

Sydney Airport Demand Management: Discussion Paper



Submission by Sydney Airport

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Summary of recommendations

Sydney Airport is pleased to respond to the *Sydney Airport Demand Management: Discussion Paper* (the Discussion Paper) and welcomes the fact the Government is undertaking the first comprehensive review into the demand management scheme since the *Sydney Airport Demand Management Act 1997* (the Act) was introduced.

Regulations should never be 'set-and-forget' and need to be periodically reviewed to ensure they remain fit-for-purpose. In the case of Sydney Airport, Demand Management should

strive to balance the needs of passengers, airlines and the airport, and pay due regard to noise impacts on the local community and access to services from regional NSW.

Many of the regulations governing operations at Sydney Airport are more than 20 years old and are not leading to the most efficient use of the airport. For the reasons described in this document, the demand management framework, and the way it is applied, restrict the airport from fulfilling the capacity intended by the Act. This has flow on negative consequences for passengers, the aviation industry and the NSW and Australian economies.

There are a number of key areas Sydney Airport believes should be addressed as a matter of priority. A summary of the recommendations contained within the submission are grouped below.

A more flexible approach to the movement cap of 80 movements per hour:

Recommendation 1

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. (Section 1)

Recommendation 2

For each day of the week, scheduled movements in each clock hour should average 80 movements or below over a scheduling season. This helps to significantly mitigate the impacts of slot fragmentation. (Section 1)

Recommendation 3

Exempting emergency, air ambulance, defence and Government flights from the movement cap given they happen on an ad hoc rather than scheduled basis. (Section 1)

An improved and enhanced regional access scheme:

Recommendation 4

Exempting flights from 'outer regional,' 'remote,' and 'very remote' locations from the movement cap to support regional access to Sydney Airport during peak times. Sydney Airport could further support access to these regions by removing any passenger and landing charges for these flights. (Section 2)

Recommendation 5

Guaranteeing and enhancing the Regional Ring Fence (RRF) by averaging the number of slots each day to ensure consistency, while eliminating fragmentation without reducing the overall level of access. (Section 2)

Recommendation 6

Strategic retiming of a number of RRF slots from the 6-7am hour to 7-10am hours, to better meet the needs of regional communities. (Section 2)

Improved slot management and governance:

Recommendation 7

Updating the slot management scheme to drive greater transparency over new slot allocations and establishing enforcement mechanisms to ensure proper utilisation of existing airline slot holdings (Section 3).

Recommendation 8

Making the Slot Manager wholly independent while being subject to measurable KPIs on performance and continue to be subject to a periodic competitive market process for the provision of services (Section 3).

Recovery from COVID-19

Recommendation 9

Only granting future slot waivers as part of COVID-19 recovery measures where travel restrictions remain in place that prevent airlines from operating (Section 5).

Introduction and background

Importance of Sydney Airport

Sydney Airport is Australia's largest domestic and international air transport hub, with more than 44 million passengers and 346,000 aircraft movements in 2019. In the same year, Sydney Airport supported 44 international airlines, seven domestic and regional airlines and approximately 40% of international arrivals into Australia, while facilitating 45% of Australia's total international air freight by value and volume. Sydney Airport also provides vital connectivity to 25 regional and remote communities across NSW. In 2019, more than 150 regional flights per day carried 2.27 million passengers between Sydney and regional communities in NSW.

Research by Deloitte indicates the annual direct and indirect economic contribution of the Sydney Airport precinct pre-COVID-19 was \$40.2 billion, representing 6.7% of the NSW and 2.1% of the Australian economies. This directly supported 336,400 full time equivalent jobs generating \$22.5 billion in household income. This represents 3% of the total employment in Australia and 9.5% of total employment in NSW.¹

Further to this, research by EY found international aviation contributes \$100 billion in exports per year and over 500,000 jobs to the Australian economy.² As these studies indicate, Sydney Airport is critical to the NSW and Australian economies and the productivity of Sydney Airport should be a priority for governments and the industries that rely on the airport.

COVID-19 has had a significant impact on Sydney Airport, with traffic falling by approximately 97% between April and November 2020. During 2020, approximately 13,000 jobs have been lost at the airport (out of a total of 33,500), with more being lost in the surrounding communities. At the same time, the airport has stayed open as an essential service supporting essential repatriation and freight flights, as well as the limited number of domestic and regional flights that have continued to operate.

Balancing the needs of the local community

Sydney Airport acknowledges that the framework, and the associated noise management policies - which are not in consideration as part of the review - were introduced to minimise the effect of aircraft noise on residents who live in surrounding communities. Sydney Airport believes the changes proposed as part of this review can improve the efficiency of the airport while balancing that need to manage noise and other impacts on the local community.

Sydney Airport also recognises the need to manage the airport in an environmentally sustainable manner for the benefit of people in Sydney, NSW and Australia. This is particularly important when managing issues such as aircraft noise and carbon emissions. As a member of the Sydney Airport Community Forum (SACF), the Airport works closely with the local community, the aviation industry and governments to manage and minimise noise impacts. As a signatory to the *Global Aviation Commitment*

¹ Deloitte Access Economics, *Preliminary findings: Economic contribution of Sydney Airport 2019*, December 2020

² EY, *The role of aviation in Australia's economic recovery*, October 2020

to *Action on Climate Change*, Sydney Airport is also committed to reducing the airport's carbon footprint and being carbon neutral by 2025.

Sydney Airport has therefore independently assessed the noise and carbon emission implications of potential reforms to the slot management system.

This assessment demonstrates that reform will deliver:

- no significant change to existing aircraft noise impacts and, in some cases, an improvement
- increased opportunities for noise sharing in areas around the airport, and
- reduced carbon emissions due to a reduction in ground and airborne flight delays

More detail is contained in this submission.

Three key principles to underpin sensible reform

Any changes to improve efficiency, sustainability and productivity at Sydney Airport should focus on three core principles:

1. Fair and open access for everyone:

Put simply, Sydney Airport does not want to see airlines unnecessarily turned away. This includes regional, domestic and international, none at the expense of the other.

2. Allow greater flexibility

The current rules were set more than 20 years ago at a time when Sydney Airport handled around 22 million passengers a year. In 2019, Sydney Airport welcomed 44 million passengers, which involves a much higher level of operational complexity and requires greater flexibility. The lack of flexibility in the rules does not reflect the practical reality of operating an airport in 2020. Greater flexibility is required to ensure that the needs of airlines and the travelling public can be met into the future.

3. The Demand Management Scheme should not lead to unintended and inefficient outcomes

Ensuring that peak slots at Sydney Airport are being allocated and operated efficiently is vital. Peak slots at Sydney Airport are a finite resource, and Sydney Airport believes any efforts to relieve constraints and free up valuable slots would benefit the airport, airlines and the travelling public – providing they are allocated fairly and shared across regional, domestic and international services.

Applying the principles to reform

In working to get as close as possible to achieving the 80 movements per hour as intended by the regulation, Sydney Airport believes there are two main issues this review needs to address.



1. **Improvements to the inefficient, overlapping rules that prevent the airport from regularly operating at 80 movements per hour**
2. **Improvements to the governance and controls to ensure slots at Sydney Airport are allocated transparently and utilised efficiently**

As the country rebuilds from COVID-19, Sydney Airport believes this submission provides a framework for fair access to Sydney Airport for every airline that wishes to fly here, provides benefits for travellers, while balancing the interests of communities across both across Sydney and NSW.

Chapter 1 – Movement Cap

As demand for services at Sydney Airport has increased since 1997, the interpretation and application of the movement cap has meant that the Airport cannot reach the intended capacity of 80 flights per hour. In turn, the airport has become restricted in its ability to recover from delays – a frustration likely experienced by many members of the travelling public over time. Simple changes to the way the movement cap is administered would greatly enhance the productivity and efficiency of the airport and deliver benefits to all stakeholders.

Recommendations

Recommendation 1

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.

Recommendation 2

For each day of the week, scheduled movements in each clock hour should average 80 movements or below over any scheduling season. This helps to significantly mitigate the impacts of slot fragmentation.

Recommendation 3

Exempting emergency, air ambulance, defence and Government flights from the movement cap - given they happen on an ad hoc rather than scheduled basis.

In building out these recommendations, Sydney Airport has followed the structure of the Discussion Paper and provided responses and supporting information to each of the questions raised in the Paper. Given some of the recommendations do not fit discretely within the questions, some information has been provided at the end of this section.

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

The current measurement of the rolling hour severely limits operational flexibility at Sydney Airport. Its removal, along with moving to a scheduled movement cap on a clock-hour basis, would reduce delays for travellers and improve airline on-time performance. This change would provide the necessary flexibility to better work to the schedule, including the ability to 'catch up' following a weather event, and improve noise and emission outcomes as a result of shorter holding and circling for aircraft.

There are multiple factors that support the movement to a scheduled cap on a clock-hour basis, which are set out detail below.

Removing the 15-minute rolling hour

The 15-minute rolling hour was introduced in 1997 to mitigate the impact of aircraft noise following the opening of the third runway at Sydney Airport. As the airport has become busier, however, the 15-minute rolling hour has restricted the ability to achieve 80 movements per hour due to the creation of ‘trapped slots.’

A ‘trapped slot’ occurs when a current rolling hour (e.g. 08:00am) may appear to have spare capacity, but the rolling hours on either side (07:45am and 08:15am) do not. Table 1 below demonstrates the issue of ‘trapped slots.’

Table 1: Case study: trapped slots

The table below shows that 234 slots have been allocated out of a possible 240. However, it is impossible to add the six remaining slots without triggering a breach of the cap:

- Adding slots in the 8:00 to 8:15 am period will trigger a breach in the 7:15 am & 7:30 am hours
- Adding slots in the 8:15 to 8:45am period will trigger a breach in the 8:15 am hour
- Adding slots in the 8:45 to 9:30 am period will trigger a breach in the 8:45 am hour
- Adding slots in the 9:30 to 10:00 am period will trigger a breach in the 9:30 am & 9:45 am hours

Therefore, six slots are effectively trapped and rendered unusable by any airline.

Rolling Hour Slot counts on a Northern Summer day:

Example:	7:00	7:15	7:30	7:45	8:00	8:15	8:30	8:45	9:00	9:15	9:30	9:45	10:00	10:15	10:30
Movements in each 15-minute block	17	21	21	21	17	21	19	21	19	19	21	17	21	21	21
Rolling Hour	80	80	80	78	78	80	78	80	76	78	80	80	N/A	N/A	N/A

Aggregate Slot Counts	
Scheduled Movements between 7am-10am	234
Allowable Movements under the cap (80*3)	240
Trapped Slots	6

By removing the 15-minute rolling hour the issue of trapped slots is solved, the additional capacity can be added back, and the airport can move closer to its intended cap of 80 movements per hour.

Moving to a scheduled cap

Sydney Airport currently has both a 'scheduled cap' and an 'actual cap.' This means both the scheduled movements and the actual movements must be below 80 in any given hour, which creates significant inflexibility in the operation of the airport and limits the ability to recover disruptions such as severe weather events. In addition to removing the 15-minute rolling hour, movements should only be measured on a scheduled basis and the cap on actual movements should be removed. This would have multiple benefits:

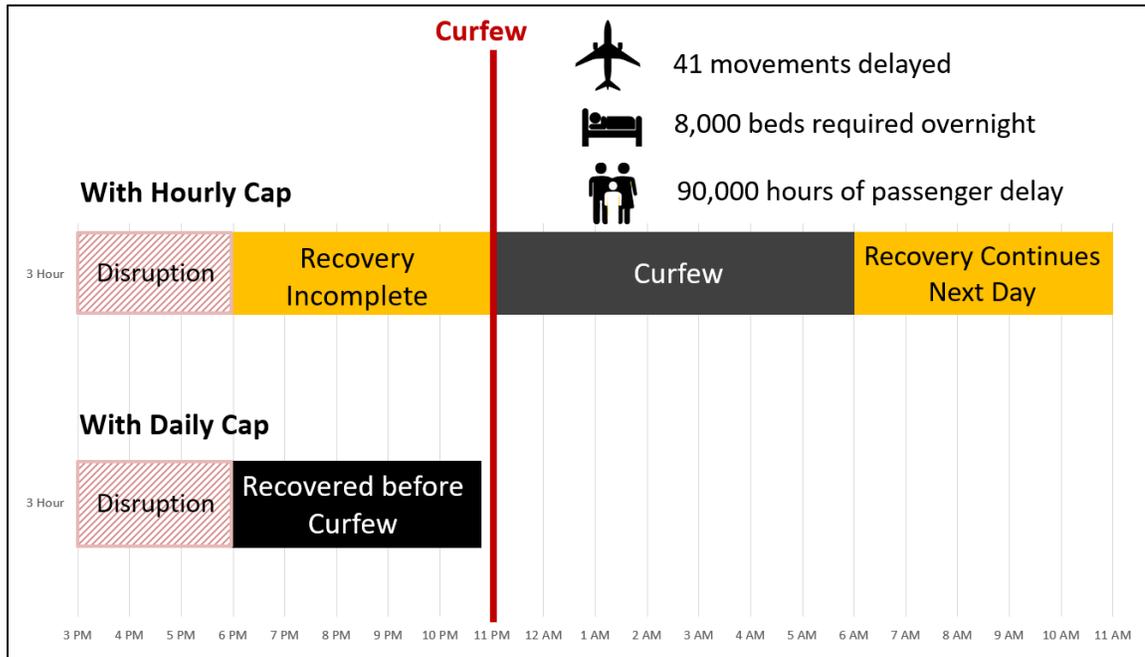
- **It would allow efficient operations improving noise and environment outcomes for the community:** For example, if a flight is scheduled to land at 10.05am but arrives at 9.45am due to favourable wind conditions, it must circle for 15 minutes to wait until a new clock hour begins, leading to unnecessary flying over the Sydney basin. By setting the cap at 80 scheduled movements, and then ensuring actual movements do not exceed scheduled movements for that day, you achieve both a balanced noise and emissions outcome and have the ability to practically manage the operations of the airport on any given day. This is in line with global best practice and would also remove the need to count any movements on the day of operation, freeing up valuable Airservices Australia (AsA) resources to focus on managing the airspace efficiently and safely – the core function of the AsA.
- **It would enable Sydney Airport to recover from disruptions, which can impact the entire Australian aviation network.** Given the application of the cap on actual movements, if there is a disruption such as a weather event, the airport cannot catch up over the remainder of the day. As noted by the Productivity Commission in its 2019 report on the *Economic Regulation of Airports*:

“the movement cap has unintended consequences. For example, it can exacerbate delays when there are disruptions, such as those due to weather events. Delays can lead to significant costs for airlines and passengers that cascade across Australia’s aviation network, due to the high number of aircraft that pass-through Sydney Airport...”

