IATA Submission
Steer
EU Fact-Finding Study: Airport Slots
December 2019
Preamble

The International Air Transport Association (IATA) is the trade association for the world’s airlines, representing 291 airlines and 82% of global air traffic. IATA’s member airlines include many – based or not in the EU - that operate flights to/from or within Europe. IATA supports many areas of aviation activity and helps formulate industry policy on critical aviation issues to drive a safe, secure, and sustainable environment in which aviation may flourish. Our views are from an international perspective based on global best practices relevant and applicable to the EU.

IATA is pleased with the opportunity to contribute to this fact-finding study and to share the views of its member airlines. We must note, however, that we are very concerned with the limited time which was provided to stakeholders to respond to this important review. Given the timing of the November 2019 Slots Conference in Brisbane and the related efforts of the airlines in planning their schedules, it has been very difficult to obtain the level of feedback from our members which we would have preferred. We have in good faith attempted to respond as fully as possible to this study but request the opportunity to amend or supplement this response as needed. We would therefore recommend and welcome further consultation on this matter across all stakeholders.

Should further clarification be required please contact:

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Where stated EU we reference only the European Union countries, and when stated Europe we are referring to the wider Europe region - see Annex D – list of Europe countries, as considered in our analysis.
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1.0 Current trends in the industry and market development

The EU aviation market continues to grow despite ever-decreasing available capacity.

1.1 An Industry Growing despite constraints

Airport capacity matters – more is required

The growth of the global airline industry is restricted by insufficient development of airport capacity. Strong growth in the industry is being witnessed globally, but while the strongest growth is seen in Asia, Europe is considered to be the most capacity constrained with over half of all congested airports located within the region. The scope of European aviation is being restricted. So too is the social and economic value aviation delivers to passengers, businesses, and governments.

Despite unprecedented levels of congestion, European aviation continues to flourish. Regional and global route, connectivity, airline competition and consumer choice, are all growing strongly. Made possible by the continued investment of airlines into their products and services, and the consistent implementation of Worldwide Slot Guideline (WSG) principles in Council Regulation (EEC) 95/93.

Aviation connects people, businesses and governments across the world. With the global population growing wealthier and economies becoming more inter-connected, the global aviation industry has seen significant growth over the past decades. While the number of unique city pairs has more than doubled in 25 years, the real price of air transport (on USD/revenue tonne kilometre terms) has dropped to about a third of what it was.
However, airlines cannot grow unbound. They need access to local airport infrastructure at each destination that they fly to. Moreover, they need access to airport infrastructure at specific times of the day, week or year, depending on the seasonality in consumer demand, as well as the availability of airport infrastructure at the other end of each route.

A large number of the world’s airports have insufficient capacity to meet airlines’ and passengers’ demand. Typically, airports first become congested at peak hours and on peak days. If the capacity problem remains unaddressed and there is a persistent growth in passenger demand, airlines are forced to make the most efficient use of capacity by filling up off-peak periods, too. Therefore, the most congested airports operate consistently at their full capacity throughout the day and year.

1.1.1 Congestion

There are currently 343 airports globally that are declared as being unable to meet consumer demand, of which 204 airports are the most congested – with demand significantly exceeding the airport facility capabilities. These 204 airports are referred to as Level 3. Just over half (104 Level 3 airports) are located in Europe. The result is an increasing number of airline requests are being denied, and where slots are approved, they are becoming more increasingly divergent from the requested times that would best support connectivity. This is leading to an increasingly complex airline planning environment with pent-up demand for improved schedule times and new services.

The WSG and Council Regulation 95/93 provide proven principles that facilitate the efficient use of scarce airport capacity, but these principles cannot replace the need for new airport infrastructure.

IATA analysis shows, on a global basis, that 43% of passengers depart from a Level 3 airport and almost half of all flights link two Level 3 airports. In Europe the proportion is much higher, and routes typically involve congested Level 3 airports at both ends.
1.1.2 Capacity Declarations

Today, there seems to be a large variation between airports of the number of flights they can accommodate with the facilities they manage. For example, Amsterdam-Schiphol (AMS) manages fewer flights with 6 runways than Beijing (PEK) or Paris-Charles de Gaulle (CDG) does with 3 and 4 runways respectively. Although these differences may highlight artificial constraints in the form of movement caps, there is a very real need to optimise how existing infrastructure is made available and utilised.

Effective capacity declarations form the basis of efficient capacity utilization. It would be important that airports learn to develop effective capacity declarations where airport infrastructure is scarce and have reliable expansion plans in place to meet future demand.
With regard to the availability of sufficient infrastructure, it is important that, where efficiency cannot be further increased, airports are expanded to meet future demand. Such expansion should take place following consultation with airport users, based on robust growth forecasts, in order to ensure the efficient use of resources and avoid undue increases in airport charges that airlines and, ultimately, passengers and cargo shippers incur.

1.1.2 Slot coordination is a temporary solution.

The result of airport congestion is an increasingly constrained and complex airline planning environment with pent-up demand for improved schedule times and new services. While more airport capacity is not made available, a process of slot coordination has been introduced to manage demand at the world’s most congested airports in a neutral, transparent and non-discriminatory way. Depending on their level of congestion, airports have been classified as follows:

In the Summer 2019 season, there were a total of 204 Level 3 airports and 141 Level 2 airports in the world, representing only 9% of the world’s airports. However, 65% of the world’s airline routes and 69% of the world’s scheduled flights departed or arrived at one of these airports in 2019.
1.1.3 Growth

Despite the EU’s significant exposure to airport congestion and constraints, existing slot coordination and facilitation policies have supported high growth and enabled airlines to respond to demand.

- European airlines have added over 5,000 new routes since 2009.
- Despite capacity constraints, slot coordinated airports have added a total of 2,899 routes, increasing the number of routes by 32% since 2009.
The number of long-haul routes departing from Europe has increased by 27% over 8 years.

Due to the scarcity of capacity, the number of flights within the EU has increased by only 9% over the past 7 years. In the meantime, the number of passengers has increased by 42% 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 53% of all European routes and 68% of the flights, they have had a higher share, 72% of the seats.

**Share of routes, flights and seats from slot coordinated airports in Europe, 2019**

- 70% of the routes departing from Europe are from slot coordinated (L3) or slot facilitated (L2) airports.
- These routes have higher frequencies and use larger aircraft and therefore represent 81% of all flights and 88% of all seats departing from Europe.
Although the scarcity of capacity has forced airlines to make the most efficient use of the available capacity, slot coordination cannot replace the need for infrastructure (airspace and airport). To unlock the true value of aviation, IATA strongly encourages the EU to focus on developing sufficient infrastructure to meet demand where no further efficiency improvements can be made. This is instrumental for airlines to be able to meet the growing demand of passengers and cargo shippers.

1.2 Competition and Connectivity
Intense competition between airlines has made air transport affordable and accessible to most of the population in Europe.

The industry characteristics of the airline industry suggest that air travel markets (OD city pairs) are typically highly competitive. The cost structure of airlines is such that entry barriers to a given market (a specific route) are low. Even if on some routes demand is thin and can only entertain one carrier, its pricing will always be disciplined by the threat of entry of other airlines. If the single carrier active on the route increased prices significantly above the competitive levels, other carriers would also be attracted to the route and compete down the price.

Airport congestion at EU airports is an industry concern and, if unaddressed, could increase barriers to entry to a given route or airport. Slot coordination and the Worldwide Slot Guidelines therefore aim to ensure that access to capacity constrained airports is as open and transparent as possible so that competition can thrive even at the world's busiest airports.

Despite capacity constraints, the slot process has supported agile, flexible and competitive aviation markets in the EU, delivering benefits for consumers in the form of:

- Low fares;
- Connectivity through a large choice of destinations;
- A high proportion of routes served by multiple frequencies and multiple carriers;
- A high proportion of passengers flying on routes served by multiple carriers;
- A large choice of carriers;
- The entry and development of new airline types at congested airports;
- Product investment in new and larger aircraft
- Product differentiation and a resulting large range of services (full-service vs. low-cost vs. hybrid);
- Service innovation and enhanced quality of services; and
- Competing route overlaps at different hubs.
1.2.1 Lower fares

European consumers have experienced a ‘democratisation’ of air transport over the past decade. Low-cost carriers have entered the European aviation markets and revolutionised not only how passengers view and engage with airlines but also how full-service carriers operate. Full-service carriers have responded to low-cost competition by lowering air fares but also often ‘unbundling’ ancillary services (e.g. the transportation of luggage) from the core service of transporting passengers, allowing them to offer passengers a lower price point.

