Slot use waiver
Northern Winter 2020

A matter of urgency
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Aviation:

- Drives economies ($2.7 trillion of GDP)
- Creates employment (65.5 million jobs)
- Enables trade (delivering 35% of goods by value)
- Facilitates healthcare and emergency aid
- Connects people, businesses and economies

Aviation will be a vital driver of the world's economic recovery

26 June 2020
Extend the slot waiver

- Airlines need flexibility to manage uncertain and unpredictable demand this winter
- Supports a schedule that is financially and environmentally sustainable through the restart
- Using a waiver with appropriate conditions will preserve global connectivity to support economic recovery
A waiver with appropriate conditions:

- The waiver should not apply to slots newly allocated from the pool for the NW20 season.
- The waiver should not apply to slots that are held by an airline exiting the airport permanently, beginning in NW20, with no intention to return and no utilization of those slots in the NW20 period in keeping with WASG 8.14. This does not prevent slot transfers and operator utilization where local regulation and legislation allows.
- The waiver should require airlines to hand back slots not intended for utilization as soon as possible, but at the latest two weeks prior to planned operation in order to receive alleviation.
- Consideration for alleviation should be given to slots that are returned less than two weeks before operation in the event that government advice prevents a planned flight from operating.
Why is a slot waiver needed for the northern winter 2020 season?
Depth of COVID-19 impact far exceeds previous crises. RPKs 20% fall after 9-11 and 12% after SARS vs 95% fall in April 2020.

Global RPKs, indexed to 100 at start date of crisis event

Source: IATA Economics using data from IATA Statistics
The global recession is deepening

IMF is forecasting most economies will contract this year – many at alarming rates not seen since the Great Depression

Source: IMF

Countries with slot coordinated airports

Slot coordinated airports are located in the economies most impacted > demand for travel is faltering

Level 3 airports

Level 2 airports

Source: IMF, IATA List of coordinated airports
1st wave of COVID-19 far from over & bookings are low. Airlines cannot plan schedules for N Winter season with any certainty.

Source: IATA Economics using data from DDS and ECDC
Airlines have even less visibility from forward bookings. Passengers are booking flights much later. 41% only 0-3 days ahead.

Number of days between booking and travel time, bookings worldwide made in May 2019 vs. 2020

<table>
<thead>
<tr>
<th>Number of Days</th>
<th>May-19</th>
<th>May-20</th>
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<tbody>
<tr>
<td>0-3 days</td>
<td>18%</td>
<td>41%</td>
</tr>
<tr>
<td>4-10 days</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>11-20 days</td>
<td>14%</td>
<td>20%</td>
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<tr>
<td>20+ days</td>
<td>49%</td>
<td>10%</td>
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Source: IATA Economics using data from DDS
No sign of rapid return to travel even in summer months
Airlines must plan winter schedules now but zero visibility of demand

Net bookings (sales minus refunds) made in May 2019 vs. 2020, by month of travel

Bookings (millions)

Source: IATA Economics using data from DDS
Lack of demand visibility widespread across regions
Airlines have little evidence on which to schedule restart network

Net bookings (sales net of refunds) in May 2019 vs. May 2020 for travel in subsequent months, by region

Source: IATA Economics using data from DDS
Demand for long-haul travel remains close to zero
Normally airlines would have sold 14% of tickets for start of winter season

Cumulative bookings for long-haul air travel between 1-7 Nov, 2019 vs. 2020

22 weeks prior to travel, normally airlines would have already sold ~14% of tickets

Source: IATA Economics using data from DDS
Lack of summer cash flow adds to fragile situation
Airline business seasonal with cash flows always weak in winter season

Estimated operating profit margins of European carriers by quarter, 2019

- Q1: -1%
- Q2: 9%
- Q3: 17%
- Q4: 2%

Winter
Summer

$84 billion forecast airlines’ net loss in 2020 concentrated in these 2 quarters, when airlines usually make majority of annual profit

Source: IATA Economics using data from the Airline Analyst
Airlines will be smaller this winter

One third less available seats and reduced fleet size

- The in-service fleet is expected to decrease to 20,261 aircraft in 2020.
- The average size of aircraft in the fleet will also decline as airlines focus on short and medium-haul travel.
- By the end of 2020, we estimate that there will be around 2.8 billion available seats, over one-third less than in 2019.
- To stabilize the foundations for recovery airlines need certainty that they can rebuild on their existing slots protecting the integrity of the network.

