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Sydney Airport Demand Management: Discussion Paper

Sydney Business Chamber is dedicated to creating, advocating, and promoting Sydney as a City of Opportunity – a global city to invest, work, live and visit. A division of Business NSW, formerly NSW Business Chamber, Sydney Business Chamber represents over 145 leading corporations and through our work we drive the economic growth, prosperity, and sustainability of our great City.

The Chamber values the opportunity to comment on the Sydney Airport Demand Management Discussion Paper. Sydney Airport is one of the leading generators of economic activity in NSW. It supports over 330,000 jobs for our citizens and is critically important to the day-to-day functioning of our economy. It is the main gateway for international visitors coming to Australia and handles nearly half of our nations international airfreight. Sydney Airport is a significant piece of infrastructure for the economic viability of Sydney, the State, and the nation.

It is critically important that Sydney Airport operates as efficiently and productively as possible and that its operations are regulated to protect the wider urban amenity of Sydney and to ensure fair, reasonable, and equitable access for all participants and uses of air services. However, the Chamber is concerned that the current regulatory arrangements are inflexible, are producing suboptimal outcomes for the community and are unduly undermining the economic performance of the Airport.

Sydney Business Chamber sees the Review of Sydney Airport Demand Management as a critical opportunity to develop a more strategic and flexible regulatory regime that can be more easily adapted as circumstances change and new technologies emerge.

In relation to the specific policy issues raised in the Discussion Paper, the Chamber provides the following recommendations:

Movement Cap

The Chamber supports removing the '*rolling hour*' for aircraft landings and replacing it with a clock hour measurement as recommended in the Productivity Commission report. The original intention of the cap on movements was to protect the urban amenity of the Sydney Metropolitan area and to limit the impact of aircraft noise on the Sydney community.

However, the effect of the 'rolling hour' has often led to worse amenity and noise impacts on the local community as aircraft landings are delayed and planes are forced to circle over Sydney.

The existing approach also results in significant operational constraints that prevent Sydney Airport from being able to recover from temporary disruptions to service and to catch up on delayed aircraft movements. A passing in summer storm in Sydney should not lead to nationwide delays and cancellations. As a global city and the nation's international gateway, Sydney Airport must have the ability to reasonably respond to weather events and deliver on service and destination of passengers.

Further failure of the current regulatory regime is evident in the incapacity of Sydney Airport to meet the Cap on hourly movements. The stated intent of the legislation is to cap movements to not more than 80 movements in a single hour however the effect of the legislation is to limit it to at most 75 movements. This misalignment of intent and outcome has created unintentional consequences supporting a review and replacement of the 'rolling hour' with a clock hour measurement.

For the same reason, the Chamber supports removing the requirement for those aircraft which fall below the noise threshold from being counted in the cap. This will incentivise investment in newer and quieter planes while retaining the integrity of the public policy objective of minimising noise impacts for Sydneysiders.

Recommendations:

- Remove the 'rolling hour' for aircraft landings and replacing it with a scheduled cap based on a clock hour measurement.
- Removing the requirement for those aircraft which fall below the noise threshold from being counted in the cap.

Regional Access Regime

The Chamber has always been mindful of the wider role our city plays in the economic and social well-being of all Australians. We strongly support a regulatory approach that ensures equitable access to Sydney and guarantees regional communities are not excluded or priced out of access to the services of Sydney Airport.

The Chamber supports changes to how regional access slots are ring fenced and how they are applied. Currently there is an inconsistent number of regional slots available on any given day. Consideration should be given to ensuring that the number of regional slots available each day in peak times is consistent. This would allow for more consistent regional access to Sydney Airport, including the ability to facilitate future growth in the regional market leading to better connectivity between Sydney and regional NSW. Further, these slots should be available at times better suited to current regional flying patterns to maximise utilisation of these slots. This includes removing the need for any ring fencing during off peak periods as the Discussion Paper points out, these seem pointless.

