

# Slots Challenges to recovery

**Lara Maughan**  
Head Worldwide Airport Slots



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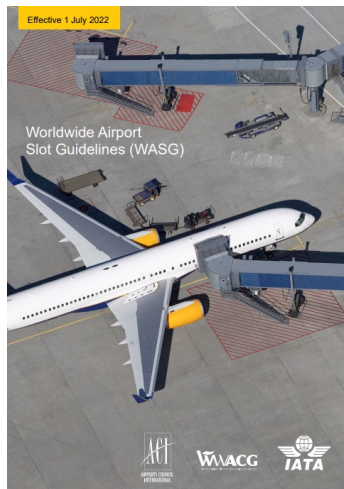
Good day everyone.

Lara Maughan Head Worldwide Airport Slots.

We'll be covering today:

1. A quick recap on the last year or so related to slot rules and the challenging recovery phase we're now in.
2. Then, looking ahead to what could be a challenging 2023 for the slot world due to a number of issues.

## Where are we now?



**Collaboration between airports, airlines and slot coordinators** ensured an industry-led response to slot rules during COVID-19 based on the WASG. The **Worldwide Airport Slot Board** has become the slot-industry policy lead.



Airport slot alleviation measures for Northern Summer 2022 (NS22)  
WASB Recommendation

- **Balancing capacity and demand is critical for recovery** while the industry rebuilds and Governments have adopted WASB approaches to manage this.
- **Flexibility recommendations from WASB remain key** while the whole industry ramps up and slot rules return to normal.



Looking back, the last few years have been brutal for airline planning which won't surprise anyone. But most airline planners and scheduling teams will say the last year has been the hardest.

**Slot relief / waivers on slot use requirements, have been essential regulatory responses to COVID.**

- First when airlines pulled their schedules apart, at great pace, in 2020, then – the hardest part –
- rebuilding schedules in the recovery phase as countries reopened, closed, reopened again.
- Airports made late capacity reductions, resources were a challenge across the supply chain, and finally,
- Russian airspace closed to some carriers, just as they considered restarting international operations, hindering further their Asia network.

**The slot rules were not switched off** though, they consistently and predictably continued to run at the 200 most congested airports in the world throughout COVID.

- Only one element of the slot coordination process was turned off in COVID: the use it or lose it rule.
- The process running in the background has given airports and airlines a foundation to rebuild on, which otherwise would have resulted in even more chaos if airlines had to rebuild entire networks from a blank sheet.

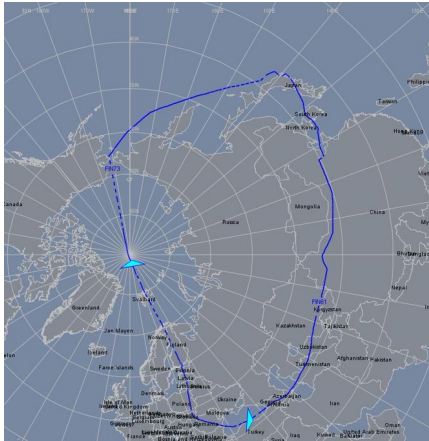
Throughout the pandemic, **the Worldwide Airport Slot Board has been pivotal in leading the slot community.**

**A set of policy recommendations for managing slot use requirements in the last three years have been made by the WASB and broadly were adopted.**

**Many global Govts adopted the recommendations fully**, and through gradual reinstatement / reduced alleviation, the industry has been able to rebuild at the pace demand/supply allowed.

The recommendations highlight the role the expert-led group can take in future on designing slot policy in collaboration as airports, airlines and slot coordinators.

## Airspace restrictions hindering recovery



Airspace restrictions impacting sustainable recovery of many routes:

- 2-4h flight time increase due to rerouting
- Payload ↓ crew ↑ fuel ↑
- Fleet utilization patterns shifting schedules and frequencies.

### Flexibility vital each end of the route:

- Slots for the routes impacted temporarily retimed / not all services can be operated due to above impacts.



One of the issues airlines are facing while recovering their routes is airspace restrictions related to Russia's war in Ukraine.

Airlines are impacted differently due to location / nature of the restrictions / existing network and flights required to reroute.

With slot rules nearly back to normal, this is a prime example of why the [WASG](#) promotes reasonable [flexibility](#) for situations like this - when circumstances are out of the airlines control.

