



The Committee for  
**Sydney**

# Unclipping the wings of Australia's gateway airport

Submission to the Productivity Commission  
Issues Paper: *Economic Regulation of Airports*

August 2018



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## Background of the Committee for Sydney

The Committee for Sydney is an independent champion and thinktank for Greater Sydney. Helping Australia's leading global city to play its key role for the state and nation, the Committee plays an advocacy role in promoting Greater Sydney's interests and future prosperity. The Committee has members from across the private, public and not for profit sectors and engages with business leaders, politicians, government and other stakeholders in policy discussions that affect the global competitiveness of Sydney as a business centre and as a place to live and visit.

## Introduction

The Committee for Sydney welcomes the opportunity to respond to the Productivity Commission (PC) Issues Paper on the *Economic Regulation of Airports*. The Committee for Sydney commends the Australian Government for undertaking consultation to ensure that the current airport regulations are fit-for-purpose and appropriately responsive to evolving technological advances in this industry.

The Committee for Sydney notes the importance of Sydney Airport as a gateway airport for international travellers, with 40% of Australia's international entrants choosing the airport as their entry point. The Committee also notes that international travellers comprise 37% of total passenger movements through Sydney Airport.<sup>i</sup> This proportion is higher than any other airport in Australia, and as such, Sydney Airport has the potential to be disproportionately impacted by regulations which unduly restrict the flexibility of the airport operators when dealing with unavoidable disruptions to service.

The Committee for Sydney is hopeful that the Australia Government's response to this Paper will strike an appropriate balance between the need to limit noise pollution while also ensuring that red-tape does not cause undue economic damage on the city or inconvenience for consumers.

## Items addressed by in this submission

### **The efficient use of existing assets**

The Committee for Sydney notes that the Productivity Commission has sought feedback on whether airports are delivering "inefficient investment decisions", either through under-investment or over-investment, and whether or not they are delivering "inefficient operations".

This submission supports the principle that airport operators should seek to use existing infrastructure assets efficiently. There is some concern that the existing interpretation of regulation hampers the most efficient use of this existing infrastructure.

### **The broader economic impact of airport disruptions**

The Productivity Commission's Issues Paper has also rightly flagged that it will take an economy-wide approach to its assessment whether changes to the economic regulation of airports could enhance the wellbeing of the community, while also considering downstream industries, such as tourist destinations that rely on airline passengers.

In that vein, the Committee notes Sydney Airport's status as a gateway airport for international travellers. These visitors contribute more than \$10.4 Billion to the Australian Economy.<sup>ii</sup> This submission supports the view that appropriately flexible regulation is necessary to support this

source of economic growth, particularly in light of the forecast for 6.5% per annum growth in international visitor nights over the next decade.<sup>iii</sup>

## Issues not explicitly identified by the Issues Paper

The Committee notes that the Issues Paper has not explicitly invited feedback on the operating restrictions of airports, including the existing flight number limitations placed on airports and the interpretation by the Civil Aviation Safety Authority (CASA) of these limitations.

While feedback could be provided through the context of the two items highlighted above, the Committee for Sydney is nonetheless of the view that there is merit in recommending a separate review into flight caps at Sydney airport, which should be undertaken transparently and in consultation with the community, industry and the airports themselves.

The NSW Government notes that their recently released Visitor Economy Industry Action Plan 2030 has already called for a “review of artificial capacity constraints at Sydney Airport”.<sup>iv</sup> However, this review will be restricted to consideration of issues that might be preventing airlines from introducing new regional air services.

Given the significance of international visitors to Australia’s economy and the difficult constraints posed by these caps, this submission believes that a review of the current regulatory settings would be best carried out by the Productivity Commission.

## Request for further research by the Productivity Commission

This submission notes the following areas of concern that should be examined as part of the Productivity Commission’s research, particularly in how they relate to the efficient use of existing assets as well as their impact on the broader economy.

### **15-minute rescheduling restrictions**

The existing cap placed on Sydney Airport restricts the number of allowable flights passing through Sydney Airport to just 80 per hour. Within this framework, the cap is effectively measured over a rolling hour, commencing every 15 minutes.

