

Q&A ACI EUROPE position on the allocation of slots at European airports

Q: Why is slot allocation such an important topic?

The right of an airline to use an airport where demand exceeds capacity is regulated within the EU by Regulation 95/93 *on common rules for the allocation of slots at Community airports*. When airports fall within the scope of this Regulation due to a lack of available capacity, they are referred to as “coordinated” or “Level 3” airports. An airport may be “coordinated” for part of the day, typically during peak morning or evening hours, or for the whole day. About 100 airports are designated as Level 3 in the EU Member States, the European Economic Area and Switzerland (32 countries). This represents roughly 50% of the world’s total number of Level 3 airports. These congested European airports accounted for 76% of all passenger traffic in the 32 States where the Regulation applied in 2018. They are therefore critical to the functioning of the entire European air transport system and play a central role in shaping public and consumers’ perceptions about its performance.

Q: How old is the current EU airport slot Regulation and what is it based on?

The current EU airport slot Regulation dates back to 1993 and was only slightly amended in 2004. The Regulation is essentially based on the principles and allocation rules set forth in IATA’s *Worldwide Slot Guidelines* (WSG), with only minor differences. In turn, the WSG are based on principles and rules dating back to well before the liberalisation of the EU air transport market in 1993. A 2011 Proposal of the European Commission for a revision of the Regulation has generated extensive comments from the Council, the European Parliament and the air transport community, but has not been acted on to date.

Q: Why did you release this position paper now?

The European Commission has hired a Consultant to review developments in the market since it released its proposal to review the Slot Regulation in 2011. The ACI EUROPE position paper supported by an academic study is our contribution to this process.

With congestion increasing at European airports on the back of a +36% increase in passenger traffic over the past 5 years, significant market developments both as regards airlines and airports as well as limited prospects for new airport infrastructure developments, airport slot allocation is becoming a defining issue for the future of European aviation & air connectivity.

Q: Why is the current EU slot Regulation no longer fit-for-purpose?

Momentous changes have taken place in the EU, European and global air transport market since 1993. These include:

- The liberalisation of the European airline industry, which has led to the game-changing rise of Low-Cost Carriers, the emergence of multi-hub and multi-airline groups and global alliances.
- Multilateral aviation agreements between the EU and third countries.
- The move upmarket of Low-Cost Carriers into larger and primary airports. Previously, these airlines focused on secondary and smaller regional airports.

- The increased market penetration and footprint of non-European airlines and development of intercontinental air connectivity on the back of more liberal market access rules and ambitious aviation strategies from a number of EU trading partners.
- The development of airports as competing, corporatised & increasingly privatised self-financing businesses focused on the development of their route network and diversified airline portfolio as well as operational efficiency and sustainability.
- The growth of the aviation market to an extent that Europe now has several totally saturated airports with no spare capacity.

Moreover, the Level 3 airports in the 32 States where the Regulation currently applies have become an enormously diverse group, in terms of size, level of congestion, priorities and needs.

Q: What are you asking for?

We are asking for a review of the Regulation with the objectives of: (1) Updating the Regulation, so it is better aligned with and more responsive to the realities of today's air transport environment, (2) Ensuring more transparency and the ability of airports to finally influence and have a say in the way the facilities they develop and finance is being used by airlines and (3) expanding its scope and perspectives so it is better able to address the broader spectrum of issues that currently arise at different Level 3 airports.

Q: Can you be more specific? What elements should form part of a revised Regulation?

- Greater transparency in the airport slot allocation process – notably vis-à-vis airports.
- More scope to ensure that airport slot allocation takes into account the economic and connectivity strategies of airports and the related needs of their local markets and the communities they serve.
- Ensuring that airlines make full, effective and proper use of the slots allocated to them.
- Strengthening the new entrant rule so as to deliver greater competition at Europe's airports and more choice for passengers.

Q: What is ACI EUROPE's position on secondary trading?

Secondary trading can bring benefits, such as transferring slots to a carrier who will make better use of them and who clearly places a value on them. But there are nonetheless a number of drawbacks to the practice. These include the use of scarce airport capacity to generate windfall profits for airlines with little or no commensurate benefit for the airport and their communities. The ability to trade slots on the secondary market also creates an incentive for airlines to resist or even oppose capacity expansion, as the latter would inevitably reduce the value of incumbent airlines' slots on the secondary market.

Member States should have the right to allow secondary trading of slots if they consider it to be beneficial to competition and capacity optimisation. This should be subject to clear rules and conditions, so as to prevent the identified risks associated with this practice. Where secondary trading is allowed, a percentage of the amount paid for the traded slot should be earmarked for subsequent investment in airport capacity.

Q: Do you see merits in other market-based measures for the allocation of slots?

The notion of carrying out the primary allocation of slots through market-based mechanisms, particularly auctioning, has gained traction in recent years. This would be a step-change from the current administrative process, and would raise questions about ownership of the slots, compatibility with 'use-it-or-lose-it' rules, and the ability to allocate slots in a manner which is operationally optimal.

Such ideas should therefore be studied more in-depth for their potential to boost the competitive landscape at European airports. At this stage, ACI EUROPE reserves its position on this matter.

Q: Can current EU slot allocation rules be used to promote the use of more environmentally friendly aircraft? What is ACI EUROPE's position on this matter?

Current EU slot allocation rules were primarily aimed at fostering airline competition as part of the liberalisation of the EU aviation market since 1993. They organise an administrative process aimed at allocating scarce capacity based on a set of criteria that don't include environmental considerations. European airports can seek to reduce the environmental impact of airline operations through:

- a modulation of their airport charges to the benefit of airlines using more environmentally friendly aircraft;
- the introduction of noise quotas, operational procedures and operating restrictions (e.g. night time restrictions or banning the operation of some types of aircraft).

Everything else being equal, ACI EUROPE would support allocating slots to airlines using the most environmentally friendly aircraft to serve a particular route or market. Further work is needed on how this could be developed over time.