there were no weather impacts and no Ground Delay Protocols declared by Airservices Australia (**Airservices**).

There would be limited industries, if any, where a service provider's choice to cancel one in five services would be deemed an acceptable standard of customer service. The system needs to change, otherwise the behaviour of domestic airlines will not change.

Later in this chapter SYD proposes that the threshold for domestic historic precedence (noting that it is the domestic market only where there is strong evidence of slot misuse) should be amended to 95/5, to provide for a modernised slot usage benchmark, while still being more than twice the size of the long-term cancellation rate at Sydney Airport of 2.3 per cent.

[8] Airports Council International, International Air Transport Association, Worldwide Airport Coordinators Group, *Worldwide Airport Slot Guidelines*, 3rd edn, ACI, IATA, WACG, 2023, accessed 27 November 2023.

Slot hoarding and strategic cancellations

In the years leading up to the COVID-19 pandemic, domestic cancellation rates by Qantas at Sydney Airport doubled, as did Qantas Group's cancellation rate on Australia's busiest domestic route, Sydney to Melbourne. In 2019 alone, Qantas' cancellation rate on the Sydney to Melbourne route was 8.7 times higher when compared to the rest of the domestic network, whilst Virgin Australia's cancellation rate was also significant, at 5.6 times higher.

Over the same period in 2017 to 2019, Qantas' and Virgin Australia's flights between Sydney and Melbourne increased by 3.3 per cent (equal to an extra 2005 flights per year), despite passenger volumes decreasing by 0.2 per cent. Cancellations increased by 74 per cent.

Post-COVID, slot misuse and inefficient behaviour has continued. Domestic airlines hold 82 per cent of peak slots at Sydney Airport in 2023. Declaring publicly that they were going to be operating at 107 per cent (Qantas) and 120 per cent (Jetstar) of pre-COVID capacity for the Northern Summer 23 season, the Qantas Group applied for 102 per cent of pre-COVID slot holdings, but have only operated at 85 per cent of pre-COVID levels.

Despite the recent and highly public scrutiny of domestic airline behaviour, cancellations by major domestic airlines continue to far exceed Sydney Airport's long-term cancellation rate of 2.3 per cent.

Cancellation rates in 2023 (per cent)

	September cancellation rate	**Average cancellation rate year-to-date**
Sydney to Melbourne		
Qantas	7.4	8.4
Jetstar	9.9	11.3
Virgin Australia	9.3	9
Regional Express	0	2.2
Sydney to Canberra		
Qantas	7.7	10.7
Virgin Australia	1.6	4
Sydney to Brisbane		
Qantas	3.8	3.9
Jetstar	10.1	10.1
Virgin Australia	5.9	6.3
Regional Express	0	1.6

An 'intention to operate' a slot

Under Section 8 of the WASG, airlines may only hold slots that they intend to operate, transfer, swap, or use in a shared operation.

However, in its recent defence filed in the *Australian Competition and Consumer Commission v Qantas Airways Limited* Federal Court proceeding (no. VID685/2023), Qantas stated that it "*does not represent that it will use reasonable endeavours to operate any flight in its schedule*". According to Qantas, the service that it offers the travelling public is not a particular flight, but rather a "*bundle of contractual rights*" that includes alternative options for cancelled flights but does "*not include any promise or obligation to operate any flight with a particular flight number with a scheduled date and time*."

While flights can be impacted by factors both within and beyond an airline's control (as discussed in this Chapter 3) the clear statement by Qantas that it does not even use reasonable endeavours to operate flights – where at Sydney Airport it holds valuable slots – conflicts with the requirements for holding those slots under the WASG. This further undermines the efficient and fair allocation of slots at Sydney Airport where the travelling public bear the consequences. This is yet another reason why urgent reform of the slot regime is required.

An inefficient slot regime limits competition

To foster both domestic and international competition at Sydney Airport, airlines require sufficient and consistent slots during the most 'in demand' periods of the day, particularly the morning weekday peak period.

Whilst incumbent domestic airlines claim that Sydney Airport is only 75 per cent full and not at capacity, the inability to access consistent slot series in peak periods limits the ability for existing domestic and international airlines to build meaningful competitive schedules and prevents new entrants from establishing a foothold in the market. As noted in the Green Paper, Regional Express (**Rex**) has outlined the difficulty it has experienced accessing slots at Sydney Airport during peak periods. Similarly, Bonza CEO, Tim Jordan, has stated that Bonza is prepared and willing to increase services into Sydney in 2024 if given the opportunity to do so.[9] However, Mr Jordan has also emphasised that the challenges of accessing serviceable slots is preventing Bonza from offering flights from Sydney Airport, and therefore reducing the ability of the airline to expand.[10] Indeed, Bonza has not yet sought to apply for slots at Sydney Airport due to these challenges. International competition is also limited, particularly during the busy morning peak where Sydney Airport's curfew, Australia's geographical location, and the connectivity required to major international hubs drives a requirement for morning peak slots.

Even if the peak period is represented to be full, or close to full (as per the capacity charts shown on ACA's website[11]) in practice, slot hoarding, cancellations and inefficiencies within the regime mean that Sydney Airport averages only 72 to 73 peak movements per hour. This wastes valuable and in-demand capacity, limits competition and ultimately leads to less choices for consumers.

[9] Australian Senate, Select Committee on Commonwealth Bilateral Air Service Agreements, *Commonwealth bilateral air service agreements*, Australian Senate, 27 September 2023, p 22, accessed 27 November 2023.
[10] Australian Senate, Select Committee on Commonwealth Bilateral Air Service Agreements, *Commonwealth bilateral air service agreements*, Australian Senate, 27 September 2023, p 22, accessed 27 November 2023.
[11] Airport Coordination Authority, *Sydney Airport*, ACA website, 2023, accessed 27 November 2023.

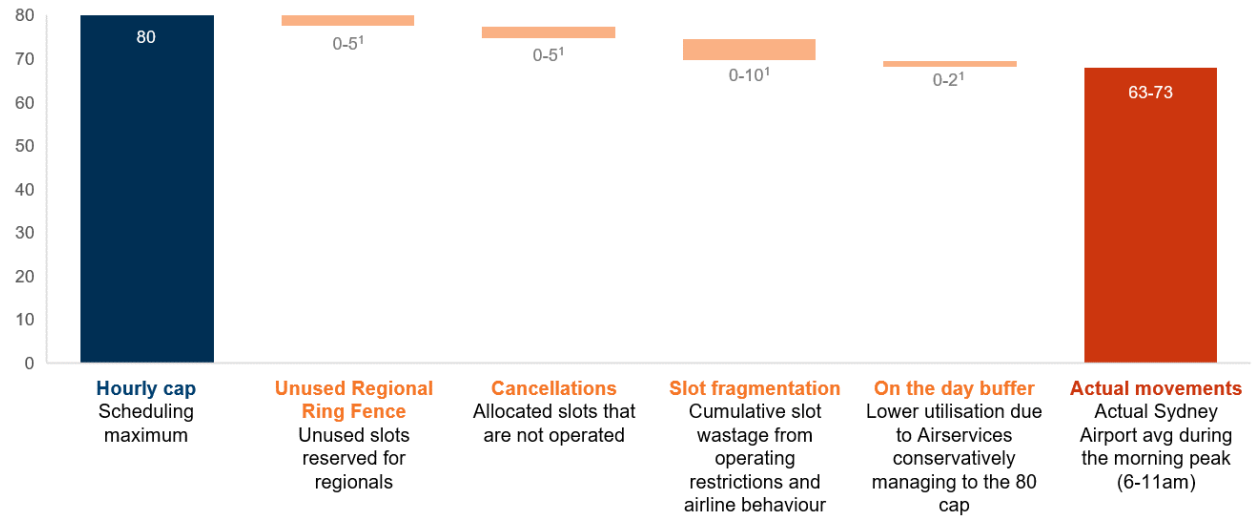
An inefficient slot regime directly impacts consumers

The slot regime creates other inefficiencies at Sydney Airport which directly impact consumers by resulting in flight delays and cancellations. For example:

- The slot regime (along with the rolling hour cap) does not provide sufficient flexibility to enable Sydney Airport to 'catch up' following a delay, severely limiting the ability to recover and maintain 'on time' performance. Consideration should be given to adjusting policy settings that currently exacerbate delays and inconvenience for the travelling public where cancellations or delays are outside the control of airlines and airports. For example:
    - the ability to go above 80 movements per hour to recover from weather events or where Airservices staffing has caused delays
    - dispensations to operate in the 5:00 a.m. hour or 11:00 p.m. hour to assist in limiting unnecessary delays or cancellations.
- The allocation of slots by the Slot Manager (appointed by the Australian Government) in the schedule results in actual movements on the day typically being well under the cap of 80 per hour. SYD notes that slot fragmentation is the single biggest driver of inefficiency at Sydney Airport, costing up to 10 movements per hour. Slot fragmentation means random, available but unusable slots through the schedule, or allocated daily slot times that are uneven across a week. Slot fragmentation is driven by an inconsistent RRF, the unnecessary requirement to schedule to a 15-minute rolling hour, inconsistent global daylight savings times, and non-daily flights embedded in the schedule over time. As a result of slot fragmentation, slots may appear available in the schedule however the inability to obtain a consistent (e.g., daily) series throughout the season makes them commercially unusable by airlines. Improving the inefficiencies created by the slot regime would unlock additional hourly flights at Sydney Airport, which would increase competition and provide consumers with more choice and lower prices.
- Due to historical precedence rules, airlines are not incentivised to operate larger planes on busier routes, i.e., SYD has seen downgauging rather than upgauging over the past 10 to 15 years. For example, Qantas' average gauge on the Sydney to Melbourne route fell by 17.5 per cent, from 211 seats to 174 seats between 2010 and 2023. Similarly, on the Sydney to Brisbane route Qantas' average gauge fell by 13 per cent from 200 seats to 174 seats. Sydney to Canberra tells the same story with a 36 per cent reduction in seats-to-slots efficiency from 2010 to 2023. This practice exacerbates capacity wastage and prevents other airlines from commencing or increasing their operations at Sydney Airport. It has also led to an increase in slots held by the dominant airlines and has stifled competition in the market.

The collective impact of slot management issues on Sydney Airport's capacity is illustrated below.

The impact of slot management issues on Sydney Airport's capacity



[1] Indicative slot wastage estimates due to limited transparency and inadequate information (another issue with current slot management)

An inefficient slot regime needlessly increases noise and emissions

As discussed further in Chapter 5, an inefficient slot regime also contributes to increased emissions without any noise or operational benefit. Airlines that operate smaller aircraft more frequently needlessly increase emissions, while the strict application of the 80 movement per rolling hour cap compels Airservices to hold aircraft on the ground or delay them from landing (i.e. circling) to ensure the rolling hour cap is not reached, even if there are no operational impediments to them taking off or landing. This results in no net noise benefit whilst simultaneously increasing fuel burn and emissions. For context, it is estimated that for every five minutes of airborne holding time saved, carbon emissions could be reduced by between 0.4 and 4.3 tonnes per flight, depending on the aircraft type.[12]

Review of Sydney Airport's slot regime

The problem statement agreed to by both the former Coalition and current Labor Governments is that Sydney Airport cannot achieve its permitted 80 movements per hour, which limits the efficiency of the airport. Following a recommendation from the PC in 2019, the former Coalition Government initiated an independent review of the demand management regime led by Mr. Harris, otherwise known as the Harris Review.[13] This was the first meaningful review of the slot regime since its inception, then 24 years earlier. In his report, made public by the former Government in June 2021, Mr. Harris made 18 recommendations. While not disagreeing with most of the recommendations, SYD has maintained they do not solve the root cause of issues with the slot regime.

[12] Airbiz, *Sydney Airport: Slot Reform Carbon Emissions,* Airbiz, 2020.
[13] DITRDCA, *Review of Sydney Airport Demand Management Scheme*, DITRDCA website, n.d., accessed 27 November 2023.

Key recommendations from the Harris Review include:

- updating the definition of new entrant as now included in the WASG 2020
- a preference for changes to historic slots ranking ahead of new entrant requests
- allocating regional slots to regional ports outside New South Wales (SYD strongly disagrees)
- the ability to retime regional slots by up to 60 minutes
- reduce the classification of morning and evening peak times
- closer alignment to the WASG, including the definition of a slot and dropping the size of aircraft test
- strengthening and increasing resourcing of the Compliance Committee, including alignment to the WASG on slot misuse, as well as regular auditing
- retiming stranded slots
- Airservices to report movements on a clock hour basis only
- implementation of a recovery period following adverse weather or a major event
- open a discussion regarding the appointment of the Slot Manager and how best to meet additional costs
- improved data sharing and transparency from the Slot Manager.

Following the release of the Harris Review, Technical Working Groups (**TWGs**) were established by the then Department of Infrastructure and Transport, which ran from August 2021 to March 2022. The TWGs were tasked with assessing the impacts of any potential changes to the regulatory framework and to refine recommendations into proposals suitable for operational implementation if deemed appropriate. With the assistance of external consultants and input from a wide cross section of stakeholders, it was demonstrated that the Harris Review recommendations on their own were somewhat conservative and would not fully solve the problem statement of not being able to operate at 80 movements per hour.

Going beyond the Harris Review recommendations

SYD welcomes any measures that improve the slot regime, including the immediate implementation of most of the Harris Review recommendations. However, further reform beyond the original Harris Review recommendations is needed to get Sydney Airport to 80 movements per hour.

In SYD's original submission, and through other fora including the TWGs, a range of further options have been proposed to drive the greatest efficiencies. These include:

- a more flexible approach to manage the movement cap (further discussion below), for example:
    - measuring the movement cap on a scheduled basis over a clock hour rather than a 15-minute rolling hour, i.e., define a regulated hour as a period of 60 minutes starting on the hour
    - for each day of the week, scheduled movements in each clock hour should average 80 movements or below over a scheduling season. This would help to significantly mitigate the impacts of slot fragmentation (further information below)
    - exempting emergency, air ambulance, defence and government flights from the movement cap given they happen on an ad hoc rather than scheduled basis
- permitting above 80 slots in the schedule (over filing), recognising that at least two per cent always cancel on the day of operations
- smoothing, or averaging, the RRF to create a consistent number of regional slots in the morning and evening peak every day of the week. This will likely reduce fragmentation in the schedule
- increasing the minimum slot series airlines must apply for

- allocating slots to specific runways, with smaller planes being allocated to the parallel runway in peak times to allow for widebody use on the main runway
- requiring airlines to demonstrate they have the ability to operate all slots applied for
- requiring airlines to provide linked schedules to assist with airport planning and operations
- establishing slot optimisation meetings, which provides an opportunity for airlines to pursue improvements to their current slot holdings
- improving data transparency between the Slot Manager and SYD (as discussed in Chapter 3.2 below)
- removing the Australian Holiday Period (**AHP**) exemption. Under the current rules, airlines may retain historic slots without operating for six weeks (between mid-December and the end of January), of the 22-week Northern Winter season. The AHP was put in place in 2012 as a three-year trial to help domestic and regional airlines reduce their schedules without impact on their 80/20 usage, over what was then a quieter period of the year as businesses 'shut down' and travel was reduced. However, Australia now operates in a global economy with business (and travel) continuing throughout this period. In fact, this is now Sydney Airport's busiest operating period. The concept of the AHP is therefore redundant and significantly outdated. It further distorts airline competition at Sydney Airport by only requiring airlines to operate 80 per cent of 16 weeks, thereby blocking potential new entrants.
- requiring open tender processes with clear key performance indicators (**KPIs**) and appropriate contracts for the appointment of the Slot Manager
- requiring airlines to operate 80 per cent of slots held at Historic Baseline Date (**HBD**) to retain historic precedence for the series to prevent a 'double dip'.

Improving efficiency, competition and consumer outcomes, and further reform options

In light of the shortcomings of the slot regime, SYD strongly agrees with the ACCC's assessment that *'the most effective way that the Australian Government could enhance airline competition for the benefit of consumers would be to implement reforms to the way Sydney Airport slots are allocated to airlines'*.[14] Based on more recent events with regards to potential slot misuse and failings of the slot scheme, further specific measures not previously raised through the Harris Review process include:

- **Optimising the 80/20 'use it or lose it rule'**: The threshold for domestic historic precedence (noting that it is the domestic market only where there is strong evidence of slot misuse) should be amended to provide for a modernised slot usage benchmark. Given the long-term cancellation rate at Sydney Airport is 2.3 per cent, a 95/5 domestic usage requirement would still provide a buffer of two times that rate. As discussed earlier in this Chapter 3.1.1, dispensations for weather interruptions and ATC issues should be counted within the five percent buffer. This would ensure an appropriate balance between the level of interruptions acceptable to consumers and the level of slot usage that is fair and administratively workable for domestic airlines. Whilst the introduction of a 95/5 domestic usage requirement at Sydney Airport may differ with the WASG and requirements at other airports, it is noted that Sydney Airport is already subject to unique local rules and regulations, including the movement cap, RRF, and Long-Term Operating Plans (**LTOPs**).
- **Improving transparency**: SYD recommends implementing a public disclosure regime on the 'use it or lose it' rule. This would expose airline cancellations to public scrutiny, with the consequence of improving conduct and thereby creating better consumer outcomes. Such a regime should include

[14] Australian Competition and Consumer Commission, *Airline competition in Australia: Final Report*, ACCC, 2023, p 28, accessed 27 November 2023.

publishing details on dispensation requests, slot substitutions relative to the basis of allocation filing, and excluded events. An immediate forensic audit into the current use of slots at Sydney Airport should be conducted so that the facts about airline behaviour are clear and no longer debated, and so that all parties have a consistent, clear baseline about slot usage.

- **Improving slot use compliance and monitoring**: The optimised domestic operating buffer should be supported by adequate and transparent data (addressed further below), and a robust monitoring regime. The current slot regime no longer represents regulatory best practice. It does not reflect the WASG, and the Compliance Committee does not provide adequate oversight or enforcement of the regime. The SADM Act and Slot Management Scheme should be amended to broadly align with Chapter 9 of the WASG. In addition, the Compliance Committee should be conferred the additional powers envisaged by the WASG, including the ability to consider slot misuse and anti-competitive behaviour by airlines.
- **Fit for purpose enforcement**: In addition to monitoring compliance, SYD recommends enhanced enforcement options, including appropriate penalties for contraventions of the regime. For example, the ACCC should be empowered to investigate formal breaches of the WASG anti-competitive conduct rule (9.2.2.e). As a fundamental principle, the penalty regime needs to be significant enough to deter potential misuse of slots and the slot scheme, at Sydney Airport. While financial penalties have existed to date for off slot movements, this has practically never been enforced.
  The Slot Manager should also follow the guidelines in Section 9.4.4 of the WASG to take appropriate action for either proven slot misuse or the failure of an airline to respond to the request for information in a timely manner. The actions outlined in the guidelines are below.
    - No further action
    - Formal warning. The Slot Manager can at any time during the investigation decide to issue an official written warning to an airline. This means that no sanction is applied but the airline would be monitored to check future slot compliance. Any further instances of slot misuse during the season from the date of the last incident may be subject to penalties and the warning should be considered when reviewing these instances
    - Penalties:
        - Withdrawal of slots. The Slot Manager may:
            - withdraw the full series of slots related to the slot that was misused in the next equivalent season. For example, if an airline held a daily departure slot at 7:00 a.m. for the season and was found to have misused the Wednesday slot, the airline would lose historic precedence for the daily 7:00 a.m. for the full series, not only the Wednesday
            - withdraw the series of slots involved for the remainder of the current season
            - allocate lower priority for that airline for any new future slot requests in the next equivalent season
            - refuse an airline's requests for any future slots for the next equivalent season if that airline repeatedly cancels services at above airport average cancellation rate
        - Infringement notice (implement financial sanctions). The Slot Manager should be responsible for issuing an infringement notice to the respective airline upon direction from the Compliance Committee. When combined with the risk of withdrawal of slots,

the financial penalty should be significant enough to discourage potential misuse of slots.

Further, SYD agrees with recommendations 5.4 of the Harris Review that an Independent Chair with substantial legal experience in a compliance context should be appointed to the Compliance Committee.

To complement these measures and improve competition outcomes for consumers and the economy, SYD is considering how its pricing structures in aeronautical services agreements with airlines can better incentivise efficient airline behaviour and use of the scarce infrastructure at Sydney Airport. Further detail on this is provided in Chapter 3.1.3 below.

Further discussion on the movement cap

The movement cap (both scheduled and on the day of operations) was implemented in 1997 to address noise concerns, back when jet aircraft were 50 per cent noisier than the current, more modern fleet. The movement cap has not been updated since its introduction. As a result, Sydney Airport has one of the most restrictive and inefficient noise mitigation regulations of any major airport globally.

Airports Council International (**ACI**) acknowledges that 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 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 the global level. Airports upon which movement caps are imposed tend to be set at an annual level so as not to undermine the efficient operation or productivity of the airport.[15]

As a global comparison:

- London's Heathrow Airport is permitted 480,000 annual movements, simply operating up to a declared capacity of 88 movements per hour
- Amsterdam's Schipol Airport is permitted 452,500 annual movements, including 28,700 flights overnight, and operate up to a declared capacity of 110 movements per hour in peak times.

In contrast, far from being measured annually, at Sydney Airport movements are effectively measured every 15 minutes.

A range of options exist to improve efficiencies at the airport, while still dealing with noise. These include:

- implementing a daily, monthly, seasonal or annual cap, or
- focussing on 80 movements in the schedule only and not counting on the day of operations – if you simply schedule to 80 then what happens on the day of operations is at a margin of error, e.g. 81 movements one hour versus 79 the next, or
- allowing an average across the peak periods e.g. a maximum of 320 movements in the morning peak, noting Sydney's Airport infrastructure based capacity is around 87 to 88 movements per hour.

[15] Airports Council International, *Demand management at Sydney Airport*, ACI, n.d., accessed 27 November 2023.

A more modern, flexible approach to the movement cap would have added benefits of increasing competition, allowing for recovery following adverse weather events, and would significantly help with well-known cancellation and delay issues at Sydney Airport.

3.1.1.2 Economic regulation of the aviation sector

The current 'light-handed' regulatory regime that applies to airports remains fit for purpose. This regime has three principal components:

- the ACCC monitoring regime, including the annual publication of airport prices, costs, profits and quality of service in the ACCC's airport monitoring report
- the threat of increased regulation through
    - the price inquiry and notification provisions of Part VIIA of the CCA
    - the National Access Regime under Part IIIA of the CCA
- the constraining effect of Section 46 of the CCA, which prohibits the misuse of market power.

The APPs also remain relevant in setting expectations on how airports will negotiate and price aeronautical services and facilities.

These interlocking components of the current regime provide airports with a strong incentive to act reasonably in their interactions with airlines, land transport operators, and passengers. For over twenty years airports and airlines have consistently demonstrated the ability to reach commercial agreement for a very broad range of aeronautical services and facilities, and these agreements have underpinned billions of dollars in investment.

As recognised consistently by the PC over multiple successive inquiries, the light-handed monitoring regime is effective in preventing airports from exercising any market power. In the most recent PC inquiry in 2019, the PC found that the current monitoring regime, alongside the countervailing market power of airlines, acts as a deterrent and constraint (respectively) on airports' exercise of market power.[16] Indeed, the PC found that airports have not exercised their market power in negotiations or conduct.[17] This is particularly true in the COVID- and post-COVID environment where a return on aeronautical costs in line with the risks involved in providing the relevant services- in line with the APPs - would have resulted in significantly higher charges.

Instead, during the COVID pandemic, SYD:

- rolled over aeronautical agreements on largely the same terms as negotiated pre-COVID. This meant that SYD knowingly took on the substantial passenger risk during the pandemic. With passenger volumes reaching as little as one per cent of pre-COVID levels, SYD's profitability was significantly impacted, declining 55 per cent in the first half of 2021 and 35 per cent over the 2021 calendar year. Prior to the COVID pandemic there was little recognition of the fact that airports carried this passenger and volume risk, however the impacts on SYD's business demonstrated that this risk was real.
- provided significant rental abatements to airlines and other tenants, including free aircraft parking among other support initiatives.

The post-COVID environment also highlights that, in many instances, there is likely to be significant competition between airports for airlines and passengers, including the dedicated funds established by the NSW, Victorian, Queensland and Western Australian governments (alongside complementary investment from

[16] PC, *Economic Regulation of Airports, Inquiry Report no. 92*, PC, 2019, p 14, accessed 27 November 2023.
[17] PC, *Economic Regulation of Airports, Inquiry Report no. 92*, PC, 2019, p 28, accessed 27 November 2023.

airports) with the principal aim of attracting back aviation services, and in particular international airlines. As discussed below, this competition is likely to intensify as WSI becomes operational.

There are limited examples of airlines with whom negotiations are lengthy or protracted. In SYD's case this tends to arise where one airline does not support investments in growth that will benefit the broader airline community and the travelling public.

Countervailing market power of airlines

Alongside the deterrence posed by the existing monitoring regime, SYD is primarily constrained from exercising any market power by reason of the countervailing power it faces from airlines, and in particular domestic airlines. This countervailing market power is derived from a variety of factors, including the following:

- **The mutually dependent relationship between airports and airlines.** This arises from the relatively few and sizeable airline groups operating in Australia, as well as airlines' ability to bargain collectively. Unlike other regulated infrastructure industries that may have a large number of potential users or customers with limited negotiating power, the success of Australian airports depends on that of their airline customers. The mutually dependant relationship means Sydney Airport is beholden to its customers as much as its customers are beholden to Sydney Airport.
  The power of airline groups in this relationship is strengthened by:
  - the very high concentration of market power in the domestic aviation market, with the two major airlines controlling almost the entire domestic market
  - the impending opening of WSI, which provides both passengers and airlines with a choice between two airports in the Sydney basin.
- **The ability of international airlines to negotiate collectively.** The Board of Airline Representatives of Australia (BARA) represents 32 international airlines, providing over half of all international passenger flights, and over 60 per cent of freight cargo, to and from Australia.18 The ACCC has authorised BARA to negotiate on behalf of its members with international airports, Airservices and other providers of essential aviation-related services to improve the experience, efficiency and safety outcomes of international passengers.19 The collective bargaining undertaken by BARA also improves the commercial bargaining power of its members, their input into contracts, and leads to transaction cost savings and more efficient investment in airport infrastructure.20 The airlines represented by BARA in negotiations with Sydney Airport represent a large and important set of airlines, accounting for more than 50 per cent of international aeronautical revenue.
- **The commercial size, sophistication and concentration among airlines**. Airlines are largely well-resourced organisations with extensive experience in negotiating with airports. Their countervailing power is evidenced in the complex and vigorous commercial negotiations which occur between airports and airlines, and the favourable outcomes achieved by airlines in those negotiations. This does not reflect an infrastructure owner capable of exercising market power and a 'take it or leave it' approach to its negotiations.

[18] Board of Airlines Representatives of Australia, *Our members*, BARA website, n.d., accessed 27 November 2023.
[19] BARA, *About us*, BARA website, n.d., accessed 27 November 2023.
[20] ACCC, *Determination: Application for revocation of A91200 and substitution authorisation A91466, Authorisation, A91466, 25 March 2015*, para 34, accessed 27 November 2023.

- **The ability and practice of airlines to continue using the airport while short-paying, refusing to pay or delaying payment for airport services.** While such conduct may typically occur at the expiry of a negotiated contract or lease, its use by airlines at other times during the term of an agreement (in particular, during COVID) highlights the unilateral power of airlines to use services while at the same time determining when, if, or how much, to pay for those services. This is not a usual commercial arrangement.

  Coupled with this are terms of access under SYD's Head Lease with the Commonwealth Government which limits the ability of SYD to enforce payment or refuse access to airlines for non-payment. Further, in practice SYD would not choose to deny access because of the likely negative impact on passengers, the community and on the relationship with its largest customers, the airlines.

  Examples that demonstrate the countervailing power of airlines through the practice of short-paying, refusing to pay or delaying payment are set out in Confidential Annexure A.

- **Competition between airports, and airlines' ability to switch, withdraw or reduce services.** Airlines also derive countervailing power from:
  - the competition that exists between airports to attract airlines and passengers
  - airlines' ability to reduce or withdraw services and deploy them elsewhere.

  Airports often compete with each other for traffic, and while other domestic airports may not be a substitute for passengers wishing to fly directly into Sydney, the opening of WSI is likely to provide both passengers and airlines with a degree of choice of airports within the Sydney basin. WSI is actively working to secure domestic and international business and this will only intensify as WSI becomes operational (including for freight). WSI is already attending global events to attract airlines and services, has signed deals with Qantas and Jetstar to operate flights from day one of operation in 2026, and, according to WSI's CEO Simon Hickey, is "*talking to about 60 airlines internationally at the moment about coming here. That's a lot of airlines*".[21] There are plans for the airport to cater for more than 80 million passengers by 2060. "*We have the ability to be the next Dubai or JFK airport in New York by being able to handle 80 million passengers in the coming decades*," Mr Hickey told the Financial Review Infrastructure Summit.[22]

  This has the effect of both constraining any market power held by SYD and increasing the countervailing power of the airlines that fly into Sydney.

  The contention that an airline has no countervailing power because it cannot 'bypass' the airport is untenable. An example of this is Qantas' 2020 review of its property portfolio, which included consideration of whether to move its headquarters from Sydney, and which sparked a bidding war between states keen to house Qantas' base. This was labelled a "*blatant attempt to extract taxpayer dollars from the states and territories*" at the time, by Senator Birmingham.[23] Likewise, Sydney Airport has no ability to 'bypass' its major customers.

[21] M O'Sullivan, ''It's not a tin shed': New airport rises from western Sydney's paddocks', *The Sydney Morning Herald*, 13 October 2022, accessed 27 November 2023.
[22] M Bell, 'Western Sydney Airport could be the size of Dubai or New York's JFK, says its chief executive', *The Australian*, 14 November 2023, accessed 27 November 2023.
[23] P Hatch, 'Qantas seeks 'corporate welfare' with its HQ auction, Birmingham says', *The Sydney Morning Herald*, 16 September 2020, accessed 27 November 2023.

In addition to switching, withdrawing or reducing services, airlines can, and do, refuse to commit to key initiatives designed to improve operations across multiple airport stakeholder groups.

An example of this is the development of an Airport Operator Licence (**AOL**) at Sydney Airport, which establishes a common set of safety rules for stakeholders servicing aircraft in common user areas. This includes stakeholders providing services such as ground handling, refuelling, engineering and maintenance, catering, cleaning, aircraft pushback/towing and ramp services. SYD engaged the consultancy arm of the International Air Transport Association (**IATA**) to research international examples and distil a 'best practice' applicable to Sydney Airport's operating environment.

Extensive consultations and negotiations occurred, and revisions were made, over several years. The vast majority of relevant stakeholders at Sydney Airport have signed the AOL, including Air New Zealand, Cathay Pacific, Qatar Airways, Rex, Dnata, BP and Fedex. However, neither Qantas Group nor Virgin Australia have signed the AOL, using delay tactics and drawing out discussions with SYD on a document that seeks to manage important safety issues. Despite seeking to negotiate an AOL with each of Qantas Group and Virgin Australia, they are currently the only entities servicing aircraft in common user areas airside at Sydney Airport that have not yet signed an AOL.

- **The commercial need for airline approval of major infrastructure**. A key rationale for implementing the current regulatory regime was to allow and incentivise airports to invest in airport infrastructure in order to meet forecast demand. In undertaking such investment, the input of airlines is crucial. SYD could theoretically commit to major capital investment without airline approval. However, doing so may affect SYD's ability to achieve appropriate equity or debt funding for the investment, and would run the risk of disputes with airlines regarding pricing, and non-payment by airlines of airport charges. It could also act as a catalyst for airlines to invoke existing regulatory mechanisms or otherwise seek increased airport regulation. This is also an example of where an airline's ability to short-pay, refuse to pay or delay payment (discussed above) can materially risk delaying airport development agreed to with other airlines, to the detriment of competition in the aviation sector and the travelling public. It is also an example of why a negotiate-arbitrate framework does not work, as discussed in more detail later in this chapter.
- **The potential for airlines to seek increased airport regulation**, including through invoking existing regulatory mechanisms (or threatening to do so). The current regulatory regime poses a credible threat of increased airport regulation, which constrains the exercise of any market power held by major airports.

In SYD's experience, the countervailing power of airlines ensures their ability to protect their interests in commercial negotiations.

As discussed in Chapter 3.1.1.1, airline countervailing power can also be used in a manner that adversely impacts the efficient operation of airports and competition amongst airlines, where for example incumbent airlines seek to entrench their dominant positions by resisting airport investment and controlling the slot allocation regime. By applying for slots without any intention of using them, incumbent domestic airlines block other airlines from operating flights during that time and prevent new entry or expansion by competing airlines. As the ACCC has noted, slot hoarding acts as a barrier to airline competition in Australia, which results in

adverse consumer outcomes.[24] Consumers also bear the frustration and inconvenience of frequent flight cancellations and rescheduling.

Claims by airlines that airport charges are often excessive, drive-up airfares and subsequently impact the consumer are simply not true. Even if SYD were to reduce charges by 10 per cent, the impact on the price of an air ticket would be around $1 on domestic and $3 on international airfares, if indeed airlines fully passed the reduction on to consumers- which SYD does not believe would happen. In a PC hearing on the regulation of airports on 28 March 2019, representatives of Qantas and Jetstar were asked directly if a reduction in an airport charge would be passed directly to the passenger through lower fares. The response from Mr Mark Dal Pra, at the time Chief Financial Officer for Jetstar, was "*Well it may or it may not. The pricing of an airline is incredibly complex because it's built not just – it's not built on inputs, it's built on what the market will bear*."[25]

Negotiate-arbitrate framework

SYD notes that airlines have continued to call for the introduction of a negotiate-arbitrate framework for airline and airport negotiations. For example, in 2022 Airlines for Australia and New Zealand (**A4ANZ**) proposed that airlines and airports enter into a Voluntary Aviation Industry Code of Conduct (**the Code**), which effectively amounted to a negotiate-arbitrate framework. SYD did not agree to the Code, as SYD does not consider that a negotiate-arbitrate framework is appropriate in the context of negotiations with airlines on aeronautical services agreements. The PC agrees with this view.

The PC considered this issue in detail during the 2019 PC review, and considered a negotiate-arbitrate framework should not be implemented as it would have few benefits and substantial risks, including:[26]

- **undermining the incentives for genuine commercial negotiation**. Unrestricted access to binding arbitration would distort the parties' incentives to negotiate in good faith to reach a mutually beneficial outcome based on the parties' commercial incentives. Rather, the parties would try to second guess the arbitrator's determination and the outcomes of negotiations would be determined by assumptions about the arbitrator's potential decisions. In SYD's view, this could for example result in the parties taking extreme positions in the expectation of the arbiter making a decision that "meets in the middle".
- **increasing the risks that airports would face in making investments and distorting their incentives to make investments**, leading to a long-term risk of increased congestion and falling quality of service. Seeking to manage this investment risk by requiring an airport to seek upfront approval of investments is a poor solution. In the electricity sector this has led to gold plating. It can also lead to underinvestment if the regulator makes an error about the necessity of a proposed investment or if up-front approval increases the costs of investment (e.g., by increasing the time taken to commence work). The approach would also require regulation of airports' asset bases, which undermines the case-by-case approach to arbitration.
- **creating the risk of arbitrator error**. Airports are complex operations that make long lasting investments in costly, and often common use, infrastructure. An arbitration between an airport and one airport user about a common-user facility would have implications for other users of that facility. The arbitrator would have to take these effects into account, as well as the effects on passengers and the community. The greater the number of affected parties, the higher the risk that the arbitrator would make an error.

[24] ACCC, *Airline competition in Australia: Final Report*, ACCC, 2023, accessed 27 November 2023.
[25] PC, *Economic Regulation of Airports, Transcript of Proceedings*, PC, 28 March 2019, p 491, accessed 27 November 2023.
[26] PC, *Economic Regulation of Airports, Inquiry Report no. 92*, PC, 2019, pp 291, 302-307, accessed 27 November 2023.