In a 2019 Airbiz report, it was noted the removal of the actual cap could improve recovery from a 3-hour disruption by 5 hours - a 40% improvement.³ A 3-hour disruption starting at 3pm with no cap on actual movements would see the airport fully recover before the curfew. As it currently stands the airport cannot recover until 11am the following day. This results in 41 aircraft delayed necessitating 8,000 hotel overnight stays causing 90,000 hours of passenger delay (see Table 2 below).

³ Airbiz, *Sydney Airport: Runway to Recovery Study*, March, 2019

Table 2: Recovery from 3-hour disruption in afternoon peak (Source: Airbiz)



Delays such as this come at a significant cost to airlines and the travelling public. In addition, the Airbiz report found that flexibility around recovery could reduce the time taken to return to noise sharing operational modes and may lead to reduced carbon emissions due to a reduction in ground and airborne flight delays.⁴ Reform of the slot management system at Sydney Airport could reduce or eliminate these delays.

In addition to reducing delays for passengers, there are significant environmental benefits from making these changes. It is estimated that reduced ground delays could deliver a carbon reduction benefit of between four and seven percent. This equates to a reduction in carbon emissions of between 6,300 and 12,500 tonnes per annum – the equivalent of taking up to 2,780 cars off the road. 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.⁵

Managing the risk of clustering

One of the potential concerns of removing the 15-minute rolling hour could be clustering of flights around the start of each hour, and Sydney Airport recognises one of the reasons for the introduction of the 15-minute rule was to avoid this happening. Sydney Airport believes this can be managed both

⁴ Airbiz, *Sydney Airport: Runway to Recovery Study*, March, 2019

⁵ Airbiz, *Sydney Airport: Slot Reform Carbon Emissions*, December, 2020

through extending and supplementing the existing coordination parameters implemented when slots are allocated, and through the day to day airfield/airspace management by AsA.

Sydney Airport’s declared runway capacity was advised by AsA with reference to the 80 cap and has remained unchanged for at least 20 years. Sydney Airport believes the existing intra-hour limits – for 5 and 15 minutes – as adjusted by AsA from time to time (and demonstrated in Table 3 below) are a sufficient protection against schedule clustering.

Table 3: Protecting against clustering

		Current coordination parameters used to avoid cluster scheduling												
		Clock hour												
Coordination Limits		06:00	06:05	06:10	06:15	06:20	06:25	06:30	06:35	06:40	06:45	06:50	06:55	
		Max allowed in 5 Min	8	8	8	8	8	8	8	8	8	8	8	8
		Actual allocated slots	6	5	8	7	6	7	8	7	5	8	5	8
		Max allowed in 15 Min	21			21			21			21		
		Actual allocated slots	19			20			20			21		
		Max allowed in 60 min	80											
		Actual allocated slots	80											

This is an issue faced and dealt with at every congested airport around the world. To give some practical examples of this:

- Heathrow Airport operates under an annual cap of 480,000 movements, but has a declared capacity of 88 movements per hour
- Schiphol Airport operates under an annual cap of 500,000 movements, but has a declared capacity ranging from 116 (in an arrivals peak hour) to 54 (in an off-peak hour)
- Most pertinently, the declared runway capacity at Sydney Airport includes ‘no more than 21 movements in any 15-minute period’ and ‘no more than 8 movements in any 5-minute period’

Even if the Slot Manager has smoothed the 80 movements over the full hour based on the declared capacity, a flight may arrive or depart at a non-scheduled time for a myriad of reasons, for example, weather, wind, fleet, passengers, bags, crew, ground handlers, airport or airspace. For these reasons, some natural variability is to be expected.

Given this, the airspace and runway management by AsA provides the final management tool, as they determine which flights land or depart and manage the practical limitations of the runways, taxiways and related infrastructure. AsA manage a number of variables to ensure the appropriate number of aircraft movements in any 15-minute window including the mix of aircraft, weather conditions and

broader principles around the safe operation of the airport. This is AsA's core function and competency at Sydney Airport and every other airport in Australia.

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

There are three broad categories of flights that should be exempt:

1. Flights from smaller regional and remote ports.
2. Flights that have a clearly defined national and community interest such as Government, defence, air ambulance and other emergency services.
3. Airline positioning flights (moving empty aircraft from one port to another) should also be exempt and should also not operate in peak periods.

More information on item 1 above is contained in Chapter 2 – 'Sydney Airport regional access regime.'
More information on item 2 is set out below.

Exempting certain services from the movement cap

As the Discussion Paper notes, it is prudent to look specifically at what type of flights are included under the movement cap. Where there is a flight serving a larger national or community purpose, Sydney Airport believes these should be excluded from the movement cap.

This includes emergency flights, diversions, air ambulance services, as well as Government and Australian Defence Force flights. As noted in the Discussion Paper, these flights are typically ad hoc and occur infrequently. For context, Sydney Airport sees on average approximately 20 of these flights per week. They are currently measured as part of the 80-movement cap as it counts every single movement. A change to focusing on scheduled movements only would exclude these flights from the cap. Their infrequency and inconsistent timing indicate they would be easily handled as exclusions from the cap and would not impact on the local community in any discernible way.

QUESTION C. What means of publication would satisfy public accountability and transparency with respect to both breaches and non-breaches?

Sydney Airport does not support the continuation of the operational application of the current movement cap. As such, publication of information on breaches would generally no longer be necessary

other than if scheduled movements went over 1360 on a given day (i.e. 80 flights per hour multiplied by 17 hours, being the non-curfew hours between 6:00am and 11:00pm).

Given the overriding objective of transparency, the Slot Manager and AsA could produce a report comparing cleared scheduled slots with slots operated to be made publicly available and tabled in Parliament as necessary. In addition, Sydney Airport supports ongoing monitoring and transparency of the limited number of flights permitted to operate during the curfew being reported to the Sydney Airport Community Forum (SACF).

Achieving the 80 Movements Per Hour

Fixing slot fragmentation - averaging over a season

An important issue related to the movement cap, but not covered directly by the questions above, is the prevalence of slot fragmentation and the impact it has on the ability of the airport to operate at 80 flights per hour.

Slot fragmentation occurs at Sydney Airport for a variety of reasons including:

- the 15-minute rolling hour requires slots to be assessed against four separate hours
- the regional ring fence represents an historic point in time schedule and is therefore inherently fragmented
- flights that only operate on some days of the week leave unfilled slots on the remaining days (e.g. this may occur on new routes or on routes that cannot sustain daily traffic)
- the existence of seasonal flights that only operate for a few weeks in a season (e.g. during school holidays)
- the Australian Holiday Period exemption whereby airlines may retain historic slots without being required to operate for 6 weeks between mid-December and the end of January, and
- the asymmetric worldwide daylight savings times in different jurisdictions e.g. daylight saving starts and finishes on different days both within Australia (e.g. between NSW and Qld) and around the world (New Zealand, North America and Europe all differ from NSW and each other)

Given the way the slots have been allocated over time, the interaction of the existing demand management regime, and the practical issues described above, a specified clock hour across a season is likely to have a variable number of scheduled movements. Table 4 below provides an example of how slot fragmentation occurs and the impact it can have.

The table details the Tuesday, 6:45am hour, over the entire 30-week Northern Summer 2019 season. In week 5, there are 80 scheduled movements, even though in actuality, only 68 movements operated in that hour.

If an airline were to review the ACA website, with the intention of seeking a slot for the 6:45am hour, it would appear that no slots are available at that time for the entire season. This is notwithstanding the fact that on a scheduled basis slots are available on all but one occasion during the season, and on an actual basis it is very unlikely there would be 80 flights in that hour at any point during the season.

The Slot Manager would reject an application for this new service in the 6:45am hour for the entire scheduling season. Averaging the measurement for each clock hour over the season – for example, averaging the hour over the 30 weeks of the Northern Summer season – would ensure a new service could be accommodated, more accurately reflecting both scheduled and actual operational capacity (while ensuring the average was below 80 per hour).

Table 4: Slot fragmentation across a season

Week of season	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Slots assessed as used	79	78	77	68	80	75	75	75	71	67	74	77	76	77	76	76	79	75	77	71	73	74	73	74	78	77	77	79	79	77

*Based on Sydney Airport’s analysis of ACA data
Reflects Northern Summer 2019 season, Tuesday 6:45am*

Effect of slot fragmentation at Sydney Airport

There is a high level of slot fragmentation at Sydney Airport. For example, in the 2019 post-handback schedule more than 40% of allocated regional slots and more than 50% of non-regional slots had some level of fragmentation. This was higher during the morning peak when it had the most detrimental effect.⁶

The negative effects of slot fragmentation may be most pronounced on international carriers who have narrow time bands in which to make a service work at both ends of a route. Sydney Airport has been advised by some international airlines that this fragmentation has resulted in them being unable to obtain a consistent slot time, which has resulted in them operating to other overseas airports.

There will always be a degree of slot fragmentation at Sydney Airport and this cannot be avoided. It should not lead to an outcome, however, whereby highly valuable slots, particularly peak slots, go to waste and cannot be used. There is a simple solution to this issue – change the rules so that “for each day of the week across a scheduling season, no clock hour may average more than 80 scheduled movements.” See Table 5.

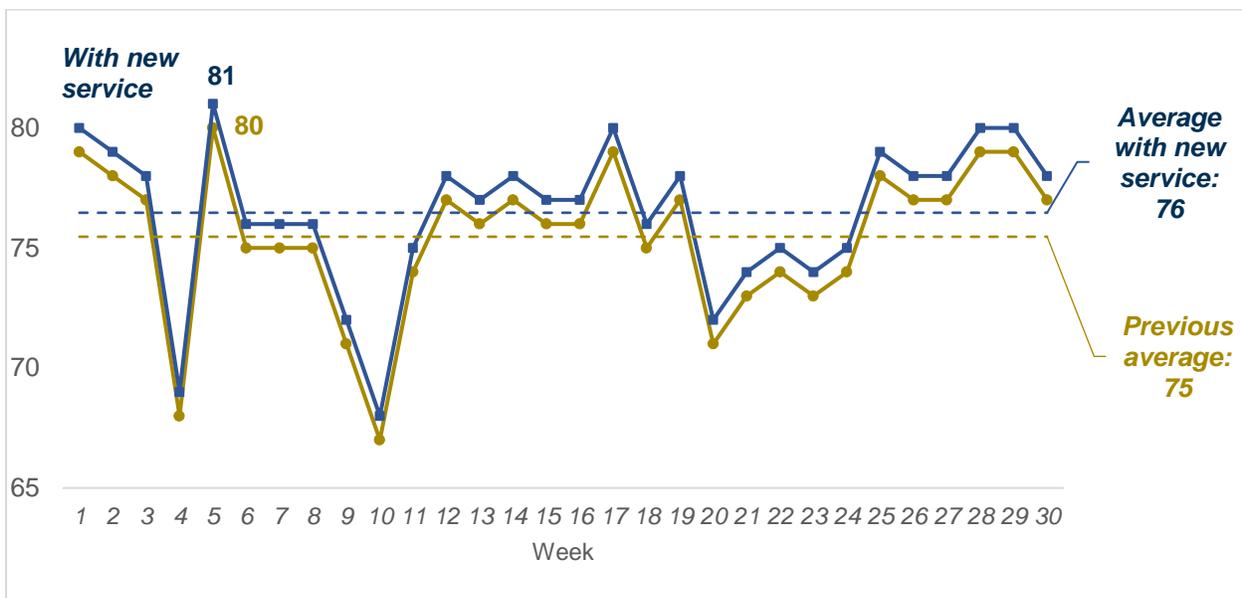
This change would allow a small degree of flexibility enabling the airport to unlock fragmented slots, enable the airport to operate close to its intended 80 movements per hour, and create opportunities for more airlines to access the airport.

⁶ The post-hand back schedule is the final schedule issued by the Slot Manager once airlines have removed any slots that have been identified as not being required from the initial slot approvals. It is issued prior to the commencement of the season.

Justification of revised operational procedures of Airservices Australia

AsA is responsible for ensuring the safe and efficient management of all civilian airspace in Australia. As distinct from every other airport in Australia, at Sydney Airport, AsA has also been given the additional task of counting actual aircraft movements to ensure there are no exceedances to the 15-minute rolling hour. To manage this process, AsA applies restrictive procedures, which in effect limits movements at Sydney Airport to 76-78 movements in any given hour and is another constraining factor to the airport achieving 80 movements per hour.

Table 5: Example averaging across a season (6:45am Tuesday, Northern Summer 2019)



Justification of revised operational procedures of Airservices Australia

AsA is responsible for ensuring the safe and efficient management of all civilian airspace in Australia. As distinct from every other airport in Australia, at Sydney Airport, AsA has also been given the additional task of counting actual aircraft movements to ensure there are no exceedances to the 15-minute rolling hour. To manage this process, AsA applies restrictive procedures, which in effect limits movements at Sydney Airport to 76-78 movements in any given hour and is another constraining factor to the airport achieving 80 movements per hour.

