



Australian Government

Department of Infrastructure, Transport,
Regional Development, Communications and the Arts

Joanna Abhayaratna
Executive Director
Office of Impact Analysis
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

[Email: helpdesk-OIA@pmc.gov.au](mailto:helpdesk-OIA@pmc.gov.au)

Dear Ms Abhayaratna

Certification as Impact Analysis Equivalent – Reforms to the Sydney Airport Demand Management Framework

I am writing to certify that the attached reports of the Productivity Commission (2019 inquiry report, *Economic Regulation of Airports*) and Peter Harris AO (2021 *Review of the Sydney Airport Demand Management Scheme*) have undertaken a process and analysis equivalent to an Impact Analysis (IA).

I certify that these reports, together with the attached Additional Analysis, adequately address all seven IA questions, and are submitted to the Office of Impact Analysis for the purposes of informing a final decision.

The scope of the Impact Analysis Equivalent covers the scope of the policy proposal with the exception of the following IA questions:

- Question 2 – objectives of reform and need for government intervention
- Question 5 – consultation
- Question 6 – implementation of preferred options
- Question 7 – evaluation against success metrics

To address these gaps in the analysis I also certify the attached Additional Analysis document. Therefore, I am satisfied that with this addition, the scope of the certified documents matches the policy proposal.

The regulatory burden to business, community organisations or individuals is quantified using the Australian Government's *Regulatory Burden Measurement* framework and is provided below.

Regulatory burden estimate table

| Average annual regulatory costs (from business as usual) | | | | |
|--|----------|-------------------------|-------------|-----------------------|
| Change in costs (\$) | Business | Community organisations | Individuals | Total change in costs |
| Total, by sector | \$12,800 | \$0 | \$0 | \$12,800 |

Summary of Estimates

The regulatory changes affect airlines utilising Sydney Airport and require airlines to provide justification for delays or cancellations for slots that they hold. The collection of detailed information regarding the causes of delays and cancellations is a business-as-usual activity for all airlines and is a core requirement in running their operations. This information is collated and identified based on agreed international reporting standards set by the International Air Transport Association.

The cost impacts outlined in the regulatory burden estimate table above account for the additional time required for airlines to collate delay and cancellation data into the new reporting and publication template requirements. This includes a one-off regulatory transition cost over an initial 3-month period to allow airlines to set up and manage their reporting processes into the new reporting requirements and an ongoing quarterly reporting cost for airlines to generate automated reports.

Accordingly, I am satisfied that the attached report is consistent with the *Australian Government Guide to Policy Impact Analysis*.

Yours sincerely,



Marisa Purvis-Smith
Deputy Secretary Transport

23 September 2024



Australian Government

Department of Infrastructure, Transport,
Regional Development, Communications and the Arts

Impact Analysis Equivalent (IAE) Additional Analysis

Reforms to the Sydney Airport Demand Management
Framework Office of Impact Analysis reference
OBPR21-01225

September 2024

Background

PC Inquiry and Harris Review

The Productivity Commission's 2019 *Economic Regulation of Airports* inquiry (the PC Inquiry) focused on the effectiveness of the economic regulation of services provided by airports to passengers, airlines and commercial operators that require landside access to the terminal precinct. Among other matters, the PC Inquiry made a number of recommendations about demand management at Sydney Airport.

In response to the PC Inquiry, and to consider the fitness for purpose of the Sydney Airport Demand Management framework and the continuing relevance of its objectives, the department commissioned Peter Harris AO to undertake an independent review.

The *Review of the Sydney Airport Demand Management Scheme* (Harris Review) was released by the Australian Government on 18 June 2021. It made 17 recommendations relating to the implementation of the movement cap, encouraging competition in the market, regional access, the governance of slot management, and other reforms.

Impact Analysis Equivalent (IAE) certification

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the department) plans to certify that the PC Inquiry and the 2021 report of Peter Harris AO, are, together with additional analysis to be completed by the department, an Impact Analysis Equivalent (IAE).