- **creating opportunities for incumbent airlines to engage in anti-competitive conduct**, such as using arbitration over a common-user facility to reduce the ability of other airlines to compete. Airports are required under their Head Leases to develop the airport to meet the needs of all airlines that want to operate. There can be situations where investment in infrastructure, such as additional gates or apron parking positions may be needed to meet aviation demand but where such growth is not being driven by an existing dominant airline. This can lead to dispute about the reasonableness of the investment in such infrastructure that either creates delay, or risk for the airport in proceeding with this investment, or a failure to meet its Head Lease obligations. These disputes can, and do, arise notwithstanding that multiple other airlines have agreed that the project is required and prudent. The desire not to invest, or to invest less, may stem from a desire by an airline to maintain a competitive product or operational advantage over its competitor(s) which can delay investment, growth and reduce benefits for the travelling public.
- **creating an unbalanced system in favour of airlines**, as result of the mobility of airline capital and the immobility of airport capital.
- **the link between arbitration and airfares is tenuous**, as airlines have weak incentives to pass through any reduction in aeronautical charges to passengers. Further, and as noted above, aeronautical charges account for a small proportion of airlines' operating costs, and the potential reduction in charges arising from a negotiate-arbitrate framework would be a fraction of that.

The PC also considered that:

- airport users currently have access to arbitration through the national access regime. The declaration criteria, along with the opportunities for merits and judicial review, are safeguards to ensure that arbitration is only available when it would encourage competition and promote the public interest. The proposal for an airport-specific regime would not include these safeguards[27]
- the national access regime acts as a credible threat for airport operators that exercise their market power by restricting access to airport services and limiting the opportunities for airport users to engage in anti-competitive conduct.

SYD does not consider that a negotiate-arbitrate framework should be introduced, for the following reasons.

- Arbitration would likely increase regulatory gaming, e.g., parties taking extreme positions in the expectation of the arbiter making a decision that "meets in the middle".
- Arbiters may not have the requisite expertise to determine matters such as investment strategy, a rate of return, asset values, operational expenditure, tax considerations and traffic forecasts. This could lead to inefficient outcomes and consequential under-investment in airport infrastructure.
- For arbitration to work effectively, it would require every airline operating at Sydney Airport to be a party to the arbitration. This is because the arbitration will require determination of issues such as capex and investment relating to common user infrastructure, and it is not practical to agree different investment strategies across different airline customers which result in different asset values and potentially different service outcomes.
- SYD works with approximately 50 airline customers. Arbitration could deliver an outcome that was unacceptable to other airline customers. Alternatively, all 50 airline customers could choose arbitration which could lead to 50 different arbitration processes, all of which would be seeking different outcomes. This would make operating and investing in the airport unworkable.

[27] PC, *Economic Regulation of Airports, Inquiry Report no. 92*, PC, 2019, p 300, accessed 27 November 2023.

- An incumbent airline may also be inclined not to support certain investments that sustain additional capacity and competition but bring down overall costs.
- The Qantas Group and SYD sought arbitration in relation to the T3 domestic terminal agreement and both parties agreed the process was ineffective as it was too narrow and could not address the broad set of commercial issues.
- Arbitration is not consistent with the light-handed regulation of airports, which the PC has on multiple occasions found to be effective.

3.1.1.3 The domestic airline duopoly structure

The regulatory settings in place for over a quarter of a century have largely focused on airports and have failed to adequately regulate airline behaviour. The market for domestic air transport is highly concentrated. In 2017/2018 the PC found that Qantas Group, Virgin Australia and Rex accounted for over 95 per cent of all domestic flights.[28] More recently, ACCC Commissioner Anna Brakey has outlined that '*[i]n the domestic market, we see that nine out of every 10 passengers fly with either Qantas or Virgin. Qantas is the largest, with a bit over 60 per cent, and Virgin has about 33 per cent of the market. Together they have around 95 per cent of the market*.'[29]

In its June 2023 report on Airline Competition in Australia, the ACCC raised concern about the very high market concentration of the domestic airline industry, with the two largest airline groups – Qantas Group (including Jetstar) and Virgin Australia – accounting for around 94 per cent of the domestic passenger market.[30] The ACCC noted that '[t]he duopoly market structure of the domestic airline industry has made it one of the most highly concentrated industries in Australia, other than natural monopolies.'[31] The ACCC went on to note that while the expansion of Rex and the recent entry of Bonza creates the opportunity for the domestic market to become more competitive, "*both would need to expand significantly if they are to become more meaningful competitors to the Qantas Group and Virgin Australia*".[32] Further, SYD again notes that the incumbent major airlines control around 72 per cent of the slots at Sydney Airport, which makes it difficult for any new or expanding airlines to grow and compete effectively.

Despite the Qantas Group and Virgin Australia having a lock on the domestic market, Qantas' now former CEO, Alan Joyce, considers that "*we have one of the most open competitive markets in the world*."[33]

The effective airline duopoly in Australia entrenches the inefficient operation of slots at Sydney Airport, constrains competition and ultimately leads to poor outcomes for consumers in terms of choice, airfares, reliability, quality of service and customer service. It has resulted in high airfares, poor quality of service, high cancellation rates, and behaviour that hinders the ability of new entry or expansion by airlines in Australia.

A focus on regulating airline behaviour, similar to the existing regulation of airports, is needed to ensure a competitive and vibrant aviation sector in Australia, which will benefit consumers and the Australian economy. This can be achieved by implementing the slot reforms outlined in Chapter 3.1.1.1 above, together with continuing to closely monitor and scrutinise airline behaviour.

[28] PC, *Economic Regulation of Airports, Inquiry Report no. 92*, PC, 2019, p 28, accessed 27 November 2023.
[29] Australian Senate, Select Committee on Commonwealth Bilateral Air Service Agreements, *Commonwealth bilateral air service agreements*, Australian Senate, 22 September 2023, pp 44-45, accessed 27 November 2023.
[30] ACCC, *Airline competition in Australia: Final Report*, ACCC, 2023, p 18, accessed 27 November 2023.
[31] ACCC, *Airline competition in Australia: Final Report*, ACCC, 2023, p 2, accessed 27 November 2023.
[32] ACCC, *Airline competition in Australia: Final Report*, ACCC, 2023, p 2, accessed 27 November 2023.
[33] Australian Senate, *Select Committee on the Cost of Living*, 28 August 2023, p 3, accessed 27 November 2023.

SYD welcomes the recommencement of the ACCC's monitoring of domestic airlines to help ensure airlines compete on their merits, identify any inappropriate market conduct, increase transparency, and ensure Australians see the benefits of a competitive airline sector. As part of this monitoring, SYD considers that the ACCC should closely look at airline cancellations and the impact that has on competition amongst airlines, consumers, and the ability of Sydney Airport to operate efficiently.

However, SYD considers that the airline monitoring regime should be one which is sustainable into the future. To this end, while quarterly monitoring of airlines may be appropriate in the current environment of historically high cancellations and airfares, SYD considers that it may be more sustainable for airline monitoring to occur on a half-yearly permanent basis.

3.1.1.4 Other measures to improve efficiency and competition, and optimise consumer benefits

Below are other specific measures that SYD considers should be implemented to improve efficiency and competition, and optimise consumer benefits.

1 The operation and regulation of WSI must comply with the **Commonwealth Competitive Neutrality Policy**. The Competitive Neutrality Policy aims to promote efficient competition between public and private businesses and requires that government business activities should not enjoy net competitive advantages over their private sector competitors, simply by virtue of public sector ownership. The policy requires that significant government business activities comply with principles of regulatory neutrality and full cost pricing neutrality, and mitigates well-known inefficiencies associated with distortion of trade and investment.

   As a Government Business Enterprise, WSI falls squarely within the Competitive Neutrality Policy and, where WSI competes with SYD, it should do so on its merits and on a level playing field with SYD. Without application of the Competitive Neutrality Policy, including subjecting WSI to the same regional service responsibilities, price notification and monitoring regimes, merit-based competition between SYD and WSI will not occur. It is of particular importance that WSI sets its charges and prices for services on a commercial basis having regard to the costs and returns that a private entity would need to consider when managing its business. Any variance from such an approach would not only provide an unreasonable competitive advantage for WSI but would place an ongoing and significant burden on taxpayers and distort investment and efficient behaviour.

2 Existing regulations that apply to Sydney Airport should also be reconsidered in light of the scheduled opening of WSI. The regulatory framework that applies to Sydney Airport is, in large part, premised on Sydney Airport being a natural monopoly in the Sydney aviation market. The entry of WSI will introduce competition and therefore necessitates consideration of and **reform to regulations that unduly restrict Sydney Airport**, such as the curfew, the movement cap, the RRF, the regional price cap and notification regime, classification for the purposes of bilateral ASAs, and the ACCC monitoring regime. If these, and other regulations, are not modernised or are applied inequitably between Sydney Airport and WSI, this could create an unfair competitive advantage for WSI and would be likely to create inefficiencies, distort decisions on investment, and distort efficient trade and passenger flows.

   Liberalisation of bilateral ASAs is required to remove structural barriers to competition and economic activity. These inter-governmental agreements often restrict flight and passenger volumes in order to shelter domestic airlines from competition. Renegotiation of these arrangements to alleviate restrictions and provide at least five years' capacity ahead of demand would allow Australia's critical aviation and tourism industries to prosper. SYD notes that the United States has more than 130 open skies agreements with other jurisdictions, whilst Australia has seven.

Anti-competitive limitations in existing bilateral agreements on foreign carrier access to Sydney, Melbourne, Brisbane and Perth ignore the realities of airline economics and prevent airlines from developing efficient networks based on demand. These limitations have proven unsuccessful in generating services for second-tier or regional airports in Australia, and ultimately supress the tourism sector, increase the cost of travel and reduce choice for consumers.

Once WSI opens in 2026 and competes head-to-head with Sydney Airport for international business (as well as domestic, regional and freight business), both WSI and Sydney Airport should be treated consistently in bilateral ASAs, with either both being exempt or being subject to the same restrictions. This is discussed further in Chapter 11.1.

3 The **Head Lease** under which Sydney Airport operates requires updating. The Head Lease obliges SYD to accept all interstate, intrastate, and international traffic and to develop the site for anticipated demand. Once operational, WSI will meet some of this demand (as well as introduce other changes to the market), so continuing to require SYD to build to meet this demand will undermine efficient investment in airport infrastructure. To ensure Sydney Airport's efficient operation and investment in infrastructure, the Head Lease should be amended to account for these changes.

The development of WSI will also make it difficult for SYD to comply with its obligations under the *Airports Act 1996* (Cth) (the **Airports Act**) to prepare a **Final Master Plan** that includes an assessment of the future needs of civil aviation users of the airports. Without detailed information on the extent of demand that is likely to be satisfied by WSI, SYD is unable to accurately predict and plan for future needs of civil aviation users at Sydney Airport for a future 20-year period.

4 **Curfew shoulder movements should continue at SYD**. Permitting aircraft movements during the curfew shoulder periods is vitally important for airlines, the travelling public and the Australian economy. In particular, they enable airlines to schedule flights in a way that ensures their international networks function effectively, especially where there are differing daylight savings time periods that mean scheduling flexibility is crucial to the functioning of global aviation. This need for schedule flexibility is factored into airport regulations globally, including at many airports that are within built up urban areas and that are much busier than Sydney Airport. The balance between facilitating limited flights in vital shoulder periods and addressing noise concerns has led to a variety of differing international approaches. The table below sets out in detail some of the approaches designed to appropriately balance the need between meeting the requirements of global airline scheduling and noise impacts for residents around airports.

Under Section 12 of the Curfew Act, there are scheduled international flights permitted in both the evening and morning curfew periods. However, notwithstanding the original 1995 legislation recognised the need for schedule flexibility (particularly where international airlines are operating to and from other busy airports with curfew restrictions) the *Sydney Airport Curfew Regulations 1995* (Cth) immediately removed the ability for the evening shoulder period movements to be used and limited the use of the morning shoulder period to no more than 24 flights per week. Under Section 12(4)(b)(ii) of the Curfew Act, when WSI opens, all flexibility for use of the shoulder periods at Sydney Airport for international scheduled services will cease. This legislative outcome, if implemented, fails to recognise the needs of international airlines operating global schedules. For example, for scheduling purposes and interdependencies with global slot allocations, international flights departing London Heathrow during the northern summer must be able to land at Sydney Airport between 5:00 a.m. and 6:00 a.m. (many of which have operated these services for decades). Those flights then depart Sydney Airport back to London Heathrow later in the day. Preventing those flights from doing so would cause

significant disruptions for those airlines and the travelling public. If these flights are unable to land at Sydney Airport, they will not automatically go to WSI as airlines may instead choose not to fly to New South Wales altogether, or even Australia.

SYD strongly recommends that this part of the Curfew Act be removed and that a review be undertaken to modernise the rules around permissible flights in the shoulder and curfew periods to take account of improvements in aircraft technology and airspace design that would enable more balanced operational and noise outcomes during these shoulder periods. This is discussed further in Chapters 6.1.8 and 5.1.1.

Airport	Rules regarding overnight flights
London Gatwick Airport	**General:** The noisiest types of aircraft are not permitted to fly between 11:00 p.m. and 7:00 a.m. The number of flights between 11:30 p.m. and 6:00 a.m. is limited by a quota – at present 11,200 in the summer (seven months) and 3,250 in winter. At night between 11:30 p.m. and 6:00 a.m., the noise limit is 87 dBA. **Features**: A supplementary quota system is used to encourage the use of quieter aircraft. Aircraft types are given a Quota Count (**QC**) value, according to how much noise they make on landing and take-off. These are: QC 0.25, QC0.5, QC1, QC2, QC4, QC8 and QC16, which is the noisiest category. Aircraft movements score QC values against a maximum allowable quota for each season (6,700 for summer and 2,300 for winter) between 11:30 p.m. and 6:00 a.m., 'the night quota period'. Aircraft of QC4 cannot be scheduled to operate between 11:30 p.m. and 6:00 a.m. Aircraft of QC16 and QC8 cannot be scheduled to operate between 11:00 p.m. and 7:00 a.m.
Frankfurt Airport	**General:** Restrictions apply to planned movements between 11:00 p.m. to 5:00 a.m. **Features:** • Between 10:00 p.m. and 11:00 p.m. and between 5:00 a.m. and 6:00 a.m. (night time marginal hours) an average of 133 scheduled aircraft movements are permitted. This average value must not be exceeded within the calendar year. • The aircraft that take off and land between 10:00 p.m. and 11:00 p.m. and between 5:00 a.m. and 6:00 a.m., must comply with specified noise certification values and whose take-off or landing has been the day before by the airport coordinator. • Late landings between 11:00 p.m. and midnight hours are permitted, provided that the delay does not result from the flight schedule. • Use of the north-west runway is prohibited between 11:00 p.m. and 5:00 a.m.
Munich Airport	During the core period (from midnight until 5:00 a.m.) only mail flights and surveying flights by German Air Traffic Control are automatically permitted. Exceptions are made for emergency and assistance flights, landings for air safety or for other valid reasons as approved by the Bavarian Government.

Airport	Rules regarding overnight flights
	During the night time hours (10:00 p.m. to midnight, and 5:00 a.m. to 6:00 a.m.), only aircraft on a Ministry of Transport bonus list are allowed to operate. Exceptions are permitted only for delayed aircraft movements or early landings with aircraft that meet at least the ICAO Chapter 3 noise standards. In addition, night time take-offs and landings must meet at least one of the following criteria: • scheduled flights in regularly scheduled or charter operations (max. 28 per night) • flights by airlines with a home base in Munich • flights that do not cause a mean noise level higher than 75 dBA at the noise measurement stations in the vicinity of Munich Airport • training and practice flights.
Berlin Airport	**General:** Regular scheduled flights are not permitted in the 'core night time' from midnight to 5:00 a.m. **Features:** • Between 5:00 a.m. and 6:00 a.m., and between 11:00 p.m. and midnight, an average of no more than 31 aircraft movements are permitted. • Between 5:00 a.m. and 5:30 a.m., and between 11:30 p.m. and midnight, no scheduled flights may take place. These times are exclusively available for delayed or early flights.
Geneva Airport	**General:** For commercial flights, take offs and landings are permitted between 6:00 a.m. until 12:30 a.m. No departure slots are granted after 10:00 p.m. and no arrivals slots after midnight. Therefore, departures between 10:00 p.m. and 12:30 a.m. and arrivals between midnight and 12:30 a.m. are movements planned in case of delay. Non-commercial take offs and landings of non-commercial flights are allowed between 6:00 a.m. and 10:00 p.m., i.e., all non-airline flights can continue to operate during the curfew. Non-commercial here is referring to general aviation (private jet, small private aircraft and medevac flights).

5 **The airport monitoring regime should apply equally to WSI**. As discussed above, SYD considers that, as a government-owned entity, WSI should be accountable and transparent in relation to the way in which it is operated. Further, under the Competitive Neutrality Policy, as a government-owned entity WSI should be subject to the same regulations that apply to SYD as a private business. However, SYD considers that the airport monitoring regime should be simplified to ensure the balance between information sought and published by the ACCC, and the burden and costs imposed on airports. Further detail is provided on this in Chapter 3.1.2 below.

6 As detailed in Chapter 4.1.1., SYD strongly supports the 2019 PC recommendation that future declarations relating to the **regional price cap and notification regime** at Sydney Airport only apply to aeronautical services and facilities that are not covered in commercial agreements between SYD and airlines operating flights servicing regional New South Wales. The notification requirements under

the current regime deter regional air service providers from giving effect to new and innovative arrangements with SYD, which ultimately impacts efficiency and consumer outcomes at the airport.

7 The further implementation of **new technology and next-generation navigations systems** is also critical to achieving airspace utilisation, optimised noise profiles and emissions reduction targets. For example, as discussed in Chapter 6.1.8, Performance Based Navigation (**PBN**) and the use of Continuous Descent Approaches (**CDA**) should be further utilised to achieve airspace efficiency and safety outcomes, as well as reduce noise impacts on areas around the airport and emissions.

3.1.1.5 Regulation should be regularly and actively reviewed and updated

Given that inefficiencies in the demand management regime at Sydney Airport have a significant negative impact on productivity, efficiency, competition, and consumer outcomes, SYD recommends that the Australian Government prioritise reform to the slot regime at Sydney Airport as part of any broader aviation market reform that it undertakes. SYD calls for the Australian Government to adopt the proposed changes to the Slot Management Scheme as soon as practicable. This should include prioritising implementation of non-legislative reforms with urgency and implementing reforms over and above the initial Harris Review recommendations.

At the same time, operating regulations need to be reviewed and updated to reflect changes to the competitive landscape, including with the opening of WSI and its future growth. This may require mature debate regarding restrictions, including the curfew and cap, and would look at balancing Sydney Airport's restrictions with those that exist across other Australian airports.

As the Hon. Catherine King MP has noted in response to calls for a curfew and cap at Brisbane Airport, such restrictions could have *'significant economic consequences'*.[34] This is also the case at Sydney Airport and, as we look beyond 2023, a sensible discussion balancing these economic opportunities and benefits for consumers from reductions in restrictions with local community impacts should be undertaken.

Reform must also not be ‘set-and-forget’. Ongoing and active review of regulations is required to ensure that the regulations remain flexible and adaptive to future changes in the aviation industry. The operational regulatory frameworks for airports – particularly those most heavily regulated, such as Sydney Airport – should be regularly and actively reviewed and updated to ensure they remain fit for purpose. SYD proposes that regulations be reviewed every five years, noting that all legislative instruments are repealed automatically, or 'sunset', after 10 years. This would be consistent with the PC Inquiry into the Economic Regulation of Airports, which is held every five years. Review of operating regulations should be done in partnership between government, Sydney Airport and other stakeholders depending on the issue being considered.

[34] C King, *Transcript – National Press Club address* [media release], Australian Government, 1 March 2023, accessed 27 November 2023.

Adaptive and flexible regulations will also ensure that airports, communities and the broader aviation network can benefit from advances in technology and meet the challenges posed by climate change.

Recommendation 1

The Australian Government immediately implement the following recommendations of the Harris Review:

- update the definition of new entrant as now included in the Worldwide Airport Slot Guidelines
- a preference for changes to historic slots ranking ahead of new entrant requests
- the ability to retime regional slots by up to 60 minutes
- reduce the classification of morning and evening peak times
- closer alignment to the Worldwide Airport Slot Guidelines, including the definition of a slot and dropping the size of aircraft test
- strengthen and increase resourcing of the Compliance Committee, including alignment to the Worldwide Airport Slot Guidelines on slot misuse, as well as regular auditing
- retime stranded slots
- Airservices Australia to report movements on a clock hour basis only
- implement a recovery period following adverse weather or a major event
- open a discussion regarding the appointment of the Slot Manager and how best to meet additional costs
- improve data sharing and transparency from the Slot Manager.

Recommendation 2

The Australian Government implement a range of further reforms to the demand management regime to enable Sydney Airport to improve efficiency, competition and consumer outcomes, and achieve 80 movements per hour. These include, among others:

- permit above 80 slots in the schedule (over-filing), recognising that at least two per cent always cancel on the day of operations
- smooth, or average, the regional ring fence to create a consistent number of regional slots in the morning and evening peak every day of the week. This will reduce fragmentation in the schedule
- improve data transparency between the Slot Manager and SYD
- remove the ‘Australian Holiday Period’ exemption
- require open tender processes with clear key performance indicators and appropriate contracts for the appointment of the Slot Manager
- modernise the 'use it or lose it' rule to implement a slot usage requirement/buffer ratio of 95/5
- implement a public disclosure regime for the use it or lose it rule
- enhance compliance and enforcement options for the slot regime rules, including appropriate penalties for contraventions.

Recommendation 3

The Australian Government develop a more modern approach to the movement cap at Sydney Airport to allow greater flexibility, including:

- measure the movement cap on a scheduled basis over a clock hour rather than a 15-minute rolling hour, i.e., define a regulated hour as a period of 60 minutes starting on the hour, or
- allow an average across the peak periods e.g., a maximum of 320 movements in the morning peak, or
- implement a daily, monthly, seasonal or annual cap, or
- focus on 80 movements in the schedule only and not counting on the day of operations
- exempt emergency, air ambulance, defence and government flights from the movement cap, given they happen on an ad hoc rather than scheduled basis.

Recommendation 4

The Australian Government subject Western Sydney International Airport to the Commonwealth Competitive Neutrality Policy to enable merit-based competition between Sydney Airport and the government-owned Western Sydney International Airport, including ensuring an equal application of rules and regulations, as well as reconsidering the existing regulation at Sydney Airport to reflect the changing dynamics of the aviation market in Sydney. This includes the curfew, the movement cap, the regional ring fence, the regional price cap and notification regime, classification for the purposes of bilateral air services agreements and the ACCC monitoring regime.

Consider whether the regulations that apply uniquely to Sydney Airport remain fit for purpose in light of competition and access to the Sydney basin changing once Western Sydney International Airport becomes operational.

Recommendation 5

The Australian Government update the Head Lease under which Sydney Airport operates to account for the opening of Western Sydney International Airport. This includes removing the requirement for Sydney Airport to accept all interstate, intrastate, and international traffic and to develop the site for anticipated demand, once Western Sydney International Airport is operational and therefore be available to meet some of this demand.

Recommendation 6

The Australian Government amend the *Sydney Airport Curfew Act* 1995 (Cth) to allow shoulder curfew flights to remain at Sydney Airport once Western Sydney International Airport is operational, and modernise the rules around permissible flights in the shoulder and curfew periods to ensure that next generation quieter aircraft are able to operate during the curfew rather than the older noisier aircraft currently mandated.

Recommendation 7

The Australian Government regularly and actively review the operational regulatory frameworks at airports – particularly those most heavily regulated, such as Sydney Airport – every five years to ensure they remain fit for purpose, meet passenger expectations, and can accommodate demand out to 2050. Review of regulations should be done in partnership between government, Sydney Airport and other stakeholders depending on the issue being considered.

3.1.2 What types of data and analysis should the Australian Government produce to support aviation competition outcomes?

The collection and sharing of appropriate, accurate and timely data is critical to the efficient operation of airports and for building public confidence in the aviation system. Therefore, SYD supports measures to increase access to data and analysis to improve aviation competition outcomes. At the same time, SYD believes the right balance must be achieved between the provision of detailed information, the benefits that information could provide, and the cost and time involved in providing that information.

Canadian example of proposed legislated data sharing

Australia's aviation system has many similarities with that of Canada, given the size and dispersal of people. The Government of Canada recently announced an initiative to bring together aviation and government stakeholders to develop a system of better data and information sharing. Similar to Australia, one of the issues for Canada's aviation sector was the ability of operators to access timely data from each other in ways that can be aligned, and to make sure they had the right resources in place. The Canadian Federal Budget in March 2023 proposed legislative change that will require sharing and reporting of data by airports and airlines to reduce delays and improve coordination between airports, airlines and the Federal Government. Similar requirements for data sharing exist in the European Union. Work is now underway between all Canadian aviation stakeholders to develop a framework to be piloted in four major airports, with the goals of improving the passenger experience, increasing operational efficiency and ensuring safety and security.

A similar program in Australia could achieve these same goals, while helping all stakeholders with forecasting and resourcing. A working group should be established to discuss how such a program could be established in Australia.

Slot usage data

It is important to note that slots are not owned or controlled by SYD or the airlines. Slots are a public asset owned by the Commonwealth but administered and allocated by an independent third party appointed by the Government – the Slot Manager (currently Airport Coordination Australia).

From SYD's perspective, the clearest case for sharing more data and analysis in the aviation industry is in relation to the allocation and usage of slots. As explained in Chapter 3.1.1, the slot regime is at the core of Sydney Airport's ability to operate efficiently. The effectiveness of the slot regime is heavily dependent on the flow of critical information between airlines, Sydney Airport and the Slot Manager. The industry currently relies on datasets published by the BITRE. However, these datasets are inadequate for the purpose of monitoring slot usage and compliance at Sydney Airport. Specifically, these datasets:

- do not adequately track flight cancellations. They do not capture flights cancelled more than seven days from the scheduled departure date, and do not measure cancellations for slots reserved at the beginning of a slot season against the HBD
- do not accurately represent an airline's compliance with the slot rules. A slot permits an aircraft to take off or land at Sydney Airport at a specified time on a specified day. However, delayed flights that depart within the same day (24 hour period) as the scheduled time (e.g., flights that depart at 9:00 p.m. when originally scheduled for 7:00 a.m.) are recorded as compliant for the purposes of the 'use it or lose it' rule.

Moreover, the Slot Manager releases very limited information regarding slots. For example, the Slot Manager regularly allocates 'confidential slots'. These slots are not subject to the historical precedence rules, and there is no transparency as to which airline may is applying for those slots, whether a service is international or domestic, or what size or aircraft the slot is for. The fact that confidential slots exist further highlights the inadequacies of the slot regime, as SYD must accommodate aircraft over which it has no visibility.

Therefore, enhanced datasets are urgently required to improve visibility over slot usage and compliance at Sydney Airport. In this regard, SYD supports the urgent implementation of recommendation 7.2 of the Harris Review:

> *"the Slot Manager at Sydney Airport should publish in electronic form information available to all parties at the completion of each season showing all slots allocated by carrier designation, and matching this information with a display showing vacancies.*
>
> *The provision of information online should extend to allowing an interested party to interact electronically with the allocation of slots for a particular season and seek to test potential slot combinations before making an application."*

More specifically, SYD considers that the following information should be shared between the Slot Manager and SYD:

- Slot Initial Allocation List (**SAL**) schedule, the day after it is released to airlines
- HBD schedule, the same day it is released to airlines
- weekly schedule updates for the upcoming season. These become the daily file once the season starts
- full disclosure of the RRF used and unused slots
- details of any confidential slot times, including sector and aircraft type to help with capacity evaluations
- detailed bay plans at SAL and HBD for all terminals
- detailed usage of terminal capacity at SAL and HBD
- unconstrained demand at SAL at an airlines level, showing requested slots
- Slot Historic List (**SHL**) when it is agreed by the airlines
- list of agreed lost historic slots
- full details of outstanding requests in priority order at both SAL and HBD. This should include the reason the original slot request could not be met
- mid-season review highlighting any slot series likely to lose historic precedence due to not meeting the minimum usage requirements to date.

SYD considers that, to the extent possible, the above data should be shared through a live portal. This would facilitate an audit trail of how slots have been allocated and allow for ad hoc data requests as required.

In addition, SYD agrees with recommendation 5.5 of the Harris Review that additional compliance resourcing should be devoted by the Compliance Committee to scrutinise cancellations data for selected domestic slots services. This work should be completed by a reputable and unconflicted auditor. The data and conclusions of the auditor should be published in a timely manner and should include the following:

- a monthly report for the Compliance Committee identifying potential slot misuse by airlines
- a weekly report forecasting differences between slots held and flights sold by airlines

- a daily summary of reasons for flight cancellations and diversions, categorised by reasons within the airline's control (e.g., crew, fleet and commercial reasons) and outside (e.g., weather, Airservices operations and government decisions)
- detailed flight cancellation data, for example measured in breakdowns against HBDs (e.g. cancelled 0-7 days prior to departure, 8-28 days prior and over 28 days prior).

This would improve airline competition by accounting for meaningful differences in departure times and slot usage (i.e., airlines using slots for their allocated purposes, including aircraft type and route) and identifying when airlines hold slots without an intention to use them.

ACCC monitoring

Airports, and in particular major airports like Sydney Airport, have been subject to ACCC monitoring for over 20 years. As discussed in Chapter 3.1.1, airport monitoring forms a key component of the successful 'light-handed' regulatory regime.

While SYD supports the airport monitoring regime and the appropriate use of data to improve aviation competition outcomes, it is critical to consider the broad commercial context in which the publication of business data may take place. SYD believes that a balance must be achieved between the benefits that detailed information can provide and the time and cost involved in capturing, processing and providing that data. Regular, ongoing discussion around the scope of monitoring is required to ensure these factors remain in balance.

For this reason, SYD has already expressed its concerns with some of the ACCC's submissions in relation to the PC's recommendations in its fourth review of the economic regulation of airports (in particular, PC recommendations 9.4 and 9.5).[35] The ACCC's recommendations in relation to the PC's recommendation 9.4 goes further than what was recommended by the PC. There are also practical limitations on SYD's ability to provide data on several measures proposed by the ACCC in relation to the PC's recommendation 9.5.[36] SYD would welcome further engagement on these issues.

As discussed above, the monitoring regime should also apply to WSI.

As discussed above, SYD also welcomes the resumption of ACCC airline monitoring for three years, including on cancellations and delays. In the current environment of high airfares and flight cancellations, ongoing airline monitoring will provide consumers with access to important and transparent information and will help build confidence in the aviation system more broadly. The data obtained through airline monitoring will presumably shed much more light on why cancellations and delays are occurring, and hold airlines to account.

However, SYD considers that the airline monitoring regime should be one which is sustainable into the future. To this end, while quarterly monitoring of airlines may be appropriate in the current environment of historically high cancellations and airfares, SYD considers that it may be more sustainable for airline monitoring to occur on a half-yearly permanent basis.

[35] ACCC, *ACCC Submission – The future of Australia's aviation sector, in the context of COVID-19 and conditions post pandemic*, Parliament of Australia website, 18 December 2020, accessed 27 November 2023.
[36] ACCC, *ACCC Submission – The future of Australia's aviation sector, in the context of COVID-19 and conditions post pandemic*, Parliament of Australia website, 18 December 2020, accessed 27 November 2023.

Data sharing with agencies

The importance sharing of data with agencies, including Airservices and Australian Border Force (**ABF**), is discussed in detail in Chapter 8.

Recommendation 8

The Australian Government enable increased data collection and sharing between government agencies, airports and other aviation stakeholders. This should include between the Slot Manager and SYD, with respect to slots at Sydney Airport. To the extent possible, such data should be shared via a live portal.

Recommendation 9

While no changes are required to the current scope of ACCC airport monitoring, it should be reviewed regularly to ensure it maintains a balance between the benefits that the information can provide and the time and costs of providing such information, and appropriately considers the broader commercial context in which it is published. It should also apply equally to Western Sydney International Airport.

ACCC airline monitoring should be conducted on a permanent, but half-yearly basis.

3.1.3 Are the Aeronautical Pricing Principles fit-for-purpose? How could they be improved? Should the Australian Government mandate use of the Aeronautical Pricing Principles? Why or why not?

The APPs have served as a significant aid to ensuring airlines and airports negotiate in a manner that supports open and transparent exchanges of information, leading to balanced commercial outcomes that facilitate efficient investment in infrastructure. The APPs remain relevant and provide a useful reference point to guide SYD's engagement with its airlines. In particular, they help set expectations on how airports will negotiate and price aeronautical services and facilities.

However, mandating the use of the APPs seems unnecessary for price monitored airports, as the APPs already underpin the negotiation process. While SYD uses the APPs in its negotiations, particularly in respect of the preparation of information that will be provided to airlines at the commencement of negotiations, the APPs do not solely determine negotiated outcomes. Airport/airline negotiations are not generic and many airlines have bespoke or specific desires in the context of aeronautical services and facilities. For this reason, the principles in the APPs are of assistance in guiding negotiations without being overly restrictive and limiting commercially negotiated outcomes. SYD believes this balance between having clear negotiation guiding principles in the APPs while also allowing commercial parties to reach negotiated outcomes remains important.

Mandating the use of the APPs is also unnecessary due to the market power of Australia's domestic airlines. As set out above in Chapter 3.1.1.3, Australia's domestic airline industry is effectively a duopoly. The market power that flows from the dominant positions enjoyed by Qantas Group and Virgin Australia affords both airlines a very strong bargaining position when negotiating aeronautical services agreements with airports. The airlines' respective bargaining positions are further strengthened by the fact that they can:

- leverage Commonwealth lease conditions that limit the circumstances in which an airport operator can deny access to aeronautical services
- credibly threaten to reduce demand for an airport's services because they have mobile capital (i.e. planes) which they can relocate if necessary.

As discussed in Chapter 3.1.1, airlines have leveraged their respective market power on several occasions.

SYD considers that mandating the use of the APPs is unnecessary for these additional reasons:

- As noted in Chapter 3.1.1, successive PC inquiries have found that the light-handed regulatory regime (which includes the APPs) is fit for purpose, that airports do not exercise market power, and on this basis, the regime does not need to change.
- As a price monitored airport, SYD already uses the APPs in its negotiations with airlines and other stakeholders. For airports that are not price-monitored, the use of APPs may promote pricing transparency. However, due to the market power of airlines, the use of the APPs does not guarantee a negotiated outcome.
- Because SYD competes globally to secure new airlines and services, SYD is increasingly required to go over and above what is required in the APPs. This can include offering more commercial and creative offers to secure airlines, including discounts, growth incentives and commitments regarding ancillary services.

In SYD's view, the issue of aeronautical pricing should focus on how aeronautical pricing can alleviate the slot issues and the attendant poor consumer outcomes (as outlined in Chapter 3.1.1 above). Improvements to slot allocation efficiency through appropriate incentives in aeronautical services agreements with airlines would benefit passengers, Sydney Airport and the broader New South Wales and Australian economies.

In this regard, SYD is actively considering how its pricing structures in aeronautical services agreements can better incentivise efficient airline behaviour, including the use of the scarce slots at Sydney Airport. This is consistent with Section G of the APPs, which states "*that at airports with significant capacity constraints, peak period pricing is allowed where necessary to efficiently manage demand and promote efficient investment in and use of airport infrastructure, consistent with all of the above Principles*".[37]

For example, SYD is exploring time-based scarcity pricing models and opportunities for pricing where airlines would pay for cancelled flights and unused slots above an agreed reasonable cancellation baseline. This kind of model would likely enhance the efficiency of Sydney Airport as it would incentivise the airlines to treat the slots as a scarce resource and not to tactically cancel flights. These changes (if agreed to by airlines) would also help address the poor consumer outcomes that flow from flight cancellations and delays.