Average fares on intra-EU flights have declined significantly, 2011-2019 (USD)

As a result of intense competition, the average fare on an intra-EU flight has declined by 21% between 2011 and 2019, without adjusting for inflation. During the same period, the average fares on flights departing the 16 Level 3 airports examined by the current review have also typically dropped. The largest declines in air fares were seen on flights departing Paris-Orly airport (30% decline), Stockholm-Broma (28% decline), Paris-Charles de Gaulle (22% decline), Dublin (24% decline) and Lisbon (21% decline). Only three airports have seen an increase in average fares: Dusseldorf (21% increase), Palma de Mallorca (7% increase) and Vienna (2% increase). However, as inflation in the Euro area was about 8% during the same period - that is, higher than 2% or 7% - Dusseldorf airport is the only airport in the sample where real air fares have slightly increased.
1.2.2 Improved connectivity

Air connectivity shows the level of access to the global air transport network from a country’s major airports. IATA has developed a connectivity indicator to measure the degree of integration a country has within the global air transport network. It is a measure of the number and economic importance of the destinations served from a country’s major airports, the frequency of service to each destination and the number of onward connections available from each destination. Connectivity increases as the range of destinations increases, the frequency of service increases and/or larger “hub” airport destinations are served. The connectivity indicator is based on the number of available seats to each destination in each year. The number of available seats to each destination are then weighted by the size of the destination airport.

From a passengers’ perspective, air connectivity represents the ability to seamlessly travel by air from one’s origin to destination in the shortest possible time. From a policy makers’ perspective, air connectivity indicates the degree a city or country is connected to the rest of the world through air travel. It relates not only to the ability of the aviation network to transport passengers, but also freight, particularly in the case of perishable goods and high-tech components. For governments, air connectivity is important not only for the citizens’ social benefits, but also for its impact on a country’s economy through access to world trade, productivity and ultimately economic growth.
As measured by the IATA Connectivity Index, the air connectivity of the wider Europe region is higher than that of any other region. It has also been on a steady increase over the past years, suggesting that Europe’s cities have grown to be more integrated within the global economy.

Considering the 14 cities in which the 16 airports in the current review are located, connectivity has also been on a steady increase in each of them from 2009 to 2019. The connectivity of these cities has increased by 38% to 107%. The most marked change can be observed in Lisbon, the connectivity score of which has more than doubled.
1.2.3 Larger choice

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 intra-European routes has increased from 14,502 in 2009 to 19,114 in 2019. In 2009, 63% of these routes were operated by a single carrier. This number has reduced by 3 percentage-points by 2019. In the meantime, the proportion of routes with 3, 4 and 5 or more carriers has increased. This overall improvement in competition is all the more remarkable considering the fact that the number of routes has grown by about a third, which would typically mean the addition of single-carrier routes at least in the early years of operation.
It is also important to highlight that while currently 60% of intra-European airline routes are served by a single carrier, these routes tend to be thinner than the average: they represent a much smaller share of flights (26%) and seats (24%). This means that the overwhelming majority (about 76%) of passengers are able to choose from several airlines on the route they fly and over half of the airline seats (54%) are on routes with 3 or more competitors.

Number of carriers on intra-European routes, flights and seats, 2019

- Although 60% of routes are operated by a single carrier, they represent only 26% of flights and 24% of seats
- The vast majority of passengers travel on routes where they have a choice between multiple carriers
1.2.4 Product differentiation

Low-cost carriers are a vital part of today’s aviation industry, forcing changes across the sector in order to remain competitive. As a result, the conversation has moved away from a simple distinction between low-cost vs. legacy carriers, focusing instead on a broad range of airline models delivering choice and frequency, competition on routes, and connectivity – all delivering benefits to the consumer. Each airline model has different needs and are serving these and their consumers through their differentiated products and networks, despite a lack of airport capacity. Incumbents and new entrants all need a system that balances access, stability of schedules, and flexible use of slots to best meet consumer demand.

In the EU, low-fare carriers have entered both congested and secondary airports in the last twenty years through the existing Slot Regulation. Despite capacity constraints low-cost carriers were able to gain access, compete with incumbents, and ultimately become major incumbents themselves. The share of low-cost carrier flights within the EU has grown from 34% to 44% between 2009 and 2019.

LCCs have increased their share of intra-EU flights from 34% to 44%

Even at the 16 highly congested airports selected for the Steer study, low-cost carriers have been able to increase their share of flights substantially. They operated only 22% of intra-EU flights departing from these airports in 2009 as compared to 29% in 2019.
Low-cost carriers do not only challenge full-service carriers but each other, too. There is head-to-head competition between low-cost carriers on several hundred intra-European routes. For example:

- EasyJet and Ryanair overlap on 295 routes;
- Ryanair and Vueling overlap on 162 routes;
- Ryanair and WizzAir overlap on 100 routes; and
- EasyJet and Vueling overlap on 99 routes.

### 1.2.5 Service innovation

The intense competition has made airlines innovate their products and services. They have not only tapped into new revenue streams (e.g. by cross-selling hotel accommodation) but have also improved their existing services both onboard and at other stages of the passenger journey. Service innovations have included the introduction of wi-fi onboard, e-tickets, online check-in, frequent flyer programmes, etc.

European airlines have also been in the forefront of investing in cleaner and less noisy aircraft. Boeing estimates that airlines will invest in 44,000 new airplanes in the value of 6.8 trillion USD in the next 20 years (2019-2038). More than half of these aircraft deliveries are expected to replace older and typically less efficient and noisier aircraft. Specifically in Europe, airlines are forecast to purchase an additional 8,990 aircraft in the value of USD 1,370 bn.

Airlines have also become more environmentally friendly by achieving a higher utilisation of aircraft. The average number of passengers per flight increased by 31% between 2011 and 2018. This is partly due to the usage of larger aircraft, in particular at slot constrained airports and partly to achieving higher load factors.
1.3 Recent industry trends in Europe

Aviation plays an important role in connecting passengers and business across the world. This contribution is even more important within the EU since European integration hinges upon citizens and businesses making connections across borders. Over the past decade, the EU has seen a democratization of aviation: with the emergence of new business models, fares have been driven down significantly and today, air travel is no longer considered the luxury product it used to be. Affordability has been instrumental in lowering barriers to cross-cultural exchanges as well as to cross-border commerce and delivery.

Ensuring ever-more affordable services to consumers has only been possible by airlines continuously reducing costs and keeping profit margins very low compared to most other industries. Globally, airline margins remain low - in the 4-6% range.

In fact, the airline industry’s overall average profitability was on average negative over the 2007-2014 period. While other players in the value chain were able to make positive profits, airlines were often struggling to break even and in many cases, they did not.
When considering recent trends regionally, it transpires that North America is the only region with a positive evolution of profitability, whilst the profitability of European airlines has been declining significantly compared to last year. Airline failures are always a risk and there have been a number of airline bankruptcies in Europe in the course of 2019, e.g. Germania, bmi Regional, WOW Air, Aigle Azur, XL Airways, the Thomas Cook Group, Adria Airways, and Astra Airlines. Another larger wave of airline bankruptcies occurred in 2015 when IATA saw a
record number of 31 airline suspensions from its global settlement systems due to bankruptcy, cessation of operations, or other similar causes.

The significance of the airline failures in Europe on use of airport capacity is complex, because in the case of failure the certainty of network and schedules at congested airports is compromised, it is in the consumers' interest to allow the slots to be reallocated as quickly and efficiently as possible. Airline failures often occur in the post-summer period, when cash-flow problems arise. This period also coincides with the planning and coordination of the next summer season, and therefore the failed airlines' slots are of great importance when considering how the consumer and market will be served the next summer season.
2.0 An industry working together to optimise slot policy globally

2.1 Worldwide Slot Guidelines
The WSG is the single global standard for slot coordination.

The WSG provides the global air transport community with a single set of standards for the management of slots at coordinated airports (Level 3) and for schedule adjustments of planned operations at facilitated airports (Level 2).

The WSG is the industry standard recognised by many regulatory authorities for the management and allocation of airport capacity.

Over 90% of the world’s Level 3 airports are considered to have fully implemented the WSG. The remaining 10% of airports recognise the WSG process and policies – enacting similar policies with gradual implementations of the WSG over recent years.

The WSG has been regularly updated since its introduction in 1974. In the past 20 years there were a number of reviews and ongoing enhancements of the slot guidelines:

- In 1999, the Scheduling Procedures Guide was rewritten and thereafter renamed as the Worldwide Scheduling Guidelines.
- In 2007, a complete policy, principle, and process review was carried out.
- In 2011, the Worldwide Schedule Guidelines were further updated and renamed as the Worldwide Slot Guidelines. A new edition containing editorial changes and enhancements to processes, policies, and procedures has since been published on at least an annual basis.
- From 2012 to 2014 a complete policy, principle, and process review was again carried out, resulting in significant updates being made to the WSG.
- In 2016, the Strategic Review of the WSG was launched, with a focus on core elements that are presented later in this document. The airports, airlines, and slot coordinators and facilitators working in the Strategic Review have agreed on a number of important updates, which were included in WSG versions 9 and 10.