This leads to unnecessary congestion on the airfield as planes often have to wait for the next 15-minute rolling hour to commence take off, and leads to less efficient airspace as arriving aircraft often have to circle and hold before being permitted to land.

A move to a scheduled cap only would remove the need for these inefficient procedures applied by AsA and would allow them to focus solely on the safe operation of the airport and airspace. In addition to



removing cost and administrative burden for AsA, it would also lead to better noise outcomes for the community, less cost for airlines through reduced fuel burn, better on-time performance, fewer delays for travellers, and less congestion on the airfield.

Chapter 2 – Sydney Airport Regional Access Regimes

The provision of regional and remote flights into Sydney Airport is clearly vital for communities across New South Wales. The ability for regional airlines to access Sydney Airport, especially in peak periods, is critical to maintaining essential business, health, family, and tourism links. The Permanent Regional Service Series (PRSS), or 'regional ring fence' (RRF), was established in 1997 to support this, however, it was based on regional flying patterns at that moment in time and is now outdated. Sydney Airport is proposing improvements to the RRF, which would guarantee and enhance critical regional access to the airport while fixing the unintended consequences stemming from the current regime.

The specific benefits that could flow from these proposed changes include:

- better regional access to Sydney Airport during peak times, including exemption from airport charges for certain regional services
- the ability to connect or reconnect to more regional destinations to Sydney over time
- better linkages to international services for time critical agricultural and seafood exports
- enhanced domestic and international tourism opportunities for regional areas through better linkages to domestic and international services.

Recommendations

Recommendation 4

Exempting flights from 'outer regional,' 'remote,' and 'very remote' locations from the movement cap to support access to Sydney Airport during peak times.

Sydney Airport could further support access to these regions by removing any passenger and landing charges for these flights.

Recommendation 5

Guaranteeing and enhancing the Regional Ring Fence (RRF) by averaging the number of slots each day to ensure consistency, while eliminating fragmentation without reducing the overall level of access. (Section 2)

Recommendation 6

Strategic retiming of a number of RRF slots from the 6:00am-7:00am hour, to the 7:00-10:00am hours, to better meet the needs of regional communities.

QUESTION D. Should the definition of 'regional service' be changed? Why or why not?

There should be no overall change to the definition of 'regional service,' however certain services in the current definition of regional services ('outer regional,' 'remote' or 'very remote' services as defined by the Australian Standard Geographical Classification) be exempt from the movement cap.

Exempting certain regional services to guarantee access

Noting not all regional communities have the same scale or ability to attract scheduled air services, a key component of the recommendations to improve the RRF and improve access for regional communities is the exemption of certain regional services to 'outer regional,' 'remote' or 'very remote' ports from the movement cap.⁷ This exemption was recommended during a 2014 NSW Government Inquiry into *Regional Aviation Services*.⁸

An exemption would provide guaranteed access to these communities today and preserve that access into the future.

The justification for this proposed exemption is twofold.

Firstly, it supports the commercial sustainability of flights to smaller regional towns such as Cobar, Inverell, and Narrandera, which over time have been difficult to maintain. This was made clear in the NSW Government inquiry noted above, where there had been a 37% reduction from 2005-2014 in the number of regional locations with a regular passenger service.⁹ This includes towns such as West Wyalong, Forbes, and Gunnedah, who have all lost services.¹⁰ Acknowledging the fact flights from smaller towns are difficult to maintain commercially, providing a further layer of support during peak times at Sydney Airport – over and above the RRF – is a significant component of their viability over the longer term.

Secondly, the flights to 'outer regional' and 'remote' locations are exclusively flown by smaller, much quieter turboprop 36, 34 or 19 seat aircraft. These aircraft include Dash 8-200, Saab 340, Jetstream 32, and Metroliners, which are up to 50% quieter than many larger domestic and international jet aircraft.¹¹ Airbiz research demonstrates these smaller turboprop aircraft operate at around 85 EPNdB (Effective Perceived Noise in Decibels, which is used for aircraft noise.) Domestic jets such as the 737 and A321 operate at closer to 95 EPNdB, with every 10dB equating to a 50% increase in noise.

⁷ [www.abs.gov.au/websitedbs/D3310114.nsf/home/Australian+Statistical+Geography+Standard+\(ASGS\)](http://www.abs.gov.au/websitedbs/D3310114.nsf/home/Australian+Statistical+Geography+Standard+(ASGS))

⁸ <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2063#tab-reportsandgovernmentresponses>

⁹ <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2063#tab-reportsandgovernmentresponses>

¹⁰ https://www.bitre.gov.au/sites/default/files/report_115.pdf

¹¹ Airbiz, *Sydney Airport: Slot Reform Final Report*, November, 2020

Using 6:00am-11:00am NS19 as an example, 12 services during the morning peak would have fallen within this proposed exemption. Given the challenges of establishing a new service from these markets outlined above, the overall number would not grow significantly.

Removing Sydney Airport charges for exempted regional flights

Sydney Airport recognises the importance of these regional flights and the challenges in establishing and operating them, as outlined above. For this reason, the airport could support the removal of passenger terminal and runway charges for these flights at Sydney Airport, if these flights are exempted from the movement cap.

QUESTION E. Should the number of peak-period regional slots or the method for converting PRSS slots be revised? Why or why not?

Sydney Airport does not recommend reducing the overall number of slots, but recommends smoothing and retiming some regional slots to make them more usable for regional services. Specifically, there should be a consistent number of RRF slots available for use each day of a scheduling season. This guarantees better access for regional carriers as it removes the existing fragmentation of regional slots and makes these slots available at consistent times for easier and more convenient use.

Averaging morning and peak RRF slots to make them consistent and more usable

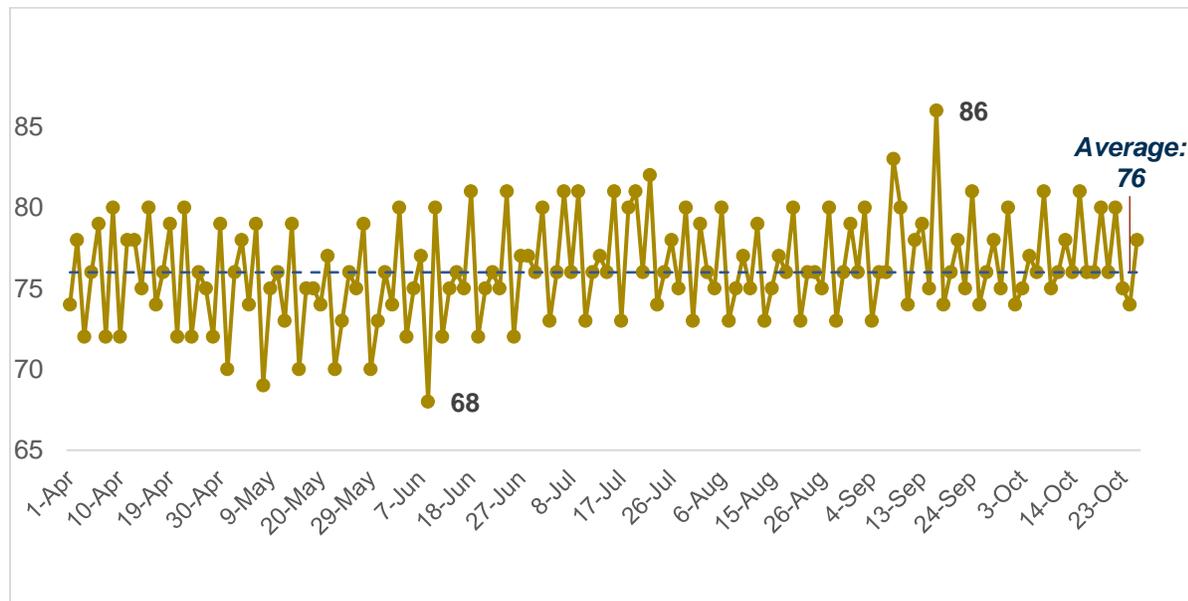
Currently, many of the RRF slots are not readily usable as they are scheduled at sub-optimal hours or are 'fragmented,' meaning inconsistent slot availability across a scheduled season. Of primary concern is the variability in the number of regional slots on a daily basis, which can range from as low as 68 to as high as 86 during the morning peak (see Table 6, based on the limited data made available to Sydney Airport by Airport Coordination Australia (ACA)).

In order to fix this fragmentation, Sydney Airport is recommending that the RRF is averaged over the morning and evening peaks across each season. As the above table demonstrates, based on NS19, the average over the morning peak would be 76 slots (in the evening peak for NS19, the average would have been 83 slots). The same method would then be used to extrapolate numbers for the corresponding NW season morning and evening peaks.

This would provide more usable slots and the potential for growth for regional services. Using the morning peak as the example, in NS19 there were an average of 64 actual regional movements operated, giving headroom of 12 additional slots. For reference, the busiest morning peak in NS19 had 71 slots operated giving headroom of at least 5 additional slots. This would mean any combination of destinations such as Albury, Wagga, Dubbo, Port Macquarie or Coffs Harbour, for example, could attract another peak hour service.

By way of comparison, the evening peak during NS19 had an average of 75 slots operated, with a maximum of 81 slots operated. There was an average of 83 slots allocated, however, as RRF slots in that season.

Table 6: Morning peak, RRF slots, weekdays Northern Summer 2019 season



Allocating RRF slots at times aligned to the needs of regional communities

In parallel with the fact the current RRF is highly fragmented, there is also the issue of regional slots currently being allocated at unusable times.

Many regional passengers look for return flights that enable them to fly into and out of Sydney in a day, often in order to attend medical or business appointments in the city. Others require a convenient connection to domestic and international flights, many of which operate in the morning peak. In addition, medical professionals and business people often wish to fly into regional centres for a day of meetings or appointments.

There are a high number of slots allocated to the 6:00am-7:00am hour that are simply not used as they require a very early departure time from regional ports. For example, a 6:30am landing at Sydney Airport from Griffith would require a 5:00am take off, which would mean a 3:30am wake up for people travelling from these communities. Airlines and regional communities would obviously prefer a flight that lands at 7:30am or 8:00am, which still enables appropriate connections and the ability to be in the Sydney CBD by 8:30 or 9:00am.

For this reason, regional airlines have historically not used all of these early slots, but given they are reserved only for regional services, they cannot be used by domestic or international services. This means critical early morning slots go to waste.

Table 7 below demonstrates that the current RRF has an average of 12 slots in the 6am-7am hour with only 4 on average being currently used.

In order to make the RRF slots more usable for regional airlines, Sydney Airport is recommending a number of the 6:00am-7:00am regional slots be reallocated to later hours across the morning peak for regional use only. As shown below, this would increase the number of available slots in the 7:00am, 8:00am, 9:00am, and 10:00am hours, when passengers want to fly. The number of average RRF slots available during the morning would remain the same, but they would simply be moved to more usable times during that peak.

Table 7: Reallocation of peak morning RRF slots

Avg Reg Slots	6am	7am	8am	9am	10am	Total
Actual	4	21	18	9	12	64
Current RRF	12	22	19	10	13	76
Proposed RRF	6	24	20	11	15	76
Change	-6	+2	+1	+1	+2	

*Based on Sydney Airport's analysis of ACA data as at Aug 2019
Reflects Northern Summer 2019 season*

Based on the limited data made available to Sydney Airport by ACA, there should be no need to re-time any existing slots to implement this proposal.

A more usable RRF with the outer regional, remote and very remote exemptions

As shown in Table 8, if the exemption proposal for 'outer regional,' 'remote' and 'very remote' ports is combined with the proposal to average the RRF, using NS19 as the example, the morning peak RRF would have been made up of:

- 64 RRF slots for 'inner regional' ports, plus
- at least 12 slots (average current use) for 'outer regional,' 'remote' or 'very remote' ports, to be made exempt under the movement cap (see table below)

This equates to a *total of at least 76 guaranteed peak slots for regional access* with headroom for both 'inner regional' and 'outer regional' services to grow.¹²

Table 8: Proposed re-constituted RRF

Avg Reg Slots	6am	7am	8am	9am	10am	Total
Actual flown NS19 (excl. outer regional)	3	19	14	6	10	52
Current RRF (excl. outer regional)	11	20	15	7	11	64
Retimed inner regional (excl. exemptions)	5	22	16	8	13	64
Outer regional	1	2	4	3	2	12
Total RRF	6	24	20	11	15	76

*Based on Sydney Airport's analysis of ACA data
Reflects Northern Summer 2019 season*

Other changes to the PRSS

Finally, in addition, unused regional slots should be able to be utilised for other services, including domestic and international, but importantly only on a non-historic basis. The opposite should also apply – unused slots outside of the RRF should also be able to utilised for regional services on a non-historic basis. This would promote fair access to services and provide flexibility to ensure that slots can be more fully utilised across scheduling seasons. It would also ensure they are maintained over the longer-term to support regional growth inside the RRF, and for domestic and international growth outside the RRF.

Summary of proposed changes

The following changes proposed by Sydney Airport would act to enhance and guarantee long-term access for regional communities to the airport:

- Exempting 'outer regional,' 'remote' and 'very remote' from the movement cap, with Sydney Airport removing passenger terminal and runway charges for these services in order to support their viability
- Averaging and retiming the RRF slots to make them more consistent and usable

¹² All slots would still need be required to apply to the Slot Manager and be captured in the scheduling parameters, which would also alleviate potential concerns around clustering.

- Allowing more flexible usage on a non-historic basis of slots

It is important that any changes be considered as a whole so as not to result in unintended consequences resulting in further inefficiencies.

QUESTION F. Should there be alignment of the number of peak-period regional slots in the winter and summer seasons?