In a congested airport like Sydney Airport, these types of pricing structures are consistent with the APPs and have been supported consistently by the ACCC and the PC to help address congestion and inefficiencies:

> *"Introduction of peak period charges would improve congestion management. It would discourage airlines from holding more peak period slots than necessary by encouraging airlines to move more flights to off-peak times. Peak period charges would also encourage airlines to use peak period slots more intensely by using larger aircraft during peak periods and could help to free up slots for new entrants." ACCC Decision on Aeronautical Pricing Principles, 2001*[38]
>
> *"At airports experiencing at least some excess demand for landing slots, weight- or passenger-based charging may send the wrong signals to airlines. A small plane or a plane with a low passenger load is charged less than a large plane or one with a high passenger load, even though the former may take up as*

[37] The pricing principles relating to prices for aeronautical services and facilities as defined in Part 7 of the Airports Regulations 1997.
[38] ACCC, *Sydney Airports Corporation Ltd., Aeronautical Pricing Proposal Decision, May 2001*, ACCC, p 22, accessed 27 November 2023.

much, or more, time on approach and on the runway. Uniform charges for runway use, possibly combined with differentiated peak/off-peak charges, would be one way of restructuring prices." 2002 PC Inquiry Report[39]

"price structures should… allow multi-part pricing and price discrimination when it aids efficiency (including the efficient development of aeronautical services)." 2007 Aeronautical Pricing Principles[40]

"This would then suggest that efficient pricing at Sydney Airport should involve staggered rates for peak, shoulder-peak and non-peak periods." ACCC submission to 2019 PC Draft Report[41]

Changes to SYD's aeronautical services agreements with airlines (if agreed to by airlines) will assist in alleviating the slot issues at Sydney Airport. However, any changes to aeronautical pricing structures would only be a complement to, and not a substitute for, the regulatory reform proposed by the Harris Review and SYD, as described in Chapter 3.1.1 above. Indeed, any changes SYD makes to its aeronautical services agreements will need to be agreed to by airlines. Therefore, these regulatory reforms should be a priority as part of the White Paper ultimately adopted by the Australian Government.

Recommendation 10

The Aeronautical Pricing Principles remain relevant and useful but should not be mandated by the Australian Government.

3.1.4 Would the Australian Government's publication, in consultation with industry, of a decision-making framework and guide for short term cabotage dispensations support clarity of current processes to manage future decisions to implement longer-term cabotage arrangements?

Globally, it is very unusual for international airlines to be granted cabotage rights in a foreign country. Part of the difficulty for international carriers is that many of them operate widebody aircraft, and these are not commercially viable for shorter journeys like domestic flights.

In the Australian context, SYD believes it is beneficial to the long-term viability of the domestic aviation industry if these routes are serviced by Australian-based carriers to ensure fair and balanced competition and to avoid impacts on the domestic and regional aviation workforce. However, SYD recognises that aviation is critical to Australia, given its geography and lack of alternative travel options. Further, ensuring that regional population centres are adequately serviced should be an enduring key priority. Therefore, if the Australian Government were to consider cabotage as an option to stimulate certain routes, SYD would support the codification of a decision-making framework.

In the short term, a clear decision-making framework would help ensure that foreign airlines are not unnecessarily deterred from seeking short-term dispensations. In the longer term, a decision-making framework may enable foreign carriers to bring increased competition to Australia's domestic airline industry.

[39] PC, *Price Regulation of Airport Services, Inquiry Report no. 19*, PC, 2002, p 91, accessed 27 November 2023.
[40] P Costello, *Productivity Commission Report – Review of Price Regulation of Airport Services* [media release], Australian Government, 30 April 2007, accessed 27 November 2023.
[41] ACCC, *Productivity Commission Inquiry into the Economic Regulation of Airports, ACCC submission in response to the draft inquiry response, March 2019*, ACCC, p 8, accessed 27 November 2023.

3.2 Consumer Protections

3.2.1 Should the Australian Government look to review current consumer protection arrangements and, if so, through existing or new mechanisms?

SYD welcomes the Australian Government's efforts to improve consumer outcomes. As set out in the Green Paper, Australians are concerned about flight cancellations and delays, as well as the terms and conditions for refunds and flight credits.

To address these issues, SYD supports further enhancement of consumer protection arrangements in principle. However, SYD considers that responding to consumer concerns should begin by addressing the underlying cause of the most significant issues confronting consumers, such as flight cancellations and delays at Sydney Airport. In SYD's view, that root cause is the slot regime.

As set out in detail in Chapter 3.1.1, the current slot regime permits slot misuse by airlines at Sydney Airport. Airlines over file for slots on busy routes that they never intend to use, and then selectively cancel flights in a manner that still meets the 'use it or lose it' rule. These cancellations have a direct impact on consumers who are often moved to new flights at inconvenient times and with little notice. The slot regime also entrenches inefficiencies. For example, the regime does not provide sufficient flexibility to enable SYD to 'catch up' following a delay. These delays are experienced directly by consumers.

In addition to slot regime reform, SYD considers that any review of current consumer protection arrangements should also consider:

- **the highly concentrated domestic airline market.** As set out in detail in Chapter 3.1.1, the Australian domestic airline market is effectively a duopoly. Qantas Group and Virgin Australia have a combined market share of around 95 per cent. As the ACCC has noted, "*this represents an extraordinarily high level of concentration*."[42] The level of concentration results in poor consumer outcomes such as higher airfares and lower levels of service for the travelling public. Further, if there were more competition for domestic flights, airlines would be more incentivised to invest in improvements to their customer dispute resolution systems.
- **the sharing of data to improve consumer outcomes.** The sharing of data between government, industry and the public (as appropriate between each), as well as the benefits of doing so, are discussed in Chapters 3.1.2 and 8.1.

3.2.2 Would an expanded remit for the Airline Customer Advocate to educate customers on their legal entitlements be useful?

SYD supports proposals that would improve consumer outcomes in the aviation industry. It is important for the confidence of the travelling public that they understand their legal entitlements associated with air travel. One such proposal could include an expanded remit for the Airline Customer Advocate to educate customers in more detail regarding their legal entitlements. The Airline Customer Advocate would be a logical source of such clarity, although the ACCC has recently highlighted a degree of consumer scepticism regarding the effectiveness of the Airline Customer Advocate.[43]

[42] ACCC, *Airline competition in Australia: Final Report*, ACCC, 2023, p 23, accessed 27 November 2023.
[43] ACCC, *Aviation White Paper, ACCC submission in response to the terms of reference*, DITRDCA website, 15 March 2023, p 29, accessed 27 November 2023.

3.2.3 Would policies pursued in other jurisdictions – such as a Passenger Bill of Rights or a stronger ombudsman model – deliver benefits to Australia's aviation sector?

SYD notes the implementation of consumer compensation and protection schemes in other global jurisdictions, many during the COVID recovery period, including in Europe, New Zealand, and the United Kingdom. At face value, the UK model appears to be the most reasonable, with many jurisdictions already considering further changes to their respective regimes.

While not against consumer compensation, as discussed above SYD maintains the best outcome for consumers would be to deal with the root cause of cancellations and delays, which for a large part emanate from abuse of the slot regime at Sydney Airport. Mandating consumer compensation only would be treating the symptom and not the cause, whereas dealing with slot misuse as the driver would go a long way to dealing with broader issues in Australia's aviation sector.

As discussed in Chapters 3.1.1 and 3.1.2, SYD welcomes the resumption of ACCC airline monitoring, including on cancellations and delays. Coupled with slot reform as a priority, presumably this will help shed much more light on why cancellations and delays are occurring and hold airlines to account. For example, this work could highlight that staffing at Airservices is a major driver of cancellations, and make a recommendation that investment needs to be made in air traffic control resourcing.

The overarching intention here should be to improve the system as a means to provide better consumer outcomes. A trial period could ensue, where the ACCC or Airline Customer Advocate looks at the data and transparently identifies the reasons and patterns of cancellations. This would then allow government to determine if a compensation scheme is indeed the right tool to achieve the desired outcomes and whether financial penalties provide a greater incentive for airlines to reduce cancellations.

Recommendation 11

The Australian Government should review and improve consumer protection arrangements. However, the Australian Government should first address the underlying cause of the most significant issues confronting consumers by reforming the slot regime at Sydney Airport.

3.3 Disability Access

3.3.1 What further improvements can be made to the Disability Standards for Accessible Public Transport to accommodate the unique requirements of air travel? What improvements can be made to aviation accessibility that are outside the scope of the Disability Standards for Accessible Public Transport? How can Disability Access Facilitation Plans by airlines and airports be improved? How should the Aviation Access Forum (AAF) be restructured to be more effective and better able to drive and enforce change to address issues faced by travellers living with disability?

SYD acknowledges that passengers with disabilities face a variety of challenges when accessing air travel. Although each airport and airline has different operational requirements, collectively, stakeholders in the aviation industry should and can create a better experience for these passengers.

The challenges of a unique operational environment

The unique operational environments of airports and airlines means that a 'one size fits all' approach to regulating disability access across the broader transport sector will not be effective. Improvements to the

experience of travellers with accessibility needs is best driven by strategic plans and guidelines developed by industry, for industry, that can co-exist alongside but not necessarily within existing regulatory frameworks.

There are unique and complex operational, safety and security requirements within aviation, and airports of varying sizes and scales are also subject to differing legislation at local and state levels, often resulting in conflicting outcomes. For example, recommendations around the provision of accessible parking on a terminal roadway may be feasible for some smaller airports but would be unworkable at Sydney Airport and breach existing kerbside security rules. Therefore, the Australian Government should consider how improved service standards for passengers with a disability can live alongside complex legislation and regulations in the airport environment, noting no two airports are the same.

The unique environment, alongside a lack of federal investment in disability standards in aviation, has meant individual stakeholders are left to determine their own best course of action to improve disability access and service levels above and beyond Disability Standards for Accessible Public Transport (**DSAPT**) compliance. Work is already underway by many airports and airlines to make improvements in this space, but at varying degrees and investment levels.

Further, the disparate responsibilities across a diverse range of aviation and airport stakeholders makes it hard to ensure a consistent level of service for customers and manage resources appropriately. Whilst guidance materials from government, such as Disability Access Facilitation Plans (**DAFPs**) seem useful at face value, SYD would welcome a review of DAFPs overall, in particular how they can improve collaboration between airlines and airports, and if they are still fit for purpose.

Case study – Making improvements at Sydney Airport

In mid-2023, SYD engaged a specialist disability and accessibility consultant to assist in creating a better accessibility journey for passengers and refine existing programs and investment to better meet the needs of all customers.

The report contained a review of Sydney Airport's existing landscape and provided a series of recommendations for improvement.

Work is already underway to implement some of these recommendations, such as enhanced accessibility software for SYD's corporate website, ongoing training across all precinct stakeholders in disability and accessibility more broadly, improved communications and resources for accessibility passengers wanting to travel, and enhanced employee experience programs and policies.

SYD intends to drive further improvements in this space in close collaboration with airport partners and identify opportunities to share information more effectively. Part of this requires transparency and data sharing between airlines and airports to achieve common goals and service outcomes.

As discussed below, SYD suggests this may be a suitable workstream for the restructured AAF to tackle in future.

The opportunity to deliver a better experience

Whilst some good progress has been made over recent years to improve disability access and the service provided, including across training programs and customer communications and tools, not all airports and airlines can resource programs to the same degree. Therefore, strategic oversight, and in some cases investment, is required to set baseline, standardised, or endorsed training programs with equitable access for all.

An example of where this has worked well is in the Hidden Disabilities Sunflower Lanyard Program, a global initiative that has been adopted locally by many Australian airports, and more recently, airlines.

Hidden Disabilities and the Sunflower Lanyard program's success across airports nationally has further been driven through endorsement from the Australian Airports Association, where alignment between airports was achieved and a baseline training program adopted so that any airport, at any scale can access the program for its people.

There are other opportunities to improve disability access through greater information and data sharing, meaning greater collaboration between aviation and industry stakeholders is needed, as well as community disability, advocacy and industry groups.

Case study – Hidden disabilities training and the Sunflower Lanyard at Sydney Airport

Since 2020, SYD has facilitated and subsidised 'hidden disabilities' training for both internal and external (airline and airport workers) stakeholders, which has proved a valuable program for supporting this segment of the community, as well as for airport workers.

Training is offered both face-to-face and online through an e-learning module which has been adapted to Sydney Airport's unique environment.

Partnering with Autism Spectrum Australia to deliver this program has ensured a consistent approach to training, skills and knowledge across the airport precinct.

Additionally, investment in programs such as the Sunflower Lanyard has been integral to SYD's customer experience offering, providing a recognisable and safe pathway for passengers requiring extra support or resources to travel. Where the sunflower is recognised at other ports, customers can expect a similar level of support or service, improving travellers' experiences from end to end.

It is unclear what the role of the AAF is, and whether it is effective in driving outcomes amongst the aviation community, especially with regard to information exchange and resources for stakeholders. SYD is not a current member of the AAF but would welcome involvement as Australia's largest airport.

A reconvening of airports and airlines is required to determine what alignment should look like and to agree on consistent best practice standards and a shared strategy moving forward. This could be undertaken via a refreshed AAF or other means, but would need to be driven by government, with agreed objectives and clearly articulated responsibilities, accountability and measurable outcomes.

A restructure of the AAF and review of current membership, purpose and function is therefore supported. Workstreams or themes to consider would include, at a minimum:

- training and skills development
- minimum service standards, including for third party contractors

- communications and resource development
- information and data sharing, and the role of technology
- collaboration with industry and community, and the interface between service providers
- planning and design including end-to-end journey mapping and universal design principles
- case studies and global best practice.

Recommendation 12

The Australian Government should bring together airports and airlines to reach alignment on disability access in aviation across Australia. This could be undertaken via a refreshed Aviation Access Forum or other means, but would need to be driven by government, with agreed objectives and clearly articulated responsibilities, accountability, and measurable outcomes.

3.4 Regional Productivity Commission Inquiry

3.4.1 What should the Australian Government take into account in designing the terms of reference for the proposed Productivity Commission Inquiry?

As discussed in Chapter 4, SYD agrees that aviation plays a significant role in servicing the needs of Australia's regional and remote communities, including by providing and maintaining access to a range of essential services and facilitating connections between people across Australia. SYD supports regional airlines and acknowledges the importance of the existing network of regional air services to communities across NSW. Indeed, many regional passengers upon arrival at Sydney Airport go on to transfer to other domestic or international services.

Unique regional regulatory framework that applies to Sydney Airport

Sydney Airport is the only airport in Australia subject to a unique regional framework, which includes a permanent regional service series, or RRF, and a regional price cap and notification regime. The RRF reserves a certain number of slots during the peak periods for services to or from regional NSW.

In addition, since July 2002, regional aeronautical services and facilities at Sydney Airport have been subject to a price cap and price notification to the ACCC, which is addressed in Chapter 4.1.1. Capped regional pricing at Sydney Airport has not increased since 2002, even by CPI.

Proposed regional inquiry

As noted in the Green Paper, the Australian Government is considering the recommendation of the Senate Rural and Regional Affairs and Transport References Committee that the PC undertake a public inquiry into the determinants of domestic airfares on routes to and between regional centres in Australia.

SYD welcomes further focus by the aviation industry on regional communities, including investigating whether the current regulatory framework is best placed to service the needs of these communities. If there were to be a PC inquiry of this nature, SYD would willingly participate and considers that the terms of reference should focus on how access to regional and remote communities may be further encouraged and supported.

In the context of the unique regulatory settings applying to regional aviation in New South Wales, and in particular at Sydney Airport, SYD recommends any proposed inquiry consider the following:

- **The definition of 'regional service' in the Slot Management Scheme should be re-examined to ensure that it remains fit for purpose**. The original purpose of the RRF was to ensure residents of regional NSW could access Sydney. However, as discussed further in Chapter 4.1, regional aviation in NSW has changed significantly over the past 25 years without any change to the accompanying regulations. Today, larger routes in NSW such as Ballina to Sydney are serviced by three airlines (Qantas, Jetstar and Virgin Australia) across 13 services a day, and are used by nearly 450,000 passengers per year. These services are on larger 74 turboprops to 180 seat jets, with high load factors and driven by leisure demand. In reality, these services should be competing against other regular domestic services, such as flights from Sydney to Coolangatta. However, Ballina's classification as part of the RRF means it has access to protected pricing at Sydney Airport. These services operate outside the original purpose of the RRF and do not need regional protection or price subsidies to be viable.
- **Regional access to the Sydney basin will change once WSI becomes operational.** WSI will provide greater opportunities for services to and from regional NSW, further supporting the need to re-examine whether the current regulations that apply only to Sydney Airport remain fit for purpose. If the regime is to remain after the opening of WSI, then the same regional obligations (a RRF and capped regional pricing) at Sydney Airport should apply equally to WSI to promote government accountability, uphold principles of Competitive Neutrality, encourage competition on its merits between SYD and WSI, and encourage regional services to use WSI.

Recommendation 13

Any proposed Productivity Commission inquiry into regional access should re-examine the definition of 'regional service' in the *Sydney Airport Slot Management Scheme* 2013 (Cth) to ensure it remains fit for purpose. For example, whether certain intra-state locations such as Ballina/Byron Bay, currently included in the regional ring fence, should still be considered 'regional' given current market dynamics.

4 Regional and remote aviation services

Summary

Sydney Airport is the only airport in Australia that is subject to both a RRF and capped regional pricing. Regional access at Sydney Airport has not been updated since 1997 and SYD is disappointed and frustrated that foreshadowed sensible reforms have been delayed again.

Capped regional pricing at Sydney Airport has not increased since 2002, even by CPI. This severely limits the service SYD can offer regional passengers. The notification requirements deter regional air service providers from giving effect to new and innovative arrangements with SYD. The RRF further entrenches inefficient fleet allocation practices, because airlines often use smaller, higher emission aircraft to service the regions.

SYD strongly agrees with the PC's 2019 recommendation that the regional access regime should apply only to regional aeronautical services and facilities that are not covered in commercial agreements negotiated between SYD and regional air services providers.

SYD considers there is a significant risk, magnified for the regions, that the Australian aviation sector will not be able to decarbonise without a domestic SAF market. Given the availability of land, Australia's regions are well placed to develop domestic bioenergy feedstock production, which also serves as a new high value industry.

Recommendations

Recommendation 14

The Australian Government reform regional access at Sydney Airport, including:

- release trapped slots so regional airlines can build consistent daily schedules, and to make the regional ring fence more usable
- smooth, or average, preserved regional slots to ensure the same number of regional slots are available every day in the morning and evening peaks
- provide the ability to retime regional slots by up to one hour to help with slot fragmentation.

Recommendation 15

The Australian Government limit future declarations relating to the regional price cap and notification regime at Sydney Airport to aeronautical services and facilities that are not covered in commercial agreements between SYD and airlines.

Recommendation 16

The Australian Government review the regional ring fence in consideration of the impact of Western Sydney International Airport on regional requirements at Sydney Airport. This should include evaluating whether the same number of regional slots are required where larger aircraft are used in the future, and applying the regional ring fence and regional pricing regime equally to Western Sydney International Airport to promote government accountability and uphold competitive neutrality.

4.1 The role of airlines and airports in supporting regional economies

4.1.1 Where should the Australian Government focus its engagement in regional and remote aviation, including helping achieve Closing the Gap outcomes, noting established state, territory and local government responsibilities and programs?

Sydney Airport's context

Major airports play an important role in facilitating regional connectivity. While operating with the most complex regulations of any airport globally, SYD takes its role in providing this connectivity seriously, and acknowledges the social licence that comes with facilitating the RRF and capped regional pricing. SYD recognises and respects the value regional communities place on connectivity to Sydney Airport in order to conduct business and access health and professional services, often on day trips. This is also two-way, with professionals living in Sydney utilising same day connectivity to conduct business and carry out services in regional communities.

SYD notes, however, that there has not been any reform or evolution of regional access at Sydney Airport since 1997. At that time, Sydney Airport serviced 50 communities on much smaller 12- and 19-seater planes. The number of ports has rationalised from 50 to 25, and plane sizes have doubled or tripled to 34, 50, or 74 seat aircraft as the market dynamics of aviation have changed and evolved over time. Where small communities such as West Wyalong were once serviced by airlines, it is simply not feasible for that to be the case today.

SYD further notes that Sydney Airport is the only airport in Australia that is subject to both a RRF and capped regional pricing, despite the fact that other major airports in Australia have a higher level of regional services.

Reform of regional access at Sydney Airport

In the near term, it would be sensible to review regional access at Sydney Airport, which SYD hopes will be included as part of the long-awaited review of demand management at Sydney Airport, the Harris Review. As submitted by SYD as part of that review, sensible, pragmatic improvements to the RRF should include 'smoothing' or averaging the preserved regional slots to ensure the same number of regional slots are available every day in the morning and evening peak periods. This enables regional airlines to build consistent daily schedules and not leave slots trapped or unusable, either inside or out of the RRF. The ability to retime regional slots by up to one hour to help with slot fragmentation, should also be included. RRF slots have become 'trapped' because the RRF represents an historic point in time schedule, dating from 1997, when – as noted above – there were more, smaller flights some of which only occurred on specific days of the week. These trapped slots cannot be used by international or domestic flights and often do not provide the regular schedule that would make them appealing for a regional service. Importantly, this change wouldn't remove any ring fence slots, but makes the RRF more usable, ensuring regional airlines can build consistent daily schedules. This also helps to release trapped slots in Sydney Airport's schedule.

Impact of WSI on regional services

In the longer term, once the impact of WSI on regional requirements at Sydney Airport becomes more apparent – as the Green Paper highlights – it would be sensible to continue to review the RRF at Sydney Airport to ensure all available capacity is utilised as productively and efficiently as possible. For example, in the upcoming Northern Winter 23 scheduling season, it should be noted that there will be over 6,000 unused regional slots in the schedule. While SYD is not suggesting these should be immediately converted to domestic or international, it should be monitored post WSI opening to evaluate how regional services evolve, and

whether 25 per cent of Sydney Airport's peak schedule is still needed exclusively for regionals. This could include evaluating the continued upgauging of regional fleets and whether the same number of regional slots are required if bigger aircraft are used into the future.

Pricing - rollover of regional price cap and notification instruments

As noted above, Sydney Airport is the only airport in Australia where regional services are subject to an ACCC price cap and monitoring regime.

SYD has previously provided feedback on the rollover of regional pricing instruments. Principally, SYD continues to express its disappointment and frustration that rational and sensible reform of outdated pricing regulation which was recommended by the PC in 2019 was again recently delayed for a further three years. At a minimum, this will take any prospective change of the rigid regional pricing regime to seven years beyond the PC's recommendation for reform, noting that this recommendation was supported by Rex in 2018-19.

As stated in SYD's submission to the 2018-19 PC review, the current price notification regime limits the practical ability of regional air service providers and SYD to give effect to mutually beneficial agreements that contain confidential and commercially sensitive terms. The ACCC's assessment of notifications is time-consuming, costly, and likely to require the disclosure of information that would otherwise be confidential. While it may be possible to maintain confidentiality over certain information, this ability is unlikely to extend to any proposed price changes.

The notification requirements under the current regime deter regional air service providers from giving effect to new and innovative arrangements with SYD. This is particularly so when the agreements contain commercially sensitive information that the regional air service providers may not wish to be known by their competitors. Ultimately, this acts as a barrier to developing new or better product offerings for regional passengers. This effect is unintended and stifles genuine, fair, and reasonable commercial arrangements. Evolving this approach would not diminish the protections of the current regime or leave regional carriers and communities worse off.

The ACCC regulated capped regional pricing at Sydney Airport has not gone up since 2002, even by CPI. In real terms, this means regional pricing has gone down by 50 per cent. This severely limits the customer service offering SYD can offer regional passengers and effectively means domestic and international passengers are cross-subsidising regional services. Within the bounds of this strict regional pricing regime, SYD has long desired a way to deliver to regional carriers the same flexible and bespoke agreements that have been reached with international and domestic carriers, without also making public those confidential commercial agreements.

The PC recommended in 2019 that the regime apply only to regional aeronautical services and facilities that are not covered in commercial agreements negotiated between SYD and the regional air service provider.[44] Such an approach would ensure regional air service providers are in a better position than currently. They would retain the benefits of the current regime but could also maintain confidentiality over any agreement with SYD. The proposal would not provide SYD with an avenue to unilaterally increase charges, and, as mentioned, explicitly ensures regional carriers are no worse off. Rex also supported this proposal.

[44] Productivity Commission, *Economic Regulation of Airports, Inquiry Report no. 92*, PC, 2019, p.238 accessed 27 November 2023.

The fact regional pricing instruments have been rolled over until 2026 continues a long running theme of reluctance by governments from both sides to reform any meaningful component of the world's most regulated airport. It also brings into question what regional pricing and access arrangements will be put in place for WSI, and whether there will be inefficient, distortionary impacts as a result of any discrepancy between the regimes applicable to each airport. In one scenario, if SYD remains strictly price capped, with a RRF, and the same does not apply to WSI, it stands to reason regional carriers will continue to choose Sydney Airport simply because it is cheaper to fly there, even though it may not be the most efficient use of infrastructure and may not meet passenger needs and demand. In this scenario, the regional pricing regime and ring fence should apply equally to WSI to promote government accountability and uphold Competitive Neutrality.

Recommendation 14

The Australian Government reform regional access at Sydney Airport, including:

release trapped slots so regional airlines can build consistent daily schedules, and to make the regional ring fence more usable
smooth, or average, preserved regional slots to ensure the same number of regional slots are available every day in the morning and evening peaks
provide the ability to retime regional slots by up to one hour to help with slot fragmentation.

Recommendation 15

The Australian Government limit future declarations relating to the regional price cap and notification regime at Sydney Airport to aeronautical services and facilities that are not covered in commercial agreements between SYD and airlines.

Recommendation 16

The Australian Government review the regional ring fence in consideration of the impact of Western Sydney International Airport on regional requirements at Sydney Airport. This should include evaluating whether the same number of regional slots are required where larger aircraft are used in the future, and applying the regional ring fence and regional pricing regime equally to Western Sydney International Airport to promote government accountability and uphold competitive neutrality.

4.1.2 What are specific issues experienced by the regional and remote aviation sector in the context of decarbonisation? What elements should the Transport and Infrastructure Net Zero Roadmap and Action Plan include to recognise the specific circumstances of the regional and remote aviation sector?

Clear government policy is essential to ensure Australia's aviation industry remains viable and competitive and Australia's regions continue to be linked to capital cities domestically and around the world.

It is acknowledged globally that aviation is one of the most challenging industries to decarbonise. It is also acknowledged that the economics of regional aviation can be challenging for all industry participants including airlines and airports servicing the regions. Government policy must provide a clear pathway to support the transition. The risk that the Australian aviation sector will not be able to decarbonise without a domestic SAF market (as discussed in Chapter 5) is magnified for the regions, given Australia's geography and the consequent difficulty in transporting SAF to the regions without emitting significant greenhouse gases. Conversely, there is a significant (though time bound) opportunity for the regions to develop a new high value

industry and additional jobs. The Australian regions are well placed, given their expansive land availability and farming capability, to become a globally significant producer of SAF.

As a first step, and while the requisite policy settings are put in place to enable this growth, changes to regional fleets could help reduce emissions connected with regional aviation. In some respects, the RRF, as part of Sydney Airport's Slot Management Scheme, entrenches inefficient practices including in respect of fleet allocation. Airlines often use smaller, higher emission aircraft to service the regions. Encouragement or incentives to fly larger, newer aircraft could enable more efficient regional travel, with more efficient aircraft transporting the same number of passengers. Future policy should incentivise lower emissions for regional air travel, including fleet transition.

4.1.3 What opportunities are there to develop domestic bioenergy feedstock production and collection in Australia's regions, and what policy settings from Government would support this?

Australia's regions are well placed to develop domestic bioenergy feedstock production.

Australia has a global comparative advantage in relation to its farming capability and land availability. CSIRO notes there is sufficient feedstock to supply approximately five billion litres of SAF production in Australia, or around 50 per cent of forecast jet fuel demand in 2025.[45]

Government policy must both create demand and support the scale up of production of SAF. Global examples include:

- incentives (capital grants, concessional loans, research and development funding) to establish first and second of their kind SAF plants and feedstock collection points in agricultural centres
- research and development funding for the development of less mature technologies e.g., power to liquids and carbon capture technologies in regional centres
- reopening or expanding existing refineries/plants to produce advanced SAF
- incentives to encourage feedstock producers to sell their product to local SAF producers.

[45] CSIRO, *Sustainable aviation fuel roadmap*, CSIRO, 2023, accessed 27 November 2023.

5 Maximising aviation's contribution to net zero

Summary

It is essential that Australian Government policy supports sustainable aviation in Australia and keeps pace with leading international jurisdictions. If the domestic industry falls behind or fails to decarbonise there is a real risk the sector will be priced out of the global aviation network.

There are several immediate actions the Australian Government could take to reduce emissions at, and around, Sydney Airport, including to:

- reform SYD's inefficient slot management system, which contributes to higher aircraft emissions
- modernise SYD's airspace and flight paths
- review the Curfew Act, which has remained unchanged for more than a quarter of a century.

In the medium-long term, SAF is the primary pathway for aviation to credibly decarbonise. While Australia is well placed to become a significant global producer of SAF and other renewable fuels, production of SAF in Australia is dependent on the timely development of clear government policy to establish a local market and catalyse private sector investment in refining capacity.

In May 2021, SYD announced its commitment to achieve net zero by 2030 for emissions under its operational control. SYD also remains committed to achieving carbon neutral certification under the Airport Carbon Accreditation program by 2025 and maintains a focus on investigating and progressing options to address Scope 3 emissions in line with current commitments.

Consideration should be given to reforming the APPs to allow for environmentally based charges to incentivise more fuel-efficient aircraft. This would enable the APPs to be brought in line with world's best practice in accounting for sustainability impacts in pricing aeronautical services, provide options to enable airport Scope 3 emissions reduction, and help ensure pricing reform options align with the sustainability aspirations of airlines.

Recommendations

Recommendation 17

The Australian Government immediately make the following changes to the demand management framework at Sydney Airport to reduce emissions and support the path to net zero:

- reform Sydney Airport's inefficient slot management system
- modernise Sydney Airport's airspace and flight paths
- review the *Sydney Airport Curfew Act* 1995 (Cth).

Recommendation 18

The Australian Government set a clear objective for sustainable aviation fuel that is underpinned by global best practice policy mechanisms, prioritise feedstock for use in sustainable aviation fuel, and catalyse industry uptake with a volume-based target for domestic sustainable aviation fuel sales.

5.1 Opportunities and challenges in decarbonising aviation, including sustainable aviation fuel

5.1.1 How can Government work with industry to ensure a strong and sustainable aviation sector that supports emissions reduction targets while growing jobs and innovation? Given there are a number of measures that industry and government could pursue to help achieve net zero by 2050 in aviation, are there specific measures that more emphasis and support should be given to?

Should policy and regulatory settings be refined to support development of domestic SAF production capability and industry take-up of SAF? What are the current and future challenges in developing an Australian SAF production industry, including challenges associated with growing, refining and consuming feedstocks? What types of arrangements are necessary to support industry confidence in the quality standards and sustainability certification of SAF? What should be included in relation to aviation in the Australian Government's Transport and Infrastructure Net Zero Roadmap and Action Plan (including for sectors, such as GA and airports)?

Aviation currently accounts for about two to three per cent of global carbon emissions, and this is likely to grow as other transport sectors progressively decarbonise. It is therefore essential that government policy support sustainable aviation in Australia and keep pace with leading international jurisdictions. If the industry fails to decarbonise or falls behind other jurisdictions, there is a very real risk that the sector will face calls for tighter air travel restrictions (to reduce emissions) or be priced out of the global aviation network once emissions reductions strategies and carbon pricing begin to take effect on the international aviation industry.[46] In turn, this would have negative impacts for tourism, business, trade and the economy more broadly.

As a long-haul destination Australia does not have viable alternatives for travel to and from Australia, unlike Europe, which has an advanced rail network. Even travelling domestically within Australia, it is unlikely that, at least in the foreseeable future, there will be viable alternatives to flying (for example high speed rail) except perhaps for very short flights.

As detailed below, SYD is committed to achieving net zero by 2030 and is actively working to reduce the emissions for which it is directly responsible. There are several immediate actions that the Australian Government can also take to reduce emissions at, and around, Sydney Airport. For example, SYD's inefficient demand management regime contributes to higher aircraft emissions than would otherwise be the case, and reform of the regime would reduce needless emissions. The Australian Government could also review and modernise SYD's airspace and flight paths – which have remained frozen in time for more than a quarter of a century – to not only reduce aircraft emissions but achieve better noise outcomes for the local community.

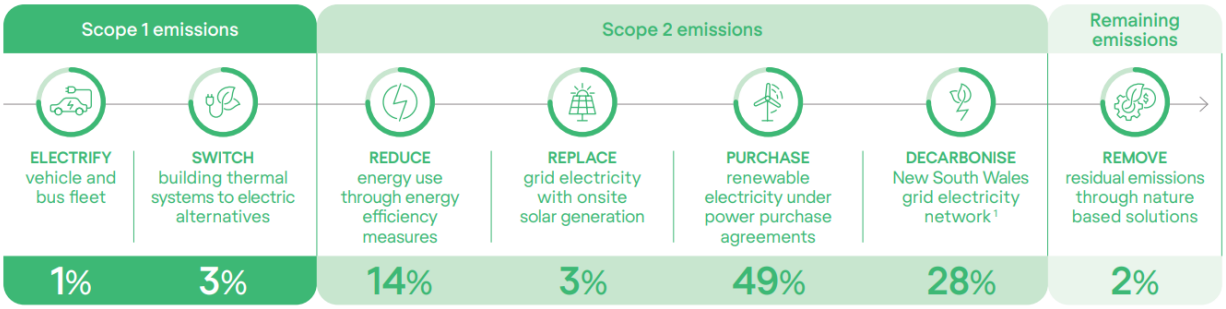
More broadly, SAF is the primary pathway for aviation to credibly decarbonise in the medium-long term. Australia is well placed to become a significant global producer of SAF and other renewable fuels, however, production of SAF in Australia is dependent on the timely development of clear government policy to establish a local market and catalyse private sector investment in SAF refining capacity.

[46] James Goodwin, Australian Airports Association, *Airlines could ditch flights to Australia to meet future emissions promises, parliament told*, The Guardian, accessed 21 July.

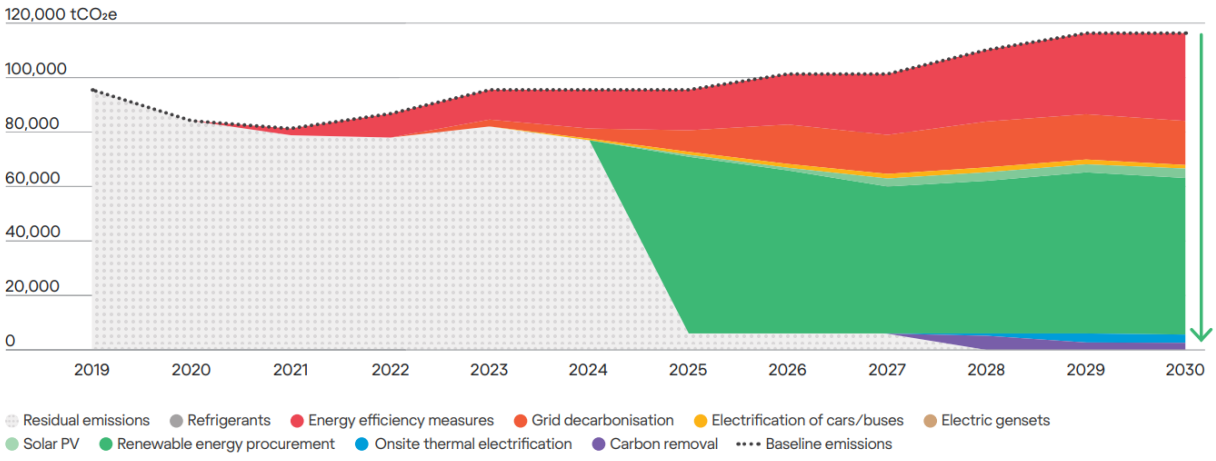
SYD's commitment to achieving net zero by 2030

In May 2021, SYD announced its commitment to achieve net zero by 2030 for emissions under its operational control (known as Scope 1 and Scope 2 emissions). The strategic roadmap to net zero Scope 1 and 2 emissions is illustrated below. This roadmap shows the percentage each measure is anticipated to contribute towards achievement of the target, although it will be refined over time. SYD's trajectory towards net zero is outlined in the layered roadmap further below.

Sydney Airport roadmap to net zero



Sydney Airport trajectory to net zero



Scope 2 emissions

To achieve net zero by 2030, SYD's Scope 2 emissions, which represent 92 per cent of emissions under the airport's operational control, will be eliminated by switching to 100 per cent renewable electricity, reducing electricity use through energy efficiency measures, and installing onsite solar PV in addition to that already installed in the T1 international precinct.

