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Submission to Productivity Commission – Economic regulation of Airports Draft Report

I represent the population west of the airport at the Sydney Airport Community Forum (SACF), a Federal Government committee. For many years, together my fellow community representative members, I have worked on a voluntary basis to review, assess, question and actively work towards ensuring proposals to change aeronautical services, operations and aviation industry regulatory frameworks make sense and create overall benefit and not disadvantage, to the community. These views are relayed to the Federal minister responsible for Aviation Services through the Chair of the SACF. The aim is to inform the government and request assistance to resolve issues. Additionally, for me, it is to ask the government to consider actions which can influence outcomes in the aeronautical services space for the benefit of the community even if it is not necessarily aligning with current government policy.

The community representatives work with representatives of the Sydney Airport operator Sydney Airport Corporation Limited (SACL), airlines, aviation industry bodies and aviation related government authorities. This has provided me with a very good understanding of this complex business which operates in a highly regulated environment including the below:

- flight paths and their implementation at Sydney Airport using the Long-Term Operating Plan framework – this is a government framework describing how the runways at Sydney Airport will be used and includes:
 - the direction of aircraft departures and arrivals from each runway
 - the maximum number of aircraft movements per hour that are safely allowable for that runway
 - flight curfews - restrictions applying to aircraft arrivals and departures; timing, mix of aircraft and exceptions to the rules
 - measures and aircraft movement targets to manage the runway use
 - managing respite for the community from social and environmental effects associated with aircraft movements such as noise and pollution
- aircraft movement caps and management towards those
- slot management scheme
- technological and navigational improvements for aircraft and aeronautical regulatory bodies
- monitoring and reporting improvements
- community concerns referred to appropriate bodies for resolution
- Sydney Airport master planning process as required by government regulation, where SACL provides details on their forecasted use and projected investments for the airport

Given this exposure over the years, I am providing comments on the Productivity Commission's Economic Regulation of Airports Draft Report and refer to sections of the Economic Regulation of Airports Draft Report - *Overview* report.

1. Market Power of Sydney Airport

The Commission indicates Sydney Airport has strong market power because is a geographic monopoly (at least until Western Sydney Airport (WSA) commences operation in 2026), being the gateway to Sydney with passengers less likely to want to substitute to another location and few modal substitutes except for the Sydney-Canberra route (P10 - Overview). My comment here is also tied to the Commission's later discussion on negotiating commercial agreements with airports and removing anti-competitive terms from commercial agreements between aeronautical businesses

and Sydney airport. The issue here is, has the Commission considered clauses in the Sydney Airport contracts that would also affect or restrict those same businesses utilising WSA in part or completely? That would clarify whether Sydney Airport is likely to remain a geographic monopoly or not and in practical terms a monopoly, even after Western Sydney Airport (WSA) commences operation. We do not know how many airlines and businesses will be keen to operate at WSA or the purpose for which they will operate and whether they will be potentially prevented from operating at WSA. This may very well mean Sydney Airport remains the premier airport and continues to exert pressure to make changes to the movements cap, the slot management scheme and the potentially the 11pm-6am curfew period. Would this then not be a form of exerting countervailing power?

2. The monitored airports have market power in aeronautical services

In the absence of a comprehensive data set or measurement methods, it would seem reasonable to compare airports with market power against each other. The issue here is, if all airports of similar size domestically or internationally exercise systemic market power, how can the comparison provide the correct result? Additionally, will WSA airport qualify as a “monitored airport” and fall within the Productivity Commission’s Reviews of Market Power going forward?

3. Protections to community and broader regulatory constraints at Sydney Airport

Apart from legislated protections for noise, health and pollution, I question whether any organisation operating in aeronautical services, be it airlines or airport operators, would offer much more in relation to noise and pollution reprieve for the community, unless it was required by law or was in the shareholder’s financial interests or provided good corporate citizenship type benefits. In the case of SACL, they are highly successful, in a highly regulated industry with market power, a current geographic monopoly and with a potential to exercise systematic market power (according to the figures and measures provided in the draft report). In the case of the airlines, there are clearly dominant players in the domestic and international market using Sydney Airport. SACL’s view that changes that increase the flexibility of the movement cap and targets noise outcomes more directly, will likely improve the operational efficiency of Sydney airport as well as airlines (P28 Overview) makes sense financially for them but not for the community.

The relaxation of the rules around the maximum legislated cap of 80 aircraft movements per hour, the measurement of this cap, the definition of this cap and changes to the curfew, should not be endorsed for the following reasons:

- i) currently it is only under certain weather and wind conditions that runways can be used to their maximum capacity even with improvements in technology, which means the current maximum capacity of 80 movements cannot always be relied on to be achieved
- ii) increasing the movement cap will likely mean increased pressure to use all runways more often, during all non-curfew hours of the day and favour certain runways over others – this will most likely be the parallel runways which can tolerate greater movements per hour and will put additional pressure on using the East-West which is a cross runway; this is not a fair outcome for the Sydney community overall
- iii) increasing the movement cap is at the expense of the community below who need to sleep and live and function at work – many studies over time have detailed the decreased health and lifestyle effects of aircraft related noise emanating from loud and regular aircraft movements and movements at the times people are needing to sleep;