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<thead>
<tr>
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<th>2019</th>
<th>2020 Forecast</th>
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<tbody>
<tr>
<td>Aircraft fleet</td>
<td>29,697</td>
<td>20,261</td>
</tr>
<tr>
<td>% change over year</td>
<td>0.7%</td>
<td>-31.8%</td>
</tr>
<tr>
<td>Available seats, billion</td>
<td>4.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Scheduled flights, million</td>
<td>38.9</td>
<td>23.1</td>
</tr>
<tr>
<td>ASKs, % change over year</td>
<td>3.4%</td>
<td>-40.4%</td>
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Source: IATA Economics using ASCEND, ICAO, IATA data
There is a risk that city-pair air connectivity will be lost. 94% airport-pair connect indirectly, though most travel on trunk routes.

Share of origin-destination airport pairs and passengers where direct connection was available in 2019.

- 94% of O-D routes have no direct connection available.
- 6% of O-D routes have a direct connection.
- 89% of passengers travel on routes where a direct connection was available.
- 11% of passengers travel on routes where no direct connection was available.

Source: IATA Economics using data from DDS and SRS Analyser.
Global connectivity is at risk this winter

Unique city pairs are in decline

- COVID-19 has caused a significant loss in city-pair connectivity.
- In April, the number of unique city-pairs was 67% lower than its level of a year ago. For 2020 overall, unique city-pair connectivity is expected to decline for the first time since the global financial crisis.
- Moreover, there is a risk that the number of unique city-pair connections is not fully recovered, harming route structures established over years.
- This risk is further compacted without a slot waiver because airlines can not maintain their full network. Slots lost this winter will equate to routes and connectivity lost in future years.

### Unique city pairs

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<tr>
<td>Unique city pairs</td>
<td>21,187</td>
<td>16,102</td>
</tr>
<tr>
<td>Compared to 1998</td>
<td>+107%</td>
<td>+57%</td>
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Source: IATA Economics

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If slots lost, long-haul connectivity may not be restored

Flight banks at hub airports require certain slots at each end

At hub airports, early morning arrivals enable passengers to connect to a large number of flights. If these flights can no longer be operated or have to be rescheduled to a later time, many of these connections will become impossible – potentially reducing the viability of the flights. Loss of connectivity and night-time restrictions will also negatively affect the delivery of time-sensitive products, such as pharmaceutical freight and perishable products.

Source: IATA
To support aviation restart, airlines need:

- Global slot waiver for the full season
- Certainty of the waiver before slots are finalized in August

This means before the end of July an extension should be granted to the existing waivers.
Certainty of a waiver allows efficient planning, with flexibility to operate sustainably
Extended waiver on 80:20 slots rule needed by end July

Source: IATA
A more realistic schedule can be published earlier with a waiver in place by end July

Airlines need to be able to plan their schedule in the knowledge of a waiver to ensure realistic plans can be finalized as soon as possible.

All stakeholders can benefit from this earlier information for their own planning purposes.
Uncertainty of available capacity will impact airport and airline planning in the coming seasons.
Airport capacity related impacts of physical distancing...

- Worst case analysis suggests only 20-30% of pre-COVID demand levels could be accommodated at peak with 2m distancing requirements.
- Even at 1.5m distancing, existing capacity can only accommodate 40-50% of planned demand.
- Any disruption to the capacity available due to COVID related measures will severely impact the schedule and flight patterns.

Example - impact of possible Health Screening on airport space resulting from increases in processing time and physical distancing

Source: IATA Airport Development: terminal impact analysis

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Airport capacity during recovery...

- With new biosecurity measures in place capacity is impacted
- Gate utilization may reduce due to turnaround time and buffers between flights
- Much uncertainty about passenger processing impacts
- Minimum connection time likely to increase

...requires flexible scheduling

- The structure of the airports schedule of flights will be difficult to maintain with these impact
- Flexibility will be key to ensure new requirements can be accommodated rapidly and fairly
A waiver provides partners more certainty of the winter schedule.
Scan the QR code to access additional resources