Scope 1 emissions

Scope 1 emissions account for eight per cent of the emissions under SYD's operational control and will be reduced by transitioning diesel/petrol vehicles and buses to electric, replacing natural gas boilers with electric alternatives, and substituting diesel back-up generators to electric alternatives where feasible.

As there will be a small, residual proportion of Scope 1 emissions that cannot be eliminated by alternative technologies or management practices prior to 2030, these emissions will be offset by the procurement of carbon removal credits or the establishment of new nature-based carbon removal solutions.

In addition to its net zero by 2030 target, SYD remains committed to achieving carbon neutral certification under the Airport Carbon Accreditation program by 2025.

SYD also recently completed LED lighting upgrades in its P6 and P7 car parks, Blue Emu car park, T1 international terminal departures, arrivals and staff screening, T2 domestic terminal baggage hall and regional screening, and some T3 domestic terminal gates. Energy efficiencies will be gained by the replacement of existing fluorescent lighting with almost 7,300 LED lights, saving approximately 3,586,000 kilowatt hours of electricity consumption and over 2,600 tCO_2e per annum. This is equivalent to taking more than 5,600 cars off the road for a decade.

Scope 3 emissions

SYD also maintains a focus on investigating and progressing options to address Scope 3 emissions – which occur as a consequence of activities at SYD, but from sources not controlled by SYD – in line with current commitments. SYD's efforts to manage Scope 3 emissions considers both the magnitude of emissions and SYD's degree of influence. The majority of SYD's Scope 3 emissions that have been quantified come from the landing and take-off (**LTO**) cycle of aircraft and ground transport-related access emissions (i.e., emissions from passengers and workers travelling to and from the airport). Collectively, these account for approximately 84 per cent of SYD's Scope 3 emissions footprint measured to date (not including inflight emissions).

The remaining Scope 3 emissions come from airport ground operations. These include emissions from airport tenants' electricity use, ground support equipment (**GSE**), aircraft Auxiliary Power Units (**APU**), waste, engine testing and fire training at the airport.

In 2021, SYD set a target to reduce emissions from airport ground operations by 50 per cent by 2025. To drive progress towards this target, SYD conducted a comprehensive study focused on the reduction of Scope 3 emissions from APUs and GSE used for aircraft loading and unloading during turnarounds. The study determined that the greater utilisation of fixed ground services (i.e., 400Hz fixed electric ground power and pre-conditioned air) and eGSE on a higher number of turnarounds has the potential for annual emissions savings of more than 40,000 tCO_2e relative to SYD's 2019 emissions. This is equivalent to taking over 200,000 cars off the road for a decade.

SYD will continue to work with ground handlers to progress GSE fleet electrification and determine the investment in charging and metering infrastructure that will be required. SYD will also provide renewable electricity to tenants purchasing electricity from the airport and continue to work with airlines and ground handlers to increase the use of ground power and pre-conditioned air, instead of running the APU while on gate.

Reducing needless emissions by improving efficiency at Sydney Airport

Sydney Airport demand management framework

As discussed in Chapter 3, the Sydney Airport demand management framework – or slot regime – entrenches inefficiency, which, along with reduced competition, less choice and higher airfares for consumers, leads to needless carbon emissions with no net noise benefits.

Sydney Airport is the only airport in Australia that is subject to a slot regime. Under the regulatory framework that was introduced in 1997 to address noise concerns, Sydney Airport is restricted to no more than 80 movements (take-offs or landings, for which a slot is required) per rolling hour. Practically, Sydney Airport reaches this cap less than one per cent of the time.

Fundamentally, the slot regime incentivises incumbent airlines to perpetually over file for and hold too many slots (even where they have no intention of using them). This is because airlines may apply for slots purely to establish historical precedence in order to hoard slots or block competitors' access to them.[47] Indeed, incumbent major domestic airlines currently hold 72 per cent of all slots at Sydney Airport.

While acknowledging that fleet management is a complex science, SYD has observed that over the past decade the major domestic airlines have downgauged their fleets and are not operating larger aircraft on domestic routes including replacements for the Boeing 767 (244 seats) and Airbus 330-200 (272 seats). It is not clear to SYD that newer replacements will become part of the domestic fleet in coming years. As a result, airlines are operating more services on smaller aircraft while continuing to maintain or build their slot holdings. Market signals or incentives to fly larger, newer aircraft could enable more efficient travel, particularly between major airports and the regions, with more efficient aircraft transporting the same number of passengers. Future policy should incentivise lower emissions for regional air travel, including fleet transition.

The current strict application of the 80 movement limit across the 15-minute rolling hour also leads to unnecessary emissions. Airservices is compelled to hold aircraft on the ground or delay aircraft from landing (i.e. circling) to ensure the rolling hour count does not go above 80 movements, even if there are no operational impediments to them taking off or landing. This results in no net noise benefit and needlessly increases fuel burn and emissions.

Curfews must also be applied inflexibly under the current regime, often requiring aircraft to enter holding patterns and wait for the curfew to end prior to landing, resulting in aircraft circling for extended periods of time and higher emissions.

Addressing inefficient slot allocation and slot misuse is not just critical to ensuring competition amongst airlines, efficient use of critical infrastructure, and value for consumers and the Australian economy. It is important for reducing unnecessary emissions. SYD recommends that the Australian Government prioritise reform to the slot usage rules at Sydney Airport (set out in Chapter 3) as part of any broader aviation market reform that it undertakes. At a minimum, this includes adopting a more flexible approach to the cap of 80 movements per hour, by measuring the movement cap on a scheduled basis over a clock hour rather than a 15-minute rolling hour (i.e. define a regulated hour as a period of 60 minutes starting on the hour). This will reduce instances of holding or delaying aircraft and therefore reduce needless fuel burning and emissions.

[47] Historical precedence means the priority right to operate a slot series where the corresponding slot series in the previous season was allocated to the operator and the operator satisfied the 80/20 'use it or lose it' rule. This enables incumbent airlines to retain the priority right to hold a slot(s) in perpetuity.

Review and modernise Sydney Airport's airspace and flight paths

As discussed further in Chapter 6, better flight path design and aircraft operations would, if allowed at Sydney Airport, have the potential to substantially reduce emissions.

The LTOP for Sydney Airport – which determines when Sydney Airport's designated flight paths are used – has remained unchanged for more than a quarter of a century. This means Sydney Airport's airspace has been frozen in time during a period of significant technological advancement in aircraft operations, jet engine design, air navigation technology, and the aviation sector more broadly.

SYD believes its airspace and the LTOP should be reviewed and modernised in consultation with the Sydney Airport Community Forum (**SACF**), airlines, and the local community. With WSI's airspace currently being finalised, the opportunity exists now to also review Sydney Airport's airspace. This would achieve two outcomes. First, new noise sharing opportunities could be identified for when only the two parallel north-south runways are being used (i.e. LTOP modes 9 and 10). Second, modernising Sydney Airport's flight paths and airspace would reduce emissions. This is because whenever Airservices changes airport operations to use one of the three existing and low capacity LTOP noise sharing modes (i.e. LTOP modes 5, 7 and 14a), flights approaching the airport invariably have to circle for extended periods over the Tasman Sea or inland New South Wales waiting to land. This results in significant aircraft emissions. These additional emissions could be eliminated if noise sharing opportunities were maximised by relying only on use of the two north-south runways. SYD is undertaking some preliminary analysis to look at this issue in more detail.

SYD would also support the use of CDA, which are currently not used but which reduce aircraft emissions and noise. According to Airservices, early trials have demonstrated that using CDA can save as much as 400 kg of fuel per arrival, depending on aircraft size, weather and other air traffic conditions. This means more than a tonne of CO_2 reductions per flight. For 100,000 such flights, that is the equivalent of taking nearly 22,000 cars off the road for a year.

Allow more fuel efficient domestic overnight freight aircraft to operate during the curfew

As discussed in Chapter 3, the Curfew Act has also remained unchanged for more than a quarter of a century. It mandates that older, noisier and fuel inefficient older BAe-146 and DC-9 freight aircraft must be used between 11:00 p.m. and 6:00 a.m. As the DC-9 does not fly in Australia anymore, overnight freight airlines must rely on the older BAe-146s, although it is noted that one freight airline (Pionair) now uses more modern BAe-146 aircraft. While the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (**DITRDCA**) has issued curfew dispensations to allow larger B737 and A321 freight aircraft to be used, even these tend to be at least 30 and, in many cases, more than 35 years old. They are therefore far less fuel efficient and emit much higher emissions than more modern aircraft. The Curfew Act should be amended to allow overnight freight airlines to operate modern fuel efficient and quieter freight aircraft types.

More efficient airfield operations at Sydney Airport

Since 1994, jet aircraft departing to the north from runway 34L have been required to commence their take-off roll from the very southern end of the runway. At the time, it was said this was to minimise noise as it ensured aircraft were as high as possible when they flew over residential areas to the north of the airport. However, for all but the largest aircraft, it would be operationally feasible and safe for them to commence their take-off roll at the intersection of runway 34L with taxiway L (this is called an 'intersection departure'). This would reduce taxiing distance by around 1.5km for every jet aircraft as well as deliver a safer outcome because active runway crossings would be substantially reduced. As there were 19,178 jet aircraft departures from runway

34L between January and September 2023, if just three quarters of those aircraft were able to operate an intersection rather than a full-length runway departure, the overall reduction in taxiing distance would, over a year, be nearly 29,000 km. That is the same as an aircraft taxiing from Sydney to Perth nine times. This could reduce emissions by around 1,200 tonnes per annum. It is also expected that the change in noise pattern would not be significant.

A harmonised system which brings together airport infrastructure, airline operations, ground handlers and ATC through data sharing and use of technology would maximise efficiency and therefore reduce needless emissions. For example, an Airport Collaborative Decision Making (**A-CDM**) solution has the potential to make aircraft ground operations more efficient, reduce taxiing time on the ground for both arrivals and departures, and optimise trajectories to prevent unnecessary fuel consumption in flight and during LTO cycles.

Investment in Airservices' delivery of an A-CDM solution would be beneficial to both the efficiency of the entire Australian aviation network as well as the environment.

Recommendation 17

The Australian Government immediately make the following changes to the demand management framework at Sydney Airport to reduce emissions and support the path to net zero:

- reform Sydney Airport's inefficient slot management system
- modernise Sydney Airport's airspace and flight paths
- review the Sydney Airport Curfew Act 1995 (Cth).

Supporting the use of sustainable aviation fuel

SAF is the primary pathway for aviation to credibly decarbonise in the medium-long term. Over 95 per cent of Scope 3 emissions at Sydney Airport are created by aircraft operations. Australia is falling behind global policy mechanisms to catalyse SAF uptake, so policies to scale up domestic SAF demand and production are essential. Government, through the Aviation Jet Zero Council, has flagged that it is looking to industry to develop a unified plan for the sector to implement credible decarbonisation efforts. SYD supports the Aviation Jet Zero Council and will participate in the consultation process. SYD also advocates for the NSW Government to develop a SAF investment prospectus for NSW and consider establishing grants, funding, and assistance programs to stimulate the development of a SAF bioeconomy in NSW.

SYD has worked with Melbourne and Brisbane airports to form a position to advance a domestic SAF industry. The joint position statement is below.

Advancing a domestic sustainable aviation fuel industry

Background and context

- East coast Australian capital city airports are national leaders in achieving accelerated Net Zero outcomes for Scope 1 and 2 emissions.
- A clear and timely approach to management of airport Scope 3 emissions is critical to the aviation sector to protect consumers ability to travel in a cost-effective manner. As seen in Europe, scrutiny around carbon emissions impact on travel is only going to increase.
- For Scope 3 airport emissions, we recognise that Sustainable Aviation Fuel (SAF) is the primary pathway for aviation to credibly decarbonise in the medium term.
- The typical scope 3 emissions profile of a major airport shows that approximately 85% of these emissions are created by aircraft.
- Currently, significant Australian SAF feedstock is contracted to be exported overseas for use in biofuels (i.e. Singapore, EU).
- Australia is falling behind global policy mechanisms to catalyse SAF uptake.
- Government, through the Aviation Jet Zero Council has flagged that it is looking to industry to develop a unified plan for the sector to implement credible decarbonisation efforts.

Risks of inaction

- The Australian domestic aviation sector (particularly airlines with only a domestic footprint) cannot decarbonise without a local SAF market.
- Australia's long overseas fuel supply chains expose us to geopolitical changes and climate risks.
- Without a near-term pathway for SAF refining in Australia, there is a high risk that Australian feedstock export agreements are extended well beyond 2030, further entrenching overseas dominance in this space and limiting local industry development.
- Inaction will challenge an airport's social licence to operate and grow. Over time, this will negatively impact travellers through greater commercial challenges in attracting new international airlines which favour destinations with an established source of SAF.
- Airlines (other than purely domestic operators) have a global choice where to adopt SAF – this decision will be price and volume-driven. Currently, without policy in Australia, both major domestic Australian airlines will seek to buy SAF in overseas markets with attractive subsidy mechanisms.
- Without interest in domestic SAF offtake from major airlines, Australian feedstock will continue to be exported to be refined and purchased offshore. Shipping unrefined Australian feedstock into Europe, the US or Southeast Asia for it to be refined and flown back by airlines frequenting Australian airports is a perverse outcome from an environmental, economic and fuel security perspective.
- This presents a potential medium-term risk to Australian airports' Scope 3 reduction efforts as carbon reduction from SAF is likely to be calculated from the point of origin.

Opportunities for a domestic SAF market

- Australia has a global comparative advantage in its farming capability and land availability. CSIRO report there is sufficient feedstock to supply almost 5 billion litres of SAF production in Australia, or around 50% of forecast jet fuel demand in 2025[1].
- Australia is well placed to become a significant global producer of SAF and other renewable fuels. With significant volumes from variety of SAF feedstocks, the transition to clean fuels presents a significant 'clean economy' refining opportunity for Australia.
- By extending Australia's participation in the clean fuels supply chain to refining, we have a window of opportunity to develop new high value-add industries and jobs. If this opportunity is missed, these high value-add industries will be ceded to other countries which are competing to attract capital, decarbonise their economies and scale up net zero industries. This is a significant risk for Australian aviation, which is one of the hardest to abate sectors.
- The airports are able to facilitate SAF blended as a drop in fuel without any additional modifications to jet fuel infrastructure. No changes are needed to joint user hydrant infrastructure (JUHI) if SAF is blended off site (which is a requirement of the relevant standards).
- Boosting Australian production of feedstock and producing sustainable fuels locally creates further opportunities for liquid fuel security and regional jobs.
- Production of SAF in Australia is dependent on timely development of clear government policy to establish a local market and catalyse private sector investment in SAF refining capacity.

[1] https://www.csiro.au/en/news/All/Articles/2023/August/sustainable-aviation-industry-australia

MELBOURNE AIRPORT SYD BRISBANE AIRPORT AUSTRALIA BNE

Proposed aligned SAF policy position across airports

- The Australian Government needs to set a clear, articulated objective for SAF that is underpinned by global best practice policy mechanisms as set out below.

1 **Government should play an active role to support the development of a domestic SAF market.**
Due to the limited pathways to decarbonising aviation, and lack of alternate modes of transport in Australia, it is recommended that Government prioritise feedstock for use in SAF and catalyse industry uptake with a volume-based target for domestic SAF sales.

Over the long term, and once a domestic SAF industry has matured, Government could consider the addition of carbon intensity (CI) requirements to SAF usage targets. Doing so would encourage refiners to optimise their feedstock supply chains and pursue actual life cycle carbon assessments (i.e. under CORSIA, as has been observed in the US, or the more current GREET framework, as has been observed in Canada).

2 **The development of a certification framework.**
Australia needs to develop SAF certification processes, initially by volume then transitioning to consider lifecycle greenhouse gas assessments over time.

3 **Implementation of a transparent market for trading SAF credits.**
(i.e. 'book and claim system', and integration with NGER Scheme). Incentives should be introduced to encourage local production and use of SAF (e.g., NGER-based incentives for Australian produced SAF when used within Australia or on routes originating in Australia).

4 **Establishment of supply-side (incentive) policy measures.**
Incentive-based solutions are essential to develop domestic SAF refining. As we are seeing globally, targeted incentives (such as tax credits) are essential to close the gap between global incentives.

5 **Establishment of demand-side mandates such as a targets.**
(i.e. an agreed percentage SAF blending standard by 2030) or Fuel Carbon Intensity Standard in line with industry best practice. This would ramp up and allow for mandates over time. CI requirements for SAF must balance the dual objectives of catalysing refining capacity and applying downward pressure on SAF carbon intensity over the long term.

Examples of what does good look like?

- To date, governments overseas have adopted, or are close to adopting, two types of policy mechanisms to catalyse SAF demand and production:

Policy mechanism	Targets/mandates	Incentive-based solutions
Example jurisdictions	EU, UK, Canada, Norway, Brazil, NZ, India, Japan Californian Low Carbon Fuel Standard – LCFS;	US: Renewable Fuels Standard – RINs; Inflation Reduction Act – IRA; US Sustainable Skies Act
Typical policy	10% SAF mandate by 2030	US$0.46/litre tax credit for SAF produced in the US
Considerations	Can be applied on fuel suppliers (ReFuelEU) or airlines (Brazil). Airline targets are generally considered less effective due to 1) limited control over fuel supply and 2) airline emissions reduction targets already matching or exceeding national targets.	Market-based solutions (e.g. certificate/credit schemes) are used as enabling economic architecture for supply-side targets (i.e. offsetting the green premium through incentives/penalties). Californian 'cap & trade' credit schemes spread economic burden of SAF refinement across petroleum market in a manner like Australian Safeguard Mechanism (not currently applied to SAF / jet fuel)

MELBOURNE AIRPORT SYD BRISBANE AIRPORT AUSTRALIA BNE

Sydney Airport Jet Fuel Infrastructure

Sydney Airport is well placed to receive SAF blended as a drop in fuel in Jet A1. SYD owns the Sydney Airport Jet Fuel Infrastructure (**JFI**) and enables open access to fuel suppliers. The JFI complies with the aviation fuel supply chain standards (**JIG standards**). These standards address aviation fuel quality controls and operating standards for into-plane fuelling services, airport depots, and hydrants. In compliance with these standards, 100 per cent neat SAF requires blending offsite to ensure fuel quality standards are met. As such, assuming SAF is blended as a drop in fuel in Jet A1, there are no physical or other barriers to enable supply of blended SAF at Sydney Airport, and there are no changes to infrastructure, fuel quality controls, or operating standards needed to accept blended SAF as a drop in fuel in the future.

Sydney Airport advocacy commitments to SAF

SYD commits to ongoing advocacy and awareness of SAF with the Australian and NSW Governments, and with other key stakeholders including passengers and the community.

SYD is a member of Bioenergy Australia and attends the Sustainable Aviation Fuel Alliance for Australia and New Zealand (**SAFAANZ**) working group alongside aviation industry peers and fuel producers.

In the lead up to COP26, SYD signed the World Economic Forum's Clean Skies for Tomorrow ambition statement to achieve 10 per cent SAF use globally by 2030. This industry coalition is committed to accelerating the supply and use of SAF technologies to achieve this target.

SYD also supported the development of the ACI's net zero by 2050 long term carbon goal for member airports. ACI's five regions (ACI Europe, ACI Latin America and Caribbean, ACI Africa, ACI Asia Pacific and ACI North America) came together to develop the goal, and SYD participated in working groups alongside other airports globally to develop the goal throughout 2021.

Even though SYD's net zero target reflects a more accelerated transition to net zero, SYD supports ACI's long term carbon goal, acknowledging the diversity in airport operating contexts that may affect delivery of the goal.

Recommendation 18

The Australian Government set a clear objective for sustainable aviation fuel that is underpinned by global best practice policy mechanisms, prioritise feedstock for use in sustainable aviation fuel, and catalyse industry uptake with a volume-based target for domestic sustainable aviation fuel sales.

Other measures to reduce emissions

Reform the Aeronautical Pricing Principles

The APPs (as set out in the 2019 PC report) establish a framework for airports and airlines to use when negotiating prices, access, and service levels. Both airlines and airports generally acknowledge that the APPs provide sound principles for use in commercial negotiations. Precedents exist for pricing negative externalities like aircraft emissions and noise (for example, at London's Heathrow and Gatwick airports).

Consideration should be given to reforming the APPs to allow for environmentally based charges to incentivise more fuel-efficient aircraft - that is, to include a further principle, '*Price structures could consider incentives to reduce environmental impacts, including from noise and emissions over both the short and longer term*'. This would enable the APPs to be brought in line with world's best practice in accounting for sustainability impacts in pricing aeronautical services, provide options to enable airport Scope 3 emissions reduction, and help ensure pricing reform options align with the sustainability aspirations of airlines.

6 Airport development planning processes and consultation mechanisms

Summary

As noted previously in this submission, aspects of the legislative and regulatory framework that apply to the aviation sector, and in particular Sydney Airport, are no longer fit for purpose. The lack of any change to the rules which govern Sydney Airport in over 25 years has led to compromised outcomes in terms of productivity and efficiency, as well as impacted the experience of passengers, the local community, and the environment.

The number of flights to and from Sydney Airport grew by around 16 per cent between 2008 and 2019. Over that same period, the number of noise complaints fell by nearly 80 per cent. This is largely the result of improvements in engine and airframe technology over the past several decades making aircraft progressively quieter.

To take advantage of this, and to achieve better outcomes for passengers and the local community, the following measures should be considered, many of which are already in use in other Australian airports:

- the introduction of next generation quieter aircraft, including during the curfew
- improvements to flight paths and airspace
- no new high density residential developments in areas already significantly affected by aircraft noise
- better flight path design and aircraft operations, including technologies such as CDA
- consideration of a 'noise envelope'.

SYD is committed to actively engaging with local community on planning and development-related issues in accordance with SYD's Community and Stakeholder Engagement Strategy, and to providing the community with relevant and accurate information about noise impacts in a way that can be easily understood. It is critical, however, that anyone purchasing or moving to a property affected by aircraft noise is made aware of the potential impact and is therefore not surprised by it.

Given the need to balance a broad range of airport-related issues beyond just noise, the terms of reference and membership of SACF should be broadened to make its deliberations more relevant to a wider range of issues.

The existing process for preparing major development plans (**MDPs**) is complex, time consuming and costly, often taking at least 18 months before work can begin. Several suggestions to amend the process are included in this chapter, in particular reforming the major airport development approvals process to ensure only genuinely major developments are subject to the MDP process. Given that each airport has a Master Plan, and considering the criteria that define a MDP, SYD does not believe a monetary threshold is required for determining major airport developments, and the current threshold of $25 million should therefore be removed.

Recommendations

Recommendation 19

The Australian Government increase resourcing for the Noise Complaints Information Service to ensure it can deal with noise complaints expeditiously, as well as implement various improvements to the existing noise complaint handling arrangements recommended by the Aircraft Noise Ombudsman.

Recommendation 20

The Minister for Infrastructure, Transport, Regional Development and Local Government amend the manner of endorsement for an Australian Noise Exposure Forecast to include a draft, rather than endorsed, Australian Noise Exposure Forecast in the preliminary draft Master Plan. This will avoid stakeholder confusion and allow stakeholders to comment on both in the one submission. The draft Australian Noise Exposure Forecast would then become endorsed at the same time the draft Master Plan is approved by the Minister.

Recommendation 21

As chair of the National Airports Safeguarding Advisory Group, the Australian Government should ask states and territories to confirm whether or not the recommendations of the National Airports Safeguarding Framework Guideline A (Measures for Managing Impacts of Aircraft Noise) - requiring that anyone purchasing or moving to a property affected by aircraft noise is made aware of the potential impacts - have been implemented within their jurisdictions.

Recommendation 22

The Australian Government work with SYD to consider the following initiatives, to better balance the operation and efficiency of airports with impacts on the local community:

- the introduction of next generation quieter aircraft, including during the curfew
- improvements to flight paths and airspace
- no new high density residential developments in areas already significantly affected by aircraft noise
- better flight path design and aircraft operations, including technologies such as Continuous Descent Approaches
- consideration of a ‘noise envelope’.

Recommendation 23

Government drive national adoption of the eight recommendations of the 2021 National Airports Safeguarding Framework Review into state and territory government land-use planning systems.

Recommendation 24

Given the need to balance a broad range of airport-related issues beyond just noise, the Australian Government consider broadening the terms of reference and membership of the Sydney Airport Community Forum to make its deliberations more relevant to a wider range of issues.

Recommendation 25

The Australian Government amend the *Airports Act* 1996 (Cth) to simplify and streamline the process for major airport developments, including:

- removing the monetary threshold for major airport developments
- simplifying the criteria for what constitutes a major airport development
- simplifying the process for submitting a major development plan.

6.1 Noise

6.1.1 Do you have comments on how the operation and effectiveness of the Noise Complaints Information Service (NCIS) could be improved?

While SYD does not have any specific comments concerning the operation and effectiveness of the NCIS, noise complainants who have also contacted SYD sometimes report that it takes the NCIS too long to respond to their complaints. It is assumed that the NCIS's workload has increased because of various runway projects at other airports and in line with the return of air-travel post COVID. At its lowest point in late 2021, air travel was just one per cent of pre-COVID levels, increasing to 80 per cent recovered over the 2022-23 financial year.

Resourcing for the NCIS should be appropriately increased to ensure it can deal with noise complaints expeditiously, especially in the current period when there may be more complainants than usual due to the return of flights to pre-2019 levels. Prior to the pandemic, the number of noise complaints had been in steady decline for more than a decade. In fact, the number of noise complainants fell by nearly 80 per cent from a high of 2,972 in 2010 to a record low of 620 in 2019. This downward trend is expected to resume once the number of flights returns to normal.

SYD also notes that the Aircraft Noise Ombudsman (**ANO**) works closely with Airservices (including its community engagement and NCIS teams) and has recommended various improvements to the existing noise complaint handling arrangements. It is understood these recommendations have been or are being implemented so improvements can be expected in the future. This is discussed further in Chapter 8.1.1.

Recommendation 19

The Australian Government increase resourcing for the Noise Complaints Information Service to ensure it can deal with noise complaints expeditiously, as well as implement various improvements to the existing noise complaint handling arrangements recommended by the Aircraft Noise Ombudsman.

6.1.2 How could the Australian Noise Exposure Forecast (ANEF), and use of the ANEF in Government planning processes, be improved?

The Airports Act defines an ANEF for an airport to mean an ANEF endorsed in the manner approved by the relevant Minister.

The Minister's manner of endorsement for ANEFs that applied before May 2008 required airports to include a draft ANEF in the preliminary draft Master Plan (**PDMP**) that is then publicly exhibited for comment. This was a sensible arrangement because stakeholders could see the relevant information in the PDMP on which the draft ANEF was based. They could therefore provide the airport with comments on both the draft ANEF and the PDMP in the same submission.

However, in 2008 the Minister issued a revised manner of endorsement to apply after May 2008. This required airports to include an ANEF that had already been endorsed by Airservices in the PDMP. This revised manner of endorsement, which was renewed in 2017, also required airports to consult with relevant state and local government authorities and to demonstrate that it had paid due regard to all issues raised by those authorities in relation to the draft ANEF.

SYD has now prepared three ANEFs using this revised manner of endorsement. SYD's experience is that the requirement to include an ANEF that has already been endorsed in the PDMP causes confusion for many stakeholders for two reasons.

First, stakeholders are asked to comment on the draft ANEF without being able to see all the information on which it was based. This information – which includes aviation activity forecasts, aircraft type and runway end movement forecasts – cannot be publicly released in advance of the PDMP being released. Stakeholders are being asked to comment on the location of ANEF contour lines without being able to understand why they are located where they are. Several stakeholders have queried why they were being consulted at all, noting they could only meaningfully comment on the ANEF once the PDMP had been released. The problem with that, of course, is it would be too late by then, because the ANEF would have already been endorsed.

Second, as part of the PDMP consultation process, it is SYD's experience that many stakeholders – including key stakeholders such as local councils and SACF – make comments in their submissions that directly or indirectly relate to the already endorsed ANEF. Under the Airports Act, SYD must give due regard to *all* comments received, including ANEF-related comments. However, were anything to be changed in the PDMP that resulted in the endorsed ANEF needing to be changed, section 78(2A) of the Airports Act would require another PDMP to be prepared and exhibited. This potentially circuitous process would clearly be costly and ineffective.

SYD therefore recommends a return to the process that was in place prior to May 2008. That is, the PDMP should include a draft, not an endorsed, ANEF. This would allow stakeholders to comment on both in the one submission. The draft ANEF would then become an endorsed ANEF at the same time the draft Master Plan was approved by the relevant Minister.

Recommendation 20

The Minister for Infrastructure, Transport, Regional Development and Local Government amend the manner of endorsement for an Australian Noise Exposure Forecast to include a draft, rather than endorsed, Australian Noise Exposure Forecast in the preliminary draft Master Plan. This will avoid stakeholder confusion and allow stakeholders to comment on both in the one submission. The draft Australian Noise Exposure Forecast would then become endorsed at the same time the draft Master Plan is approved by the Minister.

6.1.3 What are appropriate, modern noise metrics that should be used to communicate aircraft noise impacts?

SYD is committed to providing the community with relevant and accurate information about noise impacts in a way that can be easily understood. This means providing information in addition to the ANEF, despite that being the only noise metric the Airports Act requires a Master Plan to include.

For this reason, all of SYD's Master Plans have included noise metrics other than the ANEF. For example, SYD's current Master Plan includes:

- flight path diagrams for jet and non-jet aircraft
- comparison between the 2039 ANEF and previous ANEF
- chart showing daily jet aircraft movements for all flight tracks (including average movements, daily range, per cent of total movements and number of zero movement days)

- chart showing daily jet aircraft respite periods for all flight tracks (including total respite and respite in morning, day and evening periods)
- N70 contours (non-curfew hours, existing compared to forecast)
- N60 contours (curfew hours).

It is noted that the *National Airports Safeguarding Framework Guideline A (Measures for Managing Impacts of Aircraft Noise)* also highlights the limitations of the ANEF and recommends a suite of other noise metrics (such as those above) be published to supplement it because that provides more accurate noise information for the local community.

SYD will ensure all future Master Plans contain a similar suite of noise metrics, making, at least in SYD's case, a statutory requirement to do so unnecessary. However, SYD would not object to the Airports Act being amended to require Master Plans to include a chart showing N70 and N60 (night time) contours, as these noise metrics are explicitly referred to in Guideline A of the *National Airports Safeguarding Framework*.

6.1.4 How can governments better communicate with potential purchasers of properties which will be affected by aircraft noise in the future?

It is critical that anyone purchasing or moving to a property affected by aircraft noise is made aware of the potential impact and is therefore not surprised by it.

As has occurred in Western Australia, appropriate aircraft noise-related information should be communicated to potential purchasers of property within the area covered by the most recent ANEF (i.e., the area within the ANEF 20 contour).

For example, to ensure transparency an information pack could be made available that includes:

- a link to the most recent airport Master Plan, with specific reference to the sections addressing aircraft noise-related issues
- existing numbers of aircraft movements (morning, daytime and evening) and existing periods of respite from aircraft movements (morning, daytime and evening), sourced from the most recent information published by Airservices
- forecast numbers of aircraft movements (morning, daytime and evening) and forecast periods of respite from aircraft movements (morning, daytime and evening), sourced from the most recent Master Plan
- a copy of each of the following aircraft noise charts, as published in the most recent Master Plan:
    - ANEF
    - frequency-based aircraft noise charts for, in SYD's case, the periods 6:00 a.m. to 11:00 p.m. (N70) and 11:00 p.m. to 6:00 a.m. (N60).

As aircraft noise impacts are likely to be an issue of importance for at least some potential purchasers, a formalised mechanism should also be used to ensure full noise disclosure and transparency.

To achieve this, an appropriately worded notification would need to be included in planning certificates issued by the relevant local council under section 10.7(2) of the *Environmental Planning and Assessment Act* 1979 (NSW).

As planning certificates are annexed to a Contract of Sale of Land, this provides another transparent and guaranteed mechanism to ensure potential purchasers are aware of relevant noise-related information before they decide to buy a property.

SYD notes that the *National Airports Safeguarding Framework Guideline A (Measures for Managing Impacts of Aircraft Noise)* already recommends that such notifications occur. As chair of the National Airports Safeguarding Advisory Group, the Australian Government should play a leadership role and require states and territories to confirm whether or not that recommendation has been implemented within their jurisdictions.

Recommendation 21

As chair of the National Airports Safeguarding Advisory Group, the Australian Government should ask states and territories to confirm whether or not the recommendations of the National Airports Safeguarding Framework Guideline A (Measures for Managing Impacts of Aircraft Noise) - requiring that anyone purchasing or moving to a property affected by aircraft noise is made aware of the potential impacts - have been implemented within their jurisdictions.

6.1.5 How can new and different types of noise impacts from projected growth in drone use best be managed?

With respect to noise created by the increasing use of drones and/or eVTOL vehicles, prior to COVID the number of noise complainants in areas close to the airport or under flight paths had been steadily decreasing over time. It will be important that effective strategies are in place to ensure the use of drones and/or eVTOL vehicles does not cause the number of noise complainants to start increasing. That could involve, for example, ensuring drones avoid flying at sensitive times of the day and avoid, wherever possible, flying over areas where sensitive land uses are located. This matter could be addressed by appropriately amending the *National Airports Safeguarding Framework Guideline A (Measures for Managing Impacts of Aircraft Noise).*

Other considerations relevant to the use of drones and Advanced Air Mobility (**AAM**) services are discussed in Chapter 9.1. It is important to ensure that the increasing use of drones and other AAM services does not in any way impede SYD's ability to operate safely and efficiently.

6.1.6 Do these processes provide sufficient opportunity for impacts on the community to be identified and taken into account? How can they be improved?

SYD believes the existing processes appropriately identify and take into account impacts on the community. As outlined in Chapter 6.2.2, however, SYD believes changes could be made to improve SACF.

6.1.7 What can be done to proactively mitigate noise impacts by better informing residents and land-use planners?

Prior to COVID, flights to and from Sydney Airport grew by around 2.5 per cent per annum (or around 16 per cent between 2008 and 2019), reaching around 950 flights per day in 2019. Despite this, the number of noise complainants over that same period fell by nearly 80 per cent, from a high of 2,972 in 2010 to a record low of 620 in 2019 (see also Chapter 6.1.8).

During the COVID 'lock-down', the number of flights significantly decreased, at times to around 100 flights per day. With the return of air travel post-COVID, the number of flights at Sydney Airport has almost returned to 2019 levels. That is, over just an 18-month period, people have experienced unprecedented growth in flights, but simply because of the post-lockdown return to normal levels of air travel. Informing residents about this issue, which SYD has done, has generated broadly positive responses from the local community. However, it is important that new residents also be informed.

With respect to new residents purchasing property, see Chapter 6.1.4.

With respect to existing residents or those not purchasing property (including residents renting property), it is SYD's opinion that the existing process for preparing Master Plans and MDPs is sufficient to communicate future noise impacts associated with growth in aviation activity or specific types of development (such as a new runway).

6.1.8 What else can airlines and airports do to support better management of aircraft noise?

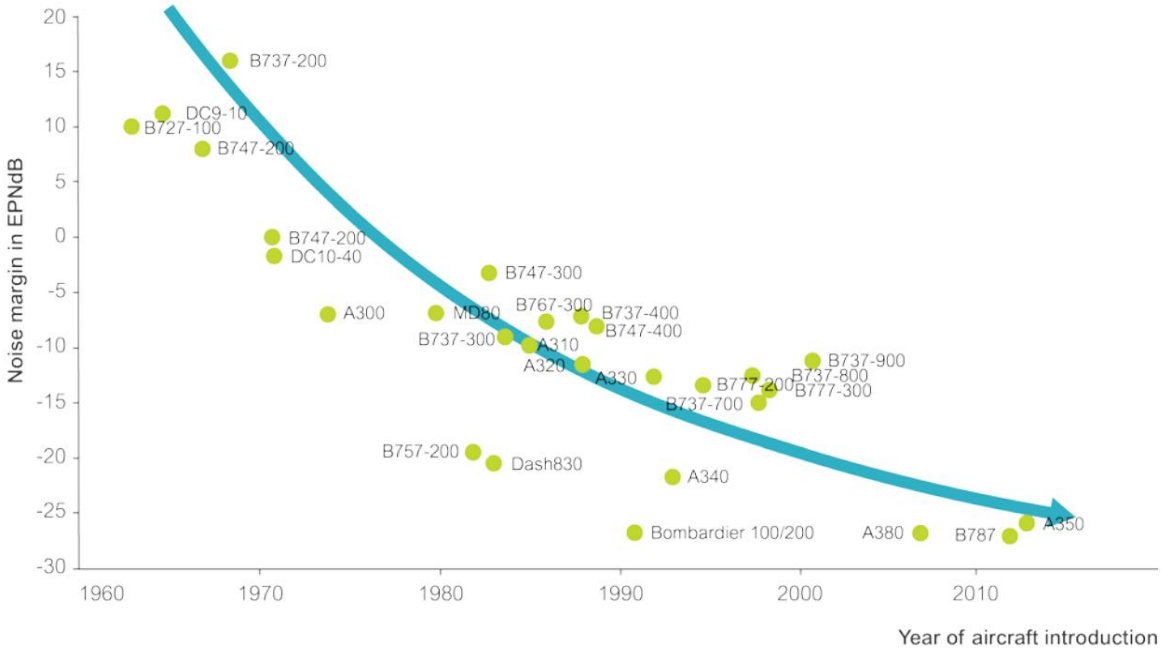
In SYD's case, the following actions would support the better management of aircraft noise in the vicinity of the airport. As can be seen, while these measures are primarily the responsibility of government, airports would need to be closely involved in their introduction, especially when communicating the noise benefits to the local community.