This is not necessary at this stage given the variation in slot uptake across the winter and summer seasons. This should be actively monitored and reviewed, however, once the actual RRF slot figures are made available by the Slot Manager. This would ensure there is alignment between the seasons in terms of slot availability to support regional growth into the future.

QUESTION G. Does the defined peak period remain appropriate for regional slots?

There is a clear benefit in redistributing some of the underutilised regional slots available from the 6:00am and 7:00am hour to the 7:00am, 8:00am, 9:00am and 10:00am hours, as outlined in Question E above. Given flying patterns, passenger preferences, and the fact many aircraft overnight in regional towns, slots in the 6:00am hour are generally underutilised. Redistribution of these would increase the usability of these slots for regional carriers by better aligning the timing of available slots with regional scheduling requirements.

QUESTION H. Is there a need for dedicated regional slots in off-peak periods?

Given there are already sufficient slots available in off peak periods at Sydney Airport, there is no need to specifically protect these slots for any segment of the market, including regionals.

QUESTION I. Should there be additional flexibility in allowing regional slots to be moved between peak and off-peak periods?

No additional flexibility is required. As noted in Question H, there are already sufficient slots available in off peak periods which can be utilised to facilitate growth across all market segments. There is a current process allowing for the retiming of regional services by up to 30 minutes either side of the allocated time. Alongside ensuring the same number of regional slots are available on any given day, as well as retiming them to more usable hours, the 30-minute rule provides sufficient flexibility for carriers to retime specific services as any need arises.

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

As noted in Question E, regional services should be able to access any available slot outside the RRF on a non-historic basis.

QUESTION K. Should there be further relaxation or other changes to the ACCC's price cap and monitoring regime?

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

QUESTION M. Are there any matters, not discussed already, which the Government should consider when developing any future Direction for regional price monitoring at Sydney Airport by the ACCC?

These three questions will be addressed together.

Regional Pricing

Regional charges at Sydney Airport have not increased in nominal terms since 2002. In fact, they have fallen by approximately 50% in real terms over this time. In effect, with regional charges remaining unchanged, international and domestic services at Sydney Airport subsidise regional services.

As mentioned above, if the improvements are made to the demand management regime at Sydney Airport that facilitate efficiency and access to Sydney Airport for international and domestic growth in peak times, there may be limited need for Sydney Airport to seek to increase charges for regional services. In fact, Sydney Airport is proposing to remove terminal and landing charges for those regional

services exempt from the scheduled cap of 80 movements per hour, as noted above. On this basis, there is no significant need for additional oversight from the ACCC.

Sydney Airport also supports commercially negotiated outcomes with all airline customers. The vast majority of regional services are operated by Qantas, Virgin Australia and REX, with all three airlines having a range of commercial interactions with Sydney Airport. If parties reach commercial agreement on regional charges, Sydney Airport supports the Productivity Commission's view that there should be no need for ACCC approval.

Moving to negotiated agreements between Sydney Airport and regional airlines

In its 2019 review into the economic regulation of airports, the Productivity Commission recommended that *“future Declarations relating to the regional price cap and notification regime at Sydney Airport only apply to aeronautical services that are not covered in commercial agreements between Sydney Airport and airlines operating flights servicing regional New South Wales.”* The Government supported this recommendation, in principle, in its response to the review announced on 11 December, 2019.

The *Competition and Consumer (Price Notifications—Aeronautical Services to NSW Regional Airlines) Declaration 2019* (the Declaration) regarding the price notification regime at Sydney Airport was made on 4 April 2019, prior to the Government announcing its support, and will be valid until June 2022. The Declaration did not implement the Productivity Commission's recommendation to specify that prices in commercial agreements be excluded for the purposes of the price notification regime. Sydney Airport recommends that the Declaration be varied as soon as practicable to ensure any commercially negotiated outcomes between the ACCC and regional airlines can be facilitated without the need to notify the ACCC.

Chapter 3 – Slot Management

Sydney Airport slots are a scarce resource and a public good that should be allocated for the benefit of the people of NSW and Australia.¹³ Consistent with this approach, there needs to be a method of allocating the scarce capacity in a way that optimises the value to the broader economy, enhances competition, and benefits the people of NSW and Australia.

At Sydney Airport, and at the majority of constrained airports worldwide, this is done through an administrative process that allocates slots to airlines at a point in time.

Given the dynamic nature of the aviation industry, any slot regime must balance the needs of all airlines seeking access at an airport, the ability for the airport to provide the required infrastructure, and the needs of the travelling public. This should be done in a way that considers the overall economic benefits being delivered by a particular service and ensuring a competitive operating environment for consumers.

To achieve this, Sydney Airport is recommending improvements to the governance and controls to ensure slots at the airport are allocated transparently and efficiently.

Recommendations

Recommendation 7

Updating the slot management scheme to deliver greater transparency over new slot allocations and establishing enforcement mechanisms to ensure proper utilisation of existing airline slot holdings.

Recommendation 8

Making the Slot Manager wholly independent while being subject to measurable KPIs on performance and continue to be subject to a periodic competitive market process for the provision of services (Section 3).¹⁴

¹³ <https://centreforaviation.com/analysis/reports/a-brake-on-competition-the-ongoing-conundrum-of-airport-slots-58335>

¹⁴ Meaning airlines and Sydney Airport should not have any financial ownership of the Slot Manager

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

Given the dynamic nature of the aviation industry, and the desire to balance the needs of many stakeholders, Sydney Airport recommends a scheme that is aligned with the WASG as far as possible while accounting for the specific circumstances where there is a rationale for local rules.

Need for alignment with updated global standards while catering for local requirements

There has recently been progress in completing an updated set of slot rules through the release of the WASG, which provides a standardised default basis for the for allocation of slots. The new WASG aims to “provide a practical solution that can be applied to any airport globally to allocate slots each season and manage a shortage of capacity.”¹⁵ In turn, the *Sydney Airport Demand Management Act* (1997) should align, wherever possible, with the WASG.

Slots at Sydney Airport are part of a complex and interconnected global system. Inconsistencies in how slots are allocated at Sydney Airport, as opposed to other global jurisdictions – or elsewhere in Australia – can create challenges for airlines trying to plan global networks. Services need to cleanly link into an airline’s global network to make network connections viable.

As a general principle, this will be more complex for airline schedulers looking at international operations as opposed to domestic or regional scheduling. This is a function of having to coordinate at multiple congested airports, as well as having to ensure the airline has all the necessary rights and operational permissions to fly. For example, an airline’s operations to London Heathrow require it to hold slots in Sydney Airport, a mid-point airport and Heathrow Airport, as well as ensuring these slots are held at times outside the various curfew periods, attractive to travellers, and work at all three airports. Changes to slots in any of these ports would add significant complexity for international services to end of line destinations such as Australia.

As a result, there is often a very narrow scheduling window at Sydney Airport to make a service viable for an airline globally. Ensuring those seeking access at peak times to Sydney Airport can access the necessary slots – while maintaining the important balance between all market segments – should be a prime objective of the scheme.

This should be carefully considered both in terms of alignment with the WASG, while balancing this with the local rules and regulations that apply at Sydney Airport, including:

- the movement cap
- the RRF

¹⁵ <https://www.iata.org/en/iata-repository/pressroom/fact-sheets/fact-sheet---airport-slots/>

- the Long-Term Operating Plan, and
- the rules for slot allocation at Sydney Airport

Given the WASG is regularly revised, attempts should be made to ensure the legislation accounts for updates to the WASG. This would keep the protocols at Sydney Airport aligned and globally consistent (when not in conflict with any local rules). The opportunity is for a more dynamic and responsive mechanism to ensure updates to the WASG, to the extent they are consistent with the scheme and the legislation, are automatically incorporated.

Working in conjunction with Sydney Airport

As the airport operator, Sydney Airport has a critical role to play in optimising the value of the airport for the public good.

As it stands, the lack of information received from the Slot Manager makes planning and operating the airport – including resourcing decisions, capital expenditure planning, and short and long term planning of operations – very difficult. Sydney Airport should have access to all necessary information to undertake resource and infrastructure planning prior to Slot Allocation Listing (SAL). To the extent that any information is confidential, Sydney Airport will commit to keeping it so. Given the importance of slots at the airport, there also needs to be a high degree of confidence from all parties that slot decisions are being made in a fair and robust way, and consistent with the Slot Manager’s remit.

It follows there should be a high degree of transparency on all slots allocated and how they were allocated (including historic slots, RRF, and the underlying decision-making processes). Following the SAL being issued for a season, the Slot Manager should also provide all information to the airlines and to the airport, including a list of slots allocated, remaining slots available, and the reasons why any slots were not allocated as requested.

QUESTION O. What risks and opportunities could be realised by adopting the WASG?

There is a risk the WASG rules alone would not address some specific issues that arise given the local Sydney Airport rules governing demand management. Although, as noted above, the airport believes the WASG rules add value and should form the basis for the regulatory framework. Sydney Airport believes that the combination of WASG, with additional local rules and stronger governance, would provide the best framework to address the inefficiencies that have developed at Sydney Airport over time. A specific set of allocation rules are set out in Appendix 2 along with other recommendations about the governance and process of managing the slot scheme.

Over time inefficiencies have been entrenched at Sydney Airport

Over time, the globally unique array of operating restrictions, specific local rules, and their enforcement at Sydney Airport, has artificially constrained capacity. This has meant slots are not being allocated

efficiently and airlines are incentivised to oversubscribe for slots, which leads to under-utilisation of capacity and resultant inefficiency.

This is reflected in patterns of behaviour at Sydney Airport, which are unusual and inconsistent with maximising efficiency at a busy airport. The data demonstrates that over time domestic airlines are operating smaller aircraft, at increasing frequencies, and with increasing cancellation rates. Since 2002, Sydney Airport has observed a significant shift amongst the domestic carriers to higher frequency, smaller aircraft instead of larger aircraft. More services require more slots and, as a result, the proportion of slots held by the major airlines has significantly increased. For example, Australian and New Zealand based carriers held 70% of peak slots in 2002. This increased to 87% in 2017. By way of comparison, the Australian and New Zealand based carriers' passenger share reduced by over 10% to 78% over the same period.

In addition, since 2002, the average gauge on major routes has reduced. For example, the average gauge on the Sydney-Melbourne route fell by 12% between 2002 and 2017 - from 201 seats to 177 seats. Similarly, the average gauge on the Sydney-Brisbane route fell by 5% during the same period, from 171 seats to 162 seats.

A major inconvenience for many Australian business travellers in the past decade has been cancellations on the Sydney-Melbourne route. Sydney Airport has noticed an increase in airline wide cancellation rates on this route from 2.9% in 2010 to 6.8% in 2019, equating to approximately 76 cancelled flights per week. Cancellation rates across other routes at Sydney Airport and at many other busy airports globally tend to be around ~1-2% over the course of a season. Over a similar period, slot filings have increased markedly on the "Golden Triangle" routes with both the Sydney-Melbourne and Sydney-Brisbane routes showing a 10% increase in post-hand back slot filings.

The increase in cancellations escalated from 2017 to 2019 with the cancellation rate on the Sydney-Melbourne route increasing by 76%. This is in contrast to the nationwide cancellation rate (excluding Sydney Airport), which fell by 10%. Similar behaviours have been observed on the Sydney-Brisbane route, another leg of the "Golden Triangle", where cancellation rates have increased by 50% since 2017.

The market dynamics playing out at Sydney Airport are rare when compared to other Level 3 congested airports globally, where you typically see up-gauging of aircraft and low cancellation rates in response to capacity constraints.

Sydney Airport believes these patterns should be reviewed periodically, and at the time of allocating peak slots, to ensure that scarce capacity is allocated to maximise community and economic outcomes and then operated efficiently once allocated.

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

Unless there is a good reason for deviating from the WASG, the legislation should be aligned to the WASG. In this case, Sydney Airport does not believe there is a local reason for not applying the historical precedent guidance in the WASG, although the airport remains mindful of the benefit of the 'size of aircraft' rule being retained for Sydney Airport (see response to question S below). Given the importance of balancing the needs of all market segments to have access in the peak periods at Sydney Airport, careful consideration should be given to the future allocation of any peak capacity to ensuring all segments retain viable balanced access. A proposed set of allocation rules that Sydney Airport believes would assist in striking this balance is set out at Appendix 2.

QUESTION Q. Should the definition of a new entrant align with the definition used in the WASG? Why or why not?

Yes. This assists new entrants and existing carriers with small holdings to grow their slot holding, which is good for competition at Sydney Airport and in providing choice for the travelling public. Sydney Airport also does not see a rationale to distinguish between the WASG definition or a local definition on this issue.

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

As outlined in Question O above, Sydney Airport remains concerned about patterns of behaviour that have developed over time. In many cases, the combination of over-filing for slots (particularly on well serviced routes) and then cancelling services has effectively restricted new entrants from being able to enter the market and existing carriers from expanding services. The absence of a strong compliance framework, along with a lack of controls available to the Slot Manager and Compliance Committee, has meant behaviours have persisted at Sydney Airport. Sydney Airport believes changes to the composition of the Compliance Committee, along with enhancing its ability to appropriately sanction behaviours,

would assist in reducing many of the current issues. Further detail on these matters is contained in Appendix 2.

Sydney Airport also has concerns regarding the impact of the blanket slot waivers provided to airlines through the Ministerial Directions during COVID-19, which are addressed in more detail in Chapter Five.

QUESTION S. Should the ‘size of aircraft’ rule be retained? If so, what rationale or application criteria should be used?

This rule should be retained. Given the scarcity in runway slot capacity stemming from local rules, this is an issue that needs to be managed. Retaining the rule allows for the maximisation of overall seat capacity and, along with the other suggested allocation rules in Appendix 2, helps fairly manage the allocation of capacity at Sydney Airport.

QUESTION T. What considerations should be given for an effective compliance scheme?