The current version of the WSG (version 10) can be found at [www.iata.org/wsg](http://www.iata.org/wsg).

2.1.1 WSG Objectives

The prime objective of airport coordination is to ensure the most efficient declaration, allocation, and use of available airport capacity in order to optimise benefits to consumers, taking into account the interests of airports and airlines.
In support of this prime objective, the industry associations of the airports, airlines, and slot coordinators and facilitators\(^1\) have agreed on the following key objectives for the Worldwide Slot Guidelines:

- To facilitate consumer choice of air services, improve global connectivity and enhance competition at congested airports for passengers and cargo;
- To provide consumers with convenient schedules that meet demand, are consistent from one season to the next, and reliable in terms of their operability;
- To ensure that slots are allocated at congested airports in an open, fair, transparent and non-discriminatory manner by a slot coordinator acting independently;
- To realise the full capacity potential of the airport infrastructure and to promote regular reviews of such capacity and demand that enable effectual capacity declarations for slot allocation on a seasonal basis;
- To balance airport access opportunities for existing and new airlines;
- To provide flexibility for the industry to respond to regulatory and changing market conditions, as well as changing consumer demand; and
- To minimise congestion and delays.

### 2.2 Pillars of Global Slot Coordination

Regulation should be based on core WSG principles that are crucial for the global aviation industry.

The role of the coordinator is to allocate slots to airlines in a neutral, transparent, and non-discriminatory way, based on the applicable coordination parameters and in accordance with the priority criteria of the WSG and any local guidelines and regulations. To support the fair allocation of slots, the WSG, local guidelines, and regulations must be based upon a set of core principles that balance the needs of the industry.

This illustrates the combination of core principles that are discussed in further detail below. Underpinning the pillars is the need for consistency. Every flight has an airport at both ends and so no airport can operate in isolation of other airports. Aviation is a global industry which requires globally consistent guidelines.

#### 2.2.1 Consistency

In an increasingly congested environment, it is essential for common slot allocation policies to exist. Without common processes, scheduling and airport capacity utilisation inefficiencies are likely to develop.

The number of capacity-constrained airports continues to grow throughout the world, requiring a unified slot allocation process. There are currently 204 slot-coordinated airports worldwide. In 2017, 1.5 billion passengers departed from a slot-coordinated airport, representing 43% of global departing passengers. In an increasingly congested environment, it is essential for common slot allocation policies to exist.

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\(^1\) Airports Council International (ACI), IATA, and the Worldwide Airport Coordinators Group (WWACG), respectively.
ICAO provides guidance in its *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587) that mirrors the fundamental principles of the WSG.² Doc 9587 notably states that “any slot allocation system should be fair, non-discriminatory and transparent, and should take into account the interests of all stakeholders. It should also be globally compatible, aimed at maximising effective use of airport capacity, simple, practicable and economically sustainable.”

ICAO has endorsed the need for policy development for aviation to be based on Good Regulatory Practices³ based on IATA’s Smarter Regulation principles. ICAO endorses the need for new policy to “be consistent and coherent with existing (and planned) rules and practices that are applicable to regulated activities so that there are no overlaps and contradictions (nationally or internationally)”.⁴ This is especially important for slot policy considering the growing number of capacity-constrained airports globally, the lack of real infrastructure investment and development to meet forecast demand, and therefore the likely increase in slot-coordinated airports globally.

All flights have an origin and a destination, frequently in different jurisdictions. Having different rules and processes for slot allocation at either end of the route adds complexity and leads to unnecessary inefficiencies. Furthermore, applying the worldwide standard as described in the WSG ensures fair and non-discriminatory treatment for all carriers operating at or requesting access to an airport. This fair and neutral approach supports the development of global aviation, and for example is recognised in bilateral air service agreement discussions.

The EU has some of the busiest and most capacity-constrained airports in the world and is a major national and international gateway. Managing scarce capacity at these airports in a manner consistent with the rest of the world is important for both consumers and airlines.

### 2.2.2 Certainty

Consumers are reliant on a well-connected, efficient, and competitive airline market. Impacting the certainty of operations impacts the services consumers have come to rely on, either as passengers or as freight services.

Airlines require certainty to develop and invest in both new and existing services. New equipment represents a long-term investment, both to establish new routes and to upgrade to larger aircraft types at highly constrained Level 3 airports. Recent IATA analysis identified that it takes an average of 3.5 years for a new route to become profitable. It is then normal for an airline to continue to invest in that route with greater frequencies and upgraded aircraft types.

### 2.2.3 Flexibility

No two airlines have the same strategy and no two Level 3 airports are capacity constrained in the same way. WSG principles are purposefully written with flexibility in mind. Examples of flexibility in the WSG include:

- The length of a series is at least five weeks, despite many airlines operating a full season in excess of that minimum. A minimum series length of five weeks has proven to provide enough flexibility to meet varying types of consumer demand for different types of airlines. Importantly, it also prevents airlines from being forced to fly where there is limited demand in order to meet an artificial minimum series length.
- The principles of slot allocation are not overly prescriptive since the coordinator needs to understand and balance all demand and capacity factors at an airport. The additional slot allocation criteria listed in

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²Available in provisional version at www.icao.int/Meetings/a39/Documents/9587-PROVISIONAL%VERSION.pdf.
³www.icao.int/sustainability/Pages/regulatory_pactices.aspx.
⁴Id.
the WSG are intentionally designed as a balanced set of considerations to support appropriate decisions, rather than as a prescriptive algorithm which would force a fixed allocation principle.

- Schedule development is highly complex and becoming even more complex as airports become more congested. The ability to balance the certainty of operations through historic precedence, with the ability to return slots that are not required for reallocation and utilisation at existing levels, is essential. Restricting flexibility in the use of slots is likely to result in airlines flying unnecessarily, performance potentially deteriorating, and inflexible airports being considered as less commercially attractive.

This flexibility goes hand-in-hand with the independence of the coordinator. Great trust is placed in the coordinator to solve the complex puzzle of slot allocation in a fair, neutral, and non-discriminatory manner – without tying the coordinator’s hands by providing inflexible allocation criteria which would lead to inefficient allocations. This trust is secured through the coordinator’s independence, so that airlines who are unsuccessful in an allocation request do not question the impartiality of the decision. Achieving an appropriate policy of flexibility is a careful balance that impacts other core principles. IATA therefore advises against unilateral change to existing levels of flexibility.

2.2.4 Transparency

IATA supports the transparency of slot coordination, so long as it respects antitrust laws and other legal requirements. Transparency of slot allocation is vital for a coordinator’s decision to be trusted by the airline community. Where it is felt that an airline is being unfairly favoured at the expense of other airlines, the process begins to break down and can result in litigation or in retaliatory action against the favoured airlines at a state level.

Typical efforts supporting transparency include:

- Ensuring coordinated schedules are online, up-to-date, and easily available to airlines;
- Providing airlines with up-to-date airport-capacity-availability charts; and
- Publishing airport-capacity declarations and restrictions that are expected to impact operations.

2.2.5 Sustainability

For the aviation to remain competitive, IATA believes that a sustainable solution should be sought to provide long-term benefits to consumers and the aviation industry alike by ensuring open, neutral, and transparent access. We therefore oppose mechanisms (such as auctions) which would unduly financially burden airlines – and more importantly, their consumers – by imposing additional costs to what is already seen as one of the highest-taxed aviation markets in the world. It would also advantage the already financially stronger players and be unfair to others.
3.0 Operation of the Current Regulation

A case of evolution, not revolution

IATA strongly believes that the EU should remain aligned with the single global slot allocation process embodied by the WSG, and allow the industry – airports, airlines, and coordinators – to continue to take the lead in these areas. Changes to the WSG have been confirmed as an output of the Strategic Review, already published in WSG Edition 9 and 10 and with additional changes in 2020 from the Review. These improvements will work best when implemented globally and sufficient time is provided to observe their impact on slot allocation.

Objectives of Slot Allocation in the EU

IATA does not recommend that the EU deviate from this proven path for improvements. IATA further believes that deviations – if any – should be limited in scope and in the airports and situations to which they apply. The airline industry relies on globally established standards given the networks span jurisdictions and many regulatory requirements: commonality in planning and schedule development is the backbone to connectivity and growth, investment and economic benefits. Without globally aligned slot standards the industry cannot reach its full potential as it deals with conflicting rules and regulations.

Where there is need for change it must be done in a unified fashion globally to bring the greatest benefits. As already explained, the WSG is based on pillars that ensure consistency and longevity of operations as well as a stable slot portfolio. The WSG also has and continues to achieve growth in flights and seats operated even at the most congested airports. Optimising the use of scarce airport and airspace capacity must eb the common objective of all stakeholders in the process, in order to bring greatest benefits to the consumer. Effective implementation of the current regulation would better achieve its stated objectives and those of the Commission in 2011, as well as aligning with the latest WSG changes which enhance the spirit of the EU Slot Regulation.