Supporting the introduction of next generation quieter aircraft, including during the curfew

Aircraft operating at airports around the world, including at Sydney Airport, have become progressively quieter over the past several decades due to improvements in engine and airframe technology (see graph below). In fact, the International Civil Aviation Organization (**ICAO**) has said that aircraft coming off the production line today are about 75 per cent quieter than they were 40 years ago.

ICAO has set a new stricter noise standard (known as Chapter 14) which applies to all newly certified larger aircraft on or after 31 December 2017 and for lower weight new aircraft as of 2020. At Sydney Airport, some aircraft including the Boeing B787 and Airbus A350, are already meeting these more stringent standards. It is understood that the new A330-900neo and A321/320neo aircraft will also meet this standard.

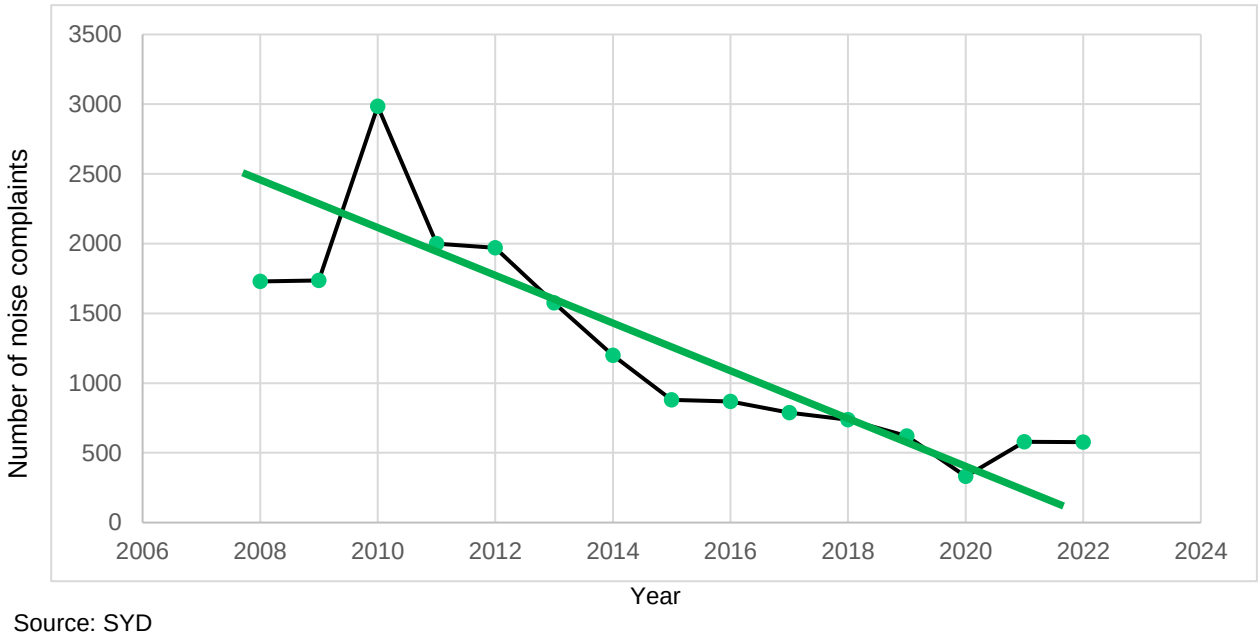
Reduction in aircraft noise over time



Source: EIS for Western Sydney Airport (2016)

The reduction in aircraft noise over time is responsible, in part, for the progressive decline in the number of noise complaints over recent years (see graph below). The uptick in the number of complainants after 2020 can be explained by the reopening of SYD's east-west runway following an extended period of closure to allow airlines to park grounded aircraft, and the fact so many people were in lockdown and working from home.

Sydney Airport noise complaints (2008 to 2022)



Source: SYD

A typical domestic aircraft operating today such as the B737 or A320 will, when departing, generate around 70 dBA when 6.5 km from the airport. This compares to 80 dBA for trucks and other vehicles using a busy road.

SYD therefore actively supports the introduction of next generation quieter aircraft, including the A380, B787, A350 and B737MAX. For example, to facilitate the introduction of the A380 in 2007, SYD invested $128 million to upgrade airfield and terminal infrastructure. As these new aircraft are significantly quieter than the ones they replace, their increasing use by airlines will continue to reduce noise impacts in areas around the airport and under flight paths.

SYD also recommends that the Curfew Act be modernised to ensure that next generation quieter freight aircraft can operate during the curfew rather than the older noisier aircraft that the Curfew Act now mandates. Earlier models of the BAe-146 are one example of these older aircraft, which, fully laden, generates a noise level as high as 89 dBA when taking off (noting one freight airline is now using more modern and therefore less noisy BAe-146s). In contrast, a B737 generates a significantly lower noise level of around 70 dBA, with Boeing saying the next generation 737MAX is designed to be 40 percent quieter than today's 737s. Another is the DC9, which is no longer flown in Australia and is hardly flown at all overseas. The difference in noise produced by an older model BAe-146 or a DC9 and a B737, which is typically around 15 dBA, and as much as 30 dBA, is significant and would clearly benefit people living close to Sydney Airport.

The purpose of the curfew is to minimise noise impacts and balance the interests of noise-affected communities with the operational requirements of airlines and airports. However, these aspects of the current regime are clearly no longer fit for purpose and must be changed.

Adelaide Airport's curfew provides a better model, where aircraft permitted to fly during the curfew must meet strict noise performance standards rather than be of a specific type. This is a far more rational regulatory scheme than the one applying at Sydney Airport. As these next generation aircraft are also more fuel efficient, their increasing use will deliver a significant reduction in emissions, which will assist the meeting of Australia's emissions reduction targets.

Improve flight paths and modernise airspace

As discussed in Chapter 5, the LTOP for Sydney Airport has remained unchanged for more than a quarter of a century. Over that period, aviation and air navigation technology have improved significantly. SYD believes the LTOP should be reviewed in consultation with SACF, airlines and the local community to maximise noise sharing opportunities when only the two parallel north-south runways are being used (i.e. LTOP modes 9 and 10). This would include examining whether new flight paths can be introduced to either better share noise or avoid flying over residential areas. This has become particularly timely given the recent release of WSI's Environmental Impact Statement (**EIS**) which outlines the changes that will be required to some Sydney Airport flight paths when WSI commences operation. SYD is preparing options for further consideration and consultation.

Avoid approving new high density residential developments in areas already significantly affected by aircraft noise

It is still the case that residential developments, and in some cases high density ones, are being approved in areas that are already significantly affected by aircraft noise. History tells us that this will result in noise complaints once the new residents occupy the building and, in some cases, calls for further restrictions to be placed on Sydney Airport's operations, despite the fact that residents have chosen to move into properties under flight paths after being given detailed information regarding noise impacts. For example, a high density development precinct with more than 300 apartments was approved several years ago (and is now nearing completion) in Victoria Road, Marrickville. In part, the building is in an area where the relevant Australian Standard – *AS2021:2015 – Acoustics – Aircraft noise intrusion building siting and construction* – deems residential development to be unacceptable. There are an average 201 jet aircraft flights per day using the relevant flight path, and as many as 372 a day. These aircraft – both departing from and arriving at Sydney Airport – will fly in close proximity to the building and only around 150-200 metres above ground level. At their closest point, many of these aircraft will be as close as only 220 metres from the nearest apartment. The noise and vibration impact for anyone living in such apartments will be extreme. The Australian Government should, through the National Airports Safeguarding Advisory Group, ensure such inappropriate developments cannot be approved by state or local governments.

Better flight path design and aircraft operations

As discussed in Chapter 5, over recent years, there have been significant advances in air navigation technology, which have enabled aircraft to minimise noise impacts for people living beneath or close to flight paths. For example, the use of CDA and more precise flight path design can help to reduce noise. Research by Brisbane Airport shows CDA can cut noise during landing by about 4 dBA to 6 dBA, reducing the noise energy by approximately 60 to 75 per cent.[48] This occurs by allowing the aircraft to fly from cruise altitude to the runway in one smooth and uninterrupted descent for up to 20 minutes, rather than descending in successive steps with additional power required each time the aircraft levels out at the next step down in altitude. It is

[48] Department of Infrastructure and Regional Development, *Future Brisbane Airport Operations, A review of the need for a curfew at Brisbane Airport, December 2013*, DIRD, 2013, accessed 27 November 2023.

noted that changes such as these will also reduce emissions and contribute to the achievement of the Australian Government's emission reduction targets. Airservices has said that early trials have demonstrated that using CDA can save as much as 400 kg of fuel per arrival, depending on aircraft size, weather and other air traffic conditions. This means more than a tonne of CO_2 reductions per flight. For 100,000 such flights, that's the equivalent of taking nearly 22,000 cars off the road for a year.

Also, to ensure safe and appropriate separation between departing and arriving aircraft, current ATC procedures require aircraft landing at Sydney Airport to commence their descent 20 nautical miles from the airport. The height at which they do so is known as the push down altitude. This means aircraft must fly at a lower than optimal altitude for longer than is necessary, which results in higher noise impacts at ground level. PBN technology would allow the push down altitude for arriving aircraft to be increased and allow departing aircraft to climb to higher altitudes faster while ensuring continued aviation safety. This would reduce noise impacts in areas around the airport.

CDA and other advances in air navigation technology have been adopted at many other Australian airports and are proposed to be used at WSI when flights commence, given it is accepted that they provide improved noise and emissions outcomes. Despite this they have not been introduced at Sydney Airport due to the conservative position historically taken by governments regarding any change to the regulatory and operational framework at Sydney Airport. There is no logical reason for this conservatism and in fact the unwillingness to consider new flight path design and operations is now leading to worse noise outcomes for communities around Sydney Airport.

Given the recent work done on the WSI airspace, and the lack of historical review of the Sydney Airport's airspace, now is the right time to review Sydney Airport's flight paths to identify opportunities to reduce noise impacts and emissions. This should include a review of LTOP and identification of opportunities to implement modern air navigation technology. Such a review should be undertaken in consultation with SYD, airlines and the local community.

Consideration of a 'noise envelope'

As noted above in this Chapter 6.1.8, aircraft operating at airports around the world, including at Sydney Airport, have become progressively quieter over the past several decades due to improvements in engine and airframe technology. As these next generation aircraft are also more fuel efficient, they will also deliver a significant reduction in emissions, which will assist Australia meetings its emissions reduction targets.

As discussed in Chapter 3, there are a variety of ways to mitigate noise at major global airports. 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 relatively blunt instrument of raw number of movements.

The UK Civil Aviation Authority has previously studied a 'noise envelope' where airports would be required to operate within an agreed level of noise, either for their total operation or for specific time periods.[49] Gatwick Airport has also proposed this concept as a noise management tool. Such an approach could balance any growth in flight numbers against improvements in the noise profile of aircraft and incentivise airports and airlines to move to next generation aircraft and adopt more efficient flight path designs and operations.

[49] Civil Aviation Authority, *CAP1129: Noise Envelopes*, CAA, 2013, accessed 27 November 2023.

SYD would welcome discussions with government and local communities about how a 'noise envelope' could benefit airport stakeholders and the local community as Sydney Airport continues to grow.

Recommendation 22

The Australian Government work with SYD to consider the following initiatives, to better balance the operation and efficiency of airports with impacts on the local community:

- the introduction of next generation quieter aircraft, including during the curfew
- improvements to flight paths and airspace
- no new high density residential developments in areas already significantly affected by aircraft noise
- better flight path design and aircraft operations, including technologies such as Continuous Descent Approaches
- consideration of a 'noise envelope'.

6.1.9 What can be done to facilitate increased adoption and implementation of the National Airports Safeguarding Framework (NASF) principles for land planning to optimise land-use activity and reduce community impacts?

Despite being adopted by governments more than a decade ago, the NSW Government has, to date, done little to ensure the NASF and its guidelines are enforceable in the NSW planning system.

The 2021 NASF Review undertaken by the National Airports Safeguarding Advisory Group (**NASAG**) made eight recommendations for future action, all of which SYD supports. These were:

1. Commonwealth/State/Territory Ministers endorse an intergovernmental agreement to standardise a national approach to airport safeguarding.
2. NASAG continue to oversee implementation of the NASF.
3. NASAG implement a schedule for ongoing review of all NASF Guidelines, to ensure the currency and functionality of the framework.
4. Australian Government include provisions relating to consideration of the NASF in legislation for the 22 leased federal airports (by 2027).
5. State/Territory governments implement the Principles and Guidelines of NASF in their planning regimes (by 2027).
6. State/Territory Governments develop and disseminate clear policy/guidance on the status of the NASF (for that individual jurisdiction) and how it should be applied to large and small airports.
7. Airports initiate a process for regular consultation/engagement with local government on NASF issues.
8. Australian/State/Territory governments, peak aviation industry bodies, and peak planning bodies contribute to the development of NASF educational materials for use by planning practitioners, local government, tertiary institutions, and the building/development industry.

With respect to Recommendation 7, SYD regularly engages with local government concerning the NASF and its guidelines. SYD is pleased to note that the Bayside Council, which is one of Sydney Airport's neighbouring local government areas, has largely adopted the NASF in its development control plan and has as one of its primary planning objectives the need to protect the function and role of Sydney Airport. Given the specialised nature of some of the NASF Guidelines, it would be appropriate for local and state government planners to be

offered some form of training to develop their aviation-related expertise. SYD believes the NASAG should consider this issue.

With respect to Recommendation 5, SYD believes this timeframe is too long. There is no reason the necessary work could not be done sooner.

Another airport safeguarding issue that is not addressed at all in the NASF is the need to protect appropriately zoned employment lands in the vicinity of major airports. It is essential there is a sufficient supply of employment lands close to airports and that such land is protected by state and local governments and not rezoned to permit other incompatible land uses such as residential or commercial.

Over many years, large areas of industrially zoned employment lands around Sydney Airport and the adjacent Port Botany have been rezoned to permit mixed land uses, including residential, commercial and retail.

The then Greater Sydney Commission highlighted this loss in its Greater Sydney Region Plan:

> *"In the past, substantial tracts of industrial land in the Eastern Harbour City* (in which SYD is located) *were converted to mixed-use residential zones, in response to unprecedented demand for residential supply. There is now considered to be a shortage of industrial and urban services land in the Eastern Harbour City."*

Research shows that the supply of employment land near the port and airport has dwindled to a point where it is now well below the accepted benchmark. This issue is not addressed in the NASF or its guidelines, and it should be.

SYD recommends the Australian Government also take a strong leadership role through National Cabinet's Infrastructure and Transport Ministerial Meeting to drive national adoption of the eight recommendations of the 2021 NASF Review into state and territory government land-use planning systems.

Recommendation 23

Government drive national adoption of the eight recommendations of the 2021 National Airports Safeguarding Framework Review into state and territory government land-use planning systems.

6.1.10 Could governance arrangements for the Aircraft Noise Ombudsman be improved to provide greater independence, including publishing its findings and reports?

SYD believes the existing governance arrangements for the ANO are appropriate.

6.1.11 Are there opportunities to improve transparency by publishing information about other decisions made by CASA, Airservices or airports around flight paths, and how aircraft approach and depart airports?

While the Airports Act requires an airport to specify all flight paths in its Master Plan, decisions concerning the location of those flight paths are made by government. SYD supports improved transparency into how decisions are made by government concerning the location of flight paths and would support measures to ensure the airport was proactively involved in the decision-making process.

Publishing information concerning how aircraft approach and depart airports would also improve transparency. For example, it is not widely known that CDA is *not* used at Sydney Airport, despite the fact it would reduce noise impacts for the local community (see Chapter 6.1.8). It would also significantly reduce emissions and

contribute to the achievement of the Australian Government's emission reduction targets. For these reasons, SYD would support the introduction of CDA for its flight paths.

6.1.12 How can the flight path design principles be improved?

SYD supports the existing environmental assessment process for designing flight paths under the *Environment Protection and Biodiversity Conservation Act 1998* (Cth) (**EPBC Act**), which usually involves the preparation and public exhibition of an EIS. SYD notes that after an EIS is approved, Airservices and Civil Aviation Safety Authority (**CASA**) then undertake a detailed flight path design process which, SYD believes, should always be undertaken in consultation with the relevant airport.

While SYD has been consulted by government concerning the new flight paths to and from WSI, especially as they directly affect flight paths to and from Sydney Airport, it is disappointing that the opportunity has not yet been taken to review flight paths across the entire Sydney basin and, specifically, Sydney Airport's other flight paths to see if they can be improved to reduce noise impacts and emissions. As noted above in Chapter 6.1.8, SYD believes they can be improved. The way these flight paths are used on a day-to-day basis is determined by Airservices in accordance with the LTOP. Given the LTOP has not been reviewed for more than a quarter of a century, now is an opportune time to do so and, where appropriate, make improvements to reflect modern air navigation technology and the ability to achieve better noise outcomes for the broader Sydney community. Such as review should be undertaken in consultation with SYD, airlines and the local community.

With respect to Airservices' Community Engagement Standard, SYD notes that it was formally adopted in September 2023. The level of community engagement already undertaken by SYD when carrying out work that may impact an existing flight path is consistent with that standard.

6.2 Community consultation mechanisms

6.2.1 How can the existing consultation framework be improved to facilitate efficient planning and development, while preventing environmental harm and ensuring continued access for aviation users?

Preventing environmental harm and ensuring continued access for aviation users is and always has been a priority for SYD.

SYD is committed to actively engaging with local community on planning and development-related issues in accordance with its Community and Stakeholder Engagement Strategy. Its purposes are to ensure that SYD:

- genuinely consults and engages with the local community, their elected representatives and other stakeholders about the operation of, proposed development at, and future planning for Sydney Airport
- works cooperatively with Australian and NSW government agencies, local governments and other organisations that have roles and responsibilities involving or affecting Sydney Airport
- communicates and makes available relevant and accurate information about Sydney Airport to the community and other stakeholders in a timely manner, in a form that is easy to understand and in a way that reaches all stakeholders
- listens to and genuinely considers feedback from the community and other stakeholders and, where practicable, resolves issues of concern.

SYD believes the following improvements should be considered:

- For the reasons outlined in Chapter 6.2.2, the terms of reference and membership of SACF should be broadened. This would make SACF's deliberations more relevant to a broader range of airport-related issues to the local community, as well as noise.
- For the reasons outlined in Chapter 6.3.3, reform the major airport development approvals process to ensure only genuinely *major* developments are subject to the MDP process. Currently, minor projects that have little or no impact on the community or airport users can require an MDP to be prepared and publicly exhibited. Not only does this delay the project and cost the airport, but it can also exacerbate consultation fatigue with the community and other key stakeholders.

6.2.2 Are Community Aviation Consultation Groups (CACG) working for the community? What are good aspects, and what can be improved?

Following the release of the National Aviation Policy White Paper in 2009, SYD was advised that SACF would be its CACG.

SACF's current role is to act as a forum for providing advice to the Minister, SYD and aviation authorities on the abatement of aircraft noise and related environmental issues at Sydney Airport, and, in particular, it is the main body for consultation on the LTOP at Sydney Airport. SYD is not proposing to remove SACF, but it is proposing reform. SACF has existed in the same form for 27 years while CACGs at other airports have been updated more recently. SACF is not incentivised to consider change at Sydney Airport, even where change could help progress and evolve the airport as aviation technology improves, including especially on noise, which has enshrined the status quo. Paradoxically, as a result, noise outcomes at SYD can sometimes be worse than they would otherwise be. SYD has previously suggested the following reforms to SACF's governance arrangements:

- Broaden SACF's terms of reference. Currently, SACF's role is too narrowly defined. A member of the public visiting SACF's website for information may infer that it focuses only on noise. This limits SACF's potential and its ability to be responsive to the many other airport-related issues that the community may wish to have raised and discussed by their representatives on SACF.

  SYD suggests that SACF's terms of reference be broadened to include a range of other airport-related matters, such as those recommended in the Australian Government's CACG Guidelines.

- Broaden SACF's membership. SYD recommends that SACF's membership be broadened to include a representative from each of Sydney's tourism and business communities and a member representing the NSW Government.

  Without diminishing its role on important aircraft noise issues, these changes would enhance SACF's ability to represent the whole community and improve the quality and breadth of the advice it provides to the Minister, SYD and aviation authorities on all airport-related issues affecting the community. Further, the SACF's community representatives should demonstrate how they are going to represent their community and facilitate two-way communication with it.

Recommendation 24

Given the need to balance a broad range of airport-related issues beyond just noise, the Australian Government consider broadening the terms of reference and membership of the Sydney Airport Community Forum to make its deliberations more relevant to a wider range of issues.

6.3 Land use planning on-site at airports

6.3.1 Do current master planning processes adequately account for climate risks and if not, how could they be improved?

As discussed in Chapter 5, SYD's climate-related risks and opportunities are addressed through its strategy for climate resilience. This strategy has four broad components:

- energy efficiency and carbon reduction
- asset adaptation and future proofing
- business resilience and carbon neutral growth
- advocacy for a low carbon economy.

SYD addresses each of these components in its annual Sustainability Report and Response to the Taskforce on Climate-related Financial Disclosures, which include a summary of relevant actions undertaken during the year in question. Both are published on SYD's website.

With respect to master planning processes, SYD's strategy for climate resilience informs both the Master Plan and the Airport Environment Strategy, which SYD includes in its Master Plan. For example, the most recent Airport Environment Strategy 2019-2024, includes the following actions:

- implement feasible actions from the Climate Risk Assessment and Adaptation Plan (now referred to as Climate Action Plans), and other associated studies[50]
- review and update those plans.

Climate risk-related issues will again be addressed when SYD prepares its next Master Plan and Airport Environment Strategy.

6.3.2 Do the current master planning processes support all airport users, including general aviation

SYD believes that the existing master planning processes are appropriate to support all airport users, including general aviation. This is also discussed in Chapter 7.

When preparing a new Master Plan, SYD routinely engages with and consults these airport users during the preparation of the preliminary draft master plan (**PDMP**) and while it is on public exhibition. Submissions from these stakeholders are then considered and, where appropriate, changes are made to the PDMP before it is submitted to the Minister as the Draft Master Plan.

[50] Department of Climate Change, Energy, the Environment and Water, *National Climate Risk Assessment and National Adaptation Plan*, Environment Department, 2023, accessed 27 November 2023.

6.3.3 Is a monetary threshold still an appropriate mechanism for determining a 'major airport development' requiring a Major Development Plan (MDP)? What other significance tests could the Australian Government consider?

The existing process for preparing MDPs is complex, time consuming and costly, and involves the preparation of four separate MDP versions: an exposure draft MDP; a preliminary draft MDP; a draft MDP; and a final MDP. This process can take at least 18 months and further approvals are then required under the Airports Act before work can begin. This is extreme given that, for most state and local governments across Australia, stakeholder consultation timeframes are between 21 and 28 days, including for many major developments.

The relatively low current threshold of $25 million adds significant time, cost and red tape to airport developments and acts as a barrier to development. SYD believes these developments are better scrutinised through the five yearly Master Plan process as well as other existing mechanisms in the Airports Act. SYD notes that off airport developments have a lower planning threshold, have no monetary trigger, and typically have a faster approval timeframe from local governments. While not foregoing appropriate due diligence on larger airport developments, given existing approvals mechanisms, an MDP monetary threshold should not be required.

The current monetary threshold is inherently cumbersome, and the review mechanism incorporated through airport regulations is not responsive to the changing costs of the construction industry. Alleviating this regulatory burden imposed on airports via the threshold would reduce significant and duplicative administration, particularly given other protections in the Airports Act, which are more responsive to community and industry needs. Safeguards for stakeholders and the community would still exist on developments that are "*identified as environmentally significant in the environmental strategy*" or development which is "*likely to have significant impact on the local or regional community*."[51] Removal of the monetary threshold would therefore increase the reliance of the environmental and community interest thresholds. Airports would then have to justify their airport development strategy to these thresholds.

Projects that require an MDP are, in effect, also approved by the Minister by virtue of Master Plans, subject to Ministerial approval every 5 years. Master Plans are the blueprint that demonstrate an airport's development over the next 20 years, demonstrating plans to manage growth forecasts. They also provide industry, aviation stakeholders, and communities living and working around airports awareness of how airports will grow and how that may impact their own operations and use of the space. Through removing the monetary threshold on types of developments and increasing the scope and relevance of airport Master Plans, the Australian Government could provide approvals for not only the overarching development and growth plans of the airport but also for the individual projects which make up the Master Plan (those which would normally constitute an MDP).

Other proposals to reduce the cost of airport development approval processes

As well as removing the monetary threshold, SYD proposes the following reforms to the existing MDP process, as a fall back if the Government is not minded to completely remove the threshold.

Allow for a series of individual major airport developments to be considered and approved on a precinct basis

The Airports Act currently designates specific types of individual development as being "major airport development." When developing a specific area or precinct within the airport site, several individual major airport developments may be proposed for that precinct. Each such development may potentially require the

[51] *Airports Act 1996*, s. 89.

preparation and approval of its own MDP, particularly given the existing statutory requirement to “substantially complete” the development within five years.

This lengthy (and costly) process could be streamlined by allowing airports to prepare and submit an MDP that covers an entire airport precinct, if not through the Master Plan. Such an MDP would include several individual major airport developments. While section 89(4) of the Airports Act goes some way to addressing this issue, its scope is restricted and involves only limited numbers of individual major airport development types. It could be broadened to include all types.

If agreed, this reform should be in conjunction with that proposed below, which proposes increasing the abovementioned five year timeframe to 10 years.

Increase the area of new or expanded passenger terminal that would be classified as major airport development

Currently, the following developments are defined as major airport development:

- constructing a new building wholly or principally for use as a passenger terminal, where the building’s gross floor space is greater than 500m²
- extending a building that is wholly or principally for use as a passenger terminal, where the extension increases the building’s gross floor space by more than 10 per cent.

Setting the thresholds at 500m² and 10 per cent is very low, and could result in low impact, non-controversial passenger terminal developments being unnecessarily subjected to the lengthy and costly MDP process. These thresholds should be significantly increased accordingly. In many cases, it would also be appropriate for such expansions to an existing terminal to not require an MDP at all, especially if that expansion had already been included in an approved Master Plan and therefore already been subject to scrutiny by the community and other stakeholders. This could be a matter for Ministerial discretion.

Clarify major airport development trigger for development occurring in environmentally significant areas by making it clear that only developments that are likely to significantly affect such an area require an MDP

The Airports Act currently states that any development which ‘affects’ an environmentally significant area is major airport development and therefore requires preparation and approval of an MDP. This potentially captures what would otherwise be very minor or even trivial developments, subjecting them to the time consuming and costly MDP process. Rather than refer to ‘affects’, the test should be ‘likely to significantly affect’ an environmentally significant area.

Expand the ability of the Minister to exempt airports from the need to prepare MDPs in specific circumstances

On application by the airport, the Minister may determine that a limited number of specific development types are not major airport development, thereby removing the need for an airport to prepare an MDP. However, this applies to only four out of a possible 16 types of major airport development.

As outlined in section 89(5)(b) of the Airports Act, the Minister can only do so if satisfied that the development will not change the flight paths, or change the patterns or levels of aircraft noise, or unduly increase the noise heard by, or unduly cause a nuisance to, the community adjacent to the airport.

The requirement imposed by section 89(5)(b) is not disputed. However, the list of potential developments should be expanded to include all 16 types of major airport development.

In making such a decision, the Minister should consider whether or not the proposed development has already been outlined in an approved Master Plan (in which case the community and other stakeholders would have already had a chance to comment) or whether it would be likely to have a significant impact outside the airport boundary.

Streamline MDP approval timeframe by allowing for dual assessment of draft MDPs

When an airport submits a draft MDP to the Minister for consideration, section 94(6) of the Airports Act states that if the Minister neither approves nor refuses the draft MDP within 50 business days it is automatically approved. This period may be extended by 10 business days.

However, if the draft MDP is referred by the DITRDCA to the Department of Climate Change, Energy, the Environment and Water (**Environment Department**) for assessment, the abovementioned 50 business day period does not commence until it responds. This could unnecessarily extend the approval timeframe by several weeks.

The assessments by both departments should be done in parallel, rather than sequentially. This is because the issues likely to be relevant to the Environment Department are likely to be a relatively narrow subset of the overall issues relevant to the MDP itself.

If this reform is not acceptable, an alternative would be to set a statutory timeframe in which the Environment Department must respond.

Increase certainty by replacing 'substantial completion' test for MDPs with 'substantial or physical commencement' and extend the relevant period from five to 10 years

All MDPs are approved subject to a condition that the development be 'substantially completed' within five years. This can be extended by the Minister by two years, and more than once if necessary. It is important to know the point at which substantial completion is reached because airports must reach that point or be in breach of the Airports Act and subject to penalties. However, the 'substantial completion' test is not supported by statutory definition or case law. It is therefore vague and creates uncertainty.

The equivalent test in state planning laws is known as 'physical commencement'. This test is supported by voluminous case law and is well understood. Using this well understood test in the Airports Act would create more certainty for airports.

The period to achieve substantial or physical commencement should also be extended from five to 10 years. It would also be simpler if the DITRDCA, rather than the Minister, was able to extend the period.

SYD also believes that the existing section 96AA of the Airports Act (cessation of approval of MDP in exceptional circumstances) should be amended to allow such a cessation to occur if the circumstances are reasonable. The existing need to for the circumstances to be both exceptional and of a type that makes proceeding with the MDP unviable, is too onerous.

A better process is needed to withdraw an approved MDP

The Airports Act also allows an airport to give the Minister a withdrawal notice if it decides to not proceed with the MDP, or certain developments within the MDP if substantial completion has not been achieved. However, that can only be done if there have been "exceptional circumstances beyond the airport's control" that have made proceeding with the developments "unviable".

However, there may be circumstances that are not ‘exceptional’ or that don’t make the proposed development ‘unviable’. It might be that the airport has simply changed its development priorities. SYD believes the test for issuing a withdrawal notice should be simplified and made less onerous. For example, the circumstances should be required to be ‘reasonable’.

Recommendation 25

The Australian Government amend the *Airports Act* 1996 (Cth) to simplify and streamline the process for major airport developments, including:

- removing the monetary threshold for major airport developments
- simplifying the criteria for what constitutes a major airport development
- simplifying the process for submitting a major development plan

Recommendation 26

If the monetary threshold for a major airport development is not removed altogether, The Australian Government amend the *Airports Act* 1996 (Cth) so that major airport developments can be considered and approved on a precinct basis, including increasing the threshold for major airport developments to at least $50 million, with an appropriate building cost-related indexation to be applied annually thereafter.

7 General aviation

Summary

SYD is a strong supporter of the General Aviation (**GA**) sector. At the same time, SYD considers that in designing airspace management and operating procedures, the need to accommodate all levels of aircraft capabilities or pilot training should not limit the efficiency of operations at Australia's busiest airports.

7.1 A growing general aviation sector

7.1.1 Do policy and regulatory settings adequately facilitate the General Aviation (GA) sector's evolving role in Australian aviation? Are there any changes to policy and regulatory settings that might facilitate the GA sector's evolving role in Australian aviation including through protections at GA airports and supporting the transition to a sustainable, net zero GA sector?

The GA sector plays an important role in Australian aviation, particularly in providing a vital training service for pilots entering the industry, to support Australia's civil and defence capabilities, and in supporting Australia's regions.

SYD is a strong supporter of the GA sector and believes government support will continue to be critical for its growth, particularly in respect of the decarbonisation of GA. Notwithstanding this support for GA, it is critical that in designing airspace management and operating procedures at Australia's busiest airports, the efficient operations of these airports is not lessened by the need to accommodate all levels of aircraft capabilities or pilot training.

Sydney Airport facilitates more than 900 aircraft movements per day, the vast majority of which are operated by regular public transport (**RPT**) aircraft. The mix of aircraft that currently operate at Sydney Airport (from large Code F A380 aircraft to very small GA turboprop aircraft) can have implications for the efficiency of airport operations in areas such as runway separation distances. In the case of Sydney Airport, where there are operating restrictions that limit the number of aircraft that can utilise the airport through the 80 movement cap, it is critical to maximise the utilisation of vital airport infrastructure in busy periods by always prioritising RPT movements. Safely maximising the RPT throughput of Australia's busiest airports should be both a key policy design outcome for government and a key operating focus for Airservices. With the exception of emergencies, consideration should be given to matters such as the times of day that GA aircraft can access busy airport and runway allocation processes for GA aircraft.

In addition, considerations around airspace design and operating procedures at a busy airport such as Sydney Airport should always seek to safely maximise efficient operations. This includes designing airspace to take into account advances in modern RPT aircraft and pilot training to facilitate operational capabilities. Put another way, limitations in operating capabilities of certain GA aircraft (or relevant training levels) should not lead to limitations on the how airspace is designed and managed at Australia's busiest airports to enhance operational capabilities as technology permits.

8 Fit for purpose agencies and regulations

Summary

Government and industry need to work together to improve the customer experience at airports

SYD enjoys strong relationships with all government agencies involved in the operation of the airport and the aviation sector and appreciates their support and partnership during the difficult COVID period.

As international aviation continues to recover, demand for travel will continue to increase across Australian airports, putting pressure on existing systems and infrastructure. Further, most of the regulations that apply to Sydney Airport's operations have not been updated in over 25 years and require urgent reform to ensure Sydney Airport can meet passenger expectations and future demand.

While recognising the important roles that government departments and agencies play in regulating the industry and airspace, providing a safe and secure border, and protecting Australia's interests, it is also incumbent on them to work with industry to improve the customer experience and reduce undue imposts on passengers and stakeholders across the sector. A customer focus is critical.

Government and industry need to be better integrated to manage the growth of aviation to 2050. The shared goal for airports, airlines, aviation stakeholders and relevant government agencies should be to provide for the safest, most seamless and efficient journey possible for both passengers and the transport of freight.

A customer focus and partnership approach is critical to achieving this shared goal, including to:

- identify and agree SLAs between SYD and government agencies
- improve collection and sharing of data across all airport stakeholders
- establish a working group with government agencies and Australia's major international airports to examine the border process in its entirety, including from safety, security and technology perspectives
- test and implement new technologies to ensure Australia keeps pace with global improvements and passenger and exporter expectations
- ensure sufficient and ongoing resourcing is provided to fulfill each agency's obligations.

The desire to simplify border processes between Australia and New Zealand provides an opportunity for governments and aviation stakeholders to work together to identify improvements to the border which will benefit tourism and trade and could provide a blueprint for similar partnerships with other countries.

SYD supports a move to a risk-based approach to security

SYD is committed to the highest standards of aviation security and cyber compliance and has developed a Security of Critical Infrastructure, Risk Management Program as part of its Transport Security Program (**TSP**). SYD supports the move towards a more adaptive, risk-based approach to managing security risks.

Airports need to be able to take advantage of new technology to benefit passengers

Technology is advancing at a rapid pace, and airports need to be able to make sensible and informed investment and infrastructure planning decisions ahead of time. The Australian Government must work with airports to assess and adopt this new technology and provide clarity regarding the processes and procedures

for its implementation. Recognising the principles of the Competitive Neutrality Policy, SYD and WSI must be treated equally by the Australian Government with respect to the implementation of new technologies or indeed any government policy which could give an advance to one airport above the other.

