



11 December 2020

Mr Peter Harris AO
Sydney Airport Demand Management Review

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Dear Mr Harris

SUBMISSION TO THE REVIEW OF SYDNEY AIRPORT DEMAND MANAGEMENT

Infrastructure Partnerships Australia is pleased to provide this submission to the Federal Government's *Review of Sydney Airport Demand Management*.

Infrastructure Partnerships Australia is an independent think tank and executive member network, providing research focused on excellence in social and economic infrastructure. We exist to shape public debate and drive reform for the national interest.

This is an opportune moment to review the rules governing Sydney Airport

The Productivity Commission's report into the Economic Regulation of Airports released last year found the existing airport regulation regime is working, and benefits passengers and the community. This is in line with previous Productivity Commission reviews, which found this 'light-handed' monitoring approach had facilitated a marked increase in aeronautical investment, without the bottlenecks experienced in other infrastructure sectors.

However, as the 2019 Review found, the regulation of airports is not without its flaws, with a range of outdated, inefficient and arbitrary settings governing aviation and airport management. These challenges are compounded by additional layers of governance for Sydney Airport, as set out in the *Sydney Airport Demand Management Act 1997* (Cth) and associated legislative instruments.

In the context of COVID-19, which hit the reset button on aviation in Australia, getting the governance settings right at Sydney Airport is of paramount importance – not only for the airport and its users, but also for the broader economy. As a key gateway to Australia, Sydney Airport will play a major role in Australia's economic recovery from COVID-19. Rebuilding demand, supporting the aviation sector and maximising its productivity and efficiency can magnify economic activity and productivity growth in the wake of the pandemic.



Demand management at Sydney Airport faces a range of long-standing challenges

Many of the laws and regulations under which Sydney Airport is governed, and users of the airport operate, are decades-old, complex and arbitrary. In the time since Sydney Airport's demand management framework was put in place, technologies in aviation and airport management have advanced considerably, demand has grown substantially, and the expectations of passengers and other airport users have evolved. The current demand management regime artificially limits the capacity of the asset, which in turn limits the economic benefits and productivity improvements it can bring to the community and the economy.

Many settings seek to solve for specific and important outcomes – for example, managing aircraft noise and its impact on surround communities, or access to the airport for regional flights – but in doing so miss an opportunity to take a wholistic and flexible view of how these outcomes could be achieved. Some regulations are also technology and process-specific, which in some cases could limit the capacity for innovation to deliver those outcomes more effectively and efficiently.

On this basis, much of Sydney Airport's demand management framework is no longer fit-for-purpose.

Simpler, more transparent and efficient demand management at Sydney Airport would benefit all

This Review should explore options for delivering regulatory outcomes in ways that work better for all stakeholders. Changes to the demand management framework should make it easier for operators to meet aviation needs and avoid delays. Changes should also seek to extract more value from existing assets and enable greater certainty for long-term planning and investment.

Simple changes, such as shifting the movement cap from a rolling hour to a clock hour, and over time moving to a daily cap could bring major improvements to service quality for passengers and operational efficiency for airports and airlines, without adversely impacting community needs. Similarly, averaging the number of slots available within the regional ring fence each day could ensure more consistent access during peak times for regional passengers, and greater transparency in slot management could yield substantial operational flexibility efficiencies, promote competition, and enable greater utilisation of a critical infrastructure asset.

A simpler, more efficient, more transparent and outcomes-based demand management framework will deliver benefits for airport, airlines, customers and the broader economy.

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