Peak slots at Sydney Airport are a valuable and strategic commodity for airlines. Given the low barriers for applying for slots (there is currently no charge for a slot and no penalty for misuse), and given that airlines have the ability to keep a slot with the simple application of the 80/20 ‘use it or lose it’ rule, there must be a clear and transparent system in place to ensure slots are being appropriately allocated. This must be backed up by a strong compliance regime.¹⁶

Transparency in the allocation process

There should be appropriate checks and balances before any new slots are allocated to airlines. This includes ensuring there is appropriate transparency in the allocation process on the part of the Slot Manager, airlines, and the airport.

This transparency – lacking in the current scheme – will ensure that optimal outcomes can be reached ensuring fair access to the airport for regional, domestic and international airlines.

At a minimum, before a new slot is allocated there should be a process that airlines, the Slot Manager, and Sydney Airport undertake to ensure the objectives above are met. For example:

¹⁶ See section *Gaining historic rights to a slot* that sets out how airlines can operate below 50% of actual services and still meet the 80/20 rule by utilising the ‘double dip’ weakness in the WASG and the Australian holiday period exemptions.

Step 1: Airlines should be required to demonstrate to the Slot Manager they have the physical capacity to operate all existing and the new slots they have requested at the time of filing (demonstrating the availability of necessary fleet, pilots, schedule etc.).

Step 2: The Slot Manager may issue a conditional slot approval pending confirmation that all necessary Sydney Airport infrastructure is available (e.g. runway slot is approved, but aircraft parking availability needs to be confirmed).

Step 3: The Slot Manager must balance the competing priorities for fair access and the needs of different market segments, including existing airlines and new entrants, and supporting the broader public good.

Step 4 (if required): Where protected slots (e.g. RRF) remain unallocated, they may still be used on a non-historic basis.

A proper system of compliance for misuse of slots

The process outlined above should be backed by a strong compliance regime to assess how each slot has been utilised during a scheduling season. To ensure the efficient use of all slots, the assessment process should include working to prevent slot under-utilisation and actively penalising conduct that is inconsistent with the intention of the rules. Further detailed recommendations relating to slot compliance issues is detailed in Appendix 2.

Currently, there are few penalties for the misuse of slots. For example, there is nothing to prevent or discourage over-filing for slots beyond the actual capacity of airlines to operate all of the slots sought over a season. In effect, the current system incentivises and facilitates behaviours that lead to airlines seeking, and retaining, more slots than actually required. This pattern has gone unaddressed, ultimately harming travellers and the economy, as new entrants or airlines looking to grow services are blocked, leading to less competition. A proper system of compliance, backed by enforceable penalties, is needed to address these behaviours.¹⁷ The current Compliance Committee's terms of reference, membership and approach are unable to adequately manage these issues.

Appendix 2 sets out Sydney Airport's recommendations in detail with respect to:

- The powers of the Slot Manager to manage the slot filing process and the utilisation of slots during the season
- The constitution of an independent Compliance Committee
- The remit of the Compliance Committee – including alignment with the WASG in relation to the type of slot behaviours and conduct that can be reviewed
- Where the onus of proof should sit in respect of potential slot misuse

¹⁷ Penalties are available to be imposed for the misuse of slots at other major congested airports, for example, at London Heathrow, Paris CDG and Madrid Barajas.

- The potential range of sanctions that could be utilised by the Compliance Committee up to and including removal of slots from an airline (and ensuring actual legal authority for the Slot Manager to apply these sanctions)
- The process for airlines to challenge or seek review of any such penalties

Gaining historic rights to a slot

As noted above, once an airline gains historic rights to a slot, it is often held in perpetuity. Given this approach, there should be high barriers for receiving historic rights to a slot.

In order for an airline to retain historic rights to a slot, several procedural changes should be made, including:

- Removal of the ability to “double dip” where airlines can hand back 20% of slots they hold prior to the historic baseline date, which means they are then only required to operate 80% of the remaining slots to retain their historic precedence to the full slot series that was initially sought (i.e. only a 64% threshold)
- Removing the Australian Holiday period exemption (an additional 6-week exemption allowing grandfathering with only 47% usage)
- Increasing the minimum series length e.g. to 80% of the season (unnecessary if SYD’s Recommendation 2 is implemented)
- Ensuring positioning flights cannot receive historic rights or operate in peak periods¹⁸

The 80/20 use it or lose it rule sets an arbitrary threshold for the granting or maintenance of historic rights to a slot series. As mentioned, cancellation rates at Sydney Airport and many other busy airports globally tend to be around ~2% over the course of a season. Low rates of cancellation are consistent features of the international and regional markets at Sydney Airport.

By contrast, some of the cancellation rates on the busiest domestic routes are significantly higher than the ~2% average and can be up to 10%. Given the volume of services operating on these routes, these levels of cancellations have a demonstrable impact on the travelling public and on the efficient utilisation of slots at the airport. It is accepted that some of these cancellations will be due to weather events, but the same weather that impacts flights on these routes will also impact flights to and from other destinations where the cancellation rate is significantly lower.

Tightening the use it or lose it parameters to 90/10 or 95/5 may assist in reducing the impacts of these cancellations. Sydney Airport believes, however, these rates would be similarly arbitrary as the current 80/20 threshold. In Sydney Airport’s view, the best way to address the issue is by giving the Slot Manager and the Compliance Committee the necessary tools and powers to review and police at the time of initial schedule filing and then through the course of the season.

¹⁸ A positioning flight is when an airline needs to move a plane (without pax/freight) to an airport to then operate from there. They have an engineering issue for example and need to get a spare aircraft to Sydney Airport

Slot Manager should reduce slot fragmentation

The complex nature of the operating restrictions at Sydney Airport means that a variety of factors combine together in a complex ecosystem to drive inefficiencies. The issues raised earlier in the submission relating to slot fragmentation are made worse through operating behaviours. It is unlikely such a system will find an optimal solution left to its own devices. In fact, the inflexibility of the slot allocation process may actively prevent the Slot Manager from optimising the allocation of slots, even to the benefit of airlines.¹⁹ The changes outlined above, however, coupled with the changes to the movement cap set out in Section 1 – and the RRF in Section 2 – could go a long way to ensuring those who want to fly to Sydney Airport, can. The changes should also provide certainty to airlines with their slot holdings aligned to a carrier’s physical capacity to fly, facilitating better consumer outcomes.

In addition, to further reduce the fragmentation of slots the Slot Manager should also have the power to make *minor* changes to slot timings in order to maximise the overall capacity at Sydney Airport. This should apply even where an airline has historic rights to a slot series.

For example, in the NS19 post-hand back schedule, flight QF1509 to CBR was fragmented on Mondays, with 21 occurrences at 06:40am, and 8 occurrences at 06:45am. A simple 5-minute re-time of the 8 x 06:45am services to 06:40am would have ensured the 06:45am slot was not blocked.

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

No. The current focus and outcomes of the compliance scheme have been inadequate to address the issues of slot misuse at Sydney Airport. The definition of slot misuse should align with the WASG.

Further detail is set out in answer to Question T and at Appendix 2.

QUESTION V. Are the penalties, if implemented, significant enough to encourage compliance? Are there alternative compliance mechanisms which could be considered?

¹⁹ For example, a study into slot optimisation at Lisbon, Porto and Madeira Airports found that the level of airline displacement from their optimal slot time could be reduced by up to 70% if the Slot Manager was not constrained by all the existing rules – ‘*An Optimisation Approach for Airport Slot Allocation under IATA Guidelines*’ - Ribeiro, Jacquillat, Antunes, Odoni and Pita (2018)

No, the penalties do not act as a sufficient disincentive, which is reflected in the historic behaviour. In addition, the Slot Manager requires greater enforcement powers. Further recommendations are set out in answer to Question T and at Appendix 2.

QUESTION W. Do you have any comments on the Ministerial Direction provision in the Act?

The Ministerial Direction provision provides broad powers to the Minister to make temporary or permanent changes to slot allocation at Sydney Airport. It is important that such powers exist to manage the range of different scenarios that might arise and impact the operation of Sydney Airport. A good example is the specific allocation rules for returned slots to ensure competition in the domestic market that were applied following the collapse of Ansett. Having said that, given the implications for the industry and Sydney Airport that may arise when Ministerial Directions are issued, coupled with the complexity of the system that can lead to unintended consequences, any use of Ministerial Direction powers should only be undertaken following consultation with the industry.

QUESTION X. Does it remain appropriate for the Slot Manager and Compliance Committee to be principal instigators for changes to the slot scheme and compliance scheme?

Clearly one of the benefits of an independent Slot Manager and a strong Compliance Committee should be the ability to recommend changes to the scheme, however, these should not be the only avenues for improvement. Sydney Airport welcomes this review of the slot scheme and believes that such reviews should be scheduled every five years to ensure that the scheme is keeping pace with changes in the aviation industry and remains fit for purpose.

In addition, and separately from a proposed five-yearly review, Sydney Airport believes that carefully defining the roles and powers of the Slot Manager and Compliance Committee is critical to the efficient and effective operation of the scheme. Further detail is set out in Appendix 2.

QUESTION Y. Given the maturity of slot management and the WASG, does the scope of the Slot Manager's functions remain appropriate?

Yes, however, there is a continued need for a proactive focus on transparency on the part of the Slot Manager across all its functions, including compliance, as outlined in Question N above.

QUESTION Z. What process should be undertaken to identify and appoint a Slot Manager and how often should the position be reviewed?

The appointment of a Slot Manager should be driven by best practice in terms of governance and transparency. The position of Slot Manager should continue to be subject to a periodic market based tender and the costs and services provided should be clearly documented. Further details of the Sydney Airport recommendations are contained in Appendix 2.

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

No. As set out in the full submission, reform is required in a number of areas to ensure more efficient use of the infrastructure including, amongst other recommendations, moving to a scheduled movement cap.

Importantly the recommended changes to the movement cap, RRF and slot management in this submission need to be considered together to ensure a consistent approach that ensures efficient operations while meeting stakeholder and community needs.

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

As stated in the responses to Question N, it is critical that everyone involved in the demand management system at Sydney Airport has confidence in the Slot Manager and its ability to undertake the tasks required.

In terms of the example in the question, there are opportunities to improve confidence in the process if the coordination is done in a fair and transparent way. Significant risks arise, however, if this process is

not undertaken transparently and in a way that impacts the airport's ability to allocate infrastructure, resourcing, and capital expenditure.

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

Currently, the record keeping requirements do not provide an appropriate balance. Transparency over slot allocation and information sharing processes are inadequate. Information regarding slot allocations (including those allocated on a historic basis), remaining slots available and the reasons why slots were not allocated as requested, and full seasonal information on the RRF should be provided to all relevant parties.

Sydney Airport requires improved information from the Slot Manager in order to operate the airport and plan infrastructure in an efficient way (as noted in Question T).

QUESTION DD. Should there be a legislated framework for handling influxes of returned slots due to significant industry disruptions?

Sydney Airport is keen to ensure fair and open access for all airlines. This is particularly important in the recovery period following significant industry disruptions. Ideally, the standard framework should be sufficient to manage such situations. In the event of extreme disruption, however, Ministerial Directions may be required to ensure fair and open access and to prevent anti-competitive behaviours. As discussed in answer to Question W, these should only be used following industry consultation.

Chapter 4 – COVID-19

Aviation was the first sector hit by COVID-19 and will be one of the last to fully recover. While the domestic recovery is well underway already, with the reopening of state and territory borders, the timeline for international recovery remains highly uncertain and is dependent on a range of external factors.

Fundamentally, Sydney Airport supports waivers where airlines are prevented from flying due to decisions of Government. While Sydney Airport acknowledges the need to protect slots for flights that were unable to be operated due to border closures, as circumstances improve and markets open, protections for slots should be removed to ensure a return to normal market dynamics.

In addition, it is important that fair competition is encouraged and that unused slots are not blocked from new or expanding airlines, particularly as the aviation sector recovers from the impact for COVID-19.

In order to strike the right balance for the coming NS21 season, Sydney Airport recommends the following measures:

1. Protection of the pre-COVID-19 international slot holding through a waiver for NS21, which should continue to be reviewed on an ongoing basis
2. Waivers domestically only where border restrictions remain in place between NSW and other states and territories that prevent airlines from operating
3. A review of market conditions and Government restrictions should be conducted midway through the NS21 season to ensure any waivers or other rules remain appropriate
4. A direction to the Slot Manager that ensures that incumbent airlines that are not operating at pre-COVID-19 levels of capacity cannot obtain historic rights to any new slots or change requests for NS21
5. Conditions should be introduced for airlines that have slot waivers to ensure they hand back slots that will not be operated within timeframes that render these slots useable by other airlines seeking to operate during NS21

Recommendation

Recommendation 9

Only grant future slot waivers as part of COVID-19 recovery measures where travel restrictions remain in place that prevent airlines from operating (Section 5).

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

As noted above, Sydney Airport understands and supports the need for airlines to have their slots protected where they are not able to operate a service. Where an airline is able to operate a service, but chooses not to, the slot for this service should not be protected. In this latter case not operating a service is a commercial decision, and if the slot is protected it could prevent another airline that would make a commercial decision to operate a service at that time from doing so. The ongoing protection of slots that can be operated is therefore highly inefficient and could have unintended consequences for competition and consumers.

Noting the significant impacts of COVID-19 on airlines, and the size of fleets they had pre- and post-COVID-19, careful assessment should also be undertaken by the Slot Manager in considering the volume of slots that airlines are filing for NS21. A slot should only be granted where an airline actually has the ability to operate the number of services and types of services filed for. This would serve to avoid the situation where an airline was merely filing for all of its pre-COVID slot holdings rather than the actual schedule it intends to operate, and can actually operate, in NS21.

