



ASSEMBLY — 39TH SESSION

ECONOMIC COMMISSION

Agenda Item 39: Economic Regulation of International Air Transport – Policy

AIRPORT SLOTS

(Presented by the Airports Council International (ACI))

EXECUTIVE SUMMARY

Airport operators wish to promote efficiency in the allocation and use of the capacity that they build, maintain and operate, which in turn affects issues such as destinations served, aircraft seat capacity, competition, delays to aircraft, cost and level of service in passenger terminals, connectivity, and full use of allocated slots.

Airports Council International ACI wishes to engage with States and industry stakeholders to improve industry guidance on slot allocation and to explore means of modernizing allocation criteria to address the evolution of the industry and new challenges.

**Action:** The Assembly is invited to:

- a) agree that the interests of airport operators should be considered together with the interests of airlines in the definition of slot allocation policy and the development of industry slot guidelines for the common benefits of passengers and communities;
- b) recognize airport operators as significant players in local rules for slot allocation to suit the needs of the individual airport and its users. Local cooperation benefits all parties and improve the outcome in terms of efficiency of operational and economic use of airport facilities;
- c) recommend amendment of the definition of an airport slot and the understanding of slot allocation, in order to contain both permission for the aircraft operator to use the required infrastructure, but also the obligation for the aircraft operator to use that allocated capacity, with proportionate sanctions for intentional misuse; and
- d) recommend a reference to a Panel to explore and evaluate the potential benefits of alternative capacity allocation methods for airport slots.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D — <i>Economic Development of Air Transport</i>
<i>Financial implications:</i>	None
<i>References:</i>	Not applicable

<sup>1</sup> English, Arabic, Chinese, French, Russian and Spanish versions provided by ACI.

## 1. INTRODUCTION

1.1 Some States and communities of States have adopted regulations governing slot allocation at airports that face traffic congestion. These regulations, to varying degrees, take into account industry guidelines such as the IATA Worldwide Slot Guidelines (WSG) which have existed for many years to harmonize airport slot coordination.

1.2 The structure of the air transport industry has changed fundamentally over the last twenty five years, driven by growth, technological improvement, liberalization and deregulation, with the resulting competitive pressures transforming both airlines and airports alike. Airport operators, in particular, moving from being infrastructure providers to businesses in their own right, have a strong and legitimate economic and social interest to operate their assets with the objective of meeting not only the interest of airlines but also of passengers and the communities that airports serve. In the case of airports owned by private investors, this expectation is also motivated and justified by the risk of investing in and managing a capital intensive business.

1.3 The growth of air transport has increased congestion both in airspace and at airports. With the expected growth of demand worldwide, especially in emerging markets such as Latin America and Asia, airports in these areas are experiencing capacity challenges similar to their competitors in Europe and North America.

1.4 Worldwide, around 300 airports are directly affected by airport coordination principles. Of these airports, some 120 have Level 2 status, where there is voluntary schedule coordination.

1.5 Approximately 180 airports worldwide are classified as Level 3, where slots are allocated by an airport coordinator for each arrival or departure. The number of slots which can be allocated is determined by the coordination parameters (the capacity declaration) before the season starts, and must not be exceeded by the airport coordinator. In this case, under the industry guidelines, the airport operator no longer has direct influence in the allocation and use of the provided scarce capacity. In many countries, airport operators are not even the body that makes the capacity declaration, i.e. the number of slots that will be made available for the market.

1.6 However, as the industry guidelines state, the designation of the level of coordination should be based on a thorough capacity analysis which should consider the ability of the airport infrastructure to accommodate demand at desired levels of service, such as queue times, levels of congestion or delay. Designation as Level 3 should be regarded as a last resort, when other ways to reduce or remove the need for coordination cannot be found.

1.7 It is important to note that optimizing the use of existing capacity is an essential step but will not provide enough capacity to meet future market demand. Planning and providing for new airport capacity is a pre-requisite if the airport industry, especially in the fastest growing markets, is to meet projected traffic demand in the future and in a competitive manner.

## 2. DISCUSSION

2.1 Airport operators wish to promote the greatest possible efficiency in the use of the infrastructure that they have built, which implies the full and effective use of all slots. Airport operators will also aim to build new capacity to meet demand, but for a variety of reasons they may be limited in their ability to do so.

2.2 The allocation of slots in turn affects issues such as destinations served, aircraft seat capacity, competition, delays to aircraft, level of service in terminals, apron capacity and level of noise and emissions. An efficient allocation of slots facilitates meeting the demands of aviation industry stakeholders, but that alone is not sufficient - airport operators must take into account the social and economic welfare of consumers and local communities, with which they interact on a daily basis.

2.3 Furthermore, given the specific circumstances of airports and regions, adequate flexibility should be ensured through the allowance of local rules, as acknowledged in the European Union Regulation on slots.

2.4 An airport slot is currently defined as *“a permission given by a coordinator for a planned operation to use the full range of airport infrastructure necessary to arrive or depart at a Level 3 airport on a specific date and time”*. (IATA WSG; 7th Edition, chapter 1.6.1.). The definition of a slot should be explicit not only with reference to the benefit to the aircraft operator to use the infrastructure at a given date and time, but also with regard to its obligation to use the allocated capacity. Under the current guidelines, the non-utilisation of allocated slots (hence airport infrastructure) has no consequence for airlines during the season in course, which may result in inefficient use of airport capacity and an economic impact for the community and the airport operator, as well as potential adverse consequences to competition at the airport.

2.5 Beyond the “use it or lose it” rule, early or late arrival or departure without operational cause is not defined in terms of clearly stated time windows and it lies within each Slot Coordinator’s discretion to make these calculations as per their own standards and local rules.

2.6 Within the context of an increasing level of congestion at a growing number of airports, a wider discussion is needed between States and the industry to improve current slot allocation methods and to ensure the most efficient use of the existing capacity from an overall perspective in the future. We note that tools are available to allow simultaneous optimization of differing criteria (e.g. effect on connectivity, effect on hub operations, operational challenges, competition, and economic value) and can enable an optimal outcome according to the defined efficiency goals.

2.7 Under the current industry guidelines, important criteria for the efficient use of scarce capacity such as destinations served, size of aircraft or best offer for the public are ignored or at best regarded as optional secondary criteria. The operator of each slot coordinated airport should be able to prioritise the secondary criteria for use by the coordinator of the airport, depending on its circumstances.

2.8 Moreover, the potential benefits of alternative allocation methods for slot allocation should be explored. Market mechanisms have been used in other fields to allocate limited resources in the most efficient way.

2.9 In this context, ACI also believes that when new air services agreements are signed, the granting of slots for new services should not be part of these agreements, as this may distort slot allocation priorities and lead to unforeseen impacts on other services and operators.

### 3. **RECOMMENDATIONS TO THE ASSEMBLY**

3.1 The Assembly is invited to:

- a) agree that the interests of airport operators should be considered together with the interests of airlines in the definition of slot allocation policy and the development of industry slot guidelines for the common benefits of passengers and communities;
- b) recognize airport operators as significant players in local rules for slot allocation to suit the needs of the individual airport and its users. Local cooperation benefits all parties and improve the outcome in terms of efficiency of operational and economic use of airport facilities;
- c) recommend amendment of the definition of an airport slot and the understanding of slot allocation, in order to contain both permission for the aircraft operator to use the required infrastructure, but also the obligation for the aircraft operator to use that allocated capacity, with proportionate sanctions for intentional misuse; and
- d) recommend a reference to a Panel to explore and evaluate the potential benefits of alternative capacity allocation methods for airport slots.

— END —