WORLDWIDE AIR TRANSPORT CONFERENCE: CHALLENGES AND OPPORTUNITIES OF LIBERALIZATION

Montreal, 24 to 29 March 2003

Agenda Item 2: **Examination of key regulatory issues in liberalization**
2.2: Market access

ENSURING AN EFFECTIVE AND GLOBALLY COMPATIBLE SLOT ALLOCATION SYSTEM

(Presented by International Air Transport Association)

SUMMARY

Slot allocation is only required where there is insufficient airport capacity to meet demand. It does not increase capacity and is only a mechanism for distributing what is available. International Air Transport Association (IATA) provides flexible and fair guidelines for slot allocation on a global basis. National or regional rules can complicate the system, particularly if they are not compatible with the global system. Slot allocation rules should be:

• Globally compatible
• Market driven and aimed solely at the maximum effective use of airport capacity
• Transparent fair and non-discriminatory
• Simple, practical and economically sustainable

Action by the Conference is in paragraph 5.1.

---

[1] Arabic, French and Spanish versions provided by the International Air Transport Association (IATA)

1.   **INTRODUCTION**

1.1   Airports only need slots and the process of slot allocation when there is insufficient capacity to meet demand. At that point the capacity that is available is rationed and must be distributed according to some basic principles. The IATA Scheduling Conferences use fair and flexible guidelines to arrange slot allocation on a global basis at 215 coordinated airports worldwide.

2.   **ORIGINS OF THE SCHEDULING CONFERENCES**

2.1   The process of slot allocation started in the early 1960s when airlines, on a voluntary basis, agreed to respect specific take-off and landing times at an airport as allocated by a "slot coordinator". Over time the process spread to a growing number of airports and agreed guidelines were adopted, again voluntarily, by airlines attending the bi-annual IATA Scheduling Conferences.

2.2   Although originally a simple forum for co-ordinating timetables to optimize schedule connections, the IATA Scheduling Conferences have grown to become the focal point of slot allocation for some 215 coordinated airports worldwide. Similarly, conference participation has grown to more than 200 airlines (scheduled and charter, IATA and non-IATA) and 50 Slot Coordinators.

2.3   The "Scheduling Procedures Guidelines" are regularly reviewed and updated by all participants in the Scheduling Conferences, and represent a fair and equitable mechanism for obtaining, retaining and exchanging slots at congested airports. The IATA Scheduling Conferences and related specialist groups also establish standards to support slot allocation and scheduling in general, including data standards, definitions and message formats and protocols.

3.   **ROLE OF GOVERNMENTS**

3.1   Although slot allocation evolved as a system administered by airlines, government involvement has increased as congestion has worsened and as the issue of which carriers got slots and how they used them became increasingly important in terms of market access and regulatory policy.

3.2   Today a number of governments have their own rules for slot allocation, most notably in the European Union (EU) where a Slot Allocation Regulation, based on the IATA system, has been in place since 1993. This and other national rules have so far proved relatively compatible with the global industry guidelines. However, there is growing concern that the situation is changing.

4.   **EMERGING PROBLEMS**

4.1   The problem is that formal regulation is inherently inflexible. Obtaining maximum use of capacity in a constrained situation relies on practical flexibility. Contradictory as it may at first appear, introducing slot allocation reduces capacity at an airport. The explanation for this is simple: the number of aircraft movements that can be achieved on a sustained basis, hour after hour, day after day, is lower than can be achieved in *some hours* without slot allocation. Given a requirement to guarantee a certain number of slots per hour, the result is likely to be less than could otherwise be achieved.

4.2   With this in mind, it can be understood that each additional allocation rule or procedure risks adding complexity, reducing flexibility and, by extension, reducing effective use of capacity. This is why IATA guidelines were designed to be as flexible as possible. However, the regulatory and quasi-legal nature of government imposed rules, leaves much less room for flexibility and interpretation. Simply put, the more prescriptive the rules are the more they are liable to restrict flexible and effective use of capacity.

4.3   A second issue is the purpose or objective of government rules. IATA guidelines are directed simply at maximizing capacity and distributing it fairly. In this respect they concentrate on passenger convenience and schedule continuity and predictability, based on historical precedence ("grandfather rights") and concepts of "waiting one's turn" as a central tenant, but including rules which ensure that new entrants also get their fair share of the slot pool.

4.4   However, governments have started to introduce new criteria, favouring specific categories of operator or aircraft type and adding new objectives such as "competition" and environment protection. While these are laudable objectives, they should have no part in the technical process of slot allocation – other avenues are open to governments to achieve such objectives.

4.5   Each time new slot allocation criteria are added the process is further complicated. Worse still, some objectives are not compatible with others, leaving coordinators to struggle with priorities, balancing efficient maximization of available capacity with political imperatives.

4.6   Given that most take-off slots must be matched with a landing slot somewhere else, the risk of incompatible national rules raises the spectre of system fragmentation and breakdown. This is further complicated where airports are located in different time zones.

4.7   With this in mind IATA has developed a simple set of principles that should be respected in *any* slot allocation system. These are that the system should:

      a) be globally compatible;

      b) have as its sole objective the maximum effective and market driven use of airport capacity;

      c) be transparent, fair and non-discriminatory; and

      d) be simple, practical and economically sustainable.

5.   **ACTION BY THE CONFERENCE**

5.1   IATA urges the Conference to include these principles in its conclusions, making it clear that States must avoid unilateral action that could undermine them.

— END —