Government waivers during COVID-19

The WASG are designed to provide a baseline set of rules for global slot allocation under normal operating circumstances when aviation markets are functioning. To the extent that the WASG has provisions for disruption to services these are focused on short term impacts and have not proved appropriate for a situation such as COVID-19. The COVID-19 pandemic has differed from other disruptions to aviation in the following ways:

- without intervention, large volumes of slots at congested airports could become available at the same time
- a large volume of slots may be held by incumbent airlines for services that may not be able to be operated preventing new entrant airlines from gaining access to the market to offer new services and competition, and
- there is a timing asymmetry in demand between carriers who can scale their operation quickly (e.g. domestic) compared to carriers who are prevented from operating for a longer duration due to border restrictions (e.g. international). It has been recognised globally that domestic, or short-haul markets, are likely to recover at a faster rate than international. This will certainly be the case in Australia. Without proper planning and implementation of appropriate safeguards over the next few years, capacity allocation based on current market conditions might have unintended consequences

In response to the unprecedented operating environment, and the fact the WASG is unable to adequately address a prolonged industry wide crisis such as the COVID-19 pandemic, governments worldwide have granted blanket waivers and exemptions to all airlines based on previously held slots with historic precedence.

As an immediate measure in response to the pandemic, this was justified. The decision was, however, predicated on the assumption airlines would act in the public interest by returning slots that they did not intend to use in a timely manner once they had protection of a waiver, which would enable recovery and new entrants as appropriate. In practice, this has not occurred in Australia or in other congested airports globally.

Sydney Airport is not supportive of further ongoing non-conditional blanket waivers across all market segments. They are not necessary for many routes that can operate commercially and free of Government restrictions (such as domestic routes). In addition, extensions of these waivers in segments that can operate freely may distort the availability of slots at Sydney Airport, and reduce the incentive for airlines to recommence flights to/from Sydney Airport, which is necessary for recovery of the aviation industry and the broader economy.

Airline response to COVID-19 waiver and requirement for slot hand back

The current Ministerial Direction that protects slots for the NW20 scheduling season currently contains no required timeframe for airlines to hand back slots that they do not intend to operate. Despite Sydney Airport expressing concerns about this issue in the lead up to the issuance of the Ministerial Direction, airlines assured the Government they would behave rationally and reasonably once slots were protected.

This has not been the case, and the lack of appropriate conditions in the current waiver has led to sub-optimal outcomes that have been particularly evident in the Australian context. This has included increased slot filings, despite the COVID-19 downturn and consequent restrictions to travel. In addition, the waiver, granted by Ministerial Direction to protect historic slots, states that slots should be handed back as soon as an airline knows it will not be flying those slots. This prompt return of slots, however, has not been observed in practice. The combined effect has the potential to be detrimental to competition.

The Australian market conditions are different to many global markets

The Australian market differs from many other global markets as we seek to emerge from the COVID-19 crisis. Australia has made significant progress in limiting the virus within our country and in global terms has very low levels of COVID-19. Notwithstanding this success a number of states and territories closed their borders during 2020, which impacted the ability of airlines to fly domestic routes. Domestic borders are, however, now re-opening, and airlines have given very positive public statements about the strength of demand in the domestic market.

By contrast, Australia has some of the toughest international border restrictions in the world, meaning the outlook for international travel in 2021 remains very uncertain. This two-speed market recovery must be carefully managed to ensure short term COVID-19 related policy does not create long term market distortion with respect to slots and access to Sydney Airport.

The unique market conditions created require a bespoke solution

As detailed, Sydney Airport recommends that where Government restrictions on flying remain in place, airlines should be granted a waiver over slots held for NS21 (e.g. where Australia's international border remains closed indefinitely).

Given the rapidly changing nature of the COVID-19 recovery, and the uncertainties around vaccines, a review of any waivers should be undertaken midway through the NS21 season to ensure the approach remains fit-for-purpose. In the event of state border closures occurring during the NS21 season, the airport believes that airlines should be granted 'justified non-utilisation' protections under the WASG for any flights scheduled during the period of any such border closures. The WASG include provisions to grant an exemption to the normal 80/20 use it or lose it rule in circumstances where a service cannot operate, which could include the inability to operate a specific route for the period of a border closure.

Beyond NS21, any future waivers need to be quite specific on which slots are being protected and why. For instance, if there are no travel restrictions in place, airlines need to demonstrate how they intend to use the slots for which they have historic precedence in order to maintain them. The plan should include a proposed start date and a defined list of incremental steps to reach the pre-COVID frequency and capacity for which the slot is held. If an airline does not meet its planned objectives, or is unable to demonstrate how they intend to grow back into the slots, they should be forced to hand back these slots to the slot pool.

This will allow airlines seeking access to Sydney Airport, or to expand operations at Sydney Airport, the opportunity to gain access to and use these slots, which leads to more efficient use of the airport and more capacity in the market for the benefit of consumers.

As noted above, Sydney Airport recommends the following measures:

1. Protection of the pre-COVID-19 international slot holding through a waiver for NS21, which
2. continue to be reviewed on an ongoing basis
3. Waivers domestically only where restrictions between remain in place between NSW and other states and territories
4. A review of market conditions and Government restrictions midway through the NS21 season to ensure any waivers or other rules remain appropriate
5. A direction to the Slot Manager that ensures that incumbent airlines that are not operating at pre-COVID-19 levels of capacity cannot obtain historic rights to any new slots or change requests for NS21
6. Conditions for airlines that have slot waivers that ensure they hand back slots that will not be operated within timeframes that render these slots useable by other airlines seeking to operate in NS21

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

As outlined in the response to Question EE, the extent of any measures for NS21 should depend on the status of Government restrictions. Protections should be removed as Government restrictions are removed. In the event restrictions are reintroduced during the scheduling season the WASG 'justified non-utilisation' provisions cover those periods where airlines cannot operate.

QUESTION GG. Which option, option variant or alternate approach is reasonable? Please provide your rationale.

Of the options outlined in the Discussion Paper, Option 3 – Full or select waiver with conditions – is most reasonable, with select conditions around which markets continue to need protection consistent with Question EE above.

While Sydney Airport does not advocate for new slot pools generally, if observed behaviours result in inefficient or sub-optimal outcomes, Option 4 - Reset - may have some merit.

QUESTION HH. If further interim measures are implemented in response to COVID-19, should they only apply to peak period slots?

Sydney Airport would be comfortable if measures applied only to the peak period, though the airport notes that over filing and other behaviours, which limit access for new entrants can affect slots at other times of the day.

QUESTION II. Would you support the establishment of a Pandemic Recovery Pool of slots? Why or why not? What parameters would make it most effective?

As outlined in the response to questions EE and GG, Sydney Airport does not advocate for additional slot pools if the other recommended changes are made to ensure the efficient allocation and operation of slots at the airport.

It is important to ensure airlines only hold slots they intend to, and can actually, operate to allow new or expanding airlines to gain entry into Sydney Airport. The concept of creating slot pools would be appropriate if actions that limit capacity of operations and access for new entrants persist.

Chapter 5 – Sunsetting

JJ. Are the objectives of the Legislation clear and relevant? Are there non-regulatory approaches to achieve the intended objectives?

Sydney Airport understands that the objective of the Legislation is to achieve a balance between the efficient use of the airport and broader community issues such as the noise and environmental impact of the airport.

While these objectives are clear and remain relevant, the legislation and the underpinning regulations are no longer fit-for-purpose.

In some cases, specific regulations were last enacted more than 20 years ago when Sydney Airport handled approximately half the number of passenger than it did in 2019. As set out in this submission, there is a need to update regulations to better align with the contemporary operating environment of the airport. There is also an opportunity to allow for greater transparency on the availability and allocation of slots to facilitate more efficient use of airport infrastructure.

This would ensure the regulatory environment covering demand management at Sydney Airport is reflective of current movement and passenger numbers (including catering for future growth), airport and airline operations, while continuing to serve the needs of the surrounding community regarding issues such as noise impacts.

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

Currently, there are a number of complex legislative instruments that together establish the framework for the management of demand at Sydney Airport. In addition to ensuring the legislation is fit for purpose and addresses the issues raised in the discussion paper, the slot regime, as a whole, would benefit from being re-designed with the following objectives:

- **Simplicity** – simplifying and shortening the slot management scheme, including reducing the number of legislative instruments that form the scheme. Making it simpler and more user friendly would help to ease the administrative burden on airlines, the Slot Manager and Sydney Airport.

- **Alignment with global best practice** – the WASG is the global standard for slot management at level 3 constrained airports globally. While Sydney Airport recognises that each market is different, and that the slot regime must be specifically designed for Sydney Airport, the WASG (as updated periodically) should be incorporated or referenced.
- **Flexibility** – noting the aviation industry is dynamic, some flexibility is required in the slot regime. Sydney Airport recommends incorporating flexibility by referencing the WASG including any changes made to it from time to time.
- **Clarity** – the slot regime and the role of participants within the regime must not be ambiguous. For example, clarity is required around whether apron and terminal allocations are to be conducted by Sydney Airport or the Slot Manager.
- **Accountable and accessible** – decisions taken by the Slot Manager and the Compliance Committee should be able to be assessed by airlines and Sydney Airport to understand how they align with the processes and outcomes sought in the legislation. Regular reporting and the provision of relevant information from the Slot Manager should be a base expectation in the legislation.
- **Consistency** – there are a number of areas where the Legislation and the Regulations are inconsistent, which should be addressed and avoided going forward. For example, the *Sydney Airport Curfew Act* allows 14 movements a week between 11pm and midnight and 35 arrivals a week between 5am and 6am (during the curfew shoulder periods) provided certain conditions are met. However, the *Sydney Airport Curfew Regulations* reduce the number of permissible movements to zero during the evening curfew shoulder period and 24 movements during the morning curfew shoulder period.

In 2020, the Australian Competition and Consumer Commission (ACCC) commenced monitoring airline competition and noted the potential for competition concerns to arise from airline behaviour in relation to slots at Sydney Airport.²⁰ Given the imperative to reduce barriers to entry, facilitate competition at Sydney Airport for the benefit of consumers, and the ACCC's expertise in competition assessments, Sydney Airport suggests the ACCC's role in monitoring airline behaviour, specifically in relation to slot overfilling and cancellations, be formalised. Information held by the Slot Manager will be critical to understanding slot behaviours at Sydney Airport. As a result, Sydney Airport believes the Slot Manager reporting to the ACCC at regular intervals, and providing any information requested by the ACCC, would help facilitate its oversight.

²⁰ ACCC Report, "Airline Competition in Australia", September 2020

LL. Would consolidating the Legislation into fewer instruments reduce complexity?

As noted in the response to Question KK, consolidating the Legislation into fewer instruments would reduce complexity for the benefit of airlines, the Slot Manager and the airport. Further consultation should be undertaken with industry as the parameters of reform are defined and the question of how to consolidate and update the regulatory framework is further considered.

MM. What are the regulatory impacts imposed on you and how could they be reduced?

As set out through this submission, the impacts from the current regulatory framework are significant. They limit the efficiency of the airport, which consequently impacts a wide range of stakeholders including airlines, consumers, the community surrounding the airport, and harm the overall potential economic gain for New South Wales and Australia. The recommendations in this submission, if adopted, would lead to a significant improvement in the productivity and efficiency of the airport.

Chapter 6 - Further issues for consideration

While not directly within the scope of the review, this section sets out a number of items Sydney Airport believes merit further consideration.

Implementation of a daily scheduled movement cap

Sydney Airport has made a number of recommendations through the submission that are designed to remove inefficiencies restricting the airport from operating up to its legislated capacity. If all of these measures are implemented, they will reduce the gap between the actual number of movements that can be practically achieved when compared to the cap of 80 movements the legislation was designed to deliver. Having said that, these recommendations do not represent the simplest and most effective way to achieve this outcome.

A daily cap on the total movements measured across the 17 non-curfew hours of the day would be a better and simpler way to efficiently utilise Sydney Airport's slots. By way of comparison, Heathrow Airport, the principle gateway for London (one of the busiest airports in the world that also manages complex noise issues) has an annual movement cap. This was introduced following extensive community consultation, acknowledging the need to balance noise impacts for the community with the importance of economic and operational activity.

A daily cap on scheduled total movements would not result in clustering of movements as the operational limits described in response to Question A, including runway capacity, would need to be considered by the Slot Manager in allocating slots.

Sydney Airport notes a change of this nature is effectively out of scope for this specific review, but consideration should be given to this in the future.

To balance any community noise concerns, if this more flexible and practical approach were to be taken, Sydney Airport could consider a reduction in the total number of permitted daily movements below the current theoretical total of 1360 per day (17 x 80). There would need to be further discussion around the technical design and implementation of this approach, but it shows an example of how a flexible approach could be adopted to balance the needs of multiple stakeholders.

Rebalancing runways by allowing runway allocated slots to be issued

When Sydney Airport's parallel north-south runway opened in 1994, all departures to the north were prohibited and certain aircraft types operated by international airlines were banned from using the runway at all, despite the fact they could safely do so. This forced these aircraft to use the main north-south runway, needlessly concentrating noise impacts to the north and north-west of the airport.

The so-called 'Bennelong Funnel' saw the proportion of flights to the north peak at nearly 50 percent and was strongly opposed by the community. In 1996, the incoming Government decided to share noise more fairly by allowing departures from the parallel north-south runway to the north and by implementing a new noise sharing policy, known as the *Long-Term Operating Plan* for Sydney Airport.

The prohibition on certain aircraft types operating on the parallel north-south runway, however, remained in place. As a result, the main north-south runway became busier over time, while the parallel north-south runway was being underutilised.

Several years ago, in consultation with airlines, Government (including AsA) and the Sydney Airport Community Forum, Sydney Airport began a project to rebalance use of the two north-south runways.