The Australian Government must continue to resource the border and strengthen the support it provides to airports

While recognising the challenges that the Australian Government faces in resourcing border requirements, it is critical that any changes to cost recovery arrangements deliver clear and measurable improvements in operational outputs for airports and their stakeholders, as well as meeting government policy outcomes. The additional revenue generated by the Passenger Movement Charge (**PMC**) should be invested in modernising and improving the efficiency of Australia's border processes.

Specific agency issues are addressed in detail throughout this chapter.

Recommendations

Recommendation 27

Government agencies and airports adopt a customer focused approach and work in partnership to improve the passenger and exporter experience, including:

- agree and implement service level agreements, where relevant, outlining ways of working, the outcomes to be achieved, resourcing levels required to achieve those outcomes, measurable targets, and committing to ongoing review against these service levels
- increase data collection and data sharing
- provide the ongoing resources required to meet each agency's obligations to a sufficient standard
- establish working groups
- test and implement new technologies.

Recommendation 28

The Australian Government establish a framework for sharing and reporting data, to reduce delays and improve coordination between airports, airlines and the Australian Government.

Recommendation 29

The Australian Government establish a working group (similar to the Australian Border Force's Customs Advisory Board) with relevant government agencies and Australia's major international airports, to examine the border process in its entirety. This group would identify new technologies and processes to deliver a more robust, efficient and seamless process, while ensuring Australia's high standards are met, or even exceeded. It should include the collection and sharing of digital and biometric data early in the passenger journey, to improve data quality and enable detailed security assessments to be completed in advance, reducing the reliance on airport processing while keeping the border strong and secure.

This working group should use the simplified border with New Zealand as its first project.

Recommendation 30

The Australian Government commit to providing the ongoing resources required to ensure that government agencies operating in aviation continue to meet their obligations to an acceptable standard. Beyond covering

the cost of passenger processing and biosecurity, the additional revenue generated by the passenger movement charge must be allocated to modernising and improving the efficiency of Australia's border processes for the benefit of passengers and exporters.

Recommendation 31

The Australian Government treat SYD and Western Sydney International Airport equally through the provision of advanced technology, resourcing, processes and procedures, in accordance with the Commonwealth Competitive Neutrality Policy.

Recommendation 32

With respect to Airport Coordination Australia and slot coordination services specifically, and in addition to recommendation 27:

- a review should be undertaken by the Australian Government every three years to assess whether a competitive tender process for the provision of slot coordination services at Sydney Airport should be conducted
- the contract for slot coordination services include detailed service level agreements around process and outcomes of coordination, developed in consultation with SYD
- the information supplied by the slot coordinator to stakeholders align with best practice recommendations of the Worldwide Airport Slot Board
- if Airport Coordination Australia is to continue as the slot coordinator, SYD and other current stakeholders should divest their shareholdings in Airport Coordination Australia to ensure true independence.

Recommendation 33

Given the importance of the operations at Sydney Airport to the national aviation network, Airservices Australia should prioritise resourcing, policy and operational changes required to:

- rectify the air traffic controller shortage as a matter of urgency
- enable 80 movements per hour by focusing on an 'average' rolling hour rather than a conservative approach to 80 scheduled movements
- review Sydney Airport's flight paths and adopt improved technology to reduce noise and emissions
- notify SYD of any changes to Sydney Airport's prescribed airspace as required under the *Airports (Protection of Airspace) Regulations* 1996 (Cth)
- maintain current arrangements and service levels with Aviation Rescue Fire Fighting Service, and increase consultation, while the program is reviewed
- implement the agreed engagement standards without repurposing resources from the safe and efficient management of Australia's airspace.

Recommendation 34

Airservices Australia remediate per- and poly-fluoroalkyl substances, or PFAS, contamination generated by its activities.

The Australian Government hold Airservices Australia to account for remediating that PFAS contamination at Sydney Airport.

Recommendation 35

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts actively and regularly review regulations that apply to Sydney Airport, including considering how regulations are applied equally to both Sydney Airport and Western Sydney International Airport.

Recommendation 36

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts conduct further consultation to address concerns raised prior to implementation of changes to the Airport Environment Officer responsibilities and the associated cost recovery plans.

Recommendation 37

The Cyber and Infrastructure Security Centre and SYD develop a clear set of guidelines to cover the processes and responsibilities between them, as well as the resourcing to be provided by government to manage risks in the aviation environment.

Recommendation 38

With respect to security screening at Australian airports, the Cyber and Infrastructure Security Centre should:

- deregulate security programs and move towards a more adaptive, risk-based approach to managing security risks, in particular where airport operators implement a Security Management System
- partner with SYD and peer airports to adopt new technologies to deliver higher security outcomes, expedited passenger processes, and an enhanced customer experience
- provide clarity on the regulatory timeline for the approval of Automated Prohibited Item Detection Systems in live operational environments
- revisit current policies concerning liquids, aerosols and gels restrictions. SYD supports replacing current restrictions with latest generation screening technologies in order to modernise the existing process
- adopt a scaled regulatory approach (including compliance) to testing programs that aligns with an individual airport's level of security sophistication and maturity.

Recommendation 39

Government security agencies assist airports to build appropriate risk assessments and monitor and track emerging risks in partnerships with airports. The outcomes of such engagement should inform security settings and policy review.

Recommendation 40

The Cyber and Infrastructure Security Centre continue to closely engage with relevant industry stakeholders on cyber risk assessment, monitoring and response, including through information sharing arrangements, communication channels, regulatory frameworks and consequence management.

Recommendation 41

Any changes to safety regulation by the Australian Government must support Australia's internationally recognised high standards of safety. Whilst regulation is robust for airlines and airport operators, there is little oversight or supporting standards regarding safety-critical ground servicing and handling processes across the

airport environment. Given the complexity of the operating environment, more collaboration from Civil Aviation Safety Authority is welcomed in this area to support an airport's ability to drive the highest safety and performance standards.

Recommendation 42

The Australian Government review the airspace around Sydney Airport to ensure it is optimised for the future, including a review of Sydney Airport's Long Term Operating Plan, along with the implementation of next generation navigation systems such as Performance Based Navigation and Continuous Descent Approaches. Amendments to the *Airports (Protection of Airspace) Regulations* 1996 (Cth) should also be considered.

Recommendation 43

Where cost recovery arrangements are required to support changes to infrastructure or investments in new technologies, such arrangements must be:

- developed in close consultation with airports and airport stakeholders
- effective, with clear measurable improvements in operational outputs for stakeholders and the travelling public – for example additional aircraft movements, reduced passenger processing times, shorter assessment times for development plans - as well as meeting government policy outcomes
- efficient, to ensure that the proposed costs are proportionate to the intended benefits of the activity
- transparent, including the sharing of information between government and stakeholders
- clear about the roles and responsibilities for key stakeholders, with agreed service level agreement to which they are held to account.

Recommendation 44

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts seek feedback from airport operators on their data requirements and adopt recommendations that achieve the objective of providing freight flow data in a consistent format and available in real time through a single source database made available for use by key stakeholders.

8.1 Role of government and agencies

8.1.1 Do you have concerns with current arrangements of roles and responsibilities within the Australian Government? Are there opportunities to improve these arrangements?

SYD enjoys strong working relationships with all government agencies operating at the airport and in the aviation sector. These agencies include the ABF, Australian Federal Police (**AFP**), Department of Agriculture, Fisheries and Forestry (**DAFF**), Airservices, CASA, DITRDCA, ACA, and the Department of Home Affairs (**Home Affairs**).

However, as discussed throughout this submission the majority of the unique and complex regulations that apply to Sydney Airport have not been meaningfully updated for over 25 years. These outdated regulations constrain Sydney Airport and result in operational inefficiency, suboptimal outcomes for the travelling public, the local community, the environment, and airport partners. This will become even more apparent when WSI comes into operation in 2026 and is not constrained by the same outdated rules.

Aviation is vitally important to the Australian economy. Pre-COVID, the aviation sector accounted for approximately 5.5 per cent of Australia's national GDP, and directly employed around 176,000 people.[52] Much of that economic benefit derives from the efficient and effective processing of both passengers and cargo.

Passenger and freight numbers across Australia, and specifically in NSW, are projected to grow steadily to 2050 and beyond. As passenger numbers increase it is critical that government services, which support the border and promote tourism, trade and economic benefit, continue to provide efficient customer-focused service.

While recognising the important roles that government departments and agencies play in regulating the industry and airspace, providing a safe and secure border, and protecting Australia's interests, it is also incumbent on them to work with industry to improve the customer experience and reduce undue imposts on passengers and stakeholders in the aviation sector. A customer focus is critical.

The shared goal for airports, airlines, aviation stakeholders and government agencies should be the safest, most seamless and most efficient journey possible for travellers and the transport of freight. There are several components to this, explored below.

Partnerships and service level agreements

SYD can only meet shared customer goals within a complex airport environment if it works constructively with its partners. At the same time, SYD recognises that government agencies operating at the airport have specific, often legislative or regulatory, outcomes that they are required to deliver or achieve.

To balance both shared and organisation-specific goals, SLAs between airports and government agencies need to be identified and agreed. These SLAs should outline ways of working, the outcomes to be achieved, resourcing levels required to achieve those outcomes, and agree measurable targets.

Recommendation 27

Government agencies and airports adopt a customer focused approach and work in partnership to improve the passenger and exporter experience, including:

- agree and implement service level agreements, where relevant, outlining ways of working, the outcomes to be achieved, resourcing levels required to achieve those outcomes, measurable targets, and committing to ongoing review against these service levels
- increase data collection and data sharing
- provide the ongoing resources required to meet each agency's obligations to a sufficient standard
- establish working groups
- test and implement new technologies.

Data and measurement

The sharing of data is critical for the success of partnerships and SLAs. Sharing data enables all parties involved to measure performance and success, and identify opportunities for focus and improvement.

The collection and use of detailed data on security processing systems at Sydney Airport, which initially commenced during the challenging post-COVID rebuild, has had a number of positive benefits for Sydney

[52] IATA, *The importance of air transport to Australia*, IATA, n.d., accessed 27 November 2023.

Airport, its security contractor Certis, and the Cyber and Infrastructure Security Centre (**CISC**) of the Australian Government. The data has been used to review, track and benchmark performance, as well as identify trends and highlight opportunities to achieve better outcomes for the travelling public. The data is shared with Certis for day-to-day operational tracking and adjustment, and with CISC for ongoing monitoring and regulation. As a result, 95 per cent of passengers are now going through security at Sydney Airport in less than 10 minutes.

In the same way, SYD is now working with ABF to better understand the arrivals passenger journey, and measure the time taken from disembarkation to the primary line, to identify opportunities for improvement and to start planning for the new generation of border technology.

As part of its partnership with government agencies operating at Sydney Airport, SYD provides airline schedule data, passenger numbers and load factors to agencies, including ABF and Customs and Biosecurity, six weeks in advance to assist them in their rostering and planning. As noted in both Chapter 3 and in the ACA section of this Chapter 8, if SYD had more accurate data from the slot coordinator and the airlines it could improve the accuracy of this forecasting for the benefit of the airport and the agencies operating there.

Further, as noted in Chapter 3, the Government of Canada recently announced an initiative to bring together aviation and government stakeholders to develop a system of better data and information sharing. The Canadian Federal Budget in March 2023 proposed legislative change that will require sharing and reporting of data by airports and airlines to reduce delays and improve coordination between airports, airlines and the Government of Canada. Similar requirements for data sharing exist in the European Union. Work is now underway between all Canadian aviation stakeholders to develop a framework and pilot this work in four major airports, with the goals of improving the passenger experience, increasing operational efficiency, and ensuring safety and security.

A similar program in Australia could achieve these same goals, while helping all parties with forecasting and resourcing. A working group should be established to discuss how such a program could be implemented in Australia.

Recommendation 28

The Australian Government establish a framework for sharing and reporting data, to reduce delays and improve coordination between airports, airlines and the Australian Government.

New technology

As the Green Paper notes, the aviation sector sees constant technological advances, and emerging aviation technologies are expected to transform the sector in a wide variety of ways. This includes technologies that are, or may become, available for Australian Government agencies and airports, either to improve the border or security assessment processes, or to assist them in their other responsibilities such as broader safety and security. For example, sharing passenger and baggage/freight data with other countries securely can reduce processing times while improving security assessments. Similarly, digital passenger processing can simplify borders while providing longer assessment times and enabling better data collection.

In this globally competitive and highly valuable industry, Australia needs to ensure that it keeps pace with global improvements and is not left behind with old-fashioned, slow and repetitive systems and processing.

New technologies can also reduce reliance on inflexible staffing models and improve quality and consistency. It should provide more flexible, highly skilled jobs for the aviation workforce of the future.

SYD proposes the establishment of a working group with relevant Australian Government agencies and Australia's major international airports to examine the border process in its entirety. This group would identify new technologies and processes to deliver a more robust, efficient and seamless experience, while ensuring Australia's high standards are met, or even exceeded. The ABF Commissioner's Customs Advisory Board (**CAB**) is an agency-specific example of such a working group, which is developing plans to incorporate new technologies in partnership with industry. This is discussed in Chapter 8.7 below.

International airports using technology to improve the passenger experience

A 2022 IATA *Global Passenger Survey* found that:

- 75 per cent of passengers want to use biometric data instead of passports or boarding passes
- one in three had already experienced using biometrics in their travel journey, with an 88 per cent satisfaction rating
- 44 percent of travellers identified check-in as their top pick for off-airport processing
- 83 percent of passengers are willing to share immigration data (e.g. passport, visa, health questionnaire) to expedite airport processes.

(Source: www.iata.org/gps)

International examples of airports using biometric data and enhanced contactless processing include:

- **Changi Airport, Singapore**. Changi Airport has announced that it will go passport-free in early 2024, when it implements a new automated immigration checkpoint that uses passengers' biometric data. A facial scan will verify a passenger's identity without the need to present a passport to immigration officials or obtain an exit stamp. The technology will be available to all passengers, including visitors.
- **Vienna Airport, Austria**. Passengers enrolled for Star Alliance Biometrics can use facial recognition to pass through selected check points before security and at the boarding gate without contact, using biometric identification. Several other airports also use this technology.
- **Dubai International Airport, UAE**. The use of enhanced SmartGates at Dubai International Airport enables contactless processing for passengers who are registered to use the devices. Passengers simply look at a green light, without the need to scan documents.
- **Paris Charles de Gaulle Airport, France.** A completely separate section of Terminal 2 (T2G) handles flights from Schengen Area destinations. The Schengen Area comprises most European Union countries and enables citizens to move around the area without being subject to border checks.

Global competitiveness

As noted under 'new technology' above, countries around the world are investing to improve the experience for prospective and actual visitors and travellers. Simplified and fast visa processing to encourage visitation, digital passenger information, and a streamlined airport entry and exit process, are improving the customer experience while still providing border and security agencies with the required information to enable detailed safety and security assessments. The expectation from passengers and exporters is for increased data sharing

and digitisation with smoother processes, which are less reliant on people and queues. If Australia fails to meet this expectation, it will become less competitive in global tourism and trade.

SYD welcomes the July 2023 announcement by the Prime Ministers of Australia and New Zealand that a joint expert group will be formed to scope initiatives to move closer towards seamless travel across the Tasman, with a clear deadline of 12 months. SYD agrees that this would benefit trans-Tasman businesses and tourism and looks forward to participating in the group. Given the size of the tourism and trade markets between Australia and New Zealand, and our long distances from many other visitor and export markets, any improvements towards a simplified border would benefit the relationship between the two countries and enhance global competitiveness.

Recommendation 29

The Australian Government establish a working group (similar to the Australian Border Force's Customs Advisory Board) with relevant government agencies and Australia's major international airports, to examine the border process in its entirety. This group would identify new technologies and processes to deliver a more robust, efficient and seamless process, while ensuring Australia's high standards are met, or even exceeded. It should include the collection and sharing of digital and biometric data early in the passenger journey, to improve data quality and enable detailed security assessments to be completed in advance, reducing the reliance on airport processing while keeping the border strong and secure.

This working group should use the simplified border with New Zealand as its first project.

Ongoing review and modification

If agreement can be reached on a shared goal for airports, airlines, aviation stakeholders and government agencies to provide the most seamless journey possible for travellers and freight, there needs to be commitment to ongoing review and regular modification against the SLAs agreed. Ideally, this would involve an annual process to set the SLAs for the year and then quarterly meetings to track the performance of all parties. Like the regulatory framework that governs airports, the work done to meet customer needs cannot be 'set and forget'. The threat of falling behind developments in technology and reduced competitiveness are reason enough to require regular review.

Resourcing

As noted above, the benefits to the Australian economy from growing tourism and trade are significant and dependent on a vibrant aviation industry which prioritises the needs of passengers and air freight. This is only possible if all parties continue to provide the resources required to fulfill their agreed obligations.

The Australian Government provides funding and resourcing across a number of departments, agencies and organisations. While the commitment of the Australian Government to the aviation sector is apparent in preparing the White Paper, it must also commit to providing the ongoing resources required to ensure that its entities continue to meet their obligations to an acceptable standard.

SYD recognises that government agencies, like other aviation stakeholders, were significantly impacted by COVID. However, it is apparent that in some cases agencies have struggled to rebuild. In addition, investments in new technologies were put on hold during the pandemic period and now require prioritisation to ensure Australia remains globally competitive.

In May 2023, it was announced that the PMC would increase 16 per cent, from $60 per passenger to $70, effective from 1 July 2024. The PMC was initially established for recovering passenger processing costs. However, less than 50 per cent of the total revenue from the PMC is directed to ABF, and it is unlikely that biosecurity and short-term-visa processing costs substantially account for the remainder.

Beyond covering the costs of passenger processing and biosecurity, the additional revenue generated by the PMC should be invested in modernising and improving the efficiency of Australia's border processes. Specific recommendations for improving passenger facilitation are set out in Chapter 8.7.

Recommendation 30

The Australian Government commit to providing the ongoing resources required to ensure that government agencies operating in aviation continue to meet their obligations to an acceptable standard. Beyond covering the cost of passenger processing and biosecurity, the additional revenue generated by the passenger movement charge must be allocated to modernising and improving the efficiency of Australia's border processes for the benefit of passengers and exporters.

A level playfield between WSI and SYD

As discussed in detail in Chapter 3, the operation and regulation of WSI must comply with the Commonwealth Competitive Neutrality Policy. The Competitive Neutrality Policy aims to promote efficient competition between public and private businesses and requires that government business activities should not enjoy net competitive advantages over their private sector competitors, simply by virtue of public sector ownership. The policy requires that significant government business activities comply with principles of regulatory neutrality and full cost pricing neutrality, and mitigates well-known inefficiencies associated with distortion of trade and investment.

As a Government Business Enterprise, WSI falls squarely within the Competitive Neutrality Policy and, where WSI competes with SYD, it should do so on its merits and on a level playing field with SYD. Without application of the Competitive Neutrality Policy, merit-based competition between SYD and WSI will not occur.

This extends to the Australian Government's provision of technology and resourcing for border processing across both SYD and WSI. The Australian Government cannot provide an unfair advantage to WSI through the provision of advanced technology, additional staffing or resources, or beneficial processes and procedures at the border.

Recommendation 31

The Australian Government treat SYD and Western Sydney International Airport equally through the provision of advanced technology, resourcing, processes and procedures, in accordance with the Commonwealth Competitive Neutrality Policy.

Specific agency issues and opportunities

Airport Coordination Australia

The prime objective of airport slot coordination is to ensure the most efficient declaration, allocation and use of available airport capacity in order to optimise benefits to consumers, taking into account the interests of airports and airlines.

ACA has been the appointed Slot Coordinator, or Slot Manager, at Sydney Airport since the introduction of the SADM Act in 1997. SYD has several issues with the current Slot Manager and the appointment process, which include:

- **Lack of SLAs**. ACA is appointed by the Australian Government, with Sydney the only airport in Australia where this is the case. SYD therefore has no SLAs or direct agreement with ACA nor insight into any SLAs with the Australian Government. This makes it difficult to assess performance.
- **Lack of data sharing**. While SYD has been receiving more accurate data from ACA in the last 18 months, it is yet to obtain a copy of the original RRF (dating from 1997) or information about who holds historic slots and who may have had them denied from ACA previously. This is despite repeated requests for this information, which is critical in managing the complex infrastructure at Australia's largest airport. SYD understands that other slot managers globally share all information about slots with the relevant airport and do so through online portals. Furthermore, the sharing of slot data is consistent with the WASG.
- **Lack of a compliance regime**. While this is a consequence of the outdated legislative framework underpinning the Compliance Committee (which is not aligned to the updated Chapter 9 of the WASG), ACA have not made an effort to monitor compliance. As a result, poor behaviour had not been monitored or reported until SYD started to focus closely on the issue of slot cancellations and misuse.
- **Need for new technology**. New technology could assist in the sharing of data and the identification of slot misuse. SYD understands that ACA have a new system for slot management at Sydney Airport but has not yet been given access to this system.
- **Lack of independence**. The ownership and management of ACA creates a range of potential or actual conflicts of interest and issues, which in SYD's view may limit the independence and performance of the Slot Manager. The ownership structure of the Slot Manager should therefore be completely independent of any airport, airline or interested party, to increase the neutrality of the coordination process.

As discussed in Chapter 3, the consequence of a lack of transparency and compliance monitoring is reduced competition. Major domestic airlines are holding slots and cancelling flights at a much higher rate than is standard both globally and across Australia. While the national long term cancellation rate at Sydney Airport is 2.3 per cent in 2023, major domestic airlines have been cancelling Sydney to Melbourne services at an average of 9.3 per cent.[53] The data indicates that this is a deliberate strategy to hold a larger number of slots than the airlines intend to operate, thereby preventing new entrants. This reduces competition, and passengers are inconvenienced by flight cancellations, less choice and higher airfares.

Given the criticality of the Slot Manager's independence, the following suggestions should be strongly considered, in addition to the changes recommended in Chapter 3.1:

[53] BITRE, *Airline on time performance monthly reports*, BITRE website, n.d., accessed 27 November 2023.

- a review should be undertaken every three years to assess whether a competitive tender process for the provision of slot coordination services at Sydney Airport should be conducted
- the contract for provision of slot coordination services include detailed SLAs around the process and outcomes of coordination, developed in consultation with SYD
- the information supplied by the Slot Manager to stakeholders to align with best practice recommendations of the WASG
- If ACA is to continue as the Slot Manager, SYD and other current shareholders should divest their shareholdings in ACA to ensure true independence.

Recommendation 32

With respect to Airport Coordination Australia and slot coordination services specifically, and in addition to recommendation 27:

- a review should be undertaken by the Australian Government every three years to assess whether a competitive tender process for the provision of slot coordination services at Sydney Airport should be conducted
- the contract for slot coordination services include detailed service level agreements around process and outcomes of coordination, developed in consultation with SYD
- the information supplied by the slot coordinator to stakeholders align with best practice recommendations of the Worldwide Airport Slot Board
- if Airport Coordination Australia is to continue as the slot coordinator, SYD and other current stakeholders should divest their shareholdings in Airport Coordination Australia to ensure true independence.

Airservices Australia

Under the *Air Services Act* 1995 (Cth), Airservices is primarily responsible for the safe and efficient management of Australia's airspace as well as the provision of Aviation Rescue Fire Fighting Service (ARFFS) at Australia's busiest airports, including Sydney Airport.

Airservices is also responsible for a range of other aviation and airport-related matters, including:

- providing advice, information and data on the environmental aspects of air traffic management, including aircraft movements, aircraft noise, aircraft engine emissions and aircraft operations
- development and implementation of effective aircraft noise abatement procedures and monitoring compliance with those procedures
- installing, maintaining and operating noise and flight path monitoring systems at major Australian airports
- monitoring aircraft movements at Sydney Airport to ensure compliance with the aircraft movement limit set by the SADM Act
- implementation of the LTOP at Sydney Airport
- endorsement of ANEF for inclusion in airport Master Plans
- management of legacy per- and poly-fluoroalkyl substances (**PFAS**) contamination at airports, including at Sydney Airport.

Generally speaking, SYD has a good working relationship with Airservices at both the local and national level. However, there remain some challenges that still need to be addressed. The current issues, which are outlined below, demonstrate the need for an agreement between the two organisations which clearly outlines SYD's expectations of Airservices in order to meet the needs of the travelling public. As noted in the introduction to this chapter, this could take the form of SLAs which are then monitored and reported on. SYD recognises and supports the increased transparency now provided by Airservices across their network, and believes this could provide a framework for SLAs at the Sydney Airport level.

In broad terms, it would seem Airservices does not currently have the staff available to adequately perform its multiple responsibilities, and indeed perform its primary responsibilities of air traffic management and on-airport fire services. The Australian Government should consider whether the focus of Airservices has been diluted with the addition of matters such as noise abatement, monitoring and consultation. Airservices should increase its workforce so it can perform those fundamental roles, particularly at major airports, as well as the more recent taskings. Otherwise, consideration should be given to passing responsibility for some of the abovementioned issues onto alternative Australian Government agencies.

Address the severe shortage of air traffic controllers

Over recent years, SYD, other airports and airlines have experienced significant problems with the ongoing shortage of air traffic controllers. While this shortage was exacerbated by COVID, it continues to impact airport operations to this day. A significant proportion of delays and/or cancellations of flights at Sydney Airport are a direct result of these staff shortages, and disrupt the travel plans of hundreds of thousands of passengers.

In the 2023 year to date, approximately 30 per cent of total operational hours have been affected by staff shortages in Airservices' Sydney Airport operations. These staff shortages have led to the introduction of Ground Delay Programs, which limit the number of arrivals and departures and can lead to cancellations and delays approximately eight per cent of the time to date this year.

With flight and passenger numbers fast approaching pre-COVID levels, SYD believes that Airservices and government more broadly must rectify the air traffic controller shortage as a matter of urgency. While SYD appreciates that work is underway within Airservices and progress is being communicated, Sydney Airport has an urgent need for more controllers as soon as possible as well as in the pipeline, to continue to meet the operational needs of Sydney Airport. The importance of Sydney Airport to the national network cannot be understated. As the busiest but most constrained airport in Australia, Sydney Airport needs the support of all government agencies, and particularly Airservices, to operate as efficiently as possible.

Enable an average of 80 movements per rolling hour

As demonstrated in Chapter 3.1.1, Sydney Airport is currently operating below the 80 movement per hour cap. One of the reasons for this is unnecessary conservatism on the part of Airservices, which limits movements to below 80 per hour, or below 20 in rolling 15-minute increments, to prevent the threat of ever breaching the movement cap. This conservatism leads to significant inefficiency in the system, which then impacts the national aviation network and has implications for on-time performance, while delivering a negative customer experience. It is worth noting that Part 2, Section 9 of the SADM Act stipulates that Airservices' role is only to monitor compliance with the 80 per hour rule. Indeed, Airservices is specifically not authorised to enforce compliance:

> *"Airservices Australia's obligations under this section are limited to monitoring compliance with the maximum movement limit and reporting to the Minister on the extent of infringements. This monitoring and reporting role does not authorise or require Airservices Australia to take any action to enforce compliance with the limit."*[54]

In addition, the use of critical resources to undertake this monitoring role further impacts operational performance and serves little benefit. It seems unbelievable that in the year 2023 there are multiple personnel sitting in the tower with 'a clipboard and a pencil' manually counting planes.[55] With only 80 movements per rolling hour permitted to be scheduled by the Slot Manager, and with rates of cancellation at over two per cent for normal services, and up to 10 per cent for the Sydney to Melbourne and Sydney to Canberra routes, there is almost no chance that flights would exceed 80 in a given hour. In the event that there were more than 20 flights in a 15-minute period, it is likely there would be fewer in the next 15-minute period. Ensuring ATC focus on safely managing the 80 scheduled flights in the most efficient way would lead to fewer delays and fewer emissions from aircraft holding in the air and on the ground. Indeed, given the schedule is limited to 80 movements per hour, the most efficient, customer-focused approach would be to accept that on average no more than 80 movements would occur over the course of a day. SYD appreciates that work is being done by Airservices to look at how they can modify operations at the airport to enable closer to 80 movements per hour consistently.

Review Sydney Airport's flight paths and adopt improved technology

In Chapter 6.1.8, SYD outlines the need for improved flight paths, modernised airspace and better flight path design. As noted, the airspace around Sydney Airport had remained unchanged for 20 years prior to the recent announcement that some Sydney Airport flight paths would be impacted by WSI. At the same time, there have been significant advances in air navigation technology which have enabled aircraft to minimise noise impacts for people living beneath or close to flight paths. For example, the use of CDA and more precise flight path design – which has not occurred at Sydney Airport but has at many other airports – can reduce noise and carbon emissions. Changes to some Sydney Airport flight paths and improvements in technology provide an opportunity for a more comprehensive review of the Sydney Airport airspace to improve efficiency and reduce noise and emissions. Airservices will play a critical role in developing and implementing any improvements.

For implementation, A-CDM technology is an example of technology that has the potential to make aircraft ground operations more efficient, reduce taxiing time on the ground for both arrivals and departures, and optimise flight trajectories to prevent unnecessary fuel consumption in-flight and during LTO cycles. Airservices needs to be investing in this and other new technologies to deliver the airspace improvements that will be required.

Investment in Airservices' delivery of solutions at Australia's major airports would deliver overall efficiency benefits as well as reduce emissions and improve sustainability across the entire domestic aviation network.

[54] *Sydney Airport Demand Management Act 1997*
[55] Australian Senate, Select Committee on Commonwealth Bilateral Air Service Agreements, *Commonwealth bilateral air service agreements*, Australian Senate, 19 September 2023, p 4, accessed 27 November 2023.

Notify SYD of any changes to Sydney Airport's prescribed airspace

Sydney Airport's prescribed airspace comprises two categories of airspace surface:

- surfaces that SYD designs and manages itself, including obstacle limitation surface, high intensity light protected surfaces, and precision approach path indicator system protection surfaces
- surfaces that Airservices designs and manages, including procedures for air navigation services – aircraft operations surfaces (**PANS-OPS**), navigation aids protected surfaces, radar terrain clearance chart (**RTCC**) surfaces, and combined radar departures assessment surfaces – omni directional.

SYD is obliged under the *Airports (Protection of Airspace) Regulations* 1996 (Cth) (the **APAR**) to make charts of each of these airspace surfaces available for inspection by members of the public on its website, and, if any surface changes, to bring the relevant chart(s) up to date within 14 days after the change was made. SYD must be advised when Airservices changes one of the prescribed airspace surfaces which it designs and manages so the correct chart can be made available to the public. Airservices have previously made changes to these surfaces without advising SYD.

Maintain current arrangements and service levels with ARFFS, and increase consultation, while the program is reviewed

Airservices is proposing to standardise the definition of ARFFS' role and responsibilities within Aerodrome Emergency Plans (**AEP**) at 27 airport locations, including at Sydney Airport. The aim of doing so is to ensure a specific focus on its core emergency response function.

Airservices advised SYD that standardisation would introduce the following key changes to AEPs:

- aerodrome operators are responsible for establishing the initial Forward Command Post (**FCP**) as per the Manual of Standards (**MOS**) Aerodromes-139, and for facilitating emergency response in support of the Control and Combat agencies
- ARFFS will act as the Combat Agency for fire and rescue involving an aircraft crash or fire on the aerodrome, and only provide an initial response for a) ground and structural fire incidents on the aerodrome, and b) hazardous materials incidents on the aerodrome.

ARFFS will provide an Airservices representative and/or liaison officer (i.e. Fire Commander) to the FCP when and if available.

Following initial consultation with the major airports and receipt of feedback, Airservices held a stakeholder day with the major airports to understand the challenges and concerns raised during initial consultation, followed by a subsequent forum to update on the proposed changes. Airservices have committed to maintaining current arrangements and service levels with affected airports and an increased level of consultation while the program is revised. In response, Airservices have also increased resourcing at Sydney Airport ARFFS fire stations to allow for higher utilisation of the domestic response vehicle for non-aviation related emergency responses.

SYD recognises the valuable role played by ARFFS and welcomes the opportunity to continue working together to support the response to critical medical events and facility fire safety events, and enhancing the current aerodrome emergency response arrangements.

Contaminated land (PFAS) related issues

The Sydney Airport site is known to be impacted by PFAS. The predominant known source of PFAS on the airport is the historic use of certain firefighting foams by firefighting service providers during fire training exercises. These providers were agencies of the Australian Government, the duties of which ultimately became the responsibility of Airservices. Disappointingly, Airservices has claimed that it is not responsible for the contamination by its predecessor entity; it claims that this is the case as it was a different legal entity and therefore there is no causal link. SYD strongly rejects this view.

SYD has developed an airport-wide Contaminated Sites Management Plan (**CSMP**) in accordance with best practice guidelines that establishes clear guidance for the investigation, assessment, and management of contamination across the airport site. In accordance with the CSMP, SYD has conducted a series of environmental investigations to understand the sources and impacts of legacy PFAS contamination.

These investigations have determined that the historical use of firefighting foams containing PFAS has resulted in significant levels of contamination emanating from the areas of the airport leased by Airservices today. SYD, as the airport lessee company, is not in any way responsible for this contamination.

In 2022, SYD shared the results of these investigations with Airservices and outlined its expectations that it remediate their contamination. SYD has also formally requested regulatory support from the Australian Government to ensure that Airservices is held to account for remediating PFAS contamination generated by its activities.

To date, no response has been received from government. SYD remains concerned by the inaction of Airservices and lack of government response. SYD will continue to drive improved environmental performance and advocate for the enforcement of the ‘polluter pays’ principle in accordance with the PFAS National Environmental Management Plan 2.0 (2020).

Additional resources for noise monitoring and management

In consultation with airports and community stakeholders, Airservices recently adopted a new Community Engagement Standard for flight path and airspace change proposals. This should significantly improve the level and quality of future community and stakeholder engagement when such changes are being proposed. SYD supports what is proposed in the Standard as it is broadly consistent with the levels of engagement SYD already undertakes on such matters or on other major airport projects.

However, given the staffing challenges Airservices is facing, additional resources will need to be provided to implement the agreed engagement standards. Resources cannot be repurposed from the safe and efficient management of Australia's airspace nor the provision of aviation rescue firefighting services.

Without additional resources, and given that community expectations about engagement are now much higher than they were before, there may be more community angst and opposition to any proposed changes. This is particularly evidenced by the increasing number of noise complaints which are made to Airservices across Australia and the relatively long response times for those complaints. As noted in Chapter 6.1.1, resourcing for the NCIS should be appropriately increased to ensure it can deal with noise complaints expeditiously. SYD urges the Australian Government to either ensure additional resources are provided to Airservices, or to consider whether Airservices should focus on core business, with the role of noise consultation and monitoring to be moved elsewhere within the portfolio remit of DITRDCA.

Recommendation 33

Given the importance of the operations at Sydney Airport to the national aviation network, Airservices Australia should prioritise resourcing, policy and operational changes required to:

- rectify the air traffic controller shortage as a matter of urgency
- enable 80 movements per hour by focusing on an 'average' rolling hour rather than a conservative approach to 80 scheduled movements
- review Sydney Airport's flight paths and adopt improved technology to reduce noise and emissions
- notify SYD of any changes to Sydney Airport's prescribed airspace as required under the *Airports (Protection of Airspace) Regulations* 1996 (Cth)
- maintain current arrangements and service levels with Aviation Rescue Fire Fighting Service, and increase consultation, while the program is reviewed
- implement the agreed engagement standards without repurposing resources from the safe and efficient management of Australia's airspace.

Recommendation 34

Airservices Australia remediate per- and poly-fluoroalkyl substances, or PFAS, contamination generated by its activities.

The Australian Government hold Airservices Australia to account for remediating that PFAS contamination at Sydney Airport.

Australian Border Force

The border process is the first experience most international passengers have of Australia, so it is important that these processes deliver a positive customer experience while maintaining a strong and secure border. As discussed in Chapter 8.1.1, shared customer goals can only be achieved if airports, ABF, Biosecurity, and Customs work collaboratively to improve the border experience, including using agreed SLAs to set minimum standards (e.g. wait times, processing times and resourcing levels).