These routes need to be able to rebuild now Asia is reopening, but with aircraft availability impacted through the extended flight times and frequency of the services needing to be managed carefully alongside the rest of the network, not to mention the economics of the flight being upended, it's going to need flexible and reasonable treatment.

## Looking ahead...

- **Challenging Summer 2023**
  - Slot rules likely to be restored and schedules planned above 2019 levels to achieve full use.
  - Aviation supply-side risks will continue – ANSP, Airport concerns
- **Regulatory agenda on slots** is opening pandora's box, minimal tweaks are needed.
- **Isolated developments**, e.g. Amsterdam reduction of movements = withdrawal of slots.



So now, looking ahead ...

### **Summer 2023**

The slot process continues, season after season. But with recovery underway in nearly all markets, with some much further behind than others of course (China, Asia), the discussion has moved from waivers of use rules to the need for adequate flexibility.

**The industry is still battling with headwinds, so 2023 won't be a complete return to normal – and flexibility is needed.**

The coordinators will still need to allow flexible use of slots, changing schedules and airlines will be accommodating supply side challenges in the operation...

Some of these challenges include:

- Russian airspace remains closed** to many operators, adding hours of flying time to the existing slot holding secured prior to airspace closures.
- Resourcing constraints in the supply chain continue** and are even preventing full recovery of schedules in some airports
- Late reopening, China is closed still and impacting some countries more than others, for example Japan.
- Economic uncertainty and recession concerns** will no doubt challenge some markets, and
- ATC continues to hamper good performance** and will be a key focus considering efficient operations are needed to meet environmental targets.

**The return of 'normal' slot use rules is anticipated – 80% use rates are expected in most markets – and with this airlines are signaled to plan full schedules, accordingly.**

So – is the supply chain ready? Will we see scenes like Summer 2022 again – very possibly, because whilst in 2022 demand remained lower, schedules were still -20% on 2019 and some slot use was still alleviated, in 2023 we don't think it will be, and demand will be recovering well, so the supply side is the big concern now. Addressing any capacity and demand mismatch is needed early, to mitigate passenger schedule impacts again.

### **Regulatory agenda worrying:**

Against this reality, we also have **regulators eager to open their slot regulations**. The ideas floating are worrying – not small, incremental policy changes aligned with the WASG recent updates (which would be fully welcomed), but widescale reform and all very much designed to make it harder to retain slots. Disruption seems the likely outcome – more on this in a minute.

### **Targeted and isolated issues that could set devastating precedent:**

Then there's the isolated, but **hugely concerning issues like Amsterdam Airport's permanent slot reduction in Winter 2023**– the Dutch Government is proposing and moving forward to restrict movements from 500,000 movements / year to 440,000. Despite their intention, there is no mechanism to legally withdraw capacity from carriers, let alone fairly. A case everyone is watching with concern.

## The case for reform is weak...

Slot rules are needed because of a **failure to provide airport capacity**

Far from being a problem, they've ensured order and efficiency when there would otherwise be chaos.

Regulatory appetite for change could jeopardize the intricate and complex slot system.

Focusing on the right things, not everything, is key.

Facilitating:

- Access and growth
- Competition at congested airports
- New routes
- Improved connectivity



Regulatory attention on slots is an opportunity to embrace the latest Worldwide Airport Slot Guidelines – to refresh and update, but calls for reform are not supported... the case for this is weak.

- Current Slot Regulation is working well and has proven to facilitate the **entry, growth and competitive aviation sector** despite the tremendous lack of available airport capacity.
- IATA's view is **wholesale reform is not necessary**, however if pushed ahead it should be **used to enhance the regulation by aligning with the new Worldwide Airport Slot Guidelines (WASG)**.
- Regulators should continue to align with international best practices and rules for slot allocation that ensure each end of the route is consistently managed on a global level.

The policies have served well for decades, that isn't a bad thing!

It's because they work we still see airlines accessing otherwise full airports. LCCs and other non-incumbent airlines have entered and thrived in slot coordinated airports.

Equally, connectivity / new routes have grown and fares decreased while competition increases – even at these L3 airports.