Barriers to Entry or Expansion

IATA believes strongly that the existing Slot Regulation -and the WSG– do not serve as a barrier to entry or expansion. To the contrary, any such barriers are imposed by a lack of sufficient infrastructure to meet demand. The globally accepted process for slot allocation mitigates the harm caused by this lack of infrastructure but cannot remove it.

Indeed, this process is recognized worldwide as eliminating barriers to entry. For example, the US Department of Transport recently found that there was no need for remedy slot divestitures in the antitrust immunity application of Virgin Atlantic, Delta, Air France, KLM, and Alitalia, stating: “The Department does not have similar [competition] concerns regarding Amsterdam. Airport Coordination Netherlands (ACNL) follows the European Union’s slot regulation, which closely mirrors the IATA WSG, and provides transparent access to slot allocations and monitoring data.”5

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Similarly, an investigation of COFECE (the Mexican competition regulator) into slot allocation at Mexico City Airport found that the allocation process in Mexico – which did not follow the WSG – imposed barriers to entry for airlines. Following this report, the Secretary for Transport enacted new slot allocation regulations which largely follow the WSG. This situation was also recognized by the US Department of Transport in the antitrust immunity application of Delta and Aeromexico, noting in 2016 that at MEX there was “the lack of a slot regime that comports with international standards and which has been deemed anticompetitive by the Comisión Federal de Competencia Económica (COFECE, Mexico’s competition regulator)... We also, however, have statements on the record from Aeropuerto Internacional de la Cuidad de México (AICM, the operator of MEX) and the Dirección General de Aeronáutica Civil (DGAC, which oversees AICM), stating that they have made improvements to the slot allocation system at MEX since COFECE’s report was published and that it is in the process of implementing a system more compatible with the International Air Transport Association (IATA) Worldwide Slot Guidelines (WSGs). The Department fully supports those efforts.”

IATA, along with the airports, airlines, and coordinators, is continually seeking ways to further strengthen the WSG and prevent the barriers to entry and expansion posed by a lack of infrastructure. As described below, the recent changes to the WSG have increased the threshold for new entrants and have modified the priority for allocation to balance the opportunities for entry and expansion for all carriers – new entrants and incumbents. The WSG also now includes a secondary criterion giving priority to requests which have spent longer time on the waitlist, further helping those carriers who have been unable to gain entry or expansion to an airport in previous seasons.

3.1 Airport capacity and declaration process

IATA believe the process of airport capacity declaration could be improved for the benefit of the industry and consumers. The declaration of capacity is an essential first step to an efficient and effective slot coordination process. The slot regulation cannot deliver more capacity, only make best use of what’s declared to be allocated. Therefore, effective analysis of capacity and demand is essential, to allow all available capacity to be declared for slot allocation and use. Today this process is lacking at many European coordinated airports, in the short term this must be a priority as an existing element of the current Regulation. Enabling all stakeholders to fully appreciate the actual capacity available for use, taking into account airspace, runway and terminal infrastructure.

In the long term, airports need to do more to increase the operating capacity of existing infrastructure, ANSPs need to modernise airspace management, and Governments need to encourage and facilitate timely and cost-effective expansion of congested airports.

The basic principles of slot management are transparency, certainty, flexibility and sustainability. Good capacity and demand analysis, and the subsequent seasonal declaration should support these principles. Capacity is not stagnant, neither is the seasonal schedule. Airlines work to serve the demands of the travelling public, and as such the slot time requested is driven by the consumers desire to be in a certain place at certain time on a certain day. Airlines review consumer demand on a constant basis, however airports do not appear to have the same consistent approach.

Unfortunately, there are multiple examples of coordinated airports where there is either no capacity declaration, the capacity is declared but there has been no assessment on deliverability, and/or there is no consultation with the stakeholders (through Coordination Committee meetings) resulting in a lack of

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transparency. We strongly urge the following recommendations and observations are considered when reviewing the effectiveness of the EU Slot Regulation.

**Principles for best practice capacity analysis and declaration:**

There is no one-size-fits-all solution. But, there are some basic principles that should be followed globally:

1. Regular review of the demand and capacity situation at each coordinated airport
2. Transparent and open discussion about performance, resilience and balancing growth and delay. Understand current demand and tweak / flex the capacity to match this – in turn driving optimal consumer outcomes and efficient use of scarce capacity.
3. Ensure multi stakeholder involvement when agreeing the declared capacity for the purpose of the final published slot coordination parameters each season.
4. Publish the capacity declaration in a timely and transparent manner, so any airline can use it for planning – to support access and increased competition, as well as better ability to meet the needs of the travelling public.

**General comments concerning the declaration of capacity at coordinated airports and improving capacity availability:**

- The slot process cannot create capacity that is missing in the air and at the ground. Currently there is too much focus to squeeze in additional slots whilst capacity is missing. The Commission should focus more on the missing capacity and the lack of standards for analysing and declaring capacity.
- Airports have a responsibility to ensure that the capacity that is declared is deliverable to airlines. There are multiple examples of airports across Europe where there is either no capacity declaration, or the capacity is declared but there has been no assessment on deliverability.
- Capacity should be declared using a multi layered approach that involves all key stakeholders responsible for the delivery of the operation.
- Defining what a congested airport is should include the ground capacity and airspace capacity. An airport cannot answer this question until it understands what its overall capabilities are. **A European (and global) standard for the declaration of capacity is an area that should be considered to ensure consistency and deliverability not only on the ground, but also in the skies.**
- European airspace issues should be the priority area for the authorities to concentrate on tackling. Whilst as airlines we promote policies and procedures that deliver the use of capacity referred to above, it’s becoming more and more evident that we need to think beyond individual airports, i.e. capacity at airports needs to be supported by capacity in the wider European system.
- **Air Traffic Management (ATM) is becoming ever more relevant to airport capacity declaration. There is a requirement for airports to consider the wider impact on airspace as part of the declaration process. There is little point in adding more traffic to the ground which ultimately accrues delay as it is unable to become airborne. Unscheduled traffic holding on the ground is bad for the airport, bad for the airline, bad for the environment, but most importantly bad for the consumer.**
- Consumers and airlines operating in the EU are still facing huge congestion on the day, in the air, while no progress has been made on SES. Modernization of airspace is as essential as infrastructure on the ground.
- The performance of the network and the individual airport impacts the performance of the flight for the airline, and the punctuality the consumer experiences. Despite the ‘supply chain’ failures, only airlines are required to compensate passengers in the event of disruption. This **isolated approach should not be reflected in the process for identifying capacity and declaring the appropriate slot parameters each season: collaboration between all stakeholders is required to optimise the performance ultimately.**
There are three main areas we have identified that should be reinforced in the current EU Slot Regulation. [See our detailed response on this issue in our separate paper: Airport Capacity and the EU Slot Regulation]

1. **Regular review of an airport’s demand and capacity declaration.**

Despite the EU Slot Regulation many airports do not review the parameters every season. Coordinated airports are operating with the same parameters as 5/10 years ago and many still have flat capacity constraints all day long, every day of the week. The Regulation is failing in this regard, because it doesn’t require a regular review of capacity once declared congested.

2. **Need for adopting best practices when reviewing slot parameters**

Unfortunately, many EU airports are not particularly proficient when it comes to reviewing their slot parameters. There is a lack of best practice application, and the Regulation could be better enforced in this area to ensure regular reviews of the parameters and the methodology employed to agree them. Capacity is not being analysed for each season at many coordinated airports. The coordination parameters should include all the operational limits of all technical, operational and environmental factors at the airport as per the Worldwide Airport Coordinators Group guidelines on coordination parameters. This best practice document categorizes into four main areas these factors: environmental restrictions, Air Traffic Control (ATC) capacity, apron and parking capacity and the terminal infrastructure component.

3. **Transparency and communication of the coordination parameters**

Airlines are facing difficulties (barriers) to be fully informed about the airport capacity and slot availability every season. Sometimes there is no information, or it is communicated in the local language and without translation. Information about Coordination Committee meetings is missing in a fully accessible public domain (website), and it isn’t communicated well. The information is not freely available to all, and there is potential to improve when it is made available. As a rule, capacity parameters are declared very late in the process, i.e. after airlines have fully developed their plans and just before they are about to submit those plans. Occasionally parameters are declared weeks after submissions or not at all.

### 3.2 Independence of the Slot Coordinator

Coordinator independence is of paramount importance.

#### 3.2.1 Coordinator Independence and Funding

Coordinators must be functionally and financially independent.

IATA supports the functional and financial independence of the coordinator, in order that slot allocation be carried out in a neutral, transparent, and non-discriminatory way.