To date, two stages in this runway rebalancing project have been completed:

- Stage 1 allowed some aircraft types operated by international airlines – including the B777-200, B787, A350 and A330 – to use the parallel north-south runway for the first time.
- Stage 2 resulted in flights departing to Melbourne during peak periods moving from the main runway to the parallel north-south runway.

Not only has this runway rebalancing resulted in significant efficiency gains on the airfield and in Sydney's airspace, it has also contributed to better noise sharing outcomes, by reducing over-reliance on the flight paths to and from the main north-south runway.

Stage 3 of the project was to have allowed new slots to be issued on condition that the flight operated from the parallel runway, when safe to do so. While this proposal was favourably received by key stakeholders, advice was received from Government that Sydney Airport's slot management scheme did not allow such runway allocated slots to be issued.

A variant of this proposal is used successfully at Tokyo-Narita Airport, and could apply to new or existing slots at Sydney Airport. Safety would remain the paramount consideration. That is, the pilot of an aircraft operating with a service with a conditional slot requiring use of the parallel runway could always choose to use the main runway for safety-related reasons.

Sydney Airport believes the slot management scheme should explicitly allow runway allocated slots to be issued. Sydney Airport also believes further work should be undertaken with key industry stakeholders to look at other enhancements to runway balancing. This would include existing services that currently do not have allocated runways. This would continue to improve airfield and Sydney airspace efficiency and contribute to better noise sharing outcomes.

Improved noise management via improvements to air navigation technology

The Australian Government has indicated that detailed work to begin planning for the Western Sydney International Airport's airspace design began in 2017 and will be finalised by 2024.

The flight paths are being designed by a team of experts and overseen by an aviation Expert Steering Group. Sydney Airport is represented on this group. This team is tasked with developing flight paths based on maximising safety, efficiency, capacity, and minimising aircraft noise impacts on the community.

The detailed airspace and flight path design for Western Sydney International Airport is applying international best practice for managing airspace design and its associated environmental impacts. In particular, the use of satellite-based navigation technologies will provide greater flexibility in planning

flight paths and will allow a larger range of options to be considered for managing noise from both night and daytime operations.

AsA refers to flight paths designed for satellite navigation technology as Smart Tracking. It is also known in the aviation industry as *Required Navigation Performance-Authorisation Required*, or RNP-AR.

As the *Western Sydney Airport Plan* makes clear, the potential environmental and noise benefits of RNP-AR include:

- the ability for aircraft to fly with greater accuracy, with only a small variation in the actual paths flown from one aircraft to another. While this has the benefit of minimising the overall noise footprint, it is acknowledged that it can also concentrate noise impacts underneath the RNP-AR flight path. Management of community noise impacts could include consideration of the periodic use of alternative flight paths to provide longer and more predictable respite periods for affected communities; and
- greater capacity for aircraft to use continuous descent approaches and reduce their noise footprint. A continuous descent approach minimises level flight segments prior to an aircraft intercepting the runway's Instrument Landing System (ILS) and enables the aircraft to be operated with low engine thrust settings and, where possible, a low drag configuration that reduces carbon emissions and noise.

Another integral part of Australia's next-generation satellite-based air navigation system is the Ground Based Augmentation System (GBAS), known in Australia as SmartPath. It is a satellite-based precision landing system and improves the accuracy of aircraft positioning and allows for a safer, more efficient descent and landing. SmartPath has been operational at Sydney Airport for several years.

As part of the airspace and flight path design process for Western Sydney International Airport, Sydney Airport believes there is an opportunity to examine the potential environmental and noise benefits that could also be associated with Sydney Airport's existing flights paths. Effective use of new technology could, for instance, result in better noise sharing outcomes and reduce noise generated by aircraft on approach to land at Sydney Airport.

Noise limit

Global experience demonstrates there are other ways to effectively manage aircraft noise impacts that could be considered for Sydney and other Australian airports. For example, in 1998, the Dutch Government imposed a noise pollution limit, or noise budget on Amsterdam's Schiphol Airport. The limit was based on a total annual noise budget that (at the time) allowed 380,000 flights in 1998, with allowable increases of 20,000 per year for five years, provided that there was no change in the noise contours.

Appendix 1 – Noise and emissions

Aircraft noise

Sydney Airport has commissioned an independent assessment of the noise and carbon emission implications of potential reforms to the slot management system from Airbiz.

This assessment demonstrates that reform will deliver:

- no significant change to existing aircraft noise impacts and, in some cases, an improvement
- increased opportunities for noise sharing in areas around the airport, and
- reduced carbon emissions due to a reduction in ground and airborne flight delays

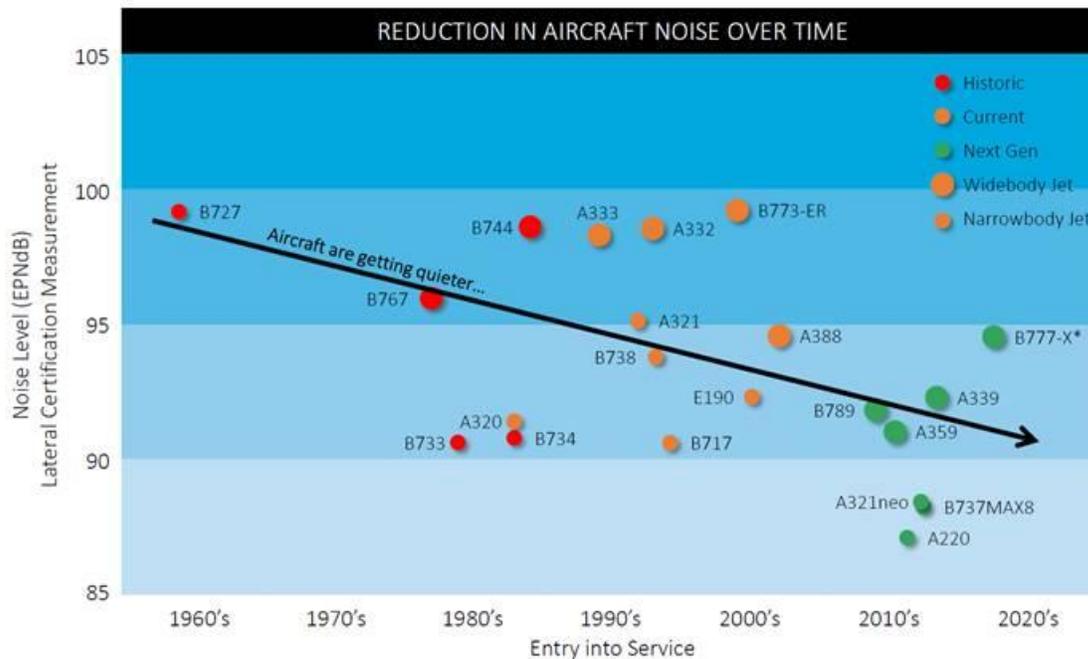
The full assessment document is available on request.

Aircraft are getting quieter

Aircraft and engine manufacturers invest billions of dollars every year into research and development to improve the noise performance of aircraft. As a result, the International Civil Aviation Organization (ICAO) has said that aircraft coming off the production line today are about 75 percent quieter than they were 40 years ago. The aviation industry is continuously working to further reduce aircraft noise.

As the figure below illustrates, airline fleet renewal and modernisation at Sydney Airport is delivering significant noise benefits. Next generation, quieter and more fuel-efficient aircraft (such as the Boeing B787 Dreamliner, B737MAX, Airbus A350 and A320neo) have already replaced, or will in the future replace, older noisier aircraft (such as the Boeing B747, B767, and Airbus A340).

The trend in replacing older aircraft with next generation quieter aircraft has accelerated during the COVID-19 pandemic and peaked at nearly 90 percent of all aircraft in mid-2020. This was particularly the case for larger international aircraft. Post-pandemic, while this percentage is expected to decrease somewhat, Sydney Airport still expects that by 2026, when traffic will have recovered above pre-COVID levels, nearly 50 percent of the international aircraft fleet and 20 percent of the domestic aircraft fleet will comprise next generation quieter aircraft. This will continue to increase over time, ensuring that noise generated per flight will continue to decline.



Environmental management

Sydney Airport recognises the need to manage the airport in an environmentally sustainable manner for the benefit of people in Sydney, NSW and Australia and acknowledges that aircraft noise is an issue of concern for many in the community, especially for those living around the airport or under flight paths.

The Airbiz analysis of the recommendations proposed in this submission concluded any proposed changes to the recommendations would deliver no significant change to existing aircraft noise impacts and, in some cases, an improvement, together with reduced carbon emissions due to a reduction in ground and airborne flight delays.

The Airbiz assessment is based on the forecast “busy day” flight schedule for 2026, which was used to prepare Sydney Airport’s current *Master Plan 2039*, as approved by the Australian Government on 28 March, 2019. It has also been assumed that the average daily aircraft movements per clock hour does not exceed 80 and that Sydney Airport’s existing flight paths will not change.

Increased noise sharing opportunities

Minimising the effect of aircraft noise on residents has been a key objective of the Australian Government’s noise sharing policy since 1997.

Known as the Long-Term Operating Plan (LTOP), this policy is designed to ensure flights to and from Sydney Airport are maximised over water (i.e. Botany Bay) or over non-residential areas. Where overflight of residential areas cannot be avoided, the LTOP aims to safely and fairly share noise between communities and provide breaks in air traffic for residents, often called ‘periods of respite.’

The LTOP is implemented on a day-to-day basis by AsA who ensures that, when implementing the LTOP, the safe operation of the airport is never compromised.

Sydney Airport supports noise sharing and provides and maintains the necessary on-airport infrastructure to facilitate its implementation.

The LTOP provides several ways to operate Sydney Airport’s three runways. These are referred to as ‘runway modes of operation’ (RMOs) and include:

- two high capacity RMOs, known as modes 9 and 10. These involve *only* use of Sydney Airport’s two parallel north-south runways
- three noise sharing RMOs, known as modes, 5, 7 and 14a. These involve use of both north-south runways *and* the east-west runway.

During peak periods when the airport is busier – defined here as 6am to 11am and 3pm to 8pm (a total of ten hours) – the high capacity modes 9 and 10 are typically used. During off-peak periods – defined here as 11am to 3pm and 8pm to 11pm (a total of seven hours) – the noise sharing modes 5, 7 and 14a are used, subject to weather and traffic levels.

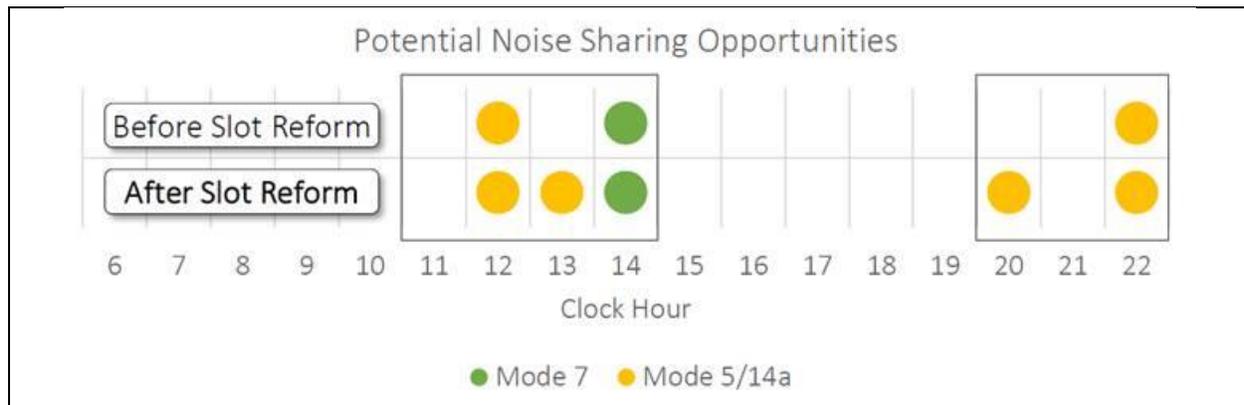
It is noted that mode 9 also produces noise sharing outcomes because northerly departures from the parallel north-south runway turn to the east after take-off and so, for the purposes of the LTOP, are treated as easterly movements.

The extent of noise sharing can be seen by looking at the number of flights to the north, south, east and west of the airport. As shown in the table below, Sydney Airport’s *Master Plan 2039* compares the proportion of flights in each of these quadrants, comparing 2017 to that forecast in 2039.

Year	North	South (over Botany Bay)	East	West
2017 (actual)	33.0%	51.3%	14.4%	1.3%
2039 (forecast)	33.7%	46.8%	14.7%	4.8%

In terms of residential areas to the north and east of the airport, little change in the existing proportion of flights would be expected over the next 20 years. Areas to the west of the airport would see an increase, although from a very low base. The proportion of flights to the south of the airport would be expected to marginally decline.

As shown in the chart below, which has been extracted from the Airbiz report, however, it is anticipated that opportunities for noise sharing could marginally increase by 2026. This is due to the fact reform would deliver a more even spread of the number of flights across the day in any given hour. As Sydney Airport’s *Master Plan 2039* shows, noise sharing opportunities will remain available until at least 2039.



Expected change in the number of flights using particular flight paths

Knowing the expected change in the number of flights using a particular flight path during peak and off-peak periods is important so residents can better understand how the reform proposals outlined in this submission could affect them.

The Airbiz assessment concludes that, in 2026:

- when the LTOP's two high capacity RMOs are in use during peak periods, residents living beneath flight paths to and from Sydney Airport's two north-south runways would experience a small increase of no more than two flights an hour, no change at all, or, in some cases, fewer flights per hour when compared to the status quo.
- when the LTOP's three noise sharing RMOs are in use during non-peak periods, implementation of noise sharing policy will deliver a fairer distribution of flights around the airport. Residents living beneath the flight paths to and from Sydney Airport's east-west runway will experience an increase of around 12 flights an hour for the relevant hours, while residents living in areas to the north and south of the airport will experience 12 fewer flights an hour.
- the number of flights operating during the most sensitive non-curfew times of the day – 6:00am to 7:00am and 7:00pm to 11:00pm – would decrease by approximately ten movements with a corresponding predicted increase of ten flights in the less sensitive hours between 7:00am and 7:00pm.