Regulatory burden estimate

The regulatory burden to business, community organisations or individuals is quantified using the Australian Government's *Regulatory Burden Measurement* framework and is provided below.

Details of the policy problem and available data (Q1)

The PC Inquiry and Harris Review have addressed these matters.

Objectives of reform and need for government intervention (Q2)

The need for government action and alternatives

The *Sydney Airport Demand Management Act 1997* regulates the allocation and use of slots for aircraft to take off and land at Sydney Airport. It was enacted, together with the *Sydney Airport Curfew Act 1995*, to manage community expectations about noise by constraining the capacity of the airport to 80 movements per hour outside of curfew hours (11pm to 6am). It provides an essential planning mechanism for runway movements at the airport, to manage congestion, reduce delays, and support efficient use of the airport.

Other airports across Australia and globally typically rely on the global standards for slot allocation and use, the World Airport Slot Guidelines (WASG). The WASG is applied by a Slot Manager that is a private company, often part-owned by airlines, and contracted by the airport. In some cases, the Slot Manager is government-owned.

There are unique elements of the demand management framework for Sydney Airport, including the movement cap and regional access measures, which do not exist in the WASG. To retain these elements, continuing government intervention (in the form of the current Act) is required.

This framework was not designed specifically to manage competition for slots. In 1997, air traffic had not reached the level where there would be strong competition for slots. Traffic during peak hours is now reaching those constraints. There is an expectation across the aviation industry that government will better facilitate the efficient use of slots at Sydney Airport given the legislated constraints, and the dependence of the broader aviation network on the effective functioning of Sydney Airport.

There are also heightened community expectations around how active the government is in regulating competition for slots and the aviation industry more broadly, given the impacts on consumers of cancelled flights and barriers to competition between airlines.

The current framework has not kept pace with these developing expectations and global innovations in demand management, and so further government intervention to reform the framework is also required.

Objectives of reform

The PC Inquiry and Harris Review have largely addressed their respective objectives for reform. Each approach reform from a different perspective, but share common aims of increasing the efficient use of Sydney Airport as nationally significant infrastructure while managing impacts of noise for the Sydney community, and ensuring that regulatory settings support competition and consumer choice.

The Harris Review also advances reforms with the objective (among others) to support regional access to Sydney Airport. While the PC Inquiry discussed regional access matters, it noted the need for its next report (due around 2024-25) to consider the continued need for regional access arrangements at Sydney Airport in light of the development of the Western Sydney International (Nancy-Bird Walton) Airport and other future considerations.

Indicators of success

Success of the reforms would be indicated broadly by factors including:

- an increase of slot allocation and use in peak periods;
- a decrease in the number of 'stranded' slots and level of fragmentation in slot series over time (noting that the reduction of fragmentation is subject to commercial decisions of aircraft operators and is expected to be incremental);
- examples of increased transparency about slot availability, use, and relevant operations of Airservices Australia and the Slot Manager; and
- ongoing community support for airport operations.

The final version of the Additional Analysis may consider whether measurable targets for success could be set and how impacts on regional access and competition may be measured.

Policy options and net benefits of each (Q3, Q4)

The PC inquiry and Harris Review have addressed policy options.

Consultation (Q5)

The Harris Review and PC Inquiry involved substantial consultation with industry stakeholders. Subsequently, the department undertook its own consultation with industry, community and government stakeholders that assessed the potential impacts of the Harris Review recommendations. The department is planning further consultation with key stakeholders on specific technical elements of the scheme.

PC Inquiry

The PC Inquiry received 88 written submissions in response to an issues paper prior to release of the draft report. The PC held consultations and public hearings with 32 representatives between November 2018 to March 2019 to discuss markets for jet fuel supply, content of the draft report, responses to information requests, and draft recommendations. Representatives were engaged from major and regional airports, airlines, airport and airline peak bodies, fuel suppliers, the financial sector, researchers, and relevant governments.

Following the release of the draft inquiry report in February 2019, a further 97 written submissions were received, totaling 185 throughout the consultation process. These are published online at the [PC's website](#).

