



WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key issues and related regulatory framework

Agenda Item 2.1: Market access

MARKET ACCESS: SLOTS AND NIGHT RESTRICTIONS

(Presented by the Airports Council International (ACI))

EXECUTIVE SUMMARY

This working paper argues that liberalisation of the airline industry has led to increased demand for airport infrastructure, and that the changed role of airports in providing new infrastructure, and managing that already available, needs to be recognised. Coordination committees should therefore be established, with full airport participation in the establishment of slot allocation rules, and permitting periodic consultation and communication between airlines and the airports concerned. Night restrictions may need to be re-examined from a global rather than local perspective, in particular to allow for night time operation of quieter new technology aircraft to and from emerging markets.

Action: The Conference is invited to agree to the recommendations in paragraph 5.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 Market access is one of the most important elements in the regulatory framework of international air transport. Restrictive bilateral air service agreements are giving way to open skies type agreements and this liberalization, together with the emergence of new airline models, in particular low cost carriers, has led to significant network development in most regions, with the consequent increase in demand for airport infrastructure.

2. SLOTS

2.1 Airport slots are important for access to the infrastructure resources of an airport, and the airport operator must play a leading role in an efficient coordination process. The airport operator is best placed to define and declare airport capacity for runways (aircraft movements), terminals (passenger

movements) and aprons (number of aircraft parking stands), in consultation with other appropriate authorities.

2.2 Historically, the International Air Transport Association (IATA) has developed and refined a process for schedule co-ordination and allocation of airport slots which has, to a large extent, maintained a degree of coherence and stability in international air transport. However, with few exceptions, slot allocations are still dominated by the interests of airlines, which may be contrary to the interests of airport operators and their local communities. It is also possible that the direct control of slot allocation by the airlines could lead to anti-competitive behaviour. This has been recognized in many places where both schedule coordination and slot allocation need government approval (e.g. competition rules or designation by a government of an airport as coordinated).

2.3 The Airports Council International (ACI) supports any measure that can improve the efficient use of limited capacity. Lack of sufficient airport capacity has become a serious problem, which threatens the efficiency of the aviation system, with repercussions on the competitiveness of national economies. For example the 2008 Challenges of Growth study from Eurocontrol estimated that 60 European airports are expected to be short of capacity by 2025, even taking into account the new capacity currently being built or planned.

2.4 The review of the slot allocation system should therefore focus on the objective of achieving a better use of existing capacity – thus maximizing benefits for consumers, airlines and airports.

2.5 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.

2.6 At congested airports, where demand may exceed available slots, more stringent scheduling procedures should be developed with the aim of achieving the most efficient use of capacity, including allocation of slots, under the responsibility of an independent coordinator. These procedures should take into account historical precedence, new entrants, frequency of service on certain routes and aircraft size. The procedures should be both transparent and fair. It is also important that provisions on sanctions are included to counteract abusive use of slots, i.e. repeated and deliberate operation significantly outside the allocated slot time or aircraft no shows.

2.7 Airports support use-it-or-lose-it rules, but in congested markets the slot usage rate should be increased above the usual 80% figure to improve utilisation of scarce airport capacity. ACI supports Slot performance committees, which can monitor the situation and take action against carriers which fail to conform to the rule.

2.8 Similarly there might be a slot reservation deposit for each slot held after the slot return deadline: this would provide a monetary incentive by discouraging practices such as over-bidding, late hand-back and no shows. The system should be revenue neutral and be accompanied by a reduction of landing and take-off charges. If the slot were used, the deposit would be deducted from airport charges, but if not, both the slot and the deposit would be forfeited. Any legislation relating to airport charges or slots with the objective to improve the use of airport capacity should not prevent the airport to introduce such a system aimed at a better use of the airport infrastructure.

2.9 ACI 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.

2.10 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 States. Secondary trading should be allowed with an opt-out possibility.

2.11 Slot trading implicitly recognizes that airport slots have a value because airport capacity is a limited resource. Air carriers currently receive the scarcity value from these slots. ACI believes that part of the proceeds should be set aside towards the development of new airport capacity.

