Sydney Airport Demand Management Reform

February 2024

Competition and compliance reforms

The Australian Government wants a strong and competitive aviation sector that gives travellers more choice. However, the current system for issuing slots at Sydney Airport is outdated and does not adequately support the Government's objectives of promoting competition and choice.

In addition, the regulatory compliance is outdated, limiting the Government's ability to undertake effective and robust regulatory action to crack down on behaviour by airlines that disadvantages consumers. The Government has developed a measured package of reforms to the demand management system to promote competition for the benefit of consumers.

Sydney Airport is Australia's busiest airport, with around 35 million passengers arriving and departing during 2022-23 and almost 45 million passengers annually pre-COVID-19. The Sydney Airport Demand Management Framework imposes a limit of 80 aircraft movements (taking off or landing on a runway) per hour during non-curfew hours (6am to 11pm). The limit is regulated through 15-minute increments ('rolling hour') so that the number of movements does not exceed 80 in any 60-minute period.

A 'slot' is permission for an aircraft to either enter or leave an airport gate at a particular time ('gate movement'). The Sydney Airport Slot Manager allocates slots to airlines on a half-yearly seasonal basis (Northern Summer and Northern Winter scheduling seasons). In general, airlines that meet the requirements for using a slot in one season gain the right to re-use that slot in the following equivalent season (known as 'historical precedence').

Additional requirements currently apply to how slots can be used in the peak periods (6-11am/3-8pm weekdays). In particular, regional NSW services generally cannot use a peak period slot unless it has historically been used only for regional services (permanent regional service series (PRSS) slots).

Apart from PRSS slots, the Slot Manager gives slots to airlines that have historic precedence for those slots, and <u>then</u> preferences airlines wanting to change their historic slots as well as giving priority to airlines that do not currently provide many services and want to provide more ('new entrant') for as many as possible of the first 50 per cent of the available slots.

Improving access to slots for new entrant airlines

- The current process at Sydney Airport for issuing slots to different airlines ('slot allocation') has not been updated since 2013. The process at Sydney Airport is outdated and could better align with current international guidelines (the World Airport Slot Guidelines) that support more competition between airlines.

- Under the World Airport Slot Guidelines, 'new entrant' airlines generally receive better access to use available slots, with the aim of half of all available slots given to new entrants and the remaining half then given to other airlines.

What the Government is doing

- The Government is updating the demand management system so that it better aligns with modern international standards. This will benefit new entrant airlines wanting to set up new services and will create a more level playing field in slot allocation processes.

- The definition of a 'new entrant' will change to allow an airline that would have less than 7 slots on a certain day (including any slots they are requesting, if issued). This will be an increase from the current criteria of less than 5 slots. This change will mean that more airlines could be considered 'new entrants' with advantaged access to available slots.

- Airlines wanting to change the times of slots to which they have pre-existing rights (historic slots) currently receive preferential treatment over new entrants. The Government will update the allocation process to better align with international standards and reduce this preferential treatment. Changes to historic slots and slots for new entrants will be allocated from the same pool (with an aim of the first 50% of available slots going to new entrants where possible). This means that airlines wanting to change their existing slots will be competing on a more level playing field with other airlines wanting those slots.

Increasing transparency of slot usage by airlines

- Information on how airlines are using slots, including information about changes or cancellations, is not currently required to be publicly available. This information gap means that consumers have less information about airline performance when compared to other countries, such as the United Kingdom.

What the Government is doing

- The Government is proposing to significantly increase transparency about how slots are issued and used at Sydney Airport, with regular, mandatory public reporting of slot usage information.

- Airlines will be required to provide information on how they use slots, such as reasons for cancellations or major delays, to the Sydney Airport Slot Manager on a regular basis. This will support the public to understand how slots are being used.

- The Sydney Airport Slot Manager will be required to regularly publish information about how slots are issued to airlines, how the airlines use them (such as information about cancellations and delays), and information about airlines that lose slots when they break the rules about slot misuse. This will help make sure that consumers have better information about airline performance.

Addressing slot misuse and strengthening the compliance regime

- The current slot management system aims to support flights arriving and departing on time, with forms of 'slot misuse' in Sydney Airport's current system focussing on flights operating without a slot or at a significantly different time to the allocated slot.

- However, many internationally recognised forms of 'slot misuse' that address anti-competitive behaviour, such as requesting new slots that the airline does not intend to operate, are not recognised in the current system at Sydney Airport, and airlines cannot be penalised for this behaviour.

What the Government is doing

- The Government intends to modernise the compliance framework so that it can properly identify potential slot misuse and punish proven offences to crack down on behaviour by airlines that disadvantages consumers, with further details to be announced as part of the Aviation White Paper.

- The system at Sydney Airport will be updated to better align with current international guidelines for addressing slot misuse.

- Independent audits of slot usage will be undertaken, with results published, to better detect and crack down on anti-competitive behaviour.

- The compliance regime will be updated to include penalties that address anti-competitive behaviours, along with updated and strengthened enforcement tools for the Government to be able to watch airlines more closely and take effective legal action where necessary.

- A reformed Compliance Committee will be established with a membership that allows the committee to effectively inform compliance action.

Undertaking a competitive process to engage the Slot Manager

- The decisions of the Sydney Airport Slot Manager can have significant commercial implications for airlines.

What the Government is doing

- The Government will introduce a competitive process for selecting the Slot Manager at Sydney Airport, with improved governance arrangements to make sure that potential conflicts of interest are appropriately managed.