Harris Review

Public consultation for the Harris Review commenced in November 2020. A discussion paper outlined the scope of the review, framework for public input, key policies underlying demand management and the impact of COVID-19 on Sydney Airport slot management. Interested parties were invited to register for targeted consultation meetings and provide written submissions on the paper. Information about the Harris Review was published online and over 100 stakeholders were directly invited to comment, resulting in 22 one-on-one consultation meetings and 41 submissions. These are published online at the [department's website](#).

Stakeholders included airlines, NSW regional airports, regional and Sydney community representatives, state and local governments, Airport Coordination Australia (the Slot

Manager), Airservices Australia, and Sydney Airport. Stakeholders provided insights into operations at Sydney Airport, issues with the current demand management framework, and impacts of potential reforms across different sectors of industry and the broader community.

Department-led consultation

In August 2021, the department commenced consultation with industry, community and government stakeholders through a series of Technical Working Groups (TWGs) to assess the potential impacts of the Harris Review recommendations and to determine how, if agreed by government, reforms would be implemented. 25 TWG meetings were held between August 2021 and February 2022.

Further, targeted consultation with key industry representatives on a narrowed set of options was undertaken between May and June 2023.

Consultation on the development of the Aviation White Paper also saw stakeholders raise matters related to the demand management framework. Submissions are published online, on the department's [Have Your Say page](#).

Other consideration of the issue – Senate Committee inquiry

In September 2023, the Senate established the Select Committee on Commonwealth Bilateral Air Service Agreements to inquire into government decisions on additional services to Australia's airports since 2016. The Committee received 155 written submissions and engaged in 5 public hearings. Issues canvassed included demand management at Sydney Airport. Witnesses included representatives from the aviation industry, government departments, consumer groups, and academics.

Recommendation 7 of the Committee's final report sought the government's urgent response to the Harris Review including recommendations to improve airport slot management and a strengthening of the 'use it or lose it' rule (relevant to priority given in the allocation of slots to operators that have previously been allocated, and used, a slot).

Future consultation

We are planning further consultation with key stakeholders on specific technical elements of the scheme.

Implementation of preferred options (Q6)

Significant reforms are required to the *Sydney Airport Demand Management Act 1997* and subordinate legislation to implement the various proposals and modernise the framework.

Key reforms requiring legislative change include:

- improving access for new entrants by broadening relevant definitions and principles;
- mandating airline reporting of slot management data and publishing that data;
- implementing the recovery period, particularly the temporary increase to the movement cap; and
- reducing the peak period and providing procedures for re-timing slots.

Administrative implementation and enforcement of the new arrangements will require substantive changes to existing administrative procedures. Some examples include undertaking the competitive selection process and governance arrangements for the Slot

Manager and establishing the administrative mechanisms required to support data collection and publication. Government (including the department, Airservices and border control agencies) as well as the Slot Manager and regulated entities will need to adjust.

The commencement date of the reforms will need to be considered in light of the transition time required.

We are planning further consultation with key stakeholders on specific technical elements of the scheme to ensure effective implementation of the reforms.

Evaluation against success metrics (Q7)

Measuring the success of these proposals will rely on significant data collection and analysis and ongoing community consultation. The reforms would provide for a substantial increase in the data available to government and the public, and would support better monitoring of the performance of the demand management framework.

Where possible, monitoring and evaluation will harness existing mechanisms across government to avoid duplication and minimise costs, including the ACCC's airline monitoring activities, analysis of slot data to be collected and published, and ongoing consultation through existing mechanisms to gauge community sentiment towards aircraft operations in Sydney.

Metrics for monitoring and evaluation could be designed based on indicators of success discussed above.

A review of the operation of the demand management framework will be undertaken after commencement of the reforms as part of the evaluation of the Aviation White Paper. This would be an opportunity to explore whether further adjustments are required to ensure the framework protects community and commercial interests, and remains modern, responsive and fit for purpose

Further Resources

[The Productivity Commission's 2019 *Economic Regulation of Airports* inquiry \(the PC Inquiry\)](#)

[Review of the Sydney Airport Demand Management Scheme \(Harris Review\)](#)

