

## Position Paper on Slots

### ACI World Expert Group on Slots

### Background

The basic principles of Airport coordination were developed in the mid-70s and still apply today. They are listed in the IATA Worldwide Slot Guidelines (WSG, previously: Worldwide Scheduling Guidelines) and are, in some instances, incorporated into local regulations or national laws. At the time of the development of these guidelines, international air traffic was dominated by so-called “flag carriers” that were wholly or mostly government-owned. Most airports were government-owned as well. In those days, it was therefore understandable that the principles for the allocation of scarce airport resources were developed by these airlines, while the public interest and influence was safeguarded by national governments’ participation in the ownership of the air carriers. Worldwide standardization was in turn guaranteed due to the worldwide activities of the airlines and airports, because public sector providers of public infrastructure were neither expected nor entitled to express their own sector-specific interests. The location of the airport coordinator in the “back office of the airlines” was also seen as reasonable, due to the strong presence of the government in the airlines’ governance structure.

However, the structure of the industry under which the basic principles of the airport coordination were developed has changed fundamentally. Governments are selling off their stake in airlines to the private sector. Air transport is liberalized, and is characterized by strong competition among airlines. The growth of air transport has increased congestion both in the airspace and at many more airports. Also, with the low-cost philosophy, a new business model for airlines has emerged, and most such operators are not members of IATA. At the same time, airport operators have their own legitimate economic interests.

The industry has matured and both airlines and airport operators need to obtain a return on their investments. As with airlines which fund their own fleet expansion, airport operators are required to provide the funding for capacity expansion, and so should have influence on the way the capacity is used in order to provide a sufficient financial return to justify investment.

Worldwide, 292 airports (status: November 2015) are directly affected by airport coordination principles. Of these airports, 119 have Level 2 status, where there is voluntary schedule coordination. According to the WSG, at these airports, airlines are only informed by the airport facilitator, if increased traffic has to be expected during their intended flight operations. Slots are not formally allocated, and voluntary agreements are made to adapt peak demand to the available capacity. The other 173 of the affected airports worldwide are classified as Level 3, where it is mandatory to have a slot allocated by the airport coordinator for each arrival or departure. This status has a significant impact on everyone involved. Airlines are only allowed to operate when they have been allocated a corresponding slot. The number of slots which can be allocated are determined by the coordination parameters (the capacity declaration) before the season starts, and must not be exceeded by the airport coordinator. Following the WSG principles, for an airport operator, “Level 3” practically means a “dispossession” (U. Stockmann, MeP, Rapporteur of Transport Committee, EuParl 2004). In this case, the airport operator no longer has direct influence in the allocation and use of the provided scarce capacity. In many countries, airports are not even allowed to set the number of slots, i.e. the capacity that will be made available for the market.

## Proposed Position

Airport operators consider that slots should be allocated to promote efficiency in use of the capacity of the infrastructure that they build, which relates to issues such as destinations served, aircraft seat capacity, competition, delays to aircraft and/or level of service in terminals. The existing WSG fails to achieve this. Accordingly, the dominant position of IATA and its member airlines for the development of guidelines regarding the distribution of airport slots is no longer acceptable to airport operators. While coordinators now benefit from increased independence through being detached from the airlines, the efficient use of airport infrastructure has been largely ignored, with the focus of the WSG being largely on airline schedule certainty.

### ***1. Involvement in the development of WSG***

**ACI World and airport operators need to be appropriately involved in the further development of the Worldwide Slot Guidelines and their implementation.**

Today, the updating of the WSG is still under IATA's sole direction with no possibility of implementing changes without its approval. Coordinators are formally involved in the decision process through regular consultations in a joint forum, but do not have the ability to override IATA's position. This in turn creates a potential impediment to airport and aircraft operators working in a collaborative manner to achieve a high satisfaction rate for their customers. Airports are still excluded from the ongoing process, and are merely informed about possible changes informally. Airports are invited to formulate requests for changes. However, there is no way of objecting to a refusal by IATA. Airports should have a proper voice in ensuring that infrastructure and services provided to aircraft operators are used efficiently, and as planned.

### ***2. Consideration of the interests of airport operators, their passengers and the communities they serve***

**ACI World calls for additional consideration of the interests of individual airport operators and their surrounding regions, when aiming for efficient use of airport infrastructure.**

*"The prime objective of airport coordination is to ensure the most efficient use of airport infrastructure in order to maximize benefits for the greatest number of airport users." (IATA Worldwide Slot Guidelines; 6th Edition, chapter 1.2.1)* The lack of a precise definition of "airport users" opens the possibility for the objective to be misinterpreted as providing the maximum benefit to airlines.

The heart of any objective should be to benefit current and future air passenger and cargo traffic as well as the social and economic communities served by the airport. Both aircraft and airport operators have a role in facilitating this benefit on behalf of the passengers and the communities they both serve in many cases, the airport operator, acts with a wider perspective in cooperation with local and national stakeholders to promote access to the region.

The airport operator particularly, by virtue of its fixed investment, is committed to providing air connectivity to the current and future generation of passengers. By contrast airline capacity can in many cases be redeployed to other airport locations as new profitable opportunities emerge. It is, therefore, particularly important that the airport operator be provided with the opportunity to influence the way its own investment in slot capacity is utilized.

### **3. The definition of a slot**

**ACI World calls for the definition of slots to be amended.**

A slot is currently defined as *"a permission ... to use the full range of airport infrastructure necessary to arrive or to depart..."*. (IATA Worldwide Slot Guidelines; 6th Edition, chapter 1.6.1.). This definition has to be amended in order to ensure that at some point in time (yet to be defined) during the coordination process the allocated slot becomes a legally binding declaration of intent from the airline to use the airport infrastructure.

The definition of the slot should be explicit not only about the benefit to the aircraft operator to be entitled to use the infrastructure, at a given date and time, but also its obligation to use that capacity efficiently.

The non-utilisation by airlines of allocated slots (hence airport infrastructure) is currently without consequence for airlines during the season in course. This however, results in inefficient use of airport capacity which entails an economic impact for the community and the airport operator and may also constitute an obstacle to effective competition at the airport. Airports should have the capability to ensure that the non-utilization rate does not go beyond a reasonable and mutually acceptable level, and to be entitled to compensation where this isn't successful for slots allocated but not used.

### **4. Future allocation methods – considerations**

**ACI World will support development of alternative capacity allocation methods for airports where demand exceeds supply.**

The aim is to have an efficient use of airport infrastructure from an overall perspective.

The following requirements should be fulfilled by alternative allocation methods:

- Allow for a predictable evolution of the flight schedule, which needs to be a reliable basis for long-term investments by airports and airlines;
- Allow flexibility to adapt to short-notice changes;
- Practicable;
- Reasonable balance between costs and benefits;
- Promote competition, access, efficient use of infrastructure and passenger choice.

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