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Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via email: rrat.sen@aph.gov.au

Dear Committee Secretary,

Inquiry into Airline Passenger Protections (Pay on Delay) Bill 2024

Sydney Airport (**SYD**) welcomes the opportunity to provide a submission to the Senate Standing Committee on Rural and Regional Affairs and Transport (**the Committee**) inquiry into the *Airline Passenger Protections (Pay on Delay) Bill 2024* (**the Bill**.) Considering the current ongoing public scrutiny of airline performance, SYD appreciates the opportunity to provide insight into ways to improve the consumer experience for passengers travelling through SYD.

A feature of the Bill includes a mandatory compensation scheme for airline passengers who face a delay of more than 3 hours or cancellation to their scheduled flight. The provision has been drafted in a response to a “concerning rise in the frequency of delays and cancellations, causing considerable inconvenience and frustration for passengers.”¹ The Bill would place responsibility on airlines to improve the experience of passengers who face a flight delay or cancellation, or they will be obligated to financially compensate those customers.

SYD supports the objective of the Bill to ensure “passengers receive fair and proper treatment and reach their intended destination,” and agrees that airlines operating in Australia should provide greater support for passengers who experience a delay or cancellation.² However, SYD believes one of the main underlying causes of cancellations is the misuse of the existing slot regime and Demand Management Framework at Sydney Airport. This submission will outline how addressing the root cause of the issue through reforms to the slot system will create a better customer experience for all passengers travelling to and from SYD, and by virtue, the broader national network.

SYD is pleased reforms to the Demand Management Framework are beginning to be implemented and we look forward to legislation being introduced to parliament as soon as practicable.³ SYD’s submission to the Committees Inquiry can be found at Attachment A.

Yours sincerely,

Scott Charlton
Chief Executive Officer

¹ Parliament of Australia (2024). *ParlInfo*. [online] Available at: <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p> [Accessed 8 Aug. 2024].

² *Ibid*.

³ The Department of Infrastructure, Transport, Regional Development, Communications, and the Arts (2024). *Reforms to the Sydney Airport Demand Management Framework*. [online] Available at: <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/airports/reforms-sydney-airport-demand-management-framework> [Accessed 8 Aug. 2024].



Attachment A

Introduction

SYD is Australia's largest international gateway and our nation's busiest airport. In 2023, more than 38 million passengers passed through SYD and there were nearly 310,000 flights to and from the airport – an average of close to 850 movements per day. SYD directly and indirectly supports 314,600 jobs and generates more than \$40 billion in economic activity annually. Located on 900 hectares only 8km from Sydney's CBD, SYD is one of Australia's most important infrastructure assets.

SYD operates under a strict legislative and regulatory framework that was implemented more than 25 years ago. This complex set of rules has unintended consequences on passenger outcomes and efficiency, including leading to levels of cancellations 3-4 times the national average on particular routes such as Sydney-Melbourne.⁴ Unlike other major international Australian airports, constraints at SYD result in high cancellation rates, an inability to recover from disruptions, and critical take-off and landing slots going to waste. To mitigate these timely and costly disruptions, SYD has long advocated for reform of the slot and demand management regimes.

Slot and demand management at SYD

The *Sydney Airport Demand Management Act (Demand Management Act)* was introduced in 1997 to address community concerns about aircraft noise in suburbs surrounding the airport, and to manage capacity of the airport.⁵ Supporting legislative instruments include the *Sydney Airport Demand Management Regulations 1998*, *Sydney Airport Slot Management Scheme 2013*, and the *Sydney Airport Compliance Scheme 2012* (collectively referred to in this submission as **the Framework**).⁶ The Framework is intended to manage the high demand for the airport's infrastructure by mitigating congestion and ensuring SYD's assets are utilised as efficiently as possible. However, the Framework, established in a different era of aviation, is leading to poor passenger outcomes and proposed reforms announced in February 2024 must be urgently implemented.⁷

Contrary to popular belief, slots are not owned or controlled by SYD or the airlines. Slots are a public asset owned by the Commonwealth, but allocated and administered by an independent third party, appointed by the Government known as the 'slot manager' (currently Airport Coordination Australia). There is no cost to airlines to apply for, hold, and cancel slots, or penalties for holding more slots than needed.

Airlines apply to the slot manager who allocates slots for two separate scheduling seasons (Northern Summer and Northern Winter) broadly aligning to a set of global rules known as the World Airport Slot Guidelines (**WASG**⁸). A complex overlay of 'local rules' specific to SYD are then applied.

Like the Demand Management Framework, the primary objective of the WASG is "to ensure the most efficient declaration, allocation and use of available airport capacity in order to optimize benefits to consumers, taking into account the interests of airports and airlines."⁹ The WASG were agreed to more than 50 years ago but have been updated iteratively over the years. Notably in 1988, the 80/20 'use it or lose it' rule was introduced in response to the global phenomenon of slot hoarding at major international airports. In 1988, SYD was much

⁴ https://www.bitre.gov.au/publications/ongoing/airline_on_time_monthly

⁵ Australian Government (2016). *Federal Register of Legislation - Sydney Airport Demand Management Act 1997*. [online] Available at: <https://www.legislation.gov.au/C2004A05267/latest/text> [Accessed 8 Aug. 2024].

⁶ DITRDCA. *Reforms to the Sydney Airport Demand Management Framework*.

⁷ The Department of Infrastructure, Transport, Regional Development, Communications, and the Arts (2024). *Reforms to the Sydney Airport Demand Management Framework*. [online] Available at: <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/airports/reforms-sydney-airport-demand-management-framework> [Accessed 8 Aug. 2024]

⁸ International Air Transport Association (2023). *Worldwide Airport Slot Guidelines (WASG)*. [online] Available at:

<https://www.iata.org/contentassets/4ede2aabfcc14a55919e468054d714fe/wasg-edition-3-english-version.pdf> [Accessed 8 Aug. 2024].