We also support the amendment of the regional access regulations where they do not serve the policy goal of ensuring affordable and equitable access for regional Australians, such as the disparities between winter and summer months or morning and afternoon peaks.

Recommendations: We support:

- A regulatory approach that ensures equitable access to Sydney and guarantees regional communities are not excluded or priced out of access to the services of Sydney Airport
- Ensuring that a consistent number of regional slots are available each day to support current regional access to Sydney, while having the ability to facilitate future growth
- That the ACCC is best placed to ensure equity, price and fairness for regional communities and they

should be given both flexibility in determining the most appropriate public policy tools and for ensuring these are achieved.

Slot Management

The Discussion Paper highlights the current challenges stemming from the way access operation of the Sydney Airport is regulated and the critical imperative to realign the legislative environment to meet the changing needs of the City and the nation.

To continue to serve Sydney as a global city and national gateway Sydney Airport operations must not only meet but set international standards.

A strong and modern regulatory regime must be both flexible and robust, it must look to the future and embed opportunities for growth and improvement.

For the most part, having a bespoke slot management arrangement for Sydney is no longer preferable, and legislative amendments are required to reflect the international environment and the context in which the industry current operates.

However, it is inevitable that with the Sydney specific regulations in place, such as the movement cap and regional ring fence, it will also require some bespoke arrangements in order to ensure overall efficiency of the airport.

Recommendation

- Align the slot management scheme with global regulations where possible to ensure consistency while still accounting for the impact of specific regulations that apply to Sydney Airport and ensuring efficiency of the airport is the primary purpose.

A better regulatory approach

The current highly prescriptive approach to the regulation of Sydney Airport creates a rigid and impractical system that fails to enable adaptation to improvements in technology, the evolving international operating environment, or changes in community expectations and concerns.

This includes the requirement for renewing the legislation, which set at ten years intervals, is too long and impractical for a dynamic and changing industry.

The Sydney Airport Demand Management Discussion Paper highlights the outdated nature of the current regulations and the perverse outcomes they can produce. From regulations that seek to minimise noise actually exacerbating it, to rules designed with an intent to drive competition and equity of access in practice reducing both. It need not be like this.

It is recognised that the current regulatory environment was shaped by the difficult and fractious debates of previous decades. With many of these now balanced, Sydneysiders understand the 'noise sharing' regime and have valued the fact that the new fleet of aircraft are much quieter and efficient. There is no longer a community or political imperative to have the day to day operations of the Airport enshrined in an Act of Parliament.

The long overdue opening of the Western Sydney Airport will inject new competition into the aviation market and significantly boost access for all Australians to air services. It has also highlighted a greater pragmatism and bipartisanship around aviation policy in general and Sydney Airport in particular.

In this context Sydney Airport should be regulated in the same way as other assets. The legislation should outline the policy intent and objectives - a competitive market, equity of access, and the minimisation of any environmental impacts – and then establish flexible, firm, and fair governance arrangements to ensure these objectives are met.

Many of the regulations in the legislation should be replaced with regularly updated plans of management, competition oversight by a well-resourced corporate regulator, and independent oversight of amenity and noise issues.

Recommendation

- Taking a more flexible regulatory approach in the future to ensure that productivity and efficiency gains brought upon by technological advancements (quieter aircraft and better navigation systems) and through other means can be enacted swiftly.

The COVID 19 pandemic has impacted every dimension of our economy, it has also exposed and accentuated the inadequacies of the current regulatory approach of one of the nation's most critical assets. However, the pandemic has also provided a unique opportunity to move forward and implement a regulatory system that not only recognises accountability but also enables adaptability, a system that ensures that Sydney Airport can continue to play a critical role in economic and social fabric of Sydney and the nation.

Sydney Business Chamber welcomes the opportunity to comment on the Discussion Paper and looks forward to working with the Commonwealth on this critical issue.

Should you have any questions or would like to discuss in more detail, please feel free to contact me at katherine.oregan@thechamber.com.au

Yours sincerely



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