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(English, French & Spanish only)

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 4: Determinants of the economic regulation of airports and air navigation services

SLOT ALLOCATION

(Presented by Airports Council International)

SUMMARY

Airports are an essential part of the air transport system. Where airport capacity is limited, the first response should be to attempt to create additional capacity. If this is not possible, airport capacity limitations should be defined and declared by airport operators, in consultation with other involved agencies and airlines, using appropriate service criteria and capacity evaluation methodologies. Where it is necessary for slots to be allocated, the allocation policy must be aimed at the optimisation of capacity and demand adjustment, based on transparency, neutrality, non-discrimination, competition and passenger interest. The efficient allocation of slots at capacity-restricted airports is decisive for the growth of the whole industry, therefore airport operators must approve the rules, procedures and processes in use at their airports, which may include locally applied criteria. Airport operators should also be able to manage the allocation process, if they believe this is desirable, subject to any legal constraints.

1. Introduction

1.1 The first response to congestion and demand in excess of capacity should be to increase capacity. All efforts must be made to ensure that sufficient airport capacity can be provided where it is needed and that no artificial capacity restrictions are imposed. However, it is not always possible to provide adequate airport infrastructure to meet the growing demand. Additionally, traffic peaking at airports generates congestion and severe economic penalties such as under-utilisation of costly airport facilities and services in off-peak periods, and delays to aircraft and passengers in peak periods.

1.2. At airports where full utilisation of capacity at certain times requires that airline schedules are co-ordinated, significant improvements can be obtained through effective consultation between the airlines and

airport/government bodies. At more congested airports, where demand exceeds available capacity, more stringent scheduling procedures may be necessary, including some form of demand management, incentive pricing and the allocation of slots.

1.3. Over a long period of time, IATA has developed and refined a process for schedule co-ordination and slot allocation which has, to date, maintained a degree of coherence and stability in international air transport. However, the procedures and processes of slot allocation are still dominated by the interests of airlines, at the expense of airport operators and their local communities. Where adequate controls are not in place, it is possible that direct control of slot allocation by the airlines could lead to anti-competitive behaviour.

2. Key issues

2.1. The ability of the whole airport system to meet demand depends to a large extent on the capacity of the airport infrastructure, and on its interface to the en-route air traffic control system. Air traffic control capacity must also be increased, if this is a constraint. At congested airports, where a slot allocation system is in use, its efficiency is of fundamental importance to the operation of those airports. The availability and usage of slots determines the utilization of ground capacity (e.g. runway and terminal capacity). Slot availability may be a decisive factor in whether airlines include or exclude an airport in their networks, and can fundamentally affect the quality and choice of services available from an airport to serve local communities within its catchment area.

2.2. Airports slots are the scheduled time of arrival or departure allocated or available for an aircraft movement on a specific date. Since airport operators have created the airport infrastructure, airport slots are *not* the property of airlines. They are a resource of an airport, for which airlines are granted usage rights and add value through their development of routes.

2.3 When demand exceeds capacity, and voluntary systems of schedule co-ordination have been shown to be inadequate, formal slot allocation is a commonly used tool* to alleviate disruption, delays and resulting poor service to passengers, at capacity constrained airports.

2.4 The primary objective behind a slot allocation system should be to maximise the benefits to the travelling public, both at the airport subject to slot controls, and at other airports seeking access to a slot controlled airport. While it is important to ensure access for new entrants, other objectives need to be taken into account. These include: making effective use of airport capacity; encouraging the development of new routes; and promoting competition between existing carriers. To this end, slot allocation procedures may take into account historical precedence, new entrants, frequency of service, aircraft size/ type, efficient utilisation of scarce airspace and airport resources, service to under-served markets, and under-utilisation of allocated slots. The procedures should be transparent and non-discriminatory.

2.5 Traditionally, airports have been excluded from playing an active role in the scheduling process, and aircraft delays are often caused by inefficient scheduling and slot planning, related to airline

*Another, complementary, mechanism for managing demand may be to use pricing mechanisms which adequately reflect the economic cost of congested airside and landside facilities, for example, minimum or fixed charges, or peak charges.

commercial interests. In such situations, the involvement of airports in the efficient management of capacity through slot allocation is crucial to ensure the efficient movement of persons and goods. Airports must play a leading role in the economic development of the communities and regions they serve.

2.6. In this context, it is difficult to apply one general rule, and therefore it is preferable to develop rules in accordance with local conditions in order to make the best and most efficient use of available capacity. Such rules should nonetheless be based on transparent and non-discriminatory principles. Additional guidelines and rules established by interested parties (airports, airlines and involved agencies) should be taken into account.

3. Rules, procedures and processes for slot allocation, and legislative constraints

3.1. To ensure that airports operate as effectively and efficiently as possible, it is essential that airport operators *participate* in any slot allocation process, at least by approving the rules and procedures for slot allocation. Airport operators should also be able to *manage* the allocation process at their respective airports if they believe this is desirable, subject to legal constraints.

3.2 Slot allocation rules may also take account of particular national or airport situations. ACI advocates a rational approach by seeking a market-oriented balance of aircraft size, number of flights and range of destinations. Additionally, where aircraft noise has an adverse impact on capacity, preference may be given to flights by quieter aircraft. However, locally applied criteria must be non-discriminatory, transparent, and subject to appropriate consultation and/or approval procedures. In the case of lack of agreement by the airlines, the airport operator has the right to impose such criteria.

3.3 In some countries around the world, including those in the European Union, there is an established legal framework governing slot allocation (in the United States, on the other hand, recent legislation indicates an intent to abolish legislative slot limitations in their entirety). ACI recognises that any such laws take precedence when designing or operating slot allocation systems. Having said this, it is essential that airport operators be actively involved in the creation or amendment of any slot allocation laws, directives or regulations, because these can have a significant effect on the operation and economics of airports.

4. Slot exchanges, transfers and trading

4.1 At very congested airports, additional efforts should be made to achieve the efficient use of scarce airport capacity. To this end, slot exchanges and transfers may be permitted, without any connotation that slots are the property of the airlines, but as a useful tool to secure flexibility in the allocation process, and match capacity with demand. Rules and procedures for slot exchanges and transfers must be approved by the airport operator.

4.2 Airlines should not be allowed to trade slots as if they were their own property, but it may be advantageous to allow airlines to carry out secondary trading of usage rights for slots. Any secondary 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 seek to maintain the efficient use of airport capacity. Rules and procedures for secondary slot trading must be approved by the airport operator, which may also wish to manage or oversee the trading process.

5. Action by the Conference

5.1 The conference is invited to take note of the essential role of airport operators in the slot allocation system, at all airports where slot allocation is necessary. States are asked to consult airport operators on the framing of any legal constraints on slot allocation. States are also asked to recognise that airport operators should be able to set local rules, as well as participate in the allocation process to ensure transparency, non-discrimination and the most efficient, effective use of airport infrastructure.

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