Other environmental and noise management measures

While not directly related to the Demand Management Act or Slot Management Scheme, Sydney Airport has identified further opportunities to better manage aircraft noise impacts and reduce carbon emissions.

Curfew noise restrictions

It is noted that Sydney Airport's curfew is out of scope for this review. An opportunity to reduce the noise generated by the limited number of aircraft permitted to operate during the curfew, however, has been identified, which could be considered.

By way of background, the *Sydney Airport Curfew Act 1995* (the Curfew Act) allows specified aircraft to operate during the curfew. These are typically smaller overnight freight or general aviation aircraft.

The existing freight aircraft permitted to operate during the curfew, however, is exactly the same as it was a quarter of a century ago when the Curfew Act was first enacted. It therefore includes older and noisier aircraft types that no longer fly in Australia, such as the DC-9. Even those aircraft still flying to Sydney during the curfew – such as the BAe-146 – are significantly noisier than their modern counterparts.

The *Adelaide Airport Curfew Act 2000* provides a different, and in Sydney Airport's opinion, a better way to regulate aircraft noise impacts during the curfew. It permits aircraft to operate on a noise performance basis (i.e. so long as they meet strict noise standards), rather than on a specified individual aircraft type basis.

Sydney Airport proposes that the Adelaide Airport model be adopted in Sydney. This would reduce noise impacts during the curfew, benefitting nearby communities, as well as improve efficiency, benefitting overnight airfreight operators and their customers.

Reducing carbon emissions

All industries, including aviation, contribute to climate change and all must be a part of the solution.

The Intergovernmental Panel on Climate Change and International Air Transport Association estimate that aviation accounts for between two and three percent of global carbon emissions. Aviation's challenge is to retain the many economic and social benefits air travel provides, while reducing these emissions.

Most carbon emissions associated with aviation are a result of in-flight emissions from aircraft, though other on-ground activities (such as taxiing) are a contributor. Emissions caused by ground or airborne delays should therefore be avoided wherever possible.

The Airbiz assessment of the two areas where it is anticipated reform of Sydney Airport's slot management scheme will have the greatest impact – outbound taxiing of departing aircraft and airborne holding of arriving aircraft – demonstrates that reform will deliver reduced emissions.

Outbound taxiing of departing aircraft

The restrictive 15-minute rolling hour in the Demand Management Act can result in departing aircraft queuing at the end of the runway (with their engines running) waiting to depart. Delays can be up to several minutes during peak periods, while pilots wait for the next 15-minute rolling hour to begin before taking off.

Airborne holding of arriving aircraft

The inflexibility of the existing operating restrictions can also result in multiple aircraft flying to Sydney being held in the air, circling above either the ocean or other areas close to Sydney as they wait for the next 15-minute rolling hour to begin so they can safely land.

Reform of the slot management scheme will reduce these aircraft holding times and therefore reduce carbon emissions and noise.

Cleaner aircraft technology

The development of new, more fuel-efficient aircraft and engines is substantially reducing carbon emissions. New technology aircraft are, on average, around 15-20 percent more fuel efficient than the older aircraft they replace.

The increasing use of sustainable aviation fuels, which are already being used on some commercial flights globally, also has the potential to cut carbon emissions by up to 80 percent over the lifecycle.

Appendix 2 – Slot Management

Slot Manager at Sydney Airport

Appointment of the Slot Manager

- The position of Slot Manager should be subject to periodic market based tender and the costs and services provided by the Slot Manager should be clearly documented.
- The term of the contract for the Slot Manager should be for a minimum of 3 years, unless terminated earlier by the Department.
- Sydney Airport, as the owner and operator of the airport should be responsible for appointing the coordinator for Sydney Airport. This is consistent with the process for every other airport in Australia.
- Sydney Airport will follow the directions set out in section 61 of the *Sydney Airport Demand Management Act 1997* and the process defined in section 4.5.1 of the Sydney Airport Slot Management Administration Manual, to run a tender process to find the most suitable candidate to be appointed as the Slot Manager.
- Sydney Airport will seek the endorsement from the Department prior to appointing the Slot Manager.
- The Slot Manager in Sydney should be funded by an administrative fee, using an agreed formula (to be agreed with industry).

Independence of Slot Manager

- The ownership structure of the coordination company (Slot Manager) should be completely independent of any airport / airline or interested party, to increase the neutrality of the coordination process.
- The Slot Manager must act in a neutral, transparent, and non-discriminatory manner.

Pillars of slot allocation

- The Slot Manager should allocate all slots at Sydney Airport adhering to the principles of transparency, flexibility, sustainability, certainty, and consistency in airport capacity allocation.
- The Slot Manager should be responsible for allocating capacity at Sydney Airport in accordance with guidelines set out in Chapter 8 of the latest version of the WASG taking into consideration local rules for SYD and in accordance with all applicable laws and regulations and the Slot Allocation Rules.
- The Slot Manager should use all reasonable endeavours to allocate slots to reach the scheduling limits set for Sydney Airport.

- The scheduling limitations, known as the 'coordination parameters' may include runway limitations, aircraft parking bays, terminal capacity etc. These would be advised by Sydney Airport twice each year ahead of the relevant season consistent with the current process.

KPI's of the Slot Manager

- The Slot Manager should produce a dashboard for Sydney Airport that measures the allocated capacity against a predetermined set of parameters.
- As soon as the Slot Allocation List (SAL) is distributed, the coordinator must provide all information to the airlines and Sydney Airport, containing a list of slots allocated, remaining slots available and the reasons why slots were not allocated as requested.
- The Slot Manager should make suggestions to airlines on slots adjustments, including changes to historic allocations that are likely to improve airport capacity.
- The Slot Manager should be able to make minor adjustments to an airline's slot holding, to reduce slot fragmentation and create a consistent time for a held slot series, or create opportunities to increase movements or decrease congestion, that will improve the overall efficiency of the airport.
- The Slot Manager must maintain an up to date, freely accessible electronic database containing the following information:
 - historical slots held by airline, chronologically, for all airlines operating at Sydney Airport
 - requested slots (initial submissions) for all airlines in chronological order
 - all allocated slots, and outstanding slot requests, listed individually in chronological order, by airline, for all airlines
 - all RRF capacity by hour, by day
 - remaining available slots by type (e.g. RRF)
 - slots transferred or exchanged, indicating the identity of the airlines involved
 - full details on the coordination parameters

Proposed slot allocation rules

Sydney Airport suggests that the Slot Manager should allocate slots at the airport based on the prioritisation order set out below. Unless otherwise noted, this is based on the WASG and Sydney Airport Slot Scheme.

1. Unchanged historic slots
2. Of the remaining slot pool: at least 50% to new entrants (unless requests are insufficient to meet these targets)
3. Within each category (new entrant, incumbent new, incumbent change), an extension to year-round operations gets priority over new slot requests
4. There are a range of other factors considered in the WASG, the SYD Slot Scheme and some additional local considerations. Sydney Airport proposes to combine these into the prioritisation order below:

- a) Deprioritise airlines found to be undertaking slot misuse in the previous season by the Compliance Committee (SYD Slot Scheme)
- b) Passenger flights have priority over non-passenger flights (new)
- c) Rebalancing of scarce capacity for public good – optimise benefits to consumers, taking into account the interests of airports and airlines and the most beneficial mixture of long-haul, medium-haul and short-haul routes to improve global connectivity and enhance competition (WASG objective)
- d) Maximise size of aircraft (SYD Slot Scheme)
- e) Limited slot flexibility at the other airport due to curfew or (for level 3 coordinated airports) runway constraints (WASG)
- f) Period of operation (prioritise longer series length) (WASG)
- g) Frequency of operation (prioritise services operating on more days of the week over services operating on fewer days of the week) (WASG)
- h) Prioritise establishment of routes to unserved destinations, particularly on regional routes (SYD Slot Scheme)
- i) Prioritise maintenance of service on regional routes that would otherwise be unserved (SYD Slot Scheme)
- j) Environmental factors (quieter and more carbon efficient aircraft) (WASG)
- k) Time on waitlist (WASG)
- l) In the event of ties under the above criteria, the slot manager would make a decision in consideration of competition, connectivity and other relevant factors (WASG)

These prioritisation criteria should be subject to periodic review to ensure they remain fit for purpose.

For the purpose of 4d) above, all aircraft within each of the following groups are taken to be of the same size as other aircraft within the group:

- a) aircraft with fewer than 30 seats
- b) aircraft with from 30 to 49 seats
- c) aircraft with from 50 to 100 seats
- d) aircraft with from 101 to 150 seats
- e) aircraft with from 151 to 200 seats
- f) aircraft with from 201 to 250 seats
- g) aircraft with from 251 to 350 seats
- h) aircraft with from 351 to 450 seats
- i) aircraft with 451 or more seats

Sydney Airport Compliance Committee

Sydney Airport proposes that the current Compliance Committee be reconstituted in terms of its membership, with the slot monitoring processes aligned with Chapter 9 of the WASG. The Compliance Committee should advise the Slot Manager on matters relating to the monitoring and potential misuse of slots.

Composition of the Compliance Committee

Chapter 9.5.2 of the WASG deals with establishing a Compliance Committee. In Sydney Airport's case, the Compliance Committee should not be a sub-group of the Coordination Committee, it should be a stand-alone committee appointed by the Government. The Compliance Committee's responsibilities should include:

- a) ensuring the optimal use of scarce capacity at an airport; and
- b) ensuring airlines that misuse slots are penalised

Sydney Airport believes genuine independence is critical for the membership of the Compliance Committee and proposes the membership of the committee to be as follows:

- a) A representative from the Department (chair)
- b) Two independent members with relevant experience (including but not limited to airline scheduling experience); and
- c) The Slot Manager

This would eliminate any conflict of interest (or perceived conflict of interest) where airlines may be sitting in judgement of themselves and peers, as the Compliance Committee would be truly independent. Sydney Airport also suggests that the Department should remain the permanent Chair of the Compliance Committee.

Practical application and the interaction between the Slot Manager and Compliance Committee

Slot monitoring at Sydney Airport

The slot monitoring process is intended to ensure that airlines operating to a slot constrained airport like Sydney Airport do not misuse the slots that they hold. It must also provide a way to ensure slots are not wasted and unused capacity is made available to airlines wishing to fly to that airport.

How should slots be monitored at Sydney Airport

The Slot Manager should follow the guidelines in Chapter 9.3 of the WASG for pre-operation analysis to ensure an airline's slot holdings match the schedule the airline is selling on its own website, on global distribution systems, or travel agency websites.

The Slot Manager should follow the guidelines in chapter 9.4 of the WASG for post-operation analysis to determine if there is any evidence that an airline may be misusing slots that it holds.

The Slot Manager should follow the guidelines in chapters 9.4.2 and 9.4.3 of the WASG to identify potential misuse of allocated slots and seek an explanation for any patterns of behaviour identified that warrant further inquiry.

Misuse of a slot is defined in chapter 9.2.2 of the WASG as:

- a) Operating at a Level 3 airport without an allocated slot

- b) Operating a flight at a significantly different time from the allocated slot
- c) Operating a flight in a significantly different way to the allocated slot – including a different service type, aircraft subtype, aircraft capacity, or origin/destination – without the prior confirmation of the coordinator
- d) Holding slots that the airline or other aircraft operator does not intend to operate, transfer, swap, or use in a shared operation
- e) Holding slots for an operation other than that planned for the purpose of denying capacity to another airline or aircraft operator
- f) Requesting new slots that the airline or other aircraft operator does not intend to operate
- g) Requesting slots for an operation other than that indicated, with the intention of gaining improved priority
- h) Where applicable, operating in curfew or another restricted operations period without holding an allocated slot for that period

Decision on whether to proceed to penalise or issue a formal warning

The Slot Manager should refer any potential slot misuse to the Compliance Committee and the Compliance Committee should decide to take one of the following actions:

- a) request further information
- b) decide to take no further action (in which case the carrier will be informed in writing)
- c) decide to proceed with the appropriate enforcement action

Enforcement action

At the direction of the Compliance Committee, the Slot Manager should 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 a request for information in a timely manner.

There are effectively three layers of recourse:

1. Warning – the Slot Manager can 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 taken into account when reviewing these instances.
2. Infringement notice – the Slot Manager can issue an infringement notice to the respective airline, which is a fine issued under Section 19 of the Sydney Airport Demand Management Act (1997).

3. Withdrawal of Slots – the Slot Manager may withdraw the full series of slots related to the slot that was misused. As an example, if an airline held a daily departure slot at 07:00am for the season and was found to have misused the Wednesday slot, the airline would lose historic precedence for the daily 07:00am for the full series and would receive a lower priority for any new slots in the 07:00am hour the following like season.

Where a decision has been taken to proceed with enforcement action, the Slot Manager should formally notify the airline of the proposed action(s) that will be taken, and the reasons for the action (either warning, infringement notice, or withdrawal of slots).

Review of a decision of the Compliance Committee

The airline should have 14 days to request, in writing, a review of the decision. The request for review must have a comprehensive explanation as to why the airline is seeking a review and state the grounds upon which the penalty is disproportionate, unwarranted or why the facts leading to the decision were flawed.

The Compliance Committee should review the response and decide whether there are reasonable grounds not to proceed, or to change the enforcement action. The Slot Manager would then take any recommendation of the Compliance Committee to:

- a) close the matter and take no further action
- b) issue the airline an official warning
- c) proceed with the punitive action as proposed

The final decision of the Compliance Committee would be communicated by the Slot Manager to the airline.