The structure of independent coordination organisations and their board composition is different from country to country. IATA welcomes a broad representation of industry stakeholders in these structures, including both airlines and airport managing bodies. The involvement of ex-industry professionals who bring knowledge and experience but no self-interests in coordination decisions may be worth considering.
Funding structures have evolved over the last decade and there are now many examples in the EU of a slot fee per operation, rather than the previous model of based carriers funding their local coordinator. In some cases coordinator funding models have raised concern that the coordinator may be too commercially-minded if having to bid and win airport contracts. There is concern at times that the coordinator has appeared to be more aligned with airports preferences in order to retain contracts. We would therefore suggest that funding of the coordinator be based on principles that ensure neutrality and non-discrimination through not-for-profit status with transparent reporting.

Some best practice considerations:

- A slot service fee should only apply for independent slot coordination organizations and cover charges for slot coordination process on a full cost recovery basis, including reasonable and customary costs providing the full range of coordination services.
- The International Civil Aviation Organization (ICAO) principle of cost relation, efficiency and non-discrimination should be respected.
- In order to ensure the financial independence of the coordinator or facilitator, all users of the slot allocation service, including all categories of operators as well as the airport management body, should take part in the funding of the slot allocation process on a non-discriminatory, fair and transparent basis.
- The calculation of the slot fee and the parameters used should be transparent and the respective users should be consulted before a slot fee or a change is filed with the competent authorities for approval.
- The slot fee collection process should be simple in order to avoid unnecessary collection cost. Existing charging systems (such as the existing methods of charging airport fees or ATC charges, for example) should be used whenever practical to avoid unnecessary administration and costs. The charging system should be fair, transparent and non-discriminative. For the purpose of transparency, it is recommended that an accounting system is set up enabling transparency, tracking and control of the charges allocated to the fee.
- The competent authority approving the slot fee (or an independent auditor) should produce a report about the performance of the slot service provider. This report should be made available to all users of the slot allocation service.

The coordinator should not be integrated within entities that have an active interest in the allocation outcomes, neither have a reporting line to such bodies, thus reducing their ability to be neutral. Therefore, it is IATA’s view that under the EU Regulation requirements a coordinator must have no self-interest that would prevent non-discriminatory allocation and management of slots.

The coordinators primary role is to optimise the use of scarce capacity through the allocation process to those carriers requesting services, according to the capacity available. It is important the coordinator is not influenced by those stakeholders who benefit from the use of the scarce capacity - the airport, Air Navigation Service Provider (ANSP), or indeed the airline as the user. This functional independence must also be maintained when monitoring the performance: the use of slots, and the setting of coordination parameters each season which drive the ability to serve demand.

Interested stakeholders:

- Airports: are responsible for providing the capacity available on the ground, being terminal, apron and often runway, receiving payment for its use and gaining revenue through the services and products offered within their infrastructure from passengers and cargo services. Airports have an interest in the
number of passengers, flights and routes served as well as profile of passenger using their facilities. Targeted on the level of service provided as well as shareholders’ interest in revenue.

- Air Navigation Service Providers: provide capacity to allow the network to function, resourcing the airspace management to ensure safe and efficient flow of traffic both within their airspace and to the airports. They are measured on performance of the network and delays. There is therefore a direct link to allocation in the planning phase conflicting with their ability to perform in the operation in turn driving views on slot allocation: how many, to whom and for what purpose (route)
- Airlines: the user of the capacity provided, reliant on the ability to serve markets by operating at consumer driven times that allow connections and meet demand. Competing with carriers at the airports and across the network by providing services directly or through connecting flights that meet demand and offer services for the right fare that attracts load factor. Driven to ensure efficient use of fleet, optimal block times and optimal market-driven schedule timings that create value.

The optimal use of capacity starts with its declaration. Each of the above stakeholders also has an interest in its use and the outcomes of the monitoring function. They should and must have a role in the determination of capacity parameters for slot coordination through the coordination committee in a transparent and public forum. Their input to the coordinator considers levels of service and deliverability of the operation and is vital when agreeing the final capacity declaration.

The following illustrates these roles and responsibilities for ensuring optimal use of scarce capacity as the provider, allocator and user of the infrastructure.

### 3.2.2 Transparency of Coordination

Credible coordination is transparent.

The prime objective of airport coordination is to ensure the most efficient declaration, allocation, and use of available airport capacity to optimise benefits to the greatest number of consumers, considering the interests of airports and airlines. The transparency of the allocation process and the independence of the coordinator
are not only a fundamental pillar of the WSG but are also part of existing regulations and best practices worldwide.

- EU Slot regulation (EC 95/93) article 4 provides that (a) the coordinator acts in an independent, neutral, non-discriminatory and transparent manner; and (b) the independence of the coordinator at a coordinated airport is ensured by separating the coordinator functionally from any single interested party. The system of financing the coordinator’s activities shall also be such as to guarantee the coordinator’s independent status.

Transparency in slot allocation is supported in the provisions of WSG 8.4, indicating to all stakeholders the additional criteria to be applied in slot allocation when slots cannot be allocated using the primary criteria. WSG 10.3.2 and 10.10.5 also support transparency by mandating that coordination data is made available to airlines, airport managing bodies, and other interested parties.

The European Airport Coordinators Association (EUACA) Slot Guidelines (EUSG3 of September 2015) and the Worldwide Airport Coordinators Group (WWACG) Guidelines on Transparency and Interested Parties also provide for a detailed list of coordination data being made available by coordinators on their websites or other online portals.

Transparency should not infringe on airline confidentiality, however. There may be times when airline plans, and strategies need to be shared with the coordinator, but commercial sensitivities need to remain confidential.

IATA welcomes a process designed to make data reports more easily available to airlines, airport managing bodies, and the regulator. Further encouragement could also be given to coordinators to consistently and proactively publish the required information after the Slot Initial Allocation List (SAL) date.

### 3.2.3 EU Slot Coordinator

A more consistent coordination approach is required.

IATA considers that many of the EU slot coordinators perform their role to a very high standard, however there is still room for improvement. Across the EU airlines experience quite different approaches to the role the coordinator performs, including the monitoring of slot performance, application of the Regulation and global standards, transparency and availability of data, and treatment of carriers unable to operate their slots.

There have been cases where the EU coordinator community have been unable to agree on the practical application of the Regulation, which has resulted in disjointed and inconsistent processes related to the allocation and management of the scarce airport capacity. An example would be the determination of historic slots.

IATA appreciates there are local situations that warrant a tailored process to best optimise the use of the capacity and can understand interpretations of the Regulation as long as there is transparency for all carriers at the airport to understand the process employed. A more consistent approach taken across the EU coordinator community would enable carriers unfamiliar with the environment to have certainty over the process.

We do recognise the good work the European Airport Coordinators Association (EUACA) has undertaken to publish guidelines and recommended practices for the coordinator community.

**Transparency**

There are varying degrees of coordinator transparency in the EU and globally, with clear best practices also found in the EU. IATA would like to see more coordinators utilising their websites to make readily available regular slot allocation reports and other coordination information, such as the capacity parameters. It should
not be a struggle for any carrier, whether they currently operate or plan to operate at a specific airport, to gain information necessary to plan services with live availability charts and coordination parameter information.

### 3.3 Monitoring of conformity between operations and slots: Slot Performance Monitoring

**Existing policies result in high utilisation of scarce capacity.**

Slot Monitoring is important and has just been bolstered by new WSG guidance on this (Section 9). This was created in collaboration with the airport, airline and coordinator community through the Strategic Review and therefore reflects the industry’s best practices. However, the Regulation provides for this process already, and like many aspects does not necessarily need revision, but proper implementation and adherence to the WSG and its own guidance.

We do not support Eurocontrol NM monitoring of slots in an operational time frame ex-ante operation, which could be more detrimental than beneficial to the consumer and use of capacity (see comments in section 3.10 related to this).

A set of new and enhanced slot performance monitoring standards were introduced in the new chapter of the WSG with the objective to reinforce this process as an essential element of airport slot coordination. The changes include the introduction of key principles of slot monitoring and role and responsibility of each stakeholder. This is fundamental in ensuring a robust and consistent application of the monitoring process whereby the airports provide the coordinator in a timely manner all the information and data necessary for the coordinator to perform the slot monitoring duties. The role of the coordinator has been strengthened to ensure the monitoring process is performed with the required data analyses, warnings of discrepancies and corrective actions, as well as sharing all relevant information with the airport and other stakeholders.

Other important changes include defining what constitutes a slot misuse, pre and post-operation analysis and specific enforcement actions that the coordinator can undertake in cases of proven slot misuse. To further strengthen the application of a robust monitoring process best practice guidelines for the use of data by the coordinator were introduced as well as example methodology for analysing slot performance.

### 3.4 Functioning of the Coordination Committee

Coordination Committees (CC) are well constituted in the EU Reg and where properly and effectively implemented they are valuable. The main issue is ineffective compliance with what the current regulation requires, not changes to Regulation to achieve more effective CC.

