

**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**

**TRAFFIC RIGHTS, AIRPORT CAPACITY AND AIRPORT SLOTS: THE
AIRPORT OPERATORS' VIEW**

(Presented by Airports Council International (ACI))

SUMMARY

Traffic rights, airport capacity and airport slots are entirely different and separate issues. Airport operators undertake every effort to expand airport capacity and have the right to define and declare airport capacity. They should play a leading role in the slot establishment process and oversee the efficient allocation of slot to airlines. When slots are allocated, airlines are granted usage rights to the slots but not property rights. This also applies to slot trading by airlines.

Action by the Conference is in paragraph 4.1.

1. INTRODUCTION

1.1 Air traffic growth has traditionally outstripped airport capacity growth, especially in recent years. As pointed out in ICAO Secretariat ATConf/5-WP/8, airport capacity shortage has been linked to economic, environmental, political and physical constraints which have impeded the relentless efforts of airport operators and governments to increase airport capacity. This in turn has limited market access. Unless increased significantly, current airport capacity would not be able to accommodate the expected growth of air traffic resulting from air transport liberalization. The main points of ACI's policies for the efficient management of airport capacity are described hereunder.

¹ French and Spanish versions provided by Airports Council International (ACI).

2. **ACI POLICIES FOR EFFICIENT MANAGEMENT OF AIRPORT CAPACITY**

2.1 Traffic rights, airport capacity and airport slots are completely different issues. Traffic rights allow carriers to access a market, airport capacity may limit the ability of an airport to accommodate such access at that airport, while slots are established and allocated to facilitate airline access to congested airports. The process of exchanging or granting traffic rights is entirely different and separate from the process of establishing and allocating slots. When slots are allocated, airlines are granted usage rights to the slots but not property rights.

2.2 Impact of traffic peaks and capacity constraints: Traffic peaking at airports generates severe economic penalties, such as under-utilization of costly airport facilities and services, opportunity costs from direct and indirect impact of lost services, and delays to aircraft and passengers. Significant improvements can be obtained by redistributing traffic through effective consultation among all interested parties, airports included. Further information may be found in the joint Airports Council International-International Air Transport Association (ACI-IATA) booklet "Guidelines for Airport Capacity/Demand Management".

2.3 Schedule coordination, slot allocation and slot trading: Airport operators have the right to define and declare airport capacity in terms of hourly movement rates for runways, terminals and aprons in consultation with air traffic control (ATC) and other appropriate authorities as necessary. IATA's airport slots schedule coordination and allocation process has, to a large extent, maintained a degree of coherence and stability in international air transport. However, it is still dominated mostly by the interests of airlines. As this could lead to anti-competitive behavior, which may be contrary to the interests of airport operators and their local communities, both schedule coordination and slot allocation need government permission.

2.4 Coordination committees should be established at airports where airline schedules are coordinated or facilitated, 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 IATA's Schedule Coordination Conferences, at least as observers. Where demand may exceed available slots, more stringent scheduling procedures should be developed so as to achieve the most efficient use of airport capacity, including slot allocation, under the responsibility of an independent coordinator. The procedures should be transparent, fair, and include sanctions to counteract non-use or abusive use of slots. To enhance competition, a percentage of available slots throughout the day could be earmarked for re-allocation to new entrants at the request of the airport concerned. Slots for certain types of flights, such as by small aircraft, noisier aircraft, or for flights of a specific stage length, may be granted only for a limited period.

2.5 This issue is not viewed in the same way in all regions. For example, the United States (US) airports view coordination committees as potentially anti-competitive, and would support an equitable and transparent mechanism for allocating slots that should include sanctions to counteract non-use or abusive use of slots and take the interests of the traveling public into full consideration. US airports also believe that slot allocation rules should be designed to prohibit collusive behavior by air carriers and maximize the use of arms-length market mechanisms to allocate slots in a secondary market. They further believe that coordination committees should be used as a short term, remedial measure only, for example as part of a response to weather disruptions or emergency situations.

2.6 Unless effective regulation and safeguards are in place, airlines should not be allowed to carry out secondary trading of usage rights for slots. Any trading must reflect the allocation principles established at the affected airports, must not breach the airport's capacity limits, must not be anti-competitive,

and should maintain the efficient use of airport capacity. “Use-it-or-lose-it” rules must apply. Airport operators should approve rules and procedures for slot trading, manage or oversee the trading process, and should be closely associated when an independent coordinator carries out this function.

3. **CONCLUSIONS**

3.1 Traffic rights, airport capacity and airport slots are entirely different and separate issues. Airport operators undertake every effort to expand airport capacity, and in consultation with the airlines and agencies involved, should oppose capacity limitations. Airport operators have the right to define and declare airport capacity and should play a leading role in the slot establishment process and oversee the efficient allocation of slots to airlines. When slots are allocated, airlines are granted usage rights to the slots, but not property rights.

4. **ACTION BY THE CONFERENCE**

4.1 The Conference is invited to:

- a) agree that traffic rights, airport capacity and airport slots are completely different issues;
- b) agree that airport operators have the right to define and declare airport capacity, that they should play a leading role in the slot establishment process and oversee the efficient allocation of slots to airlines, and that when slots are allocated, airlines are granted usage rights to the slots, but not property rights; and
- c) urge ICAO Contracting States to implement ACI’s policies outlined in section 2 above as soon as possible in order to enhance the efficient management of airport capacity.

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