



## 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

### SLOT ALLOCATION

(Presented by Ireland on behalf of the European Union (EU) and its Member States<sup>1</sup> and by the other Members States of the European Civil Aviation Conference<sup>2</sup> (ECAC))

#### 1. SLOT ALLOCATION PROCEDURES

1.1 As highlighted by Eurocontrol and ACI-Europe, one of the challenges facing Europe is airport congestion.

1.2 In order to allocate capacity in an independent, neutral, non-discriminatory and transparent manner, Europe makes largely use of the slot coordination mechanism.

1.3 In 2011 there were 89 fully coordinated airports located in the States in the European Economic Area plus Switzerland. Of these airports, 62 were coordinated year-round, and 27 were coordinated seasonally. These airports include some at which demand substantially exceeds capacity at all times, and also others at which overall demand does not significantly exceed capacity, but where capacity is scarce during certain peak periods. 18 EU Member States have at least one coordinated airport.

1.4 According to Eurocontrol forecasts, as set out in that agency's Long Term Forecast in December 2010, it is most likely that even after taking into account currently-planned infrastructure enhancements, 10% of demand for air transport will not be accommodated in 2030, due to a shortage of airport capacity. In light of the shortage of capacity at some critical airports and its spill-over effect on the mobility of passengers, building new runways and airport infrastructure is the obvious answer. However, the impact of infrastructure on the environment and on land planning is a growing concern. In addition, the current economic crisis reasserts the importance of putting budget accounts into a long-term

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<sup>1</sup> Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom

<sup>2</sup> Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia, Iceland, Moldova, Monaco, Montenegro, Norway, San Marino, Serbia, Switzerland, The former Yugoslav Republic of Macedonia, Turkey and Ukraine

sustainable path. More cost-effective solutions would have to be found to tackle congestion than relying on expanding 'hard' infrastructure.

1.5 In this context, any option ensuring a more efficient use of existing capacities and allowing a resource-efficient aviation system has to be contemplated. Clearly, slot allocation cannot generate additional capacity: it cannot provide the same benefits as additional runway or terminal capacity. Moreover, slot allocation cannot solve the many difficult issues created by a lack of capacity such as providing congested hubs with enhanced connections to all world regions. Enhanced slot allocation schemes will never satisfy these important needs. Slot allocation, however, can be an effective tool for managing scarce capacity.

1.6 At airports where demand among airlines for landing and take-off slots exceeds the airport's capacity, slot allocation mechanisms are used to define a set of rules to be followed for the allocation of slots. Depending on the characteristics of the airport, slot allocation may be necessary at specific times of the day or during certain busy periods. The objective is to ensure that access to congested airports is organised through a system of fair, non-discriminatory and transparent rules for the allocation of landing and take-off slots so as to ensure optimal utilisation of airport capacity and to allow for fair competition.

1.7 In Europe, the slot regulation draws on the global guidelines of the International Air Transport Association (IATA). EU Member States shall designate an airport as coordinated if a thorough capacity analysis proves that, at a specific airport, there is a significant shortfall in capacity. A second step is for the Member State to appoint an airport coordinator. The coordinator is in charge of allocating airport slots and is obliged to act in an independent, neutral, non-discriminatory and transparent manner.

1.8 Slots are then allocated to all airlines irrespective of their nationality for the summer scheduling season or for the winter scheduling season. If an air carrier has used a series of slots for at least 80% of the time during the season, it will be entitled to the same series of slots in the following corresponding season ("historical slots", "grandfather rights", or "80-20 rule"). If the threshold is not reached the slots go to the slot pool for allocation. To maximise the opportunities to enter new markets, 50% of these pool slots are first allocated to new entrants regardless of their nationality. In practice, this has proven effective in delivering sought after capacity in some European airports.

1.9 In Europe the implementation of the Slot Regulation has led to a significant improvement in slot allocation at busy airports in terms of neutrality and transparency and has contributed significantly to the development of the internal market in aviation (since 1992, the number of intra-EU routes operated has more than doubled and there has been a 150% increase in long-haul flights departing European airports). It is questionable to what extent such progress could have been achieved without a system ensuring that slots at the busy airports are allocated free of any undue influence of government, national carriers or airports. In this way the slot allocation system has helped to ensure a level playing field for market access as a basis for competition in the EU market.

1.10 Under these principles, a slot allocation system would not achieve transparency and non-discrimination if bilateral commitments between authorities, contained in bilateral air services agreements, could impede the transparent and predictive functioning of the slot allocation process. In Europe, no EU Member State has the right to influence the slot allocation process as a binding EU regulation is applicable. Bilateral air services agreements should not affect the application of the general principles of transparency, neutrality and non-discrimination in the slot allocation process, and should contribute to solve any irregular situation to the detriment of designated airlines.

1.11 The EU adopted the Slot Regulation in 1993 and amended it in several important respects in 2004. The European Commission has launched a proposal to revise the current Slot Regulation to determine to what extent it can be improved in order to create the best conditions under which capacity can be matched to demand for air transport in all sectors (long-haul, regional, cargo, etc.). The proposal is currently going through the ordinary legislative procedure within the Council and the European Parliament, acting as co-legislators. Although the basis for the discussion is the Commission proposal, it is still too early to know what will be the final outcome of the legislative process. Only the text adopted by both co-legislators would ultimately become law. The European Parliament will finish its first reading in December 2012, and final adoption can be expected for the second half of 2013.

1.12 The characteristics of the European Commission proposal are the following:

- a) Strengthening competition through the introduction of secondary trading in slots.
- b) Strengthening the transparency of the slot allocation process and the independence of slot coordinators.
- c) Integration of slot allocation with the reform of the European air traffic management system (Single European Sky).
- d) Amendment of the "80-20" rule and the definition of a series of slots; strengthening rules on the correct use of slots; introduction of slot reservation charges.

## 2. CONCLUSIONS

2.1 Slot allocation, even if it cannot generate additional capacity, is an effective tool for managing scarce airport capacity.

2.2 Slot allocation must follow a system, as embedded in the EU Slot Regulation, of fair, non-discriminatory and transparent rules so as to ensure optimal utilisation of airport capacity and to allow for fair competition.

2.3 Such system should be devised to prevent any unjustified influence of government, national carriers or airports.

2.4 Bilateral air services agreements should not affect the application of the general principles of transparency, neutrality and non-discrimination in the slot allocation process, and should contribute to solve any irregular situation to the detriment of designated airlines.