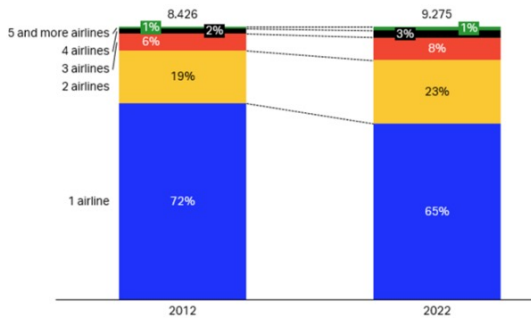
- The WASG was updated on many areas and republished in 2020** ... not the ideal time to be implementing new slot policies so bedding these new developments into regulation now is the right thing to do, they're **based on deep analysis and expert development** that took place between 2016 and 2019.
- The areas enhanced with refreshed policy and additional details:
  - access and allocation policy,
  - new entrant rules,
  - slot performance monitoring and
  - transparency of information

The WASG, jointly developed by airports, airlines and coordinators, remain the internationally adopted approach to slot management. The objectives align with those of regulators; competition, resilience, fair and non-discriminatory treatment, and efficient use of scarce airport capacity in the interest of consumers.

What additional achievements do the regulators believe will be found through widescale reform?

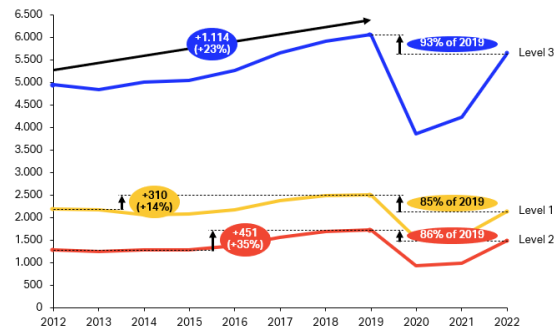
# Slot Regulation has delivered benefits

Number of carriers on routes (EU) (2012-22)



- Single carrier routes have decreased from 72% to 65%
- Routes with 3 carriers or more has increased, remarkably considering the number of routes overall has grown by 10% as well.

Number of routes dep EU Airports, by slot level (2012-22)



- 2012-2019 airlines added 1,114 routes (+23%) departing from L3-slot coordinated airports in the EU



The EU is a good case study of the slot rules working well.

Larger choice of carriers, routes and lower fares – the outcomes of slot regulations in the last decade in the EU have been positive.

Level 3 airports – those that are slot coordinated / the most congested, have consistently provided the majority of routes in the EU in the last decade, despite the lack of infrastructure to meet demand.

Consumers have not only been able to choose from a larger choice of routes but also from a larger choice of carriers operating on those routes.

- The number of flights from the EU level 3 airports has increased by 15% over the past 7 years. At the same time, the flights from Level 2 airports have increased by 19% and from not slot coordinated by only 10%.
- In the meantime, the number of passengers has increased by 36% as airlines have been using larger aircraft and operating with higher load factors, ensuring efficiency and meeting consumer demand.
- As a result, although routes from European Level 3 airports have accounted for 61% of all EU routes they have a higher share of 73% of flights and 76% of seats.

## Rebalancing the slot process will achieve far greater consumer benefits

**'Stricter' airline slot rules will not achieve sustainability objectives, increased competition or enhanced connectivity**

- Adds risk to airlines, reducing incentive to grow at slot coordinated airports.
- Ignores airport's role: provide effective capacity analysis regularly with accountability to deliver what's declared.

**Industry has championed new approaches in the WASG** – regulators should first adopt and implement fully these expert-led changes.

- Broader New Entrant airline definition – more competition
- New allocation process and priorities – better access opportunities
- Enhanced Slot Performance Management – efficient and sustainable operations



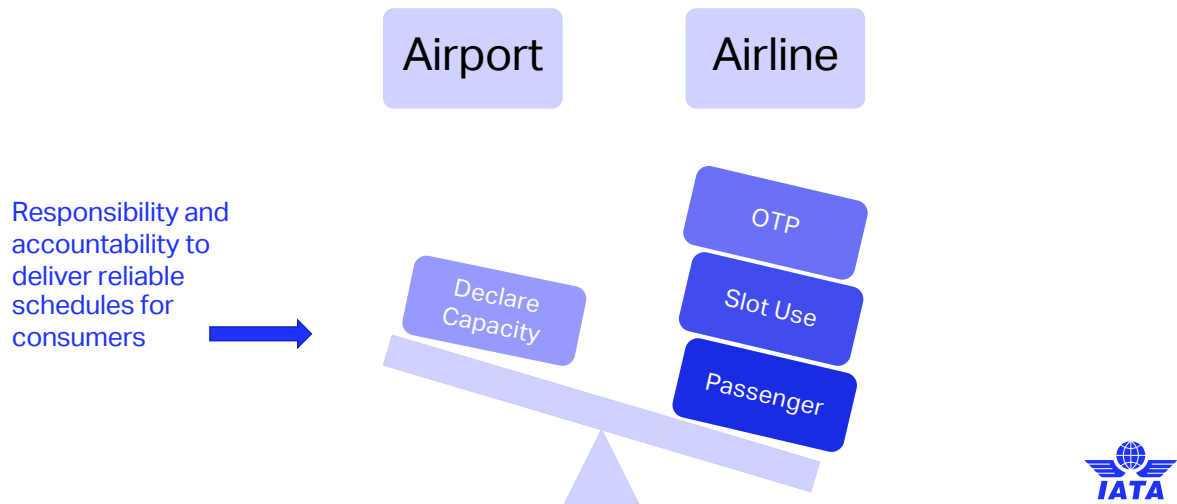
If multiple regulators all look to reopen their regs at the same time there's risks – different outcomes, isolated policy ideas. "too many moving parts"