The ABF's stated mission is to protect Australia's border and enable legitimate travel and trade. The ABF also has a vision for a digital, seamless and secure border that efficiently facilitates legitimate travel, while effectively disrupting those who would do Australia harm. This is being driven by:

- increasing traveller and freight volumes
- changing traveller expectations in the use of digital services
- pressure on ports' infrastructure and associated costs
- rapid movement of digital innovation in the aviation and maritime sectors
- major events (e.g. Brisbane 2032 Olympics Games).

The ABF is supported by a workforce of highly trained officers. Much like the rest of the aviation industry, COVID and the return of air travel post-COVID presented significant operational challenges as the border workforce was steadily rebuilt and reskilled in the tightest jobs market in almost half a century.

At the same time, there have been limited improvements to border processes since the beginning of the pandemic, and subsequent budgetary allocations have not reflected the rebuild and the scale of modernisation that is required as border movements return to 2019 levels.

One example is the SmartGate replacement project which is underway across all international airports. SYD appreciates the consultation with ABF and the consideration of operational needs and timing, however the ongoing reliance on old SmartGate machines has led to significant operational challenges, with approximately 88 SmartGate faults on arrival per month while SYD waits for the replacement machines.[56] These faults need to be assessed and potentially fixed by ABF officers, which then reduces the number of manned desks and subsequently impacts throughput across the arrivals border, particularly during peak periods.

In addition, the upgrades involve new kiosks but keep the two-stage ABF arrivals process (Kiosk then Arrivals Gate), which contrasts with the majority of other countries which now have a one-stage, largely automated, arrivals process. Further, the kiosk replacement plan will replace the same number of kiosks currently available at Sydney Airport. This does not allow for projected growth and an ability to incrementally improve the speed of processing for visitors arriving into Australia.

It is critical that sufficient resources and support are made available to the ABF to ensure that current border processes are efficient and seamless, while significant modernisation of the border is required to meet future demand and passenger expectations. In Chapter 8.7, SYD outlines the work it is doing with ABF as part of the CAB, using partnership to drive improvements at the border. This initiative is a strong example of the partnership approach SYD is advocating for across government. The CAB will identify projects that optimise the use of technology and data and use the benefits they can bring to improve the passenger experience. Initial work suggests that changes can be made which retain or improve on the existing high levels of border protection while increasing the work that can be done prior to the border, reducing the footprint and staffing required, and introducing new high-level aviation border jobs.

As noted in the introduction to this Chapter 8, however, an improved border that incorporates future technology and improves the customer experience will only be possible if the Australian Government provides sufficient resources, both financial and strategic, to implement the agreed technology and process improvements. As noted above, SYD welcomes the Australian Government's commitment to a simplified border between Australia and New Zealand. This could provide a case study for wider border improvements which could then be considered for other countries with whom Australia shares a strong relationship.

There are also significant opportunities for digital optimisation. While the Digital Passenger Declaration process was complicated by COVID requirements and is no longer in use, it has been noted that New Zealand now allows for digital submission of the comparative Inbound Passenger Card process. A like-type functionality should be expedited to reduce inbound passenger processing and further negate the need for a two-step (Kiosk and Arrivals Gate) border process. This would provide benefits to ABF, Biosecurity and Customs, and – most importantly – incoming passengers. Finally, SYD notes that this cooperation between ABF and industry must be extended to any other Australian Government agencies which have an impact on the border. This is particularly the case for Biosecurity and Customs.

Biosecurity and Customs

SYD recognises the critical role the DAFF plays in safeguarding Australia's biosecurity. SYD also acknowledges that Sydney Airport is a high-volume entry point from a broad cross-section of points of origin and a critical monitoring and intervention point to ensure biosecurity standards and safeguards.

[56] Australian Border Force (FY 2023-24 data for international airports, average/month)

Whilst acknowledging the criticality of these standards and safeguards, more work needs to be done to streamline inbound passenger processes and support the passenger experience, particularly for those passengers from non-English speaking backgrounds who may require additional assistance. SYD supports a risk-based approach to support the streamlining of quarantine and sees opportunities for DAFF to further partner with airports to leverage airport infrastructure and systems to reduce unnecessary friction in the passenger journey.

The application of Foot and Mouth Disease (**FMD**) requirements at airports in 2022 was hurried and did not seek to leverage individual airport expertise in the use of each airport's specific infrastructure and schedule. What works for one airport may not work for others. While a satisfactory outcome was reached and measures were introduced, they continue to be applied without ongoing monitoring or evolution, or recognition of changed circumstances airports have faced as they recover from COVID. The separation of DAFF operational and policy sections has limited SYD's ability to adapt FMD requirements to meet the increase in flights from Indonesia, resulting in sub-optimal aircraft allocations and delays to the international schedule.

A partnership between DAFF and each airport, with agreed SLAs, would enable better ongoing discussions around how the parties can continue to support the Australian Government's FMD outcomes in a way that recognises the unique aspects of each airport, the challenges of growing passenger numbers and the need to provide the best passenger experience.

Quarantine checks or 'Secondary Line' processes have been inconsistent for a prolonged period and contribute to passenger confusion and delays. 'Declare/non-declare' and/or 'red/green' channels have been inconsistently applied, and the secondary checking of the border kiosk ticket/slip and/or Inbound Passenger Card by ABF on behalf of DAFF for triage of processing is manual, resource intensive and slows what should be an express last step for passengers before leaving the arrivals hall. This is reflected in the negative feedback SYD receives through its complaints and social media channels. As noted above, a simplified digital process to collect inbound passenger information could improve security and reduce the time taken for passengers entering the country. Similarly, the improved collection and sharing of data around key touchpoints in this process will help airports and agencies better understand delays, identify improvements, and put SLAs in place to continuously monitor and improve the experience for passengers.

SYD also notes the trial of x-ray screening of passenger baggage on arrival. Whilst this is a welcome step, any additional screening or processes should not add further touch points for passengers. SYD strongly supports data sharing with point of origin airports to 'pre-scan' passenger baggage prior to arrival using existing Checked Bag Screening security processes and technology. As noted above, SYD is pleased to be part of the ABF's CAB, developing joint government-industry approaches for the next evolution of border processes.

It is critical that both ABF and DAFF have processes that seamlessly integrate to ensure that the overall passenger experience is optimised whilst also achieving the necessary border and quarantine requirements. This 'one-border' approach would significantly simplify and improve the passenger experience and expedite the processing of high-volume passenger numbers.

Department of Infrastructure, Transport, Regional Development, Communications and the Arts

As the overall regulator of the aviation sector, it is critical that DITRDCA plays the central role in leading and coordinating all Australian Government activities which impact airports, including any new policies. This has not always been the case in recent years, for example with the 2018 Aviation Security Notice from Home Affairs and the many decisions impacting airports from the Department of Health during COVID. It is fundamental that

DITRDCA is resourced and empowered to lead the sector and SYD welcomes the White Paper as a good example of this.

The impacts of an outdated and inefficient regulatory framework are covered in Chapter 3 of this submission. SYD would like to commend DITRDCA on their diligent work through the ongoing Harris Review. There is an opportunity for DITRDCA to continue to be more proactive, however, in systematically reviewing regulations, identifying areas where outdated or inefficient regulations are having an adverse impact, and taking action to update regulations and ensure they achieve the best outcomes for the national aviation sector. In addition, given Sydney Airport and WSI will be the only operating example in Australia of competing major international airports in one city, DITRDCA should consider how regulations are applied to both airports (including any inter-dependencies), to ensure that they compete fairly under equal regulatory regimes.

DITRDCA is also the department responsible for appointing and managing ACA. ACA was appointed at the inception of the Sydney Airport demand management scheme, by the Transport Minister and Department of the day, and remains the Slot Manager at Sydney Airport. However, ACA do not appear to have been closely managed by the department overseeing aviation over a long period of time (now DITRDCA). Recommendations for improvements to the Slot Manager and slot management more generally are detailed in Chapters 3 and 8.1.1.

DITRDCA are also the agency who act as Secretariat of the SACF. Recommendations for reform of SACF have been outlined in Chapter 6.2.2.

Airport Environment Officer

The Australian Government, through DITRDCA, is in the process of reviewing the *Airports (Environment Protection) Regulations* 1997 (Cth) (**the AEPR**). That review has not yet concluded and SYD and other airports have raised various concerns about the changes that have been proposed to date, including:

- the changes are contrary to the "polluter pays principle"
- it is an overly complex regime, which would be expensive and time-consuming to administer
- the risks identified in the Charging Arrangements Consultation Paper are incorrect and incomplete
- the changes discourage the proactive identification and prevention of issues
- there are better ways to achieve the DITRDCA's objectives.

SYD has not yet received a response from government to these concerns, however further consultation should be undertaken to address concerns raised prior to implementation of these changes and the associated cost recovery plans, noting SYD’s additional comments on this issue in Chapter 8.4.1.

Airport Building Controller

Issues concerning the recent DITRDCA proposals to move toward full cost recovery for providing Airport Building Controller services to federally leased airports are addressed in Chapter 8.4.1.

Recommendation 35

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts actively and regularly review regulations that apply to Sydney Airport, including considering how regulations are applied equally to both Sydney Airport and Western Sydney International Airport.

Recommendation 36

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts conduct further consultation to address concerns raised prior to implementation of changes to the Airport Environment Officer responsibilities and the associated cost recovery plans.

Department of Home Affairs

Home Affairs is responsible for central coordination, as well as strategy and policy leadership in relation to areas impacting the aviation sector. Some of these include cyber and critical infrastructure resilience and security, immigration, border security and management.

Visas

Improved visa and passport processing times are critical to ensuring an efficient aviation system and a positive experience for passengers. The processing of visa applications needs to be simplified and sped up, visa processing fees reduced, and the minimum terms for which skilled visas are issued extended. In addition to an enhanced customer experience, the workforce shortage in the aviation industry stands to be improved by better facilitation of visas for skilled industry-specific workers.

Insufficient processing times have the potential to result in passengers unable to travel on flights they have booked, and services subsequently operating significantly under capacity despite strong forward bookings. This can impact the viability of services and could go so far as to result in the loss of critical international services to other markets.

Delayed visa processing times can also exacerbate labour market shortages given skilled visa applicants are facing long waits in many instances. This is particularly problematic when considering how competing economies and markets are evolving their own skilled migration systems.

SYD is pleased to note that significant improvements have been made to visa processing times By the end of October this year, 90 per cent of tourist visas to Australia were processed within 22 days, and 50 percent were processed within seven days.[57]

SYD is also pleased to note the recent commitment between Australia and China to provide access to three-to-five-year multi-entry visas for visitors and business people on a reciprocal basis.[58]

SYD acknowledges that Home Affairs has a responsibility to manage and secure the border, but at the same time is an advocate for improved visa processing to ultimately enhance the customer experience and benefit the Australian economy.

[57] Home Affairs, *Visa processing times*, Home Affairs website, n.d., date accessed 31 October 2023.
[58] A Albanese, *Statement on joint outcomes of the China-Australia annual leaders' meeting* [media release], Australian Government, 7 November 2023, accessed 27 November 2023.

Cyber and Infrastructure Security Centre

The CISC assists Australian critical infrastructure owners and operators to understand the risk environment and meet their regulatory requirements. Regarding aviation, CISC's oversight focuses on ensuring airport and aircraft operators meet their obligations under the *Aviation Transport Security Act 2004* (Cth), predominantly through the delivery of approved TSPs. SYD is committed to the highest standards of aviation security and cyber compliance and has developed a Security of Critical Infrastructure, Risk Management Program as part of its TSP. This Program outlines SYD's documentation, processes and responsibilities to track and mitigate the risks associated with, among others, cyber and information security. As a deemed critical infrastructure and nationally significant asset, SYD recommends a clear set of guidelines to cover the processes and responsibilities between SYD and the Australian Government, as well as the resourcing to be provided by government in these instances. More broadly, SYD is supportive of further opportunities to strengthen Australia's position in being a global leader in security outcomes.

Technology improvements

Security screening technology is evolving rapidly and SYD is eager to partner with CISC and peer airports to adopt new technologies to deliver higher security outcomes, expedited passenger processes, and an enhanced customer experience.

Passenger screening today relies largely on individual human monitoring of what are complex x-ray images. Airline policies have driven larger and more cluttered bags making the human review and assessment of contents more challenging. SYD has a security transformation program underway that involves upgrading all passenger and checked bag screening x-ray equipment to the latest standards in line with government requirements. Further opportunity exists, however, to leverage technology, especially image interpretation algorithms available on latest equipment, to more accurately analyse passenger checked baggage and carry-on belongings. The process to certify and allow this technology requires focused attention from CISC to ensure airports can meet evolving threats, support expedited passenger processes, and provide services that are cost-efficient for the benefit of the travelling public. Whilst an early framework has been provided on how airports can engage on trials of evolving technologies, a clear path is sought on how this technology can achieve enhanced screening outcomes as fast as possible.

Risk

SYD encourages government security agencies to better understand, and build appropriate risk assessments for, individual airports. Whilst not seeking greater stipulation of TSP standards, as SYD supports each airport developing their own TSP based on individual airport risk assessments, it is important that government agencies support airports in the development of risk assessments so that there is an aligned and agreed view of risk at any moment in time.

SYD has undertaken to develop a dedicated Sydney Joint Airport Risk Committee to bring together the appropriate federal and state government security agencies to monitor and track emerging risks. SYD seeks further support to enhance such initiatives with appropriate security advice, engagement and collaboration. The outcomes of such engagement should also inform security settings and policy review.

Cyber

Cyber security remains a critical risk and SYD values the engagement and collaboration to date with CISC. The recent (June 2023) cyber security consequence management discussion exercise hosted jointly by SYD and Home Affairs was a great example of how government and industry can collaborate around shared risks. The exercise supported an understanding of information sharing arrangements, communications channels, regulatory frameworks and consequence management. SYD strongly supports continued close engagement with industry on cyber risk assessment, monitoring and response.

Recommendation 37

The Cyber and Infrastructure Security Centre and SYD develop a clear set of guidelines to cover the processes and responsibilities between them, as well as the resourcing to be provided by government to manage risks in the aviation environment.

Recommendation 38

With respect to security screening at Australian airports, the Cyber and Infrastructure Security Centre should:

- deregulate security programs and move towards a more adaptive, risk-based approach to managing security risks, in particular where airport operators implement a Security Management System
- partner with SYD and peer airports to adopt new technologies to deliver higher security outcomes, expedited passenger processes, and an enhanced customer experience
- provide clarity on the regulatory timeline for the approval of Automated Prohibited Item Detection Systems in live operational environments
- revisit current policies concerning liquids, aerosols and gels restrictions. SYD supports replacing current restrictions with latest generation screening technologies in order to modernise the existing process
- adopt a scaled regulatory approach (including compliance) to testing programs that aligns with an individual airport's level of security sophistication and maturity.

Recommendation 39

Government security agencies assist airports to build appropriate risk assessments and monitor and track emerging risks in partnerships with airports. The outcomes of such engagement should inform security settings and policy review.

Recommendation 40

The Cyber and Infrastructure Security Centre continue to closely engage with relevant industry stakeholders on cyber risk assessment, monitoring and response, including through information sharing arrangements, communication channels, regulatory frameworks and consequence management.

8.2 Safety regulation

8.2.1 Do you have any suggestions to improve current reform processes?

SYD supports the current review into CASA's processes, including adopting risk-based oversight to safety regulation. Any changes to safety regulation must support Australia's internationally recognised high standards of safety.

Data sharing

The implementation of data sharing framework across industry stakeholders is also a supportive measure to continue to lift already high standards of safety. A robust data sharing framework can ensure a full picture of safety performance across industry, the sharing of lessons learned, and key focus areas to be targeted to improve overall safety outcomes.

Airside safety and standards

The airport ecosystem, especially at large airports, involves many operators and relationships to achieve a high-volume schedule. Whilst regulation is robust for airlines and airport operators, there is little oversight or supporting standards regarding safety critical ground servicing and handling processes across the airport precinct. Airports and airlines are required to have comprehensive Safety Management Systems as part of their authority from CASA to operate. This is not necessarily the case for other airside operators, although some larger operators may adhere to a form of international ground handling certification.

In many cases, airport operators do not have direct relationships with the ground servicing and handling operators that support airline activity. This limits an airport operator's ability to drive and ensure the highest standards of safety and performance outcomes. SYD is committed to being able to enforce standards, and in cases where safety warrants, pursuing means to limit or suspend deficient ground servicing operators.

Airport Operator's Licence at Sydney Airport

SYD has implemented an AOL, which establishes a common set of safety rules and drives safety performance for ground services providers. This includes ground handling, refuelling, engineering and maintenance, catering, cleaning, aircraft pushback/towing, and ramp service providers. SYD engaged the consultancy arm of IATA to research international examples and distil a 'best practice' applicable to Sydney Airport's operating environment. Extensive consultations and negotiations were undertaken with stakeholders, and revisions made, over several years. The vast majority of relevant stakeholders at Sydney Airport have signed the AOL, including Air New Zealand, Cathay Pacific, Qatar Airways, Rex, Dnata, BP and Fedex. However, neither Qantas Group nor Virgin Australia have signed the AOL, using delay tactics and drawing out discussions with SYD on a document that seeks to manage important safety issues.

The AOL is currently entered into voluntarily by ground service providers and is limited in its ability to enforce safety outcomes. Given the complexity of the operating environment, more collaboration from CASA is welcomed in this area to support an airport's ability to drive the highest safety and performance standards.

Recommendation 41

Any changes to safety regulation by the Australian Government must support Australia's internationally recognised high standards of safety. Whilst regulation is robust for airlines and airport operators, there is little oversight or supporting standards regarding safety-critical ground servicing and handling processes across the airport environment. Given the complexity of the operating environment, more collaboration from Civil Aviation Safety Authority is welcomed in this area to support an airport's ability to drive the highest safety and performance standards.

8.3 Airspace regulation and management

8.3.1 What should the Australian Government consider in adopting technology to fully utilise airspace and ensure access for different parts of the sector?

SYD aims to achieve the highest efficiency and service outcomes from the airport runway system and associated infrastructure. The optimal use of airspace surrounding and enroute to Sydney Airport is critical to achieving this objective to maximise traffic volumes, minimise congestion and deliver a resilient schedule. Efficient use of airspace also has significant sustainability outcomes which are critical for the aviation industry to achieve against set targets.

Technology

As discussed in Chapter 5.1.1, SYD strongly supports the implementation of A-CDM, a technology and procedures program currently led by Airservices. The effective use of A-CDM is an important element of ensuring what happens on the ground at airports best sets up how airspace is efficiently used.

The further implementation of next-generation navigations systems is also critical to achieving airspace utilisation, optimised noise profiles and emissions reduction targets. For example, as discussed in Chapter 6.1.8, PBN and the use of CDA should be further utilised to achieve airspace efficiency and safety outcomes, as well as reduce noise and emissions. PBN reduces the reliance on ground-based navigation systems and allows the 'push down' altitude for arriving aircraft to be increased, allowing departing aircraft to climb to higher altitudes faster while ensuring continued aviation safety. CDA allows a more precise flight path, flying from cruise altitude to the runway in one smooth uninterrupted descent, rather than descending in successive steps with additional power required each time the aircraft levels out at the next step down in the altitude.

Whilst adopting these technologies is important, the sharing of data that shows how airspace is being used and opportunities for continuous improvement must be prioritised in a collaborative and action-focused way. This should also inform how more flexible use of airspace can be achieved.

While SYD is encouraged by technology that will support near and longer-term airspace efficiency outcomes, there are a number of legacy items that require urgent review to remove structural barriers to airspace efficiency outcomes.

Long Term Operating Plan

The last significant review of SYD's terminal airspace (which is defined as being within 45NM of the airport) occurred more than a quarter of a century ago in 1996-97. This resulted in the Australian Government adopting the LTOP and directing Airservices to implement it.

The LTOP was prepared in an era of less accurate air navigation, far fewer flights than today and a significantly noisier aircraft fleet than currently exists.

Use of the LTOP's three 'noise sharing modes' that rely on use of the east-west runway has been in steady decline since 1997. This is because opportunities for noise sharing decline as flight numbers increase. Noise sharing is actually the LTOP's third priority, the first being safety and the second being the need to accommodate traffic demand. Noise sharing for the period 1999 to 2008 averaged 21 per cent of flights (peaking at 25 per cent in 2000) compared to 2009 to 2022 when it averaged less than five per cent. In 2019, it was used for a mere 0.15 per cent of the time.

As noted in Chapter 6.1.8, as we move towards 2050, the demand from both passengers and airlines to fly into and out of Sydney Airport will increase, noting that new aircraft technologies will reduce noise and emissions impacts and recognising the need to balance impacts on local airport communities. SYD anticipates working with the Australian Government to amend the regulatory framework to meet that increased demand over time, which will undoubtedly lead to a reduction in the use of these noise sharing modes and more time noise sharing off the parallel north-south runways, rendering the 1997 LTOP framework irrelevant and requiring new solutions to noise sharing.

Climate change and the need to reduce carbon emissions is also a far more significant issue today than it was in 1997. The Australian Government recently adopted a target to reduce emissions to 43 per cent below 2005 levels by 2030 and achieve net zero emissions by 2050. Airservices' *Environmental and Sustainability Strategy* includes a target to reduce carbon emissions per flight by an average 10 per cent by 2030.

Given the significant advances in air navigation and aircraft/jet engine technology that have occurred since 1997, and as SYD's terminal airspace and flight paths will soon change due to WSI's airspace and new flight paths, there is an opportunity to review and upgrade SYD's airspace before WSI opens in 2026. This would allow the LTOP to be modernised and ensure the aviation industry could further contribute to the achievement of Australia's emission reduction targets. SYD also notes that SACF was consistently advised by government that there would be no change to SYD's flight paths as a result of WSI, yet is now being told there will be changes.

With WSI's airspace and flight paths in the process of being implemented in a way that will change SYD's airspace and flight paths, given the new air navigation technology now available and the growing concern about the need to reduce carbon emissions, now is the time to review SYD's airspace to ensure that it works for the future.

Such a review should consider:

- opportunities to achieve new or better noise sharing outcomes that rely on the use of only the parallel north-south runways. While this occurs to some extent already, there may be further opportunities to better share or even reduce noise in a way that maximises airport capacity while balancing impacts on the communities around the airport

- redesigning arrival and departure routes to be more efficient and allow flights to climb sooner and descend continuously to reduce noise and emissions
- opportunities to use more precise forms of Required Navigation Performance (**RNP**) to better manage noise impacts (noting that satellite-based navigation technology is already used at SYD (i.e., RNP1). For example, new flight paths could be designed to better avoid residential areas or multiple route options could be deployed and used at different times of the day to enable better dispersion of traffic flows and more predictable respite periods. While not all aircraft flying to and from Sydney Airport are currently equipped to use such technology, that should change over time. Options should be developed to encourage this change to occur. The implementation of next-generation navigations systems such as CDA and PBN have been discussed above, as well as in Chapter 6.1.8.

Additional reform to the protection of airspace laws around airports

With respect to airspace protection more broadly, SYD believes the existing laws to protect the airspace around airports – being the Airports Act and the APAR – are in urgent need of reform. Government has reviewed airspace protection-related issues several times over recent years but, to date, no changes have been made. Government needs to act.

On 20 March 2015, the then Department of Infrastructure and Regional Development declared prescribed airspace for Sydney Airport, comprising the following seven surfaces:

- Obstacle Limitation Surface (**OLS**) – a minor amendment was made in 2021
- PANS-OPS
- Navigation aids protected surfaces
- High intensity approach light (**HIAL**) protected surfaces
- Radar Terrain Clearance Chart (**RTCC**) surfaces, also known as Radar Lowest Altitude (**RLSALT**) surfaces
- Combined radar departure assessment surfaces (**Omni Directional**)
- Precision Approach Path Indicator (**PAPI**) surfaces

SYD designs and manages the OLS, HIAL protected surfaces and PAPI surfaces and Airservices is responsible for the others.

SYD is concerned that it is likely that surfaces for which Airservices is responsible for (such as RTCC and potentially PANS-OPS) have been changed without SYD being notified. If this is the case, such changes would have been made in a manner that is inconsistent with the Department of Infrastructure, Transport, Regional Development and Communications' January 2020 Guidelines for the Declaration of Airspace. It is also possible that, at least with respect to the RTCC, the changes are of no legal effect because they have not been reflected in a new declaration under Regulation 6 of the APAR. SYD understands this may be an issue for other airports as well. It is vitally important that the relevant airport(s) are notified if any changes are made to prescribed airspace. Either the DITRDCA needs to enforce its own Guidelines or it needs to change those Guidelines. The current situation, where a requirement to consult stakeholders about a proposed change to prescribed airspace is being routinely ignored, is entirely unsatisfactory.

SYD's proposed reforms are:

- Changes that require an amendment to the APAR to be implemented:
    - **Short-term controlled activities penetrating PANS-OPS**. The existing requirement that the activity "… *is not expected to continue for longer than 3 months*" is being undermined and extensions are being requested. Ongoing penetrations of PANS-OPS could lead to restrictions being placed on the use of Sydney Airport's runways. SYD believes proponents should be required to submit a plan that clearly demonstrates the activity will not continue for more than three months (with an appropriate allowance for weather). If not, the application should be refused and the proposed height of the building or other structure reduced.
    - **Need to improve enforcement**. Unapproved controlled activities and warning lights are sometimes not working in breach of the APAR. SYD refers these to DITRDCA for appropriate action but is not aware of any enforcement action having been taken.
    - **Controlled activity approvals should include an expiry date**. Currently, an approval is valid for an unlimited period of time. This can create problems if the approval has not been activated for some time, potentially many years, and the situation has changed at the airport in a manner that may have resulted in the original approval not being granted. A expiry date of five years is suggested.
    - **Preparation of OLS**. Amend the APAR to clarify which procedures must be used to prepare the OLS. Currently, the APAR states that "*an OLS for an airport is a surface ascertained in accordance with the procedures in Annex 14 to the Chicago Convention*". However, the ICAO OLS requirements, as implemented in Australia, are detailed in the *Civil Aviation Safety Regulations* 1998 (Cth) – Part 139 (Aerodromes) MOS. In some cases, the MOS prescribes a different standard for how an OLS must be ascertained. These differences have been lodged with, and recognised by, the ICAO. Hence, the OLS should be prepared in accordance with the MOS. This inconsistency needs to be rectified.
- Changes that require an amendment to the Airports Act to be implemented:
    - **Regulation of transient obstacles**. Vessels intruding into prescribed airspace should be a controlled activity under s. 182(1)(c) of the Airports Act. Until 2020, it was assumed by SYD and DITRDCA that such vessels were a controlled activity and therefore required Australian Government approval. However, SYD was advised by DITRDCA in 2020 that, following a legal review, its view was that such an intrusion into the OLS was not a controlled activity because the vessel was not "…*attached to, or in physical contact with, the ground*." This means such obstacles are not regulated at all by the Australian Government. As these obstacles have the potential to adversely affect aviation safety and/or airport efficiency, SYD believes the Australian Government must have a role in the approvals process.
      This issue came into focus for SYD recently with the imminent arrival of next generation large container vessels at Port Botany which, when berthed, will be only several hundred metres from the parallel north-south runway. When the wind is from a certain direction and exceeds a certain speed, the vessel can cause turbulence across the runway or exacerbate wind shear events, thus creating an aviation safety risk or risk that CASA may impose a restriction on use of the runway.
      It's important to note that SYD has worked closely and constructively with NSW Ports (the operator of Port Botany) to resolve this issue as best as possible in the absence of Australian

Government involvement. SYD makes no criticism of NSW Ports. However, in absence of that involvement, any rules to mitigate an unacceptable risk to aviation would have to be based on a Harbour Master Instruction issued under a NSW law, the *Marine Safety Act* 1998 (NSW) by the Port Authority of NSW, an agency of the NSW Government. While this agency is of course highly competent with respect to marine safety, it is not knowledgeable with respect to aviation safety. It is preferable that matters relating to aviation safety be regulated at the federal not the state level because this ensures direct input from the DITRDCA, CASA and Airservices. This would be consistent with the Australian Government's international air safety obligations.

- Changes that require only an administrative change to be implemented:
    - The DITRDCA's January 2020 Guidelines for the Declaration of Prescribed Airspace currently say that declaration (and therefore protection) of prescribed airspace should only occur to protect future air transport operations into and out of the airport concerned. However, the DITRDCA defines 'future' to mean air operations associated with, for example, a new runway being constructed at the airport. This means changes to Sydney Airport's airspace – some of which could reduce the efficiency of air operations at Sydney Airport – have been made and continue to be made without being formally declared by the DITRDCA. SYD is often not made aware of these changes. SYD believes the DITRDCA's interpretation is incorrect. The word 'future' means exactly that. Air operations that occur from Sydney Airport's existing runway configuration tomorrow, or next week or next year are in the future. They need to be protected now, whether or not a new runway is to be built.
    - Restrictions on airport operations to mitigate a safety risk caused by a controlled activity occurring off-airport should be avoided.
    - Airports should be able to recover costs associated with processing controlled activity applications from proponents. Introduction of an appropriate fee for all airspace-related applications is therefore recommended.
    - Airports must be notified by Airservices of any proposed changes to a prescribed airspace surface for which it is not directly responsible.

Recommendation 42

The Australian Government review the airspace around Sydney Airport to ensure it is optimised for the future, including a review of Sydney Airport's Long Term Operating Plan, along with the implementation of next generation navigation systems such as Performance Based Navigation and Continuous Descent Approaches. Amendments to the *Airports (Protection of Airspace) Regulations* 1996 (Cth) should also be considered.

8.4 Agency funding and cost recovery

8.4.1 What should the Australian Government consider when determining cost recovery arrangements to ensure a safe, equitable and accessible aviation system?

As noted in Chapter 8.1.1, the PMC will increase 16 per cent, from $60 per passenger to $70, from 1 July 2024. Beyond covering the costs of passenger processing and biosecurity, the additional revenue generated by the PMC should be invested in modernising and improving the efficiency of Australia's border processes

through the ABF, DAFF and AFP. Specific recommendations for improving passenger facilitation are set out in Chapter 8.7.

It is critical that any changes to cost recovery arrangements deliver clear and measurable improvements in operational outputs for airports and their stakeholders, as well as meeting government policy outcomes.

Where cost recovery arrangements are required to support changes to infrastructure or investments in new technologies, such arrangements must:

- be developed in close consultation with airports and airport stakeholders
- be effective, with clear measurable improvements in operational outputs for stakeholders and the travelling public – for example additional aircraft movements, reduced passenger processing times, shorter assessment times for development plans - as well as meeting government policy outcomes
- be efficient, to ensure that the proposed costs are proportionate to the intended benefits of the activity
- be transparent (including the sharing of information between government and stakeholders)
- be clear about the roles and responsibilities for key stakeholders, with agreed SLAs to which they are held to account.

Where a partnership between an airport and a government agency identifies opportunities to improve the customer experience over and above what is required for the efficient and effective processing of passengers through the airport, discussions should be held between the parties regarding how the costs of those opportunities might be shared.

Finally, SYD notes that any new technologies which require regulation and ongoing monitoring by government agencies must cover the costs of required government services and not divert funding from existing activities.

Other agency funding

- **Airport Environment Officer** (**AEO**). The Australian Government is currently reviewing the charging arrangements for AEOs. SYD believes that the proposed AEO charging arrangements should reflect the Australian Government's 'polluter pays' principle. Under this principle, the polluter should pay for the costs of: preventing pollution or reducing pollution to comply with applicable standards and laws; preventing, controlling, abating and mitigating damage to the environment caused by pollution; and making good any resultant environmental damage.

  Despite this principle, SYD is being asked to pay for AEO services that relate to serious environmental problems that it did not create, nor have any direct control over or ability to resolve. These include ongoing significant pollution of waters on airport land by Sydney Water (an agency of the NSW Government) which has been authorised by the DITRDCA and issues related to PFAS-contamination of airport land, which is the responsibility of Airservices.

  SYD should not be expected to pay for the time spent by the AEO when undertaking duties related to either of these serious environmental problems, or any others like them. Rather, the NSW Government (through Sydney Water) and the Australian Government (through Airservices) should be required to pay.

  SYD also notes that, in parallel with the review of AEO charging arrangements, the Australian Government is reviewing the AEPR. That review has not yet been concluded and airports have raised

various concerns about the changes that have been proposed to date. SYD has not yet received a response from government to these concerns, but these processes must be properly coordinated.

While SYD understands it is possible the Australian Government may not now proceed with these changes to AEO charging arrangements, SYD's concerns are included in this submission should that not be the case.

In addition, SYD was recently advised that its payment for AEO services would significantly increase, because the DITRDCA had to engage an external contractor rather than use an APS employee, as the APS salary being offered was well below market rate. This is clearly unsatisfactory and ensures the increased AEO cost is passed onto airports without any demonstrated improvement in service. Rather than simply pass the increased cost onto airports due to the DITRDCA's inability to engage an APS AEO, the government should increase what it is prepared to pay an APS AEO to a level that it is consistent with the market rate but that doesn't involve the additional costs incurred by using an external consultant.

- **Airport Building Controller** (**ABC**). The Australian Government is proposing to increase the level of cost recovery for services performed by the ABC.

  SYD is concerned that data provided by a number of other airports to the Australian Airports Association indicates that the Australian Government's proposed reforms would place ABC costs almost three times higher than equivalent building approvals costs off-airport. Cost recovery reforms to the ABC and proposed cost recovery at levels higher than similar off-airport services erodes the principles of competitive neutrality, which government has traditionally supported.

  Should the Australian Government proceed to increase ABC fees, it is proposed that the increase will be paid into the Australian Government's consolidated revenue fund, with a set amount then being appropriated to the DITRDCA as part of the annual budgetary process to enable it to administer its ABC functions. Were this to occur, there needs to be a firm guarantee that the increased fees will result in an uplift in ABC service levels for airports and not remain as they are now.

Recommendation 43

Where cost recovery arrangements are required to support changes to infrastructure or investments in new technologies, such arrangements must be:

- developed in close consultation with airports and airport stakeholders
- effective, with clear measurable improvements in operational outputs for stakeholders and the travelling public – for example additional aircraft movements, reduced passenger processing times, shorter assessment times for development plans - as well as meeting government policy outcomes
- efficient, to ensure that the proposed costs are proportionate to the intended benefits of the activity
- transparent, including the sharing of information between government and stakeholders
- clear about the roles and responsibilities for key stakeholders, with agreed service level agreement to which they are held to account.

8.5 'All hazards' regulatory approach

8.5.1 Do you support the Australian Government introducing enhanced security obligations?

SYD supports the Australian Government introducing enhanced security obligations as the risk environment can change, and further supports the move towards an 'all hazards' regulatory approach. However, SYD is of the view that any enhanced security obligations should be closely worked through with industry. As shown across the pandemic period and in response to previous changes to security settings, airports can be highly responsive, but care must be taken to ensure any measures are tailored to individual airports.

SYD has implemented a comprehensive Security Management System (**SeMS**). The SeMS includes a robust framework for security risk and threat management. Working in close collaboration with CISC and other Australian Government agencies, SYD would support individual airports leading an all-hazards approach to ensure settings and measures are right-sized and fit-for-purpose whilst achieving the required security outcomes.

8.6 Security screening

8.6.1 Do you have any comments about current security screening arrangements?

*A clear regulatory roadmap for the implementation of Automated Prohibited Item Detection Systems (**APIDS**)*

Technology is advancing at a rapid pace, and airports need to be able to make sensible and informed investment and infrastructure planning decisions ahead of time. SYD requests that CISC provide clarity on the regulatory timeline for the approval of APIDS in live operational environments. These advanced algorithms are proven to be more accurate in detecting and identifying threat items such as firearms, sharps and blunt weapons than humans and are the next step towards a more secure and automated screening points in Australia.

This technology is already being widely adopted in Europe, with Amsterdam's Schipol Airport using the technology in their live operation. London's Gatwick Airport have undertaken significant trials that have demonstrated the technology to be far more accurate than screeners and are now in the final stages of gaining approval from the UK regulator to implement the technology into the live operating environment.

SYD will commence APIDS trails shortly and requests a clear roadmap from CISC on when regulatory approval will be given for the technology to be used in a live operational environment.

SYD's timeline for the trial of APIDS:

Timeframe	Method / outcome
90 days	Operator assist - secondary analyst only (data collection only)
90 days	Operator assist - primary and secondary analyst (data collection only)
60 days	10 per cent auto clear (pending regulatory approval)

60 days	25 per cent auto clear (pending regulatory approval)
90 days	50 per cent auto clear (pending regulatory approval)

SYD also notes that recent advancements in screening technology offers the opportunity to revisit current policies concerning liquids, aerosols and gels (**LAGS**) restrictions. SYD supports replacing current LAGS restrictions with latest generation screening technologies in order to modernise the existing process.

