

20 November 2018

Master Plan 2039 Submissions
Sydney Airport Corporation Limited
Locked Bag 5000
Sydney International Airport
NSW 2020

To Whom It May Concern,

SUBMISSION PRELIMINARY DRAFT SYDNEY AIRPORT MASTER PLAN 2039

Thank you for the opportunity to comment on the Preliminary Draft of the Sydney Airport Master Plan 2039 (the Plan).

Tourism Accommodation Australia (TAA) is the nation's premier accommodation industry body, representing the bulk of NSW's 3, 4 and 5 star hotels and serviced apartments.

These hotels play a key role in servicing the needs of many of the 10.3 million domestic overnight visitors and 9.4 million international overnight visitors that NSW attracts.¹

In NSW, the accommodation sector supported 57,329 full-time equivalent jobs in 2016-17, (26,300 through direct employment and a further 31,029 through flow-on impacts). This accounts for 21% of jobs supported by NSW's tourism industry and 1.8% of employment throughout NSW. Employment in the accommodation sector contributed \$3.5 billion to household incomes throughout NSW, and the sector contributed \$416.8 million in taxation revenue during 2015-16.²

1.0 SUMMARY OF TAA RESPONSE TO THE PLAN

Sydney Airport, as Australia's largest international gateway, is critical to the national airport network. Its ability to grow and operate effectively, is vital not only to Sydney and NSW but to the growth in demand in other airports around the country.

TAA is supportive of the Plan's comprehensive initiatives to optimise the use of the airport and support tourism demand growth. We welcome the upgrades to infrastructure that will improve the passenger experience, particularly through additional car parking spaces, improvements to drop-off areas, public transport, and roads and adding covered walkways for passengers.

¹ Tourism Research Australia, *National Visitor Survey*, YE June 2018 and *International Visitor Survey*, YE June 2018.

² AEC Group, 2017, *Economic Contribution of the Tourism Accommodation Sector in New South Wales*.

The Plan predicts that passenger numbers will increase by 51 per cent to 65.6 million in the next 20 years,³ despite the new airport opening at Badgerys Creek in 2026.

We note the reference in the proposed plan that ‘Masterplan 2039 ... reflects changes to the operating environment for the airport, in particular:

- Changes in travel and tourism globally
- The Australian Government’s commitment to build the Western Sydney Airport
- Changes to ground access arrangements for Sydney Airport through improvements to the external road network already undertaken or proposed by the NSW Government.’⁴

As outlined on page 7 of the Summary Masterplan 2039 ‘ ... All of the forecasts for Sydney Airport assume that from late 2026 Sydney’s aviation demand will be served by two international airports.’⁵ However, the proposed Plan lacks clarification and detail on how Sydney Airport and Western Sydney Airport will operate together in the market. This is important in understanding the full context for the growth predictions.

Equally, the ‘changes in travel and tourism globally’ are likely to drive significant increases in international demand as reflected in the Plan predictions (‘... by 2039 we anticipate that the split between domestic and international passengers travelling through the airport will be 52 per cent and 48 per cent respectively’).⁶ This, together with the significant operating constraints for Sydney Airport, the only Australian airport with movement caps, presents a major challenge for the airport in servicing demand growth.

We congratulate Sydney Airport on their proposed solution to addressing this challenge through the operation of international flights from the T2 and T3 domestic terminals in addition to T1 remaining the main international terminal.

However, we remain concerned at the operating constraints for Sydney Airport and call on the Federal Government to build in more flexibility around the hourly caps.

2.0 PROPOSED COMMERCIAL DEVELOPMENT

Potential commercial developments at Sydney Airport outlined in the Plan include accommodation, office and retail. TAA supports additional accommodation supply at the airport and Sydney Airport’s intent to provide a range of convenient hotel accommodation for all passengers.⁷

Our recent ‘*Supply and Demand in Sydney*’ report highlighted the difficulty of securing sites within Sydney city, with scarcity of land compounded by physical constraints in growth. Additionally,

³ Sydney Airport, *Preliminary Draft Airport Development Plan*, Summary of Preliminary Draft, p 7.

⁴ Sydney Airport, *Preliminary Draft Airport Development Plan*, Section 1, p 18.

⁵ Sydney Airport, *Preliminary Draft Airport Development Plan*, Summary of Preliminary Draft, p 7.

⁶ Ibid.

⁷ Sydney Airport, *Preliminary Draft Airport Development Plan*, Section 2, p 129.

accommodation supply is competing against the often higher and best use alternatives of office and residential developments, which deliver higher risk adjusted returns.

We welcome Sydney Airport's recognition of the importance of accommodation supply to meet demand and the reference on page 129 of Section 2 of the Plan that 'Commercial developments are considered in accordance with the principle of 'highest and best' use and customer value'.⁸

Airport hotels have been performing well over the past few years, despite the considerable increase in hotel stock, with current occupancy rates in the high 80's. It is however important that consideration is given on a continuing basis to identifying gaps in the market, to ensure there is a suitable balance of different levels of hotel stock and facilities.⁹

Recommendation 1

That consideration is given on a continuing basis to identifying accommodation gaps in the market, to ensure there is a suitable balance of different levels of hotel stock and facilities.

3.0 TRANSPORT

3.1 GROUND TRANSPORT

Smooth transport to and from the airport is critical in enhancing the customer experience and attracting repeat visitation. The growth in visitation into Sydney has placed significant constraints on ground transport, which in the absence of roads investment more than a decade ago, is now playing catch up. The pressure on the roads has been further exacerbated by the minimal (and expensive) public transport options.

We commend Sydney Airport and the Government for the roadworks to date which have delivered significant additional capacity and note the comprehensive Five-Year Ground Transport Plan and 20-Year Ground Transport Strategy¹⁰ which highlighted the existing and future road works.

The Plan highlights the importance of external road changes, in particular WestConnex and the proposed Sydney Gateway connection, in improving transport flows.¹¹ In light of the increased passenger arrivals, both these projects will be critical in decreasing the congestion that continues to occur during peak periods.

Access to adequate parking is a further factor in facilitating traffic flows. The Plan points to a number of new car park facilities at T1 including a much needed new multi-storey pick-up/drop-off facility at

⁸ Ibid.

⁹ Ibid, p 127.

¹⁰ Ibid, p 134-156.

¹¹ Ibid, p 134.

P8;¹² provision of additional car park capacity through the vertical expansion of existing car parks (for example at P7 or the Express pick-up area) and more on-site parking facilities at T2/T3.¹³

Well priced pick-up/drop-off facilities are critical to the customer experience. With the increase in rail usage and ride-sharing and the increasing importance of providing a range of integrated transport options we would welcome any future plans to provide new and reconfigured multi-modal transport facilities for T1 and T2/3.¹⁴

We support improved pedestrian connectivity between the Ground Transport Interchange and the two terminals as access is not clearly signposted or safe between these areas, particularly between T2 and T3.¹⁵ Improving access through P1, P2, and P3 is an important step.

We also welcome the announcement of improved wayfinding signage and flight information displays for passengers in the approved Ground Transport Interchange between Ninth and Seventh Street.¹⁶

Recommendation 2

That Sydney Airport continue to explore the reconfiguration and addition of multi-modal transport facilities for T1 and T2/3.

3.2 PUBLIC TRANSPORT

The increase of public transport ticket data shows that the modal share of people accessing the airport by rail has grown from 16% in 2012 to 24% in 2017.¹⁷ While this eases some congestion on the roads, it points to the need to provide more public transport solutions that are both accessible and cost effective.

4.0 EXTERNAL BARRIERS TO ADDRESSING SYDNEY AIRPORT CHALLENGES

4.1 LIMITED AND HIGH COST PUBLIC TRANSPORT

The high cost of travelling by train, coupled with the dearth of other affordable public transport options in this precinct (a direct result of the compensation clause within the Airport Link Company contract that requires the NSW government to compensate Airport Link Company for additional bus services) contribute to the congestion around both the domestic and international airports. The lack of public transport options negatively impacts both the visitor experience and the ability to attract staff.

¹² Ibid, p 135.

¹³ Ibid, p 153.

¹⁴ Ibid, p 98, 102.

¹⁵ Ibid, p 135.

¹⁶ Ibid, p 142.

¹⁷ Ibid, p 137.

The current Station Access Fee remains a further constraint on public transport usage. This adds a fee of \$14.30 per Adult to the standard one-way, single fare of \$4.40, totalling \$18.70 for a one-way train fare from the international terminal to the CBD.¹⁸ A taxi is approximately \$40 for the same distance and an Uber even cheaper, making these much more attractive options for multiple travellers.

The fare is capped at \$29 per week for Adult and \$26 for other categories. However, while this provides some small alleviation for airport staff who travel regularly to the airport, it is not a benefit that is applicable to international travellers.

Given that employment levels at Sydney Airport are forecast to increase to 35,800 jobs by 2023 this remains a pressing issue that requires government attention. The increase in hotel stock in the precinct is predicated on the ability to attract staff, with a high percentage of staff from suburbs in Western Sydney, making the costs prohibitive. As the level of the fee is not part of the IPART review process we remain concerned at arbitrary changes to both the fee and the cap with little consultation.

To further improve the attractiveness of public transport options such as the train, there also needs to be consideration for upgrading rolling stock (carriages) on the T8 line to better accommodate large bags. At present, delays are caused by passengers attempting to navigate carriages and staircases at the airport station. Infrastructure upgrades need to be considered to streamline this process, thus reducing delays and improving visitor amenity.

Recommendation 3

That there is recognition that the Station Access Fee is a constraint on public transport access to the airport and options to reduce it for both staff and visitors are explored.

Recommendation 4

That infrastructure upgrades are considered for rolling stock to improve the passenger experience on trains.

4.2 CAPS AND RESTRICTIONS ON MOVEMENTS

A significant operation restriction which Sydney Airport faces is the reduced capacity to grow new services. The *Joint Study on Aviation Capacity in the Sydney Region*¹⁹ laid out the issue in 2012, indicating that if Sydney Airport is unable to benefit from new services they will miss out on growth in the key international markets such as China and the next generation of new entrant products.

While the original restrictions (caps and curfews) are intended to limit the impact of aircraft noise, the ACCC submission to the Productivity Commission in September 2018 advised that the restrictions

¹⁸ NSW Government, Opal Fares, Station Access Fee, https://www.opal.com.au/en/opal-fares/airport_station_access_fee/.

¹⁹ Joint Study on Aviation Capacity in the Sydney Region, reported to the Australian Government and the NSW Government, March 2012.

"should be reviewed periodically to ensure they remain appropriate, so as to reflect technological advances that reduce aircraft noise."²⁰

The key issue is the slot and movement caps, which limit the maximum number of aircraft arrivals and departures as well as the number of aircraft movements each hour to 80. They are also measured over a rolling hour commencing every 15 minutes, effectively restricting movements to 20 per 15 minute block. There is no flexibility to reschedule delayed aircraft to the next 15 minute block. When presented with weather delays or unexpected issues, it is difficult for Sydney Airport to catch up due to the restrictions.

As recommended in the Joint Study, modernisation of the operating restrictions (lifting the cap in peak hours to 85) could reduce the number of aircraft movements during the off-peak and would increase flexibility. Alternatively, a daily cap could be considered. The latter would provide much needed flexibility for Sydney Airport in managing unexpected delays and improve productivity outcomes for both the airport, hotels and businesses which utilise the airport on a regular basis and international travellers who are time constrained

Sydney Airport, in their 2010 submission to the Productivity Commission, highlighted that Sydney was one of only 2 airports worldwide which had both a 'hard curfew' (no passenger movements allowed) and artificial movement caps. The other was Paris Orly, which is a secondary airport.

The overview of airport controls worldwide demonstrates that Sydney Airport's constraints are rigid and outdated. We would support the ACCC call for a review of the restrictions to ensure Sydney and NSW are in a position to capitalise on global travel growth into the future.

4.3 REGIONAL SERVICES

Sydney Airport utilises regional ring fencing (RRF) to ensure regional services have access to slots. The RRF reserves a significant number of peak slots at Sydney Airport for services to regional communities. As a result, approximately 25% of peak slots are reserved for approximately 5% of peak time passengers.

We would support a recommendation that reviews usage of the slots and ensures that those slots are utilised to maximum capacity. Currently, many of the larger domestic regional flights are unable to gain slots because they are taken by smaller planes. Smaller planes are less noisy and there is scope to consider not counting them within the 80 movements per hour. This will assist both in increasing visitor numbers and ease of access to regional areas and open up slots that can be used more effectively outside the RRF.

²⁰ Productivity Commission Inquiry into the Economic Regulation of Airports, ACCC submission in response to the Issues Paper, September 2018, p 6.



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Recommendation 5

That the ACCC's call for a review of the restrictions is supported to ensure Sydney and NSW are in a position to capitalise on global travel growth into the future.

Recommendation 6

That the usage of regional slots is reviewed to determine that they are utilised for maximum capacity and to open up slots for non-regional capacity.

5.0 CONCLUSION

Overall Tourism Accommodation Australia (NSW) welcomes the Master Plan by Sydney Airport, particularly as it lays out a number of improvements across a range of challenging areas.

As detailed in the submission, we welcome the announcement of improvements to access to the airport, both in infrastructure and transport. We note the advocacy Sydney Airport is continuing to engage in with the NSW Government regarding public transport issues. We reinforce the need to improve the frequency and quality of public transport and advocate for the removal of the Station Access Ree, which remains a significant deterrent to take up of rail travel.

We look forward to seeing the plan for product differentiation between Sydney Airport and Western Sydney Airport.

We would reinforce that the most significant barrier to growth of domestic and international visitors into Sydney and NSW is the cap on aircraft movements. Together with the 15-minute interval assessments, the lack of flexibility in adjusting arrivals creates a restrictive operating environment that fails to maximise on capacity for growth and negatively impacts the visitor experience. As outlined in the submission, TAA calls on the Federal Government to relax the caps, remove the 15-minute interval measure and explore more flexible options to ensure Australia's largest gateway remains competitive. There is also scope to review regional ring fencing to ensure better utilisations of slots therefore contributing to better regional dispersal of visitors.

Tourism Accommodation Australia (NSW) welcomes the opportunity for further input and discussion as these plans are finalised.

Yours Sincerely,

Carol Giuseppi
CEO
Tourism Accommodation Australia