The slot process is complex, intricate and impacts all areas of the airlines planning, crewing, fleet and the schedule that passenger's book.

**If schedules are disrupted, it's the passenger that suffers.**

Meddling with the slot rules due to perceptions and political will is not a good case for jeopardizing global aviation planning, especially considering the precarious state the industry is in recovering from COVID > Fragile

# Rebalancing slot regulation will ensure resilient operations for the consumer



One area that is already included in the WASG but poorly implemented is airport capacity declaration – review, analysis and delivery of capacity effectively. This links to our concerns about how the supply chain will manage fully restored schedules in Summer 2023.

**Today, there is little to no regulatory oversight of the capacity setting, declaration and review** that's needed to ensure:

- Resilience and good performance
- Efficiency in operations
- Additional capacity being realized.

Capacity - Declare and deliver - **is as important** as the airlines slot use it or lose it... for efficient, sustainable and reliable operations.

**Furthermore, there's no accountability when it is not provided or fails** – like we've seen this last Summer and expect to continue next year.

Meanwhile, the slot rules already stipulate airlines:

- Must use their slot a min % of the season or lose them,
- Must operate to good performance and are monitored on this
- If misusing slots, airlines can and are sanctioned (financial and/or lose of priority / slots)
- If flights are canceled or delayed, due to ANYONE's limitations, the airline's responsible and pays compensation .....

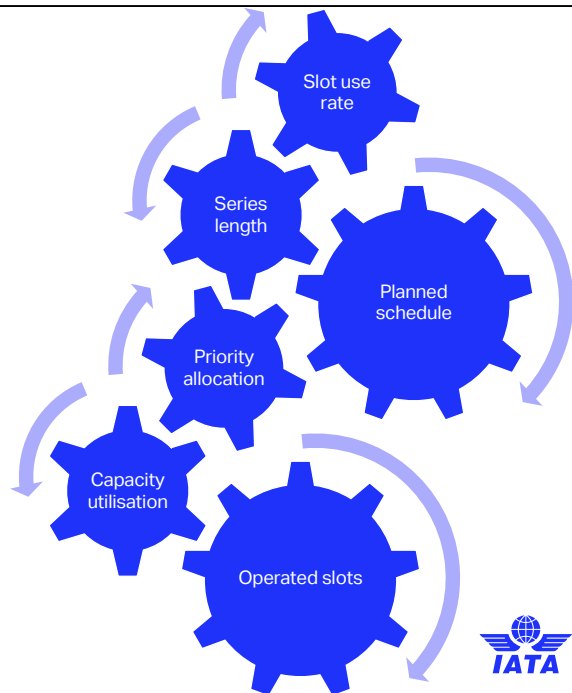
**Recognizing the regulatory framework is not balanced, with little to no risk to other supply chain partners, there is room for improvement that will see tangible consumer benefits:**

- Less disruption if more reliable capacity setting
- Better performance with additional oversight and accountability for each stakeholder playing their part to deliver reliable, efficient operations.



## In summary...

- **The slot process is critical to aviation and recovery and is working well**
  - Congestion and capacity management are a key issue for 2023
  - Efficiency and sustainability objectives are supported with flexibility
  - Rebuilding networks and schedules needs certainty and stability. The WASG process provides this.
- **Misguided reform of slot policy will cause disruption and harm consumers with few benefits**
  - Slot process is a complex issue.
  - Focus on the right issues for enhancement, not everything – led by WASG
- **Rebalancing the regulatory requirements of all three parties** in the slot process will achieve consumer benefits.



# Thank you

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