There are coordinated airports where there is no Coordination Committee or the role of the CC (or CC working groups) is not used efficiently.

According to the Regulation, the Member State should ensure that all coordinated airports have an established CC to discuss possibilities for increasing the capacity of the airport, improving its use and for other matters. Moreover, the CC is not able to make such proposals for better use of congested capacity without regular analysis made available to them.
As per the EU Regulation, the determination of the parameters and the methodology used, as well as any changes should be discussed in detail within the CC with a view to increasing the capacity and number of slots available for allocation, before a final decision on the parameters for slot allocation is taken each season. The stakeholders all have a role to play to ensure the optimal outcome each season, whether they be the provider, allocator (coordinator) or user of the infrastructure.

It is important the CC be conducted in a manner that allows any carrier to attend, either remotely or in person. They should be in English, the international aviation language (or at least simultaneously translated) and preferably have an option for carriers to remotely attend through conferencing facilities online/by telephone.

3.5 Definition of an air carrier
Generally, the definition of air carrier in the existing EU Slot Regulation is sufficient. The requirement to hold a valid operating license is important, as IATA strongly opposes the allocation of slots to non-airlines (for example, banks). As discussed above, there is a need for a slight clarification, however, to avoid the situation seen in the Monarch case – whereby an entity with no possibility of actually operating the slots was allocated slots for a future season, solely for the purpose of monetizing them.

3.6 Use of Slots
3.6.1 Historic Precedence
Providing flight resilience to the consumer.

Historic precedence (sometimes referred to as grandfather rights or the 80/20 rule) is a fundamental feature of the global slot process. Providing certainty to the industry allows consumers to rely on convenient schedules that are consistent from one season to the next and reliable in terms of their operability.

IATA does not support any change to this fundamental principle of slot coordination, and strongly urges the EU Regulation remain consistent with the global approach to historic precedence by maintaining the 80/20 rule.

The ability to develop and establish services with certainty results in the high utilisation of airport capacity. Highly congested airports like London Heathrow (LHR), Paris Orly (ORY), and Amsterdam Airport Schiphol (AMS) experience declared capacity utilisation rates of 98%.

3.6.2 Determination of historic precedence
The Historic Determination Task Force (HDTF) of the Strategic review comprising of nine airlines (including two low cost carriers), four airports representing different regions, and eight coordinators from different parts of the world, has been reviewing procedures concerning the utilization, return and reallocation of slots, alongside the determination of historic precedence.

3.6.3 Series Return Deadline trial
The WSG requires airlines to return series of slots that are not intended for operation no later than the Series Return Deadline (SRD) of 15 January (summer) and 15 August (winter). This is about two weeks earlier than stated in Council Regulation (EEC) No 95/93. The industry is also trialling an SRD in mid-December and mid-July, to assess its feasibility and the potential benefits it can bring to the slot planning process. It’s envisaged
this could result in more slots being returned and reallocated earlier in the process, as well as provide more certainty to the airport operator to aid better airport resourcing.

The results of the trial will be assessed after its completion in summer 2020 and a recommendation will be submitted to the Worldwide Airport Slot Board (WASB) under the newly created governance structure of the WSG which includes airports, airlines and coordinators.

3.6.4 Measuring Slot Utilization
Slot utilization may be measured by considering:

- Cancellations before the Historic Baseline Date
  - Comparing the allocation of slots with the slot holding at the HBD.
  - Considering the HBD rather than the earlier SRD allows for the existing Council Regulation No 95/93.
- Cancellations after the Historic Baseline Date
  - Comparing the slot holding at the Historic Baseline Date with the slot holding at the end of the season
  - This is the period which is continuously monitored by the slot coordinator through the 80/20 rule
- Total cancellations from initial allocation to the end of season.

3.6.5 Cancellations before the historical baseline date (HBD)
IATA surveyed a range of airlines and analysed the change in slot holding prior to the HBD at a variety of international Level 3 airports. The graphs illustrate the results as a utilisation percentage of slots initially allocated. The analysis shows the average pre-HBD cancellations to be just 4.8% in the Summer 2018 season and just 3.8% in the Winter 2017 season.

Proportion of Slots Still Held at HBD Following Initial Allocation (Not Returned Pre-HBD)

Before the HBD it is possible for an airline to cancel up to four consecutive slots without realising a reduction in the length of the historic record. This can equate to 20% of the series. Our research shows that the full 20% is only used in rare and specific cases— for example, in the development of a new route where demand is initially low, in seasons where holidays fall disproportionately on a particular day of the week (often Mondays), or to help a recovering airline.

The pre-HBD planning period is subject to many changes, as airlines work towards finalising their schedules. Annex A gives an indication of some of these planning factors, highlighting the need for a flexible approach. Some airlines with a short lead-time to market will not be able to finalise schedules until later in the process.
The additional benefit of the pre-HBD cancellation allowance is that it incentivises airlines to return slots early in the planning process, so they may be reallocated and utilized by other airlines. This has had a positive effect on the utilization of capacity and the optimization of airline schedules.

If airlines were restricted from cancelling slots prior to the HBD, airlines would no longer be incentivised to return slots. Instead they would be encouraged to hold slots until after the HBD, when some cancellations are permitted without the airline being penalized. This delay in slots being returned would negatively impact the overall capacity utilization, since reallocations would not take place early enough in the season for most airlines to plan and fly.

IATA does not recommend any change to the cancellations allowance before the HBD. The full allowance is not used by airlines, but rare cases exist where flexibility is required. By supporting the airline in these circumstances, both the airline and consumer are protected through an improved certainty of operations – and other airlines and the airport benefit from an earlier return of slots, permitting their reallocation and efficient use.

### 3.6.6 Cancellations after the historics baseline date (HBD) – The 80/20 rule

The 80/20 rule permits an airline to cancel up to 20% of a series while retaining historic precedence in the next equivalent season. The rule encourages high utilization and the return and reallocation of slots that are not required, while providing flexibility for operational and planning factors that impact air services.

The globally accepted Use-it or Lose-it rule or 80/20 provides air carriers with the ability to cope with planned and unforeseen events (aircraft maintenance, adverse weather conditions, ATC delays, technical problems, etc.) which can force airlines to cancel flights. If as a result of these unavoidable events airlines lose whole series of slots for the next season, the indispensable certainty of access and consistency of schedules will be jeopardized from one season to the next and future bookings of passengers, ultimately disrupted. The current reliability of air services demonstrates the 80/20 rule is working well.

The existence of the 80/20 rule does not mean 20% of capacity is not utilized. At many congested European airports, the capacity is used to 95% or more.

IATA surveyed a range of airlines and analysed the change in slot holding after the HBD at international Level 3 airports. This illustrates the typical utilization of slots that are subject to the 80/20 rule, after the HBD.

**Proportion of Slots Still Held After the HBD Following Initial Allocation (80/20 Period)**

![Graph](image-url)

Source: IATA consultation with airlines operating to the UK
IATA’s investigation into the effectiveness of the 80/20 rule identified the ability to cancel 20% of a series without loss of historic precedence, does not reflect typical behaviour. In fact, our research shows just 2% of slots were cancelled during this period in the Winter 2017 season, and just 1.7% of slots where cancelled in the Summer 2018 season.

The airlines were asked what circumstances could lead to the full 80/20 flexibility being used? There was little experience with this scenario, but the following advice was received:

- “This will happen very occasionally where there are extenuating circumstances, for example trade (demand) fluctuations or problems with aircraft (delayed certification; delay in aircraft delivery).”
- “This is a small percentage in our portfolio, maybe 2% and this only happens when with a short notice and for reasons out of our control, we need to make a considerable number of cancelations in one specific season, but we are interested in operating the flight the next equivalent seasons.”
- “If this happens it is typically due to unexpected changes in consumer demand in a particular market.”

All other airlines surveyed advised they have had not needed to utilise the full range of flexibility, which confirms our understanding that its use is restricted to the rarest of cases where uncertainty is greatest. The 80/20 rule therefore provides flexibility when it is most needed, but it is not typically used. Where flexibility is required, it is to meet the impact of external factors, such as those listed in Annex A.

### 3.6.7 Total cancellations, pre and post-HBD

IATA surveyed a range of airlines and analysed the change in slot holding at initial allocation with the end of the season, at international Level 3 airports. The following is the results of this analysis.