⁹ Ibid.



less busy than it is today, recording 219,000 movements and welcoming 12.8 million passengers. This is in stark comparison to 2019 when SYD managed 346,000 movements and 44 million passengers – a 158 per cent increase on 1988 numbers. Just as the WASG have been updated to respond to issues of a particular time, the Demand Management Framework must also be revised to align with today's operating environment.

Slot misuse by airlines

As mentioned, there is no cost for airlines to apply for a slot, and the requirements to retain them are relatively easy to meet. These rules incentivise incumbent airlines to hold onto more slots than their demand requires. This practice blocks competitors' access to slots and artificially raises the barrier to entry for new entrants. This is evidenced by the incumbent major domestic airlines currently holding 72 per cent of all slots at SYD.¹⁰ Furthermore, their slot holdings continue to increase year on year on the busiest domestic routes, despite demand for these markets remaining steady.¹¹

Data has revealed a trend of major incumbent domestic airlines filing for more slots than required, then strategically cancelling specific flights on high frequency domestic routes such as Sydney to Melbourne, Sydney to Canberra, and Sydney to Brisbane.¹² These cancelled flights are then consolidated and serviced by flights either side of the original scheduled departure time, but typically remaining above the 80 per cent usage requirement to retain the slots for the following year.

Flight cancellations on popular domestic routes are unnecessarily high. Weather and Air Traffic Control (**ATC**) staffing issues contribute to flight changes; however, a substantial number of cancellations occur for reasons within airlines control. For example, in July 2024, just under one in 10 flights on the popular Sydney to Melbourne route were cancelled.¹³ This is the highest rate of cancellation on any route in Australia, and it is also the most lucrative. In June 2024, 8 days of the month were impacted by weather or ATC staffing to some degree. Yet 67 per cent of all Sydney to Melbourne cancellations occurred on the other 22 days in June, where there were no weather impacts or ATC issues declared.

This strategic practice locks up part of the slot pool, leading to significant interruptions for passengers while also making it much more difficult for new entrants to gain a foothold in the market, ultimately hampering competition in Australia's domestic market. There would be limited industries, if any, where a service provider's ability to cancel one in five services would be deemed an acceptable standard of customer service (based on the 80/20 use it or lose it rule). In light of this, SYD believes it is imperative to implement the announced slot reforms before consideration of a consumer compensation scheme that is designed to curb cancellations.

Slot reform

SYD is pleased reforms to the Demand Management Framework are beginning to be implemented.¹⁴ Areas of reform announced by the Government to help reduce delays and cancellations include increased reporting by airlines alongside regular public audits and enforcing a more meaningful compliance regime to address anti-competitive behaviour.

The reforms will force airlines to regularly provide information on how they use slots, including reasons for cancellations or major delays, to the independent Slot Manager, who will publish the results online.

¹⁰ Sydney Airport Corporation Limited (2023). *Sydney Airport's Aviation Green Paper Submission*. [online] Available at: <https://www.infrastructure.gov.au/sites/default/files/documents/agp2023-submission-c133-sydney-airport.pdf> [Accessed 8 Aug. 2024].

¹¹ Ibid.

¹² Ibid.

¹³ https://www.bitre.gov.au/publications/ongoing/airline_on_time_monthly

¹⁴ The Department of Infrastructure, Transport, Regional Development, Communications, and the Arts (2024). *Reforms to the Sydney Airport Demand Management Framework*. [online] Available at: <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/airports/reforms-sydney-airport-demand-management-framework> [Accessed 8 Aug. 2024].



Independent audits of slot usage will also be undertaken and be available to the public. This reporting will improve detection of anti-competitive behaviour and help consumers better evaluate airline performance and reliability. To complement this, a modernised compliance framework with strengthened enforcement tools has also been proposed to enable government to penalise or take legal action against airlines who engage in this practice.¹⁵

Proposed aviation code of conduct

SYD supports reforms that will ‘ensure the fair and proper treatment of passengers and that passengers reach their intended destination as booked.’¹⁶

In the recently released Aviation White Paper, the Government committed to establishing an independent Aviation Industry Ombuds Scheme that will deliver a new Charter of Customer Rights.¹⁷ The Charter will set out minimum standards for the fair and appropriate treatment of customers and will require airlines to “show cause” when flights are delayed or cancelled. These new requirements align with proposed reforms to the Demand Management Framework to increase transparency. SYD supports measures to increase transparency and would welcome industry consultation on the proposed Charter.

Conclusion

It is clear the inefficiencies of the Demand Management Framework result in negative outcomes for consumers. The Framework delivers increased cancellations, sub-optimal passenger outcomes, and limits airline competition. In turn, mandating consumer compensation without first implementing slot reform at Sydney Airport would essentially be treating the symptom and not the cause. Timely implementation of the announced slot reforms will hold airlines to account and ultimately lead to less delays and cancellations, potentially negating the need for consumer compensation in the SYD and Australian context.

SYD looks forward to working with Government to implement the reforms, in addition to a range of other measures, as part of broader aviation market reform to deliver a better quality of service for passengers.

¹⁶ Parliament of Australia (2024). *ParlInfo*. [online] Available at: <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p> [Accessed 8 Aug. 2024].

¹⁷ The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2024a). *A better passenger experience*. [online] Aviation White Paper - Towards 2050. Available at: <https://www.infrastructure.gov.au/department/media/publications/aviation-white-paper-towards-2050> [Accessed 26 Aug. 2024].