Under the existing interpretation of this cap, there is no flexibility to reschedule delayed aircraft to the next 15-minute block even while continuing to meet the hourly limit of 80 movements. This particularly onerous restriction appears to have no substantial public policy benefit and is arguably acting as a hand-brake on the efficient use of the existing assets held by Sydney Airport.

The Committee notes that the Board of Airline Representatives of Australia have called for a different approach than the hourly cap on aircraft movements. An easing of the 80-cap limit has also been recommended by NSW Transport Minister Andrew Constance, and by the operators of other airports including Canberra Airport.

We acknowledge the need to manage noise pollution to protect amenity and liveability for Sydney residents. As such, the Committee would not support any changes to the overnight curfew on aircraft.

**RECOMMENDATION:** That the Productivity Commission consider the potential abolition of the restrictions on rescheduling across 15-minute blocks.

## The broader economic impact from an hourly cap of 80 slots

The Committee calls on the Productivity Commission to examine whether the existing 80 slot cap is resulting in unwarranted broader economic damage, including:

- *Catalysing damage* – Given Sydney Airport’s position as Australia’s premier gateway airport, we are concerned that overly onerous restrictions at Sydney Airport can negatively impact aviation around Australia. Disruptions and delays at Sydney Airport, exacerbated by flight caps that restrict the capacity of the airport operators to “catch up” on delays, can have obvious catalysing impacts with a problem at Sydney very quickly causing problems across the nation, particularly the busy Sydney-Melbourne route, which at present is the second busiest route in the world.<sup>v</sup>
- *Localised economic impacts* – It is self-evident that by artificially constraining aviation below achievable capacity, the economic benefits of Sydney Airport to Sydney are also constrained.
- *Localised impacts on residential amenity and liveability* – A perverse outcome arising from the current rigid regulations is the potential of creating additional noise, as aircraft are forced to circulate for longer in a bid to avoid breaches of the cap. These same restrictions can also force aircraft to remain in holding on the ground as they are forced to wait for the next rolling hour before being allowed to depart. From a public benefit perspective, best practice regulations should not limit the capacity for airport operators to deliver a more balanced noise sharing approach.
- *Negative impacts for freight movements* – The Committee notes research by the Australian Airports Association which identified that up to 80% of air freight is transported in the belly-hold of passenger aircraft.<sup>vi</sup> This same research identified that Sydney Airport is the largest import/export Airport in Australia, both in quantity and value. Given these facts, the Productivity Commission should also consider the negative flow-on impacts from the regulations that impair the efficient delivery of freight, particularly in those instances where the freight is required to pass on to a new destination.
- *Negative impacts for flight passengers* – The voice of consumers must also be considered in any discussion of airport regulations. As noted above, the current regulatory framework can often result in passengers being forced to wait longer than would otherwise be necessary during both take-off and landing. In extreme circumstances, this can result in cancelled flights and overnight delays. While such inconveniences might be manageable for some consumers, there are undeniably many individuals who experience greater disruption, particularly when the delay results in an inability to transit to a connecting flight.

**RECOMMENDATION:** That the Productivity Commission review whether the existing 80 cap rule and its rigid application is having broader negative impacts on the economy and consumers.

## Concluding comments

We welcome the opportunity to consider the productivity impacts of airports – a key piece of transport infrastructure for Australia. While not expressly included within the Issues Paper, this submission urges the Commission to consider whether both the 80-minute cap and the rigidity of its 15-minute application are hindering the efficient use of existing assets while also resulting in broader negative economic impacts. This would be in keeping with the Commission’s existing terms of reference.

## References

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- <sup>i</sup> Deloitte Access Economics, *Connecting Australia: The Economic and Social Contribution of Australia's Airports*, 2018.
- <sup>ii</sup> Budget Direct, *Australian Tourism Statistics 2018*, 2018.
- <sup>iii</sup> Australian Government Austrade, *Tourism Research Australia Tourism Forecasts 2017*, 2017.
- <sup>iv</sup> NSW Government, *Visitor Economy Industry Action Plan 2030*, August 2030.
- <sup>v</sup> McLaughlin K., Traveller.com.au, *World's busiest airline flight routes: Melbourne-Sydney now world's second busiest*, June 8, 2018
- <sup>vi</sup> Australian Airports Association, *Airport Fact Sheet: Airports and Australia's freight network*, February 2018.