Welcome, I’m Sebastian Mikosz, SVP MER

We’re here today to discuss one of the most critical issues in the crisis – how to restore demand and best serve passengers as the traffic starts to recover – and the links to the airport slot system. But in order to illustrate the issue I want to pick up on a couple of areas first:
Global connectivity is at risk

Unique city pairs are in decline

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020 Forecast</th>
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<tbody>
<tr>
<td>Unique city pairs</td>
<td>22,104</td>
<td>14,765</td>
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CONNECTIVITY
This crisis is causing many terrible impacts to the aviation industry, but something we will pick up further with you on Wednesday is connectivity and the dire situation it’s in.

Connectivity has doubled in 20 years to 22K city pairs pre-COVID but now stands at much less, which means 8K city pairs are not served today. That’s terrible for passengers, a disaster for globalisation and GDP.

Connectivity has been a success story of aviation. It allows passengers to plan journeys that are convenient, makes the world a smaller place and ultimately ensures we can all get to every corner of the globe. It’s occurred because of investment in routes, growing networks and high use of airport slots.

COMPETITION
Right now competition is almost non existent – which is another step back in time for the industry due to the crisis.
Prior to the pandemic passengers were used to plenty of choice, low fares and schedules that matched their needs.

We have to be able to re-establish competition by restoring schedules that match demand, and help restore the offer for customers.
FLEXIBILITY

But to restore competition and connectivity we need flexibility – to match demand and rebuild schedules that best meet where passengers want to fly – this is in the benefit of the consumer, the airports, governments and of course the airlines to operate sustainably.

Airlines are in survival mode, they are desperate. They need to be able to bring flights back piece by piece, connecting city by city where the demand warrants and where govt restrictions are removed.

This is in everyone’s interest – only airlines sell tickets and therefore it’s vital they’re given every support to do that in a flexible environment that allows to them to be agile, reactive and ultimately then bring as many passengers back as quickly as possible.

That’s the only way airports, OEMs, ANSPs and other partners will survive too – with passengers being bought back to the industry. If airlines fail, we all fail.
So we are advocating today for an urgent understanding that flexibility is key to rebuilding connectivity, competition and building schedules that reflect where passengers want to travel > because that's how we will best recover our aviation industry – restoring the demand.
There is precedent for slot waivers – and the COVID crisis is far worse

There is a fundamental disagreement with some stakeholders – when the traffic will recover. We don’t see it going faster, so protecting slots is not what 2021 should be about, it’s about flying where passengers demand.

I’ll now hand over to Lara to explain the details.
Hello I’m Lara Maughan – Head Airport Slots IATA

Clearly the problem now isn’t one of scarcity in airport capacity, a supply issue - now the issue is one of scarcity of passengers, a lack of demand.

So airport slots are not about managing congestion, there isn’t any.

You’ve probably heard a lot this year from the airline industry and the airports too – on slots. Specifically, you will have seen a lot of debate on the so-called “slot waiver”.

Before I get into why this slot flexibility is needed: A quick reminder of what are slots and how they work.

- A slot is a specific time on a specific day to operate – a permission to access very congested and highly demanded infrastructure.
- Airlines need two for an arrival and departure – it’s complicated – there’s no denying that. They link congested airports globally in a network of precisely allocated arr/dep times - and it’s this structure that has allowed connectivity to double in 20 years.
• Slots are managed in something called a series – a series is a seasons flying: 32 weeks in summer.
• To keep the right to operate a slot the next season – summer to summer or winter to winter, an airline needs to use each individual series > 80%
• For summer an airline is required to operate every single flight on each day/time at least 26 weeks to retain it under normal circumstances

It’s these slots that need to all come together into a network plan that links city to city, provides schedules on sale to the passenger that are convenient and reliable.
• This has been invested in for years by each airline to create the global network we knew pre COVID.
slots are ESSENTIAL to the smooth running of the network. The ability as an airline to offer an attractive schedule that provides connectivity.

An airline operating from a slot-congested airport cannot plan its schedule unless it has certainty, months in advance, of what slots it has the right to use.

Passengers benefit from slots – because they ensure the schedule is reliable, connections are well timed and you can fly from one continent, connect in another and eventually arrive in your final destination in the quickest and most convenient timings.

Actually, the slot times are what airlines are competing on at these previously congested airports > airlines can only offer flights at times they hold slots for. Through the slot process have certainty if operated effectively, > 80%, they can plan again on these times next season.

Were airlines fighting to get the best slots – yes, just as they fight for the passengers – to create the best yield and loads .... They are what defines a successful airline. And the Worldwide Airport Slot Guideline process has driven a
fair, understandable, practical and consistent approach worldwide for years. Everyone is treated the same.