**Proportion of Slots Held from Initial Allocation to End of Season (Pre- and Post-HBD Combined)**

The flexibility available to airlines before and after the HBD is designed to meet different circumstances but may be viewed as offering an overall level of flexibility. In percentage terms, it is possible for an airline to return 36% of a series and retain historic precedence. Our research shows this total level of flexibility is rare and only used in the most extreme cases, for example, the recovery of a failing service or airline. IATA’s research has identified actual average total cancellation levels was just 4% in the Winter 2017 season, and 5% in the Summer 2018 season, yet the combined levels of flexibility enable airlines to:

- Develop services in alignment with consumer demand
- React to unforeseen global factors that impact schedule development and actual services
- Develop consistent route and passenger connectivity
- Provide the certainty of operations in support of service investment, product choice, and competition;
- Deliver high utilisation of airport capacity through the return and reallocation of slots
• Provide schedule predictability to the consumer

3.6.8 Historic Determination Task Force (HDTF) Analysis

The HDTF analysed the levels of utilisation at highly congested airports across Europe and around the world. The group found the range of factors impacting airline planning prior to the Historic Baseline Date (HBD) difficult to quantify, due to the range of complexity and varied potential to impact schedule development.

The HDTF found the impact of the 80/20 rule easier to assess. Based upon data supplied by slot coordinators, it was shown that 94% of slot series were at least 90% utilised. The minority 6% represented slot series utilised between 80-89%. In light of this data, the HDTF has not recommended any change to existing cancellation allowances.

3.6.9 Series length

The HDTF also reviewed the minimum length of a series and agreed it would not be possible to change the minimum length without impacting other principles related to the determination of historic precedence and slot utilization.

The group researched the close connection between airline operations and consumer demand and recognized that different airline types are subject to different types of demand. For example, in comparison with network carriers flying established services, express freight and charter carriers often have a much later time to market and services may be for shorter periods. It was recognised that the existing five week minimum length of a series, does not suit all carrier types perfectly, but the airlines advised it strikes the best balance across differing types of service, while maintaining a non-discriminatory approach to slot allocation.

The HDTF and IATA have both considered the impact of increasing the minimum series length, but this would not be desirable since it would force airlines to fly unnecessarily at times of low consumer demand. IATA recommends the minimum series length should remain at five weeks but be complimented by an efficient return and reallocation of slots, as described in the SRD trial above.

3.6.10 Use of slot - conclusion

Principles supporting the use of slots are interrelated and are designed to ensure all forms of consumer demand are met without discrimination. Both IATA and the HDTF have reviewed the key principles which leads to IATA’s conclusions that the existing practices are resulting in very high levels of utilization at the most congested airports, while providing essential levels of flexibility to meet the challenges of global aviation. We believe the principles may still be optimized through the recommendations provided by the HDTF, but evidence does not support change beyond those of the HDTF.

3.7 New Entrant Rule & Priorities in Allocation

The new entrant rule works and has been enhanced in the Strategic Review.

As a preliminary matter, we would caution Steer and the Commission not to confuse “competition” in the allocation of slots with competition among carriers for the provision of air services. Competition among carriers has been and continues to be very strong in the EU.
The new entrant rule is based on the concept of allowing priority to carriers who operate a small number of flights (or do not yet operate) at the specific coordinated airport. A new entrant is defined by the number of slots held on a specific day of the week.

The new entrant rule provides certainty of access to congested airports for airlines looking to enter for the first time. The rule has promoted access at the world's most congested airports, but – as with every aspect of the slot process – it relies on there being capacity available.

Recent work by the airlines, coordinators and airports in the strategic Review has resulted in enhancement to access at congested airports. We therefore strongly recommend that the EU maintain alignment with this global standard by considering adoption of the new WSG definition for new entrants in existing and future slot regulation. Furthermore, in order to maintain alignment, the Regulation should consider the additional changes to the slot pool distribution and priority.

**New Entrant Definition**

The new entrant rule has been criticised as setting too low a threshold for slot holdings (< 5 slots), leading to many small airlines (small incumbents). IATA therefore supported a small increase in the new entrant threshold to improve the ability for a carrier to enter a market and compete.

The Strategic Review created a specific task force to review access to congested airports, including reviewing the new entrant rule and initial coordination priorities. The task force encompassed network airlines, low-cost carriers, airports, and slot coordinators who agreed to changes published in the latest WSG Edition 10, effective from the Winter 2020 coordination period (beginning April 2020). The changes are detailed below – including an increase in the new entrant threshold from less than five slots to less than seven.

Increasing the eligible slot holding to less than seven means:

- Locally-based airlines can operate a range of short-, medium-, and long-haul flights, supporting all airline models;
- Multiple locally-based aircraft can be supported, giving more connectivity options to provide competition (through rotation strategy);
- Non-based airlines have the option to operate multiple daily services on busy routes;
- Non-based airlines have the option to spread services to the congested airport from multiple separate origins offering more consumer choice, where supported by demand; and
- Options to compete are increased across all airline model types and strategies.

The Strategic Review task force analysed the increase of the new entrant definition beyond seven, to nine and even 20 slots (originally proposed by the FAA) across several global airports, as well as EU airports. **Annex B** demonstrates the impact of increasing the new entrant rule to seven, as well as the potential access opportunities it provides to established carriers.

It should be noted that these figures do not include potential requests for new entrant status in addition to those made in the past, which would only further increase the size of the new entrant pool.

The data also demonstrates the diversity of slot holdings at these airports, through the number of carriers already operating today. Hub airports typically see a larger base carrier with many smaller existing carriers,

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reflecting the market demand to serve origin and destination routes as well as to build the hub network. Many carriers operating at congested airports today focus on optimising timings rather than increasing frequency.

**Competition and Access**

The ability to provide access and promote competition at congested airports is fundamental to the EU Regulation and the WSG. There needs to be a balance between (i) providing access priority to new entrants and enabling their growth to compete with other carriers against (ii) ensuring stability for growth and investment among other carriers – which includes a number of carriers with larger market share who may be best placed in some markets to compete with the leading carrier yet who are no longer new entrants. With this balance comes the optimal use of scarce capacity to match consumer demand. We maintain that the pool should be split 50/50 between new entrant and non-new-entrant requests to provide optimal balance.

Airlines base their decision to enter an airport and operate between two markets on an analysis of the market demand, their ability to build and grow the route, and the opportunities to compete with other carriers in providing consumer benefits. Airlines also look at network benefits; significant efficiencies are gained through being able to link multiple routes together. Of course, coordinators can only allocate slots to the requests actually presented each season: strategy and route development is an input from airlines, airports, and government, ultimately underlined by consumer demand.

Any reform of the rules for access to congested airports should be based on fairness and non-discrimination.

**Priority to Grow Versus to Enter**

When a carrier has entered an airport as a new entrant with less than daily services, there should be a priority for that carrier to grow their operation to a daily frequency within the new entrant allocation pool, and if possible and requested, with aligned timings.

The airline industry supports a change to enable growth of new entrants in the form of an enhancement to the current priority for allocation. This would explicitly enable a coordinator to allocate slots to allow an existing new entrant to build up to a daily service with priority over another new entrant request.

**Balancing New Entrant Access and Competition on Routes**

The current EU Regulation stipulates more stringent treatment of new entrants than the WSG promotes. The Regulation distinguishes between routes in granting priority status to new entrants at EU Coordinated airports. Arguably this is not producing the impact intended as we understand from the coordinators that airlines are regularly not identifying as new entrants when applying for new slots at EU airports where they would qualify under the definition, because they prefer to not have the imposition of a route being unchangeable for two equivalent seasons. The removal of this restriction should therefore be considered.

Instead, we support the clarification of the additional criteria in the WSG to provide priority to requests which would increase competition on a given route. As with all of the additional criteria, this priority would be balanced against the other priorities set forth in this section when making an allocation decision, such that it would not be the sole deciding factor. Explicitly listing this priority (which is covered by implication under the current additional criteria supporting competition) would emphasise to coordinators that competition on routes should be encouraged through the allocation process.

Coordinators use the additional criteria to make their allocation decisions at airports with saturated capacity or with more requests than can be met. It seems very difficult for coordinators to fully assess competition when making allocation decisions, as they do not hold any competency in competition analysis. It is therefore important to note that the existing additional criteria for competition is not intended as a replacement for a full competition review by the proper authority, when and where merited. Competition is usually assessed after-
the-fact, against the market served via a route-by-route analysis conducted by the local competition authority. We continue to recognise the role of the competition authorities in making such specific analysis, and where appropriate to advise on allocation objectives. However, the coordinator needs to be able to make decisions dynamically in an ever-changing environment of demand and supply.

Balancing changes to historics and new slot requests

IATA believes that the ability to retime must also be balanced with the requests for new slots by both incumbents and new entrants. For this reason, the priority for retimes and other changes to historic slots have been changed under the Strategic Review.

The Strategic Review has therefore changed the allocation criteria in the WSG to place retime requests (or other changes to historic slots) and new slot requests at the same priority, with 50% of slots in the pool to be allocated to new-entrant requests and the remainder to non-new-entrant requests. It is important to note, on this point, that non-new-entrant requests include airlines qualifying as new entrants but choosing to submit some or all requests without the new entrant priority.