2.12 The direct involvement of airports in slot allocation is essential for the efficient movement of persons and goods, and to ensure that airports play a leading role in the economic development of the communities and regions they serve. Airport characteristics vary and it is therefore important that the allocation rules allow for the establishment, with active participation of the airport operator, of local rules that can take such characteristics into account.

2.13 Coordination committees should be established, with full airport participation in the establishment of slot allocation rules, permitting periodic consultation and communication between airlines and the airports concerned. Interested airports should also be able to attend the IATA Schedule Coordination Conference at least as observers.

3. OPERATING AND NIGHT TIME RESTRICTIONS

3.1 The increased demand to/from States with emerging economies has an impact on the issue of night restrictions. Whereas in the past, when the largest proportion of intercontinental traffic was confined to a few intercontinental markets, like the trans-Atlantic market, the issue of night restrictions was not a concern because the traditional departure times were scheduled to coincide either with traffic banks at the departure and arrival city, or the start of the business day in the arrival city. With the increasing demand for intercontinental air services to/from emerging economies in Asia, Africa and Latin America, restrictions as a result of night curfews, become a serious economic question because they can have an impact on access to and from these emerging markets.

3.2 Schedules have also accommodated night restrictions in North America and Europe. However, emerging States are increasingly less tolerant of accommodating European and North American sensibilities, and they are demanding less of a noise burden on their own communities.

3.3 Aircraft such as the Boeing 787 or Airbus A350 have the potential of opening up new markets allowing cities that previously did not have the critical mass to operate non-stop routes to do so with these new aircraft types. This means that non-traditional arrival and departure times could become even more common place. However, these new aircraft are quieter than their predecessors and may qualify for limited night time operations at most airports worldwide.

3.4 The issue of night-restrictions also relates to air cargo operations, though at most airports, air cargo only represents a small proportion of night flights operations.

3.5 Night flights and night-restrictions are issues that cannot be solved applying local solutions only, independent of the issue of global connectivity, and an international perspective is needed.

4. CONCLUSIONS

4.1 Airports slots are important for access to the infrastructure resources of an airport. Airport capacity has become a serious problem, which threatens the efficiency of the aviation system, with potentially far reaching repercussions on the competitiveness of the economies supported by airports.

4.2 The procedures and processes of slot allocation are still dominated by the interests of airlines, which may be contrary to the interests of airport operators and their local communities.

4.3 Slot trading implicitly recognizes that airport slots have a value because airport capacity is a limited resource. Air carriers currently receive the scarcity value from these slots. ACI believes that part of the proceeds should be set aside towards the development of new airport capacity.

4.4 The increased demand to/from emerging economies has an impact on the issue of night-restrictions.

4.5 Night-restrictions affect both cargo and passenger operations. Night flights and night-restrictions are issues that cannot be solved applying local solutions only, an international perspective is needed.

5. RECOMMENDATIONS

5.1 The following recommendations are proposed for consideration by the Conference:

- a) ACI supports the recommendations of ICAO's ATConf/6-WP/8 on Night Flight Restrictions and ATConf/6-WP/11 on Slot Allocation;
- b) airports' slots are important for access to the infrastructure resources of the airport operator. Airlines use this access to add value through their development of routes. Where slots are traded ACI believes that part of the proceeds should be set aside towards the development of new airport capacity;
- c) airports should play a leading role in an efficient slot coordination process. The airport operator is best placed to define and declare airport capacity for runways, terminals and aprons. Coordination committees should be established, with full airport participation in the establishment of slot allocation rules, permitting periodic consultation and communication between airlines and the airports concerned;
- d) States should recognize the increasing demand for night operations as a result of the increasing demand for intercontinental air services, particularly to/from emerging economies; and
- e) States should recognize that, with the introduction of new long-haul and quieter aircraft, increasing operations at night may be the most cost effective way of gaining capacity, by maximizing the use of available infrastructure.