But coming back to today – we are not an industry suffering from congestion anymore. Demand has free fallen to record lows. Consumers are not booking. So why are we so worried about slots that help us manage airport congestion?
Why should slots be protected?

Because if airlines lose their slots the global network will crumble.

To have to reconstruct the entire schedule structure at these busiest 200 airports would cause another crisis – that would cost countries and consumers dearly – a loss of global connectivity – beyond the short term contraction we are now aware of.

94% of airport pairs are through indirect connections – in other words hub airports, slot coordinated airports, are critical in achieving connectivity.

With the slots preserved so is global connectivity for now. It’s as simple as that.

Airlines are in no state to be operating 80% of slots right now, there is no demand to satisfy the schedules invested in for decades and built on the precise timings of access at the worlds busiest airports.
International recovery 25% of 2019 levels by mid-2021

Slot coordinated airports see 43% of the world’s passengers, 1.5bn pax a year depart from just 200 airports in normal circumstances – next year we forecast this figure to be XXX.

Why? Because slot coordinated airports are far more exposed to international traffic – The recovery is mainly coming from domestic markets in 2021, but only 27% of Domestic flights depart from L3 airports, Or put it another way, L3 airports serve 60% of global International flights.
We only assume 25% recovery of international passenger traffic by mid 2021….so next year we have a big problem – we don’t expect the demand to be there to operate these slot coordinated flights.

For everyone now the focus is on recovering passengers – and where they want to fly. We saw the value of flexibility this summer already:

Airlines had a full slot waiver, there was zero (0) requirement to use slots, but as soon as they could they operated and we saw extraordinary jumps in demand as borders were opened or quarantine removed for a small bubble of activity – as I said, airlines will fly as soon as there’s opportunity and passengers to transport.

The waivers are incredibly important in this regard. We have to ensure the environment continues to be one focused on FLEXIBILITY – not slot use – because otherwise that’s focusing airlines on the wrong objective.

It’s NOT about operating movements to retain slots, it’s about operating where there’s demand and stimulating demand.
WHY TIME IS OF ESSENCE?

For airlines and airports it’s very important the decisions are made now regarding the summer 2021 season and embedding flexibility into the slot process. We can’t have the same mess we had for winter with decisions finalising only weeks before the start of the season.

Decisions about the fleet, crewing, maintenance, and for airports deciding if they should reopen terminals or keep them close all surmount to huge expenditure – the industry is on its knees and need to make very careful decisions for more financial resilience.

Last week we held – virtually of course – the world slot conference. Hundreds of delegates met to work through the slots and schedules for next summer. As you can imagine, it was an almost impossible task. The lack of certainty over the future rule for use of slots is making it even harder for airlines to survive this crisis.

This is why we must be really clear today, we need action now, this year to help preserve the air transport network and enable the industry to rebuild in a
sustainable and realistic manner in 2021. The chart shows the timetable we have to work to.

And with that I’d like to hand back to Sebastian.
It is not premature to be agreeing how we can survive 2021 now because the airlines are setting their fleet and network decisions now, I know as an ex airline CEO how important it is to know the rules of the game at this point.

The whole debate on Slots is therefore how to allow airlines to fight for passengers in period of uncertainty: markets can be closed literally in days, late booking are a nightmare, and no airlines has appetite for risk and no capacity to invest.

The war chest is empty – an airline will rather not fly than take a risk.

However if they PLAN the networks without the risk to lose slots they'll be able to supply more flights tentatively but also ramp up as soon as there is any signal of increasing demand on international routes.

Persisting with the current 80-20 rule at this time will mean airlines flying empty planes around, which makes no sense environmentally or financially.
WHY FLEXIBILITY ON SLOTS IS GOOD FOR PASSENGERS?
If airlines can quickly and flexibly adapt their networks they'll be ready to also quickly increase the offering - more offering means more choice - also choice of price. This is what regulators should be looking to support – restoration of competition, choice, product and price.

Airports, airlines and slot coordinators are working to find the right balance of flexibility in the slot use rules right now. **This week we jointly have a pivotal moment at our governing body, the Worldwide Airport Slot Board, to make an industry led decision about how we support the recovery globally through a slot process that matches the realities of an industry reeling from this crisis.**

it makes sense we all work together now to find the right framework

But we also need regulators’ understanding and responsiveness. We are advocating that all parties come to a consensus, we’re all in this together and need to path the way to rebuilding connectivity together.

I would love to be wrong, and If traffic recovers faster the airlines will fly.

Let’s not think it’s premature again – it's not. And we are not making endless requests for relief and flexibility – the Vaccine gives us hope, it gives light – but that won’t have a big impact next year.

By 2022 we will be in a very different place, slots will be used again and we’ll be a much healthier industry.

Now we welcome your questions.