Proposed reform to Australia's aviation and maritime security settings

SYD supports the deregulation of security programs and moving towards a more adaptive, risk-based approach to managing security risks, as proposed in the April 2023 discussion paper regarding Proposed Reform to Australia's Aviation and Maritime Security Settings.

The current requirements for a TSP are too prescriptive, detailed, and fail to adequately reflect the level(s) of risk presented. As a result, the process of developing, obtaining approval, and then complying with the terms of a TSP is unnecessarily onerous without proportionate benefit.

SYD particularly supports the deregulation of TSPs where airport operators implement a SeMS, which SYD does. Where a TSP remains in place, airport operators should be able to develop their TSP as the subject matter experts and Home Affairs should be responsible for developing a compliance program. The corresponding enforcement regime should also be revised to balance the risk of harm with additional considerations such as an organisation's degree of culpability and their risk or performance history. SYD would add that mitigating factors and remedial action should also be taken into consideration when deciding whether to issue a penalty notice.

Security performance framework

SYD takes its security obligations very seriously and is supportive of the intent underpinning the CISC's security performance framework. However, self-testing assurance programs can be significantly more comprehensive, deliver better insights and be more responsive than the current regulatory testing program. The current testing program involves a performance scorecard framework with a minimum acceptable pass rate from a small sample tests per quarter. Performance less than the minimum acceptable pass rate requires an airport to show cause as to why further enforcement actions should not be taken. The testing program provides limited constructive insights and focuses on infringement rather than implementing meaningful change. Given SYD's testing program is more advanced than the regulatory standard, adopting a scaled regulatory approach (including compliance) that aligns with an individual airport's level of security sophistication and maturity would result in better, more effective security outcomes.

8.7 Passenger facilitation

8.7.1 Are there any specific initiatives that should be supported globally, regionally and nationally to continue improvement in international passenger facilitation? How can Government optimise partnerships with industry to streamline the movement of passengers and modernise the border, while also enhancing security?

Following a period of catch-up from COVID, demand for travel - and therefore passenger movements - will continue to increase across Australian airports, with the fastest growth expected at major airports, like Sydney Airport. A recent report by Deloitte Access Economics forecasts:

- a growth in domestic passenger numbers of 2.3 per cent per annum between 2025 to 2040, reaching more than 180 million trips by 2040
- a growth in international passenger movements slightly below three per cent from 2025 to 2040.[59]

The growth in passenger movements will put pressure on existing systems and infrastructure, which currently comprise multiple touchpoints and manual processes, within a constrained airport space, and with costly critical infrastructure. As discussed in Chapter 8.1.1, limited improvements have been made to border processes since the beginning of the COVID and Australia continues to use a 'three-step' entry process, despite international advancements in the use of biometric and other technologies. This directly impacts the experience of passengers, who are required to provide information at multiple points, and often multiple times to different parties.

As has been noted in this submission, government and industry need to be better integrated in order to manage these challenges. There should be a move away from physical infrastructure and transactions at the border towards seamless processes based on early data sharing and supported by developments in technology. For example, the collection and sharing of digital data early in the passenger journey will improve data quality and enable detailed security assessments to be completed in advance, reducing the reliance on airport processing. At the airport, the use of biometric data to verify passengers will enable contactless processing and create a more efficient, seamless and streamlined experience for passengers, while maintaining a strong and secure border. These measures would also ensure efficient use of existing infrastructure and avoid unnecessary investment, leading to lower airport charges than would otherwise be the case, and therefore lower airfares for passengers.

In this globally competitive industry, Australia also needs to ensure that it keeps pace with international improvements and is not left behind with old fashioned, slow and repetitive processes. The expectation of passengers is for increased digitisation and smoother processes, which are less reliant on people and queues. If Australia fails to meet this expectation, it will become less competitive in the global markets for tourism and trade.

Indeed, in a recent speech to the Trans-Tasman Business Circle, ABF Commissioner Michael Outram APM said there was an "*urgent need for border modernisation and investment in the border*," because too many

[59] Deloitte Access Economics, *Taking Flight: The economic and social contribution of Australia's airports*, November 2023.

critical IT systems and methods were dated, including many which are still paper-based.[60] SYD agrees, and is working with the ABF through the ABF Commissioner's CAB to identify and trial modernisation initiatives.

The CAB is an agency-specific example of an effective working group between government and industry. Its members are selected from across the industry (including SYD) to provide advice to the ABF Commissioner on customs and border modernisation. This includes proposed changes to regulations, policies, practices and technological systems administered and used by ABF.

The CAB's shared vision is for a digital, seamless and secure border that efficiently facilitates legitimate travel, while effectively disrupting those who would do Australia harm. Through the CAB, the ABF and industry collaborate on initiatives aimed at reducing unnecessary interactions in the traveller pathway, through shared processes and trust established by the travellers.

If successful, the initiatives being implemented by CAB will provide a foundation from which government and industry can continue to explore new technologies and invest in systems and process that are capable of meeting growing passenger demand, as well as expectations.

To deliver a more efficient, customer focused, and seamless border experience, while maintaining a strong and secure border, the Australian Government should consider the following initiatives.

Departure processes:

- Pre-departure information sharing for international passengers. Travellers are currently required to provide information at multiple points, often multiple times, to different parties. The ability to digitally collect and share data earlier, including to enable pre-clearance, will create a more streamlined, lower touch departure/arrivals process.
- The increased use of biometric data to verify passengers and enable contactless processing. This would include new contactless SmartGates and Identity as a Service, allowing passengers to travel across the border using digital credentials instead of producing a physical passport. This would remove the need for a hard border.
- Support common departures areas enabling a mix of international and domestic passengers, and providing a better customer experience for transferring passengers.
- The use of technology to offer duty-free in a mixed domestic/international passenger environment.

Arrivals processes:

- Increased age eligibility for E-Gate usage inbound. Under existing rules, children travelling with an Australian passport can use the arrival kiosks if they are aged between 10 and 15 and travelling with at least two adults, while all passengers travelling on a non-Australian passport (including children) must be over 16 years of age. SYD supports making the age eligibility (10 to 15 years) consistent across both Australian and non-Australian passport holders.
- Improve the use of technology to facilitate a quick and easy 'one step' entry process. Australia continues to use a 'three-step' entry process despite international advancements in the use of biometric and other technologies.

[60] M Outram, *ABF Commissioner Michael Outram APM Speech to the Trans-Tasman Business Circle* [media release], Australian Border Force, 13 July 2023, accessed 27 November 2023.

- Use technology to improve bag tracking, digital declarations and screening equipment. This includes identifying 'at-risk' bags for quarantine inspection only, while permitting other bags to be transferred to domestic connections without needing to be collected.

As noted in Chapter 8.1.1, SYD considers the recent commitment by the Prime Ministers of Australia and New Zealand to revitalising a Trans-Tasman working group on seamless travel to be an ideal first step towards improving and simplifying border processes, which could further inform the development of seamless borders with other select countries.

Further, as noted in Chapter 8.6.1, work is being done on the implementation of APIDS and on revisiting current policies concerning LAGS restrictions. SYD supports any improvements in security screening which would benefit passengers and improve passenger facilitation, but calls for these changes to be made in a staged way while recognising that airports will have differing timelines as to how they may implement these changes.

8.8 Air cargo facilitation

8.8.1 In the air cargo environment, how could industry and Government better work together to leverage advances in technology as well as industry investments in infrastructure and technology to streamline movement of cargo?

Airports play a vital role in facilitating international and domestic cargo supply chains. According to a recent report by Infrastructure Partners Australia, in 2022 airfreight carried $139 billion worth of goods, equivalent to 14 per cent of total annual trade – with an average of 313 international flights arriving and departing Australia every day.[61] Prior to the pandemic, approximately 80 per cent of international airfreight was carried in the 'belly hold' of passenger services (with the remainder carried by dedicated freighter aircraft). As such, air cargo represents a meaningful part of the route economics of airlines flying passenger aircraft to Sydney Airport. Timely, efficient and cost-effective handling of air freight is therefore an important feature of the services and facilities at Sydney Airport.

SYD is currently undertaking a review of its air cargo operations as part of an updated Freight Strategy, engaging with key stakeholders to determine how best to serve the needs of air cargo supply chain participants now and into the future by aligning to global best practices.

The efficient and reliable operation of the air cargo supply chain, along with a secure border process, is critical to the future scalability of the freight industry in Australia. SYD is therefore supportive of all innovation that delivers improvements across the supply chain, including the use of technology and automation. One such initiative is electronic Airway Bills. This IATA worldwide innovation looks to replace the traditional hard copy (paper) and multi layered air waybill (contract of carriage) processes - which are required in relation to each individual consignment – with 100 per cent electronic processing. This initiative is largely led by airlines and freight forwarders globally, although with varying rates of adoption by jurisdiction. Comments from ground handlers at Sydney Airport indicate that Australia still has relatively low levels of adoption in contrast to other countries in Asia and Europe. A move to 100 per cent adoption would considerably improve the efficiency (both

[61] Infrastructure Partnerships Australia, *2023 international airfreight indicator*, IPA, 2023, accessed 27 November 2023.

in terms of cost and time) of air freight movements, which still today otherwise require reconciliation to hardcopy AWBs, where often errors are found.

Appropriate and timely data on air freight flows is critical for planning future infrastructure requirements on and around the airport. While acknowledging the government's efforts through the National Freight Data Base (NFDB),[62] the available air freight information is limited, not provided in a timely manner and difficult to extract in a useful form to the level of detail required.

SYD recommends that DITRDCA seek feedback from airport operators on their data requirements and consider adopting recommendations that would seek to achieve the objective of providing freight flow data through the NFDB that is fit for purpose.

It would be significantly beneficial for industry to move towards a regime where freight flows are reported in a consistent format and available in real time through a single source database made available to be used by all key stakeholders.

SYD recognises the challenges faced by government agencies in providing border services and security screening for the growing freight sector but notes the importance of these processes being done in a way which has minimal impact on the operations and efficiency of airports.

Recommendation 44

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts seek feedback from airport operators on their data requirements and adopt recommendations that achieve the objective of providing freight flow data in a consistent format and available in real time through a single source database made available for use by key stakeholders.

SYD's role in cargo facilitation

Currently, between 10 and 18 dedicated freighter flights (along with around two GA flights) operate at Sydney Airport during the night time curfew. A core proposition of these freighters is to enable 'next day' delivery, with the seamless transfer of parcels between both domestic and international flights, as well as between 'belly-hold' and dedicated carriers. These services are also heavily dependent on established processing facilities, critical transport connections, and close proximity to air freight consignees and consignors.

However, once WSI opens in 2026 and can be used for night time aircraft movements, Section 17 of the Curfew Act will prevent any overnight freight craft from flying to or from Sydney Airport. Instead, overnight freight will need to be routed through WSI, adding an extra approximately two hours of road transport between WSI and Sydney Airport, and significant additional investment by freight companies. For example, a time critical international parcel that arrives in the afternoon at Sydney Airport for delivery the next morning in Queensland, currently relies on an overnight freight flight from Sydney Airport to Brisbane. Once WSI opens, this parcel will need to be transported by road from Sydney Airport to WSI, before being flown overnight from WSI to Brisbane. Discussions with air cargo supply chain participants indicate that this mandatory curfew requirement could also reduce cut-off acceptance times for local shippers to make next day deliveries, impacting a range of businesses reliant on such trading terms.

[62] DITRDCA, *DITRDCA data catalogue*, DITRDCA website, n.d., accessed 27 November 2023.

Mandating the movement of overnight freight operations, thereby splitting operations between two airports, without choice, would come at a substantial cost to freight operators, businesses and consumers. Meanwhile, Sydney Airport will still need to remain open and operational during the night for Air Ambulance and emergency flights (around six per night). As discussed in Chapter 3.1, principles of competitive neutrality (given the Australian Government's role as both owner of WSI and regulator of Sydney Airport) should require that this issue be resolved by the market.

Therefore, consideration should be given to amending the Curfew Act to allow overnight freight flights to remain at Sydney Airport.

As discussed in Chapter 6.1, a number of very logical improvements to the Curfew Act would also see much quieter freight aircraft fly into Sydney Airport, enhanced by the adoption of more advanced aircraft and air navigation technologies. The purpose of the Curfew Act is to minimise noise impacts and balance the interests of noise-affected communities with the operational requirements of airlines and airports. However, the Curfew Act currently mandates than only older, noisier aircraft - such as older BAe-146 models - can fly into Sydney Airport during the curfew, despite more modern, next generation aircraft being significantly quieter and more fuel efficient. These aspects of the current regime are clearly no longer fit for purpose and must be changed.

9 Emerging aviation technologies

Summary

SYD is a supporter of emerging aviation technologies, however it is critical that the safe and efficient operation of airports is not impacted by them. SYD considers that in designing airspace management and operating procedures at Australia's busiest airports, the safe and efficient operation of these airports must be paramount. Regulation will need to be put in place to protect airports and their prescribed airspace from the operation of drones and other uncrewed aircraft. Drones and uncrewed aircraft should not be permitted to fly in Sydney Airport's prescribed airspace without prior agreement or approval from SYD.

Recommendations

Recommendation 45

The Australian Government implement a new regulatory framework to address emerging technologies (such as drones and Advanced Air Mobility services) and protect the prescribed airspace of airports.

9.1 Enabling the manufacture and uptake of emerging technologies

9.1.1 How will priorities of Government agencies need to evolve as the uptake of emerging aviation technologies continues? As competition for access to airspace is expected to increase, how can government ensure fair and equitable access while maintaining safety and efficiency of this public use asset? How could a safe, open, competitive and commercial Uncrewed Aircraft System Traffic Management (UTM) market operate?

As the Green Paper notes, the aviation sector sees constant technological advances, and emerging aviation technologies are expected to transform the sector in a wide variety of ways. This includes the use of drones and other AAM services. SYD is a strong supporter of further analysis, trialling and investment in new technologies that deliver a more efficient, reliable and cost-effective outcome for consumers, while maintaining safety standards. However, in designing airspace management and operating procedures at Australia's busiest airports, it is critical that the safe and efficient operation of these airports is not lessened by the need to accommodate all levels of aircraft capabilities, including drones and other AAM.

It is therefore essential that the prescribed airspace for existing airports, including Sydney Airport, is fully protected. As discussed in Chapter 8.3, SYD believes the existing airspace protection regulatory regime is already in urgent need of reform. Allowing new technological advances such as drones or other uncrewed aircraft to compete with the existing users of Sydney Airport's airspace would make the situation even worse. Drones or other uncrewed aircraft should not be allowed to fly in Sydney Airport's prescribed airspace. The risk of allowing them to do so is that airport operations and safety would be affected and perhaps even halted, as occurred in 2018 when operations at Gatwick Airport were disrupted after a suspected drone was seen close to the airfield.

As the operation of drones and/or eVTOL vehicles would not appear to be a 'controlled activity' for the purposes of the Airports Act, and to avoid a regulatory vacuum, another appropriate regulatory framework will

need to be put in place to protect airports and their prescribed airspace. This new framework could take the form of a new guideline under the *National Airports Safeguarding Framework*, which would have the added benefit of ensuring consistency across all airports.

SYD has already engaged closely with public land managers in the vicinity of the airport or under flight paths concerning the use of drones within their areas. This has included several local government authorities and the NSW National Parks and Wildlife Service. In particular, SYD has suggested that CASA-approved signage be erected in public reserves and national parks that are close to the airport or lie beneath one of Sydney Airport's flight paths.

SYD has no objection to the operation of an Uncrewed Aircraft System Traffic Management (**UTM**) market or to the high-level principles to guide its implementation and development as outlined in the Green Paper, but on condition that the abovementioned protections are put in place for an airport's prescribed airspace. It follows that there would be some areas close to airports where drones or other uncrewed aircraft would also not be permitted to operate.

Further, if the uptake of emerging technologies in a particular sector results in a need for additional resources or funding to ensure they are appropriately regulated, then that should be sourced from the relevant sector, not from airports or the aviation industry more broadly.

Recommendation 45

The Australian Government implement a new regulatory framework to address emerging technologies (such as drones and Advanced Air Mobility services) and protect the prescribed airspace of airports.

9.1.2 What frameworks does the Australian Government need to ensure community acceptance as the sector continues to develop, and particularly if it reaches some of the more optimistic growth projections?

Airports are quite properly required to closely engage with their local communities concerning airport operations when preparing a new Master Plan and when proposing a major development. Effective industry engagement with local communities concerning the increased use of drones and other uncrewed aircraft is equally essential. Issues of concern to the local community are expected to relate to noise and privacy.

10 Future industry workforce

Summary

The Australian Government and industry should design, create and fund educational programs to upskill the existing workforce and attract new entrants to prepare the aviation sector for future technologies and ways of working.

SYD has implemented a number of effective partnerships and programs aimed at supporting careers in aviation and fostering diversity in the sector.

Recommendations

Recommendation 46

Government and industry work together to identify skills gaps and invest in training programs to support the development of future skills, in addition to upskilling the existing workforce and attracting new entrants to the industry.

Recommendation 47

Government undertake a number of initiatives to attract a more diverse workforce and increase the number of women and young employees in aviation, including by partnering with industry, secondary schools, TAFE and other VET providers, and developing apprenticeships and internship programs to provide a structured entry into the aviation industry.

10.1 Current challenges and outlook

10.1.1 How can government policy enable industry to support the net zero economy and the future skills, training, and workforce needs that entails (including future fuels)? How should governments and industry prepare Australian workers for the new skills required for the technological transition and net zero fuels? Would an analysis of future skills and workforce needs help position the aviation industry to pre-emptively respond to emerging needs?

Recent challenges

Like much of the aviation industry, the COVID had a significant impact on the workforce at Sydney Airport, with around 15,000 jobs from around 800 organisations lost across the precinct. As discussed in the Green Paper, many skilled workers moved into other industries or retired.

This presented significant operational challenges as air travel returned and the workforce was rapidly rebuilt and reskilled in the tightest jobs market in almost half a century. While many of the roles that did not require security clearance or extensive training were filled quickly, the more technical jobs took longer to recruit as they involved extensive testing and training.

To support the rebuild, SYD undertook a range of practical initiatives across the last two years, including hosting two jobs fairs at the airport. More than 40 of the airport's biggest employers took part in jobs fairs held in June and September 2022, supported by free access to facilities and parking provided by SYD.

By December 2022 Sydney Airport had largely returned to 2019 levels of operational performance and 95 per cent of domestic passengers were clearing security in less than 10 minutes. Throughout this period, SYD maintained security standards. Post-rebuild, SYD has created an Executive HR Leaders Network across all airport partners, to collectively tackle shared challenges (primarily current and future talent needs) and opportunities.

The future industry workforce

Looking towards the mid- to longer-term, government and industry must work together in partnership to identify skills gaps and opportunities and invest in training programs to support their development. This will ensure the aviation workforce remains resilient, relevant and ready to support the introduction of new technologies and processes.

Further, to support the net zero economy and prepare Australian workers for the future skills, training and workforce needs that this entails, government policy should focus on positioning Australia as a leader in this field and a centre of excellence for education and training on net zero economics, technology, products and strategy. These skills need to be built both locally and globally.

In this case, SYD agrees that an analysis of future skills and workforce needs is required and would provide valuable information on the skills required to support, for example, AI and the 'not yet known', the increasing use of drones, further automation of aviation processes, and other new emerging technologies. Some of these skills may be entirely new, while others may be transferrable from existing roles. Critical near-term gaps will require accelerated strategies to address them.

Government and industry must also design, create and fund new educational programs (including with both secondary and tertiary institutions) to upskill the existing workforce and attract new entrants to the industry, in readiness for new technologies and ways of working.

Recommendation 46

Government and industry work together to identify skills gaps and invest in training programs to support the development of future skills, in addition to upskilling the existing workforce and attracting new entrants to the industry.

10.2 Regulatory and cultural barriers

10.2.1 How can industry and Government help industry to attract a more diverse workforce, and increase the number of women and young employees who pursue aviation careers?

To attract a more diverse workforce and increase the number of women and young employees who pursue aviation careers, the Australian Government should:

- partner with industry and secondary schools (years 7 to 10) to encourage and promote careers in aviation and related industries and professions
- partner with TAFE and other VET providers to create an airport apprenticeship/certification program, to encourage new entrants to the aviation sector (and specifically airports)
- build aviation themes into curriculum across STEM subjects

- develop apprenticeship and internship programs to provide a structured entry into the industry
- develop initiatives focused on females and First Nations People
- showcase females in aviation.

SYD's partnerships and programs

The following examples demonstrate effective partnerships and programs aimed supporting careers in aviation and fostering diversity.

- SYD has a long-standing partnership with the University of New South Wales (**UNSW**) as part of its commitment to supporting diversity in future aviation leaders. This includes the Trevor Gerber SYD100 Scholarship which commenced in 2020 and will award one full scholarship every year for a century. The scholarship supports under-represented groups in the aviation industry, including people with diverse cultural and socio-economic backgrounds, women and Indigenous students. As an extension of the scholarship, SYD has also introduced an internship program to support previous recipients by providing valuable, hands-on experience.
  To strengthen the pipeline for incoming aviation students, SYD also takes part in UNSW's Current Affairs in Aviation short course for high school students, talking to students about work-integrated learning, career pathways and graduate attributes the industry values. In 2022, the airport also provided guidance on creating industry-ready graduates through UNSW's Industry Advisory Committee.
- In 2022, SYD welcomed its first group of Indigenous-identified apprentices, learning practical skills and working towards earning TAFE certification in Electrotechnology Electrician and Engineering – Mechanical Trade, respectively. The apprentice scheme, along with the SYD100 scholarship and graduate program ensures SYD fosters a diverse next generation of people to lead it into the future. In 2023, one of SYD's apprentices was awarded the Milton Morris Encouragement Award (sponsored by Glencore), through Hunter Valley Training Company, for continuously developing their skills and demonstrating maturity. SYD has just commenced recruitment for the 2024 intake of apprentices.
- Since 2016 SYD has partnered with CareerTrackers, a national organisation that supports pre-professional Indigenous university students and links them with employers to participate in internships. This program is an important part of SYD's reconciliation journey to provide skills-building and experience to future Indigenous leaders. SYD now has one full-time staff member from the program.
- DITRDCA recently released the Women in Aviation Industry Initiative Action Plan. This plan is the next phase of the DITRDCA's Strategic Action Plan to increase participation of women in the aviation industry. The plan has four priorities and actions to be delivered between September 2023 and June 2026.
- will hold information sessions on the plan and funding priorities in the coming months. SYD is liaising with the DITRDCA to collaborate as a key industry partner, in delivering on the key priorities of the plan.

Recommendation 47

Government undertake a number of initiatives to attract a more diverse workforce and increase the number of women and young employees in aviation, including by partnering with industry, secondary schools, TAFE and other VET providers, and developing apprenticeships and internship programs to provide a structured entry into the aviation industry.

11 International aviation

Summary

International aviation is worth over $100 billion to Australia, with education ($40.3 billion), freight ($34.5 billion) and tourism ($13.3 billion) the three largest contributors. SYD continues to be a firm advocate for the further liberalisation of bilateral ASAs to ensure that Australia is in the best possible position as a nation to capitalise on key economic opportunities such as tourism and international trade.

The existing bilateral ASA process is often lengthy, sometimes inefficient, and in practice tends to follow an increase in demand for capacity, rather than creating appropriate supply ahead of time. As a result, Australia stands to miss out on key economic opportunities as airlines choose to fly elsewhere. There are a number of markets that are at full capacity under existing ASAs and face significant limitations for growth due to the nature of the bilateral process. There are also a number of bilateral ASA's that currently limit the ability of airlines to grow services to and from Australia.

Given that SYD and WSI will be actively competing for the same airlines and passengers it is imperative that both be treated consistently regarding bilateral ASAs, with either both airports being exempt or both being subject to the same rules in line with the Commonwealth Competitive Neutrality Policy. It is vital that there is a level playing field regarding sources of debt and investment.

Recommendations

Recommendation 48

As a matter of priority, the Australian Government seek to increase the number of open skies agreements it has with certain countries and regions. Where it is not possible to remove capacity restrictions from bilateral air service agreements, it should be Australian Government policy to remove existing city limit restrictions.

Recommendation 49

The Australian Government apply consistent rules and regulations regarding bilateral air service agreements equally to Sydney Airport and Western Sydney International Airport, in accordance with the Commonwealth's Competitive Neutrality Policy.

11.1 Bilateral settings

11.1.1 Are there other issues or concerns associated with the Australian Government's approach to negotiating aviation bilateral agreements that you wish to highlight?

SYD continues to be a firm advocate for the further liberalisation of bilateral ASAs to ensure that Australia is in the best possible position as a nation to capitalise on key economic opportunities when it comes to tourism and trade with other countries.

The existing bilateral ASA process is often lengthy, sometimes inefficient, and where agreed to, in practice tends to follow an increase in demand for capacity, rather than creating appropriate supply ahead of time. As a result, Australia often stands to miss out on key economic opportunities as airlines choose to fly elsewhere. As

noted in Chapter 11.1.2, SYD is of the view that the preference for any agreement should be that it provides for open skies between Australia and the other country to remove barriers to competition, support timely growth, facilitate airline investments and decision making, and allow for timely responses to passenger demand. Short of adopting open skies agreements, Australia's bilateral ASAs should deliver no less than five years expanded capacity ahead of demand to deliver the maximum value to the nation at the earliest possible opportunity.

Providing five years of growth affords airlines ongoing certainty around future opportunities to operate services to and from Australia. Airlines make decisions regarding aircraft purchases and market investments years in advance, and for Australia to be competitive relative to other destinations, airlines require longer term certainty in accessing air rights on Australian routes.

At present, there are a number of markets that are at full capacity under existing ASAs and that face significant limitations for growth due to the nature of the bilateral process. Ensuring that supply can always exceed demand will provide customers with more choice, putting downward pressure on airfares and generating competition in Australia's international aviation sector.

11.1.2 What opportunities exist to improve the approach to international negotiations?

Increase open skies agreements

As a matter of priority, Australia should seek to increase the number of open skies agreements it has with certain countries and regions. Significant benefits flow to consumers, airlines and airports when market dynamics determine the potential routes for foreign carriers, with no restrictions on services to and from Australian capital cities. For context, the United States has open skies agreements with 130 nations and Singapore has more than 60. Australia has only seven.

There are a number of bilateral ASA's that currently limit the ability of airlines to grow services into, and out of, Australia. For example, in the Middle East market the bilateral ASA with the United Arab Emirates (**UAE**) permits 168 flights per week, in comparison to Qatar's 28. At present, airlines flying to and from the UAE are only operating 84 of the 168 flights they are permitted, while Qatar is utilising all of its permitted 28 flights and is operating at capacity (plus an extra seven flying to Adelaide direct, and an additional seven flying to Adelaide via Melbourne, which is permitted under the bilateral ASA).

Sydney Airport is currently experiencing a 25 per cent shortfall in recovery of the Middle East market when compared to pre-COVID. With 50 per cent of weekly permitted flights from the UAE not being utilised, Etihad Airways indicating they are unlikely to ever return to pre-COVID levels, and Qatar Airways being prevented from increasing their capacity, consumers are paying the price with less choice and ultimately higher airfares.

Airlines require the ability to make their own decisions as to which routes are commercially viable. They also need access to the most commercially sustainable markets to be able to provide certainty-of-service across their network. Increasingly, airlines will only serve destinations that allow them to make a reasonable rate of return and will direct their services accordingly. Should foreign airlines fail to secure more access to Australia, and vice versa, airlines will deploy their additional capacity on other overseas markets. This will not be in Australia's national interest, and will ultimately result in higher costs for travellers and significantly lower economic benefits for the entire Australian economy.

A relatively recent example of the benefits derived from open skies arrangements is the 2016 agreement between Australia and China. Following this agreement, passenger numbers doubled to around 160,000 per

month, or 1.4 million annually. Incoming tourists each spent $9,200 on average, contributing over $12 billion to the national economy. Airfares also decreased by 35 per cent between 2015 and 2019, dropping by 15 per cent in the first year of open skies alone.

At the recent Senate Select Committee into Commonwealth Bilateral Air Service Agreements, the Committee heard from multiple parties regarding the benefits of more open bilateral agreements. As part of that inquiry, the PC noted there would be benefits derived from further liberalising air services, and recommended that foreign airlines should be allowed unlimited and unrestricted access to Australia's major airports – Sydney, Melbourne, Perth, and Brisbane – with bilateral restrictions progressively unwound. While SYD agrees with unrestricted access, the removal of restrictions should be applied equally, and contemporaneously, between Melbourne, Perth, Brisbane, and Sydney. As noted below, WSI (upon opening in 2026) must also be treated equally in this approach.

Remove city limit restrictions in ASAs

If it is not possible to remove capacity restrictions altogether from ASAs, at the very least it should be Australian Government policy to remove existing city limit restrictions and negotiate against the inclusion of any new city limit restrictions.

Existing exemptions for second tier or 'regional' airports were designed to spread the benefits of international tourism more broadly across Australia, and in particular to regional centres. In practice, this has not occurred. As noted in the National Aviation Policy White Paper 2009, "*few foreign airlines have taken up the opportunity to operate to regional airports as it is often not commercially viable for an airline to offer international services to regional areas*."[63] SYD considers that city or airport specific limits fail their objective whilst compromising international air services to Australia more broadly. Such limits prevent airlines from developing efficient networks based on demand. Certain routes may only be commercially viable for airlines with a certain level of frequency or capacity, given the fixed costs associated with developing and maintaining a route. Limiting the number of flights or passengers into certain airports where demand may exist can result in a route becoming commercially unviable and presents a lost opportunity to increase choice and connectivity for passengers and economic growth for Australia. History has shown that the more likely consequence of a bilateral restriction into major ports is not a new regional service, but a lost service to Australia more broadly.

Equal approach to SYD and WSI

Given that SYD and WSI are already, and will increasingly be, actively competing for the same airlines and passengers it is imperative that both be treated consistently regarding bilateral ASAs, with either both airports being exempt or both being subject to the same rules.

WSI will take a unique place in Australia's broader aviation network upon opening. In contrast to secondary 'international' airports such as Adelaide and Canberra, WSI will compete head-to-head with SYD in the Sydney basin catchment for international business (in addition to domestic, regional, and freight business). Indeed, according to WSI's CEO, Simon Hickey, "*WSI is being designed for growth and will eventually become Sydney's biggest airport. We have a roadmap to grow to 82 million annual passengers [by the 2060s], around the size of the world's major airports, such as Dubai and London Heathrow*."[64] WSI is already attending global

[63] Australian Government, *National Aviation Policy White Paper*, DITRDCA website, 2009, p 40, accessed 27 November 2023.
[64] A Karp, 'Qantas, Jetstar commit to fly from Western Sydney Airport', *Aviation Week Network*, 8 June 2023, accessed 27 November 2023.

events to attract international airlines and services, is in discussions with approximately 60 international airlines regarding potential services to WSI,[65] and has signed deals with Qantas and Jetstar to operate flights from day one of operation in 2026. If WSI were to be considered a 'regional' airport where bilateral ASAs are concerned, the regulatory mechanisms designed to push airlines to regional ports is no longer effective (as discussed above). In fact, this would significantly lessen competition in the Sydney basin and would distort access into Australia's largest aviation market.

Further, SYD firmly believes exempting WSI from the application of bilateral ASAs would be manifestly contrary to the defined principles of the Commonwealth's Competitive Neutrality Policy. As discussed in Chapter 3, this policy aims to promote efficient competition between public and private businesses and requires that government business activities do not enjoy net competitive advantages over their private sector competitors simply by virtue of public sector ownership.

Recommendation 48

As a matter of priority, the Australian Government seek to increase the number of open skies agreements it has with certain countries and regions. Where it is not possible to remove capacity restrictions from bilateral air service agreements, it should be Australian Government policy to remove existing city limit restrictions.

Recommendation 49

The Australian Government apply consistent rules and regulations regarding bilateral air service agreements equally to Sydney Airport and Western Sydney International Airport, in accordance with the Commonwealth's Competitive Neutrality Policy.

11.2 Foreign investment in Australian international airlines

11.2.1 Are there problems or potential improvements related to the Australian Government's approach to managing foreign investment in Australian international airlines?

SYD values competition in the aviation sector, which benefits the travelling public and supports a vibrant and efficient industry. At present, the travelling public are feeling the effects of high cancellation rates, lower supply, and record high airfares. Many of these issues could be improved through increased competition, both domestically and internationally.

Aviation is a highly capital-intensive industry, and accessing the necessary levels of debt and equity to support investment for the development of airlines and airports is crucial to the ongoing viability of the sector. Australia has a much smaller number of sources of debt and equity than may be available globally, and restrictions on the balance between mandating Australian equity and the ability to source international investment may lead to higher costs for aviation businesses and consumers and more concentration of investment in the sector. SYD understands the need to balance Australian ownership and control of key airports and airlines with the ability to flexibly structure arrangements to enable foreign investment.

[65] M O'Sullivan, ''It's not a tin shed': New airport rises from western Sydney's paddocks', *The Sydney Morning Herald*, 13 October 2022, accessed 27 November 2023.

What is particularly important is that there is a level playing field for sources of debt and investment between airlines and airports to ensure fair and reasonable competition. In the context of airports, the Australian Government's development and ownership of WSI could, if appropriate controls are not in place, lead to anti-competitive outcomes for SYD and other privately owned airports seeking to compete with it. To promote fair and effective competition in the sector consideration needs to be given to the real costs associated with investment in aviation infrastructure and services, and not see a government-owned airport take commercial advantage of the Australian Government's ability to fund infrastructure investment at lower rates than the private sector could access relevant funding.

Australia already has a very liberal policy allowing for foreign investment in Australia's domestic airlines. This has been important, and continues to be important, in facilitating investment in domestic airlines. Consideration could be given to reviewing the provisions of the *Qantas Sale Act* 1992 (Cth) – that limits foreign ownership in Qantas – to ensure there is a level playing field amongst airlines operating in Australia. This must be balanced by the need to ensure appropriate ownership controls are in place for airlines seeking to operate internationally on an Australian Air Operator's Certificate. Careful consideration must also be given to the level of market concentration and market power that currently exists in the Australian aviation market to ensure any changes do not further weaken the ability for new or growing airlines to compete against dominant incumbent airlines.

11.3 Aviation International Engagement

11.3.1 What areas should Australia target through its international aviation programs? Are there opportunities for improvement and where would the greatest benefits be achieved?

Australia has world leading capabilities around aviation safety and security. It can play a leading role in assisting developing nations in capacity building around aviation security and safety management systems for airlines and airports. This work could be undertaken with a focus on key priority areas for Australia including development of aviation capacity in the Pacific, and in key future markets for international aviation growth. Many of Sydney's fastest growing unserved markets are in countries such as India, Pakistan, Bangladesh and Nepal. Working collaboratively with the relevant authorities of these countries on enhanced aviation security and safety systems would have significant mutual benefits.

As discussed in Chapter 5, given the potential to develop a significant domestic SAF industry, Australia should be working on global policy design (beyond the CORSIA) that looks to remove barriers for SAF production and create stronger demand signals for the production and use of SAF and power to liquid SAF.

11.3.2 What issues would be important to cover in a review of the framework for New and Redeveloping International Ports?

Sydney Airport is neither a new nor redeveloping international port, although it notes the challenges that are presented for such ports in building border services, which balance the needs of the ports and capacity of the relevant Australian Government agencies.

While SYD would support a review of the framework for New and Redeveloping International Ports it is critical that Australian Government services provided are additional to those currently being provided to existing international ports. This recognises the critical role played by, and significant scale of, the existing ports and the value they bring to the Australia economy.

Further, any new technology being introduced at new and redeveloping international ports must also be available in a timely fashion to existing international ports to ensure consistency and equality. For example, it may be that the implementation of new technology such as biometrics can lead to a reduction in headcount required on-site, which could provide benefits for existing and new ports, thereby improving the travel experience. Efforts to progress common borders with New Zealand could also assist new ports in building their border services while reducing existing requirements at existing ports. SYD looks forward to working with the ABF, the broader Australian Government, and with existing and new ports to develop a plan to improve the international border experience while keeping it safe and secure.

Confidential Appendix A
Commercial in confidence information