In short, all types of requests are treated equally, across the day:

- The priority for retiming has been lowered to be on par with new requests
- There is no distinction between existing capacity and new capacity
- Stipulate that 50% of the pool must go to new entrants and the other 50% must go to non-new-entrants (if there are sufficient requests from each group to make up 50%)

The changes from previous versions of the WSG (and the current version of the EU Slot Regulation) and the current version are summarized in the chart below.8

Priorities for Slot Allocation – WSG 8.3.3

8 This chart is presented simply as an attempt to visually represent the changes to the allocation priorities. It is not an official part of the WSG, however, and therefore the text of the document would prevail in the event of any inconsistency.
With this change the primary allocation of slots was revised to more competitively balance the needs of both new entrants and incumbent airlines aiming to change slot times or other aspects of their historic slots, which will in turn allow more operators to benefit from a larger access to the slots pool. The full table of amendments related to this change and the new entrant definition can be found in Annex C.

IATA believes that these changes should be adopted into the EU Slot Regulation recognising the changes to historic slots are vital and important tools in improving the efficiency of services at an airport, while also striking a fairer balance between requests for changes to historic slots and new slot requests.

**Additional Criteria for Allocation**

The coordinator relies on the Additional Criteria for primary slot allocation to make allocation decisions when there are competing requests for the same slots. In order to ensure the list of additional criteria is both specific enough to provide guidance to coordinators, whilst being flexible enough to cater for many different situations they are purposefully high level. The list is designed to give a fair and non-discriminatory set of allocation priorities.

The Access Task Force of the Strategic Review reviewed the current allocation priorities, particularly looking at ways to improve access to the most congested airports and to better use the slot pool and changes to historic slots. Also reviewing the Additional Criteria for clarity and enhancing their wording where necessary, as well as adding any relevant new criteria.

The recommended changes to the current WSG listing of Additional Criteria for primary allocation decisions are shown overleaf. However, it must be noted that this still needs endorsing by the new Slot Board in 2020 for publication mid 2020. The Task Force, encompassing airlines, airports and coordinators, have all agreed to these proposed changes and additions. Four main changes should be noted, which demonstrate the relevance of the criteria in the current aviation environment where the coordinators are utilising these criteria increasingly at ever-more congested airports.

Key changes to the Additional Criteria suggested by the Strategic Review:

- Clarification that the coordinator should not simply allocate slots in proportion to the current slot holding of airlines requesting slots;
- New criteria for ‘Connectivity’ to be taken into account;
- Clarification that ‘Competition’ means not only new routes and services, but also additional services on existing routes; and
- New criteria for the ‘Environment’ in terms of environmental factors, to be considered.
Recommended changes to the Additional Criteria, subject to Slot Board approval in March 2020.

8.4 ADDITIONAL CRITERIA FOR INITIAL SLOT ALLOCATION

8.4.1 When slots cannot be allocated using the primary criteria as set out in 8.3 above, coordinators should not simply allocate the remaining slots pro-rata among all requesting airlines. Instead, consideration should be given to the following factors (in no particular order) to determine which of the competing requests should be allocated a slot:

- **Effective Period of Operation:** Whether an airline’s schedule that will be effective for a longer period of operation in the same season should have priority over other competing requests.
- **Operational Factors/Curfwes:** When operational factors (such as curfew) lead to curfew at one airport creating a slot problem elsewhere, thereby constraining an airline’s schedule priority should be given to the airline whose schedule is constrained by the curfew.
- **Time Spent on Waitlist:** Whether an airline’s request for slots that have been pending on the waitlist longer than competing requests, should have priority over more recent requests.
- **Type of Consumer Service and Market:** The balance of the different types of services (scheduled, charter, and cargo) and markets (domestic, regional, and long haul and leisure or business), and the development of the airport route network should be considered.
- **Connectivity:** Coordinators should try to ensure that due account is taken of the development of the specific airport route network and connectivity to match the needs of passengers and shippers.
- **Competition:** Coordinators should try to ensure that due account is taken of competitive factors in the allocation of available slots. These factors could include the additional development of a new route or competition on an existing route.
- **Requirements of the Travelling Public and Other Users:** Coordinators should try to ensure that the needs of the travelling public and shippers are met as far as possible.
- **Frequency of Operation:** Higher frequency, such as more flights per week, should not in itself imply higher priority for slot allocation.
- **Environment:** Coordinators should try to ensure that due account is taken of environmental factors in the allocation of available slots.
- **Local Guidelines:** The coordinator must take local guidelines into account should they exist. Such guidelines should be approved by the Coordination Committee or its equivalent.

3.8 Slot Mobility
Promoting schedule and network efficiency.

Various types of slot mobility bring efficiency to the slot system, with benefits for the consumer and optimal use of capacity. Transfer and exchange of slots, as well as secondary trading, are detailed below.

**Slot Swaps**

The WSG defines a slot swap as a one-for-one exchange of slots between airlines at the same airport. Slot swaps take place frequently and are beneficial to improving airline positions towards their preferred slots. All slot swaps are processed by the slot coordinator who carries out checks to make sure swaps are viable. Slot swaps

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9 WSG 10, “Slot Swap.”
10 WSG 8.12.2 -3.
are complimentary to coordinator slot allocations. Coordinators should recommend swaps between airlines, but airline-to-airline discussions may result in solutions that are not obvious to a coordinator. Airlines, after all, are best placed to understand how much flexibility they have in their own plans.

Slot swapping is fundamental to the process, but we recognise that it might be improved by full implementation of the current regulation in terms of information publication by the coordinator:

- Ensuring the transparency and availability of data online in a complete, up-to-date and easily analysed format; and
- Ensuring slots are not route or service-type specific, in order to protect flexibility and promote the potential for swaps.

**Shared Operations**

A shared operation is the use of one airline’s slot by another airline under an operational or commercial arrangement.\(^{11}\) This is common practice which results in a greater sustainability of flights. Shared operations are common across the industry. For example:

- Titan Airways in the UK often operates services on behalf of other airlines.
- Airlines that cooperate in a network can increase their flexibility to use the best matching timings for the relevant (geographical) market and use each other’s slots to improve the connectivity in that network.
- Wet leases are in high demand due to aircraft types being grounded, such as the Boeing 737-Max or the Boeing 787 Trent engine problems.

Shared operations improve the resilience of schedules to the consumer and should continue as an option for airlines to make the most efficient use of their slots. When an airport is ‘grid-locked’, this flexibility can increase the efficient use of its capacity.

**Slot Transfers**

The transfer of a slot from one airline to another is referred to as a slot transfer.\(^{12}\) Slot transfers are an efficient way to ensure that capacity continues to be consistently utilised on a temporary or permanent basis. Depending upon the characteristics of a transfer, it may be referred to as a slot trade or a slot lease. The WSG requires airlines to operate a slot for two equivalent seasons before a transfer may be made.\(^{13}\) As with historic precedence, therefore, the rights to a slot need to be earned prior to a slot transfer. In practice, slot transfers are permitted by the EU Slot Regulation, according to specific circumstances.

Slot transfers facilitate a smoother exit of an airline from the market since slots may be traded or leased, resulting in opportunities for other airlines to grow and enter the market. Without slot transfers, the scarcity of slots at an airport can make the decision to exit a market more difficult due to the potential lack of opportunity to re-enter the market where there is insufficient capacity.

As to slot transfers generally, IATA recommends:

- The removal of complexity that creates barriers and cost to the transfer of slots. The EU Slot Regulation, for example, results in artificial exchanges being used at UK airports to enable the process to work between unrelated airlines. We recommend the removal of restrictions and complexity and for slot transfers to be made directly between airlines.

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\(^{12}\) WSG 10, “Slot Transfer.” Unlike a slot swap, a slot transfer only sees a slot going in one direction.

\(^{13}\) WSG 8.13.2.
transfers to be freely enabled. The associated advantage of such an approach means there would be a consistent interpretation and application of the rules across the EU.

- The retention of current restrictions preventing slots allocated to new entrants from being transferred before two equivalent seasons of operation.

Secondary trading and slot leasing, subsets of slot transfers, are discussed below.

**Slot Transfers – Secondary Trading**

Secondary slot trading is a permanent transfer of a slot. This provides a means by which to trade slots when there is a willing buyer and seller. It also provides a mechanism for those carriers who no longer can make best use of their historic slots to find another carrier on the secondary market who is willing to compensate them for the slots they give up at a value they both feel it is worth.

Compensation for relinquishing the right to a slot to another willing carrier can be for either (or both) monetary or other consideration, as agreed by the airlines involved.

The rules of the EU Regulation applied by the UK coordinator regarding slot trading have always been consistent and transparent as a proxy for the application of secondary trading across the EU:

- Open for willing buyers / willing sellers;
- Only air carriers can hold and trade slots;
- The coordinator must confirm feasibility;
- Slots are permissions to use a bundle of airport infrastructure;
- Slots are subject to use-it-or-lose-it rules;
- Only grandfathