

ACI EUROPE POSITION PAPER

Airport Slot Allocation



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Cover / Photo: Madrid-Barajas Adolfo Suárez Airport (MAD)

Introduction

The European Union's regulatory framework for the allocation of slots for the use of airport capacity is governed by Regulation (EC) 95/93 on common rules for the allocation of slots at Community airports, as amended by Regulation (EC) 793/2004, which entered into force in July 2005.

This paper sets out the ACI EUROPE's position on how the regulatory framework on slot allocation needs to be improved, with particular regards to the review of Regulation (EC) 793/2004, the formal introduction of 'secondary trading', 'primary trading' and slot withdrawal at highly congested airports - all with a view to achieve more efficient use of scarce capacity.

ACI EUROPE is supportive of any measure that can improve the efficient use of limited airport capacity. Airport capacity has become a serious problem which threatens the efficiency of the EU aviation system, with potentially far reaching repercussions on the competitiveness of the European economy. The EUROCONTROL Challenges of Growth Study published in 2013 predicts a 50% increase in air traffic by 2035 compared to 2012, leaving 12% of traffic demand not accommodated and at more than 20 European airports severely congested. This forecast is backed by similar conclusions of Airbus and Boeing.

It is important to note, that optimising the efficient use of existing capacity is not enough and only additionally created capacity will be able to cope with the traffic demand of the future. Further details and analysis on this subject are provided in ACI EUROPE's Position on Airport Capacity.¹

The European Commission, after a tender procedure, awarded a contract for carrying out an impact assessment on the possible revision of Regulation 95/93 to the consultant Steer Davies Gleave in

summer 2010. The findings of the study were released in summer 2011, addressing the right elements for a better use of existing capacity – thus maximising benefits for consumers, airlines and airports. ACI EUROPE is supporting most of the recommendations laid down, except the consultant’s findings on local rules and regional connectivity. ACI EUROPE believes that more flexibility is needed in order to adapt the Regulation to local circumstances (for example the new entrant rule) and ensure regional accessibility.

In this context, airports have a legitimate interest in exercising influence over the way in which their infrastructure is used, the slot being the ultimate output of their investment and operational management.

1. *ACI EUROPE Position Paper on Airport Capacity (October 2015).*

The existing framework

- **Regulation (EC) 793/2004** introduced new and significant provisions, notably on local rules (Article 8), slot mobility (Article 8a) and enforcement (Article 14). ACI EUROPE **believes that there is scope for improving these provisions, since more legal certainty (Article 8a) and a clearer definition of enforcement measures would make the system more efficient.**
- **Local rules for local circumstances:** In recent years, the main focus of the Coordination Committees at airport level has been to design local guidelines that refer to the actual use of slots, and they have sought to tackle problems of abusive or poor slot utilisation. The benefits of effective local rules have been acknowledged not only at EU level by Regulation (EC) 793/2004 but also detailed by the ECAC guidance material on the application of local rules for slot allocation at airports.²

Optimising the use of existing capacity

Strengthening the use-it-or-lose-it rule: Whilst this rule must continue to apply, it does allow air carriers a large margin for not using slots (20% of the capacity allocated to them) without being subject to sanctions or penalties. **The slot usage rate should be increased above the existing 80% figure,** in order to encourage air carriers to optimise the use of slots and allow the return to the pool of those slots that will not be used effectively. These slots can then be re-allocated with the objective of being distributed to air carriers that can achieve a highly efficient utilisation of scarce airport capacity.

2. 'Outcome of Study on Slot Allocation Procedures' ECAC, December 2005.

ACI EUROPE is willing to explore with the other stakeholders and the institutional bodies options that would balance an increase in the minimum usage rate over 80% with the needs of airlines for flexibility in flight planning.

Another way of optimising the usage of slots would be to increase the series of slots in the summer and winter seasons. Currently the minimum series is 5 weeks, meaning the minimum number of weeks that airlines must operate to build history on their slots and to keep them in the following equivalent season. In practice short series of 5 weeks can block the full-season allocation of peak hour slots, as can be illustrated in the real life example out of Dublin Airport in Figure 1.

Figure 1: Short slot series blocking full-season slots in Dublin Airport

		0600						
		M	T	W	J	F	S	Z
24 OCT	W30							4
31 OCT	W31	1	2	2	1	1	1	2
07 NOV	W32	0	1	1	0	0	1	2
14 NOV	W33	0	1	1	0	0	1	2
21 NOV	W34	0	1	1	0	0	1	2
28 NOV	W35	0	1	1	0	0	1	3
05 DEC	W36	0	1	0	0	0	1	3
12 DEC	W37	0	1	0	0	0	1	5
19 DEC	W38	0	1	0	0	0	1	5
26 DEC	W39	0	1	0	0	0	0	5
02 JAN	W40	0	1	0	0	0	0	3
09 JAN	W41	0	1	1	0	0	0	1
16 JAN	W42	0	1	1	0	0	0	1
23 JAN	W43	0	1	1	0	0	0	1
30 JAN	W44	0	1	1	0	0	0	1
06 FEB	W45	0	0	1	0	0	0	1
13 FEB	W46	0	0	1	0	0	0	2
20 FEB	W47	0	0	1	0	0	0	2
27 FEB	W48	0	0	1	0	0	1	2
06 MAR	W49	0	0	1	0	0	1	2
13 MAR	W50	0	0	1	0	0	1	2
20 MAR	W51	1	0	1	0	1	2	

Day 2: 7 week historic

Day 3: 5 week historic

Day 6: 9 week historic

The new-entrant rule is not always a guarantee for more competition: The new entrant rule has proved to be effective at certain airports, but ineffective and counter-productive at other airports. Through the 'new entrant' priority, real new entrants in the market are not always able to build up a sufficient critical mass of services to be competitive. This is particularly true because of the relatively scarce capacity of slots available in the pool (especially after the re-timing process has been completed). In addition, it is important to note that effective competition is more often generated by carriers belonging to global alliances and no-frills carriers, both of which are usually too large to benefit from the 'new entrant priority'.

On this basis, ACI EUROPE proposes to give Member States the possibility to adapt the new entrants priority rule so as to make it less prescriptive or even replace it by locally developed priority rules, in consultation with the local players (airlines, airport, coordinator). Those local rules would need to be transparent, objective and non-discriminatory.

Revenue neutral measures to improve the use of slots: Introducing a slot reservation system would provide a monetary incentive relating to the actual use of airport infrastructure, and discourage practices such as over-bidding for slots or the late hand-back of slots. The implementation of a slot reservation system should be revenue neutral for the airport with no advance payment by airlines. This system would also incentivise airlines to hand back their slots in time (before the slot return date) in order to allow reallocation of the slot to another carrier. This would go a long way in making best use of existing airport capacity.

Bring the slot return deadline forward: For an allocated slot that will not be operated, an airline has to return it to the pool by 31 December (for summer) or 31 August (for winter) respectively. Operational practice however has shown that this does not give other carriers enough time to take these slots on board given the advance timelines involved in airline scheduling. To redress this, ACI EUROPE would recommend that the slot return deadline is

advanced by a month to 30 November for the summer season and 30 July for the summer season.

Secondary trading of slots

- ACI EUROPE acknowledges that secondary trading has been beneficial to improve the efficient use of airport capacity at London airports and may be beneficial in the future at highly congested airports where any increase in capacity is not sufficient to meet demand.
- **In order to avoid legal uncertainty and in line with IATA Guidelines, the European Commission should make explicit that the exchange or transfer of slots against monetary compensations should be possible but not mandatory.**
- **However, Member States should be given the possibility to exclude secondary trading at an airport under specific considerations related to airport capacity definitions and projections:**
 - The impact of secondary trading may vary from airport to airport and the benefits may only be forthcoming under certain circumstances. This argues in favour of a case by case approach and individual solutions.
 - The decision would rest with Member States. Secondary trading should be allowed with an opt-out possibility.
- Slot trading implicitly recognises that airport slots have a value because airport capacity is a limited resource. Air carriers currently receive the scarcity value from these slots. ACI EUROPE believes that part of the proceeds should be set aside towards the developments of new airport infrastructure and therefore increasing capacity.
- Secondary trading should also be fully transparent.

The Annex to this position paper provides more insight about the airport industry view on secondary trading of slots.

Primary trading of slots through Slot auctions

At this stage, ACI EUROPE opposes the introduction of market mechanisms for allocating significant amounts of newly created slots. The introduction of slot auctioning would be a fundamental change to current slot allocation mechanisms with unknown consequences on the market.

ACI EUROPE wishes to draw the attention of the regulators and stakeholders to the fact that a thorough cost/benefit analysis should be carried out before embarking on any significant change to slot allocation methods. In any event, the principle of grandfather rights should be retained.

Slot withdrawal

Apart from the current case of withdrawal when the use-it-or-lose-it provisions apply or when enforcement measures require it (see Article 10 (2) and Article 14 of Regulation (EC) 793/2004), ACI EUROPE is opposed to any form of slot withdrawal, for the following reasons:

- This would lead to instability and uncertainty within the current system of slot allocation.
- This would be not in line with worldwide scheduling guidelines, thus putting EU carriers at a disadvantage vis-à-vis their competitors worldwide. It could also prompt retaliation against EU carriers internationally.

Link to the Single European Sky

In order to allow for a quick decision making process on the day of operation, it is essential to keep the number of actors as low as possible and to clearly define the interfaces. If additional processes are needed consideration should be given to extend the scope of responsibilities of one actor rather than to introduce an additional actor.

Decision on the day of operation should be taken by those operationally affected and be based on pragmatic considerations. The Network Manager will have a role to play here but also the affected airport. It should be noted that decisions of coordinators are based on the declared capacity parameters which represents the strategic capacity of the airport. These values are of limited help on the day of operation, when the operational capacity differs from the declared capacity.

All initiatives with this regard should be linked to the ATM Master Plan and the relevant implementation packages (IP1 – IP3). They should be built on both, existing systems and procedures, but also on ongoing research projects.



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