SACF has seen and been advised of many such studies and they are available for the Productivity Commission to reference if it wishes to

- iv) changing the definition of the cap of actual movements to scheduled movements will not benefit the community at all; actual and not scheduled movements create noise and create pollution – caps on actual and not scheduled movements need to be tracked, managed and regulated
- v) managing to the maximum actual cap - the question is, shouldn't the airport and the authorities be managing to a buffer well under the maximum actual cap (e.g. 75 of the 80) – this would accommodate any delays due to unforeseen circumstances or unexpected poor weather, rather than changing the maximum cap value or the definition of the cap from actual to scheduled?
- vi) changing the movement cap value and its definition in anticipation of forecast increases in passenger and aircraft movements to Sydney, particularly of international passengers, would likely create pressure on the viability of Western Sydney Airport (WSA). This is because it would, make it potentially easier for an airline to remain entrenched at Sydney Airport and less inclined to substitute all or some flights and services to WSA; this would not only make WSA less attractive to potential airlines and possibly less profitable for WSA, but also provide less choice and benefit for the population who would choose to use the WSA once it is built; based on the draft report, the fees for international services at Sydney Airport are relatively high compared to other international airports and other Australian domestic airports and this international flights market segment is where the potential for systematic market power exists
- vii) changing the basis on which the cap is measured or the curfew period, will still have the same result; any flight which is about to breach the prescribed cap or the curfew times by flying into or out of Sydney Airport, will still be delayed if it is not granted an exemption from the government by meeting the conditions stipulated by the current Curfew Dispensations Act; this is the nature and consequence of setting a legislated limit and curfew times and providing reasonable exemptions to the curfew (such as medical emergencies) and goes some way towards managing the co-existence of Sydney Airport and the surrounding communities; this situation is managed currently relatively well, so apart from making it meet a higher benchmark, I cannot see why the regulations would need to be relaxed

4. Regional ring fence, price cap and price notification regime

- i) The Commission has commented (P26 - Overview) that a cap that exists for regional slots in peak periods and the non-regional slots in peak period cannot be used for regional slots, thereby preventing airlines from testing and growing new routes. I oppose removing the cap on regional aircraft and allowing non-regional aircraft to utilise regional slots. The reason is that whilst useful for testing regional routes, it will mean the mix of aircraft during each time period will inevitably tend towards non-regional, larger and more profitable aircraft. This is a change that will lead to more aircraft noise from larger, noisier aircraft and less benefit to the community overall including the regional communities.

- ii) The Commission supports the plans for the WSA to operate without a curfew, as a 24/7 airport (P29 Overview). Sydney Airport is adjacent to long established residential suburbs within a few kilometres of the city. It is surrounded by increasing urbanisation, higher density living and congestion. This proximity to Sydney Airport (whether encouraged or not discouraged enough by government guidelines), has meant many people have been affected by the airport's operations and aircraft noise and pollution through constant loud departures or arrivals during non-curfew and sometimes curfew periods. The Commission's support is welcomed however, should actually be actioned by the government to avoid a repeat of Sydney's situation at WSA and surrounding areas. A non-development/non-residential zone, should stay intact together and a curfew period introduced. We know from Sydney Airport that aircraft lock into position to land several nautical miles from the runway ends and so are heard quite clearly. We also know that the noise patterns of arrival and departures can create points over suburbs where noise can be constant at times. I fully endorse a curfew at WSA, for the sake of the residents in all the areas surrounding WSA.

5. Prices to the airport car parks are not the result of market power

At-terminal parking is clearly expensive both absolutely and in relation to other compared sites. This is a cost people factor into their overall travel costs. The Commission speaks of improving the monitoring regime to improve data to allow greater scrutiny of airport car parking operations (P21 – Overview). I don't really understand why that is required though, if the Commission does not consider SACL to be exercising systematic market power in providing car parking.

The point here for me is, what happens in the background that can influence the car parking price? Are enough public buses and shuttles allocated to and from the airport and enough trains and shuttles to and from the airport at a price that is normal, rather than airport station specific pricing. My understanding is that SACL does agitate for additional bus services and lower train charges, for their employees' sake as well as their visitors, however clearly, even though more services have apparently been allocated, anecdotally they never seem to be frequent enough and are not at the correct price for the public.

The train fare should be at the normal train fares – this would encourage greater use of the public transport system and train travellers, even if not flying, may actually alight at the airport to visit the airport and/or use retail services at the airport, as they would at any other suburban destination. My personal experience, is that having the airport train line as my usual suburban train line, using the train is very convenient to visit the airport even when not travelling however, the access price acts as a disincentive to visiting the airport for short periods. It would be likely, the longer I stayed on the premises the more goods or services I would consume which I can only imagine would apply to other visitors.

The Commission should recommend a standard NSW trains rate – with no need for an additional fee to use domestic or international terminal to the private operator of the rail link – it should be fully subsidised. This may reduce at-terminal parking rates, which obviously must constitute a valuable income stream for SACL however, this could be offset by retail sales and help the community have more realistically priced transport options. People who choose to use the carpark and pay the fees, may resent the parking rates a little less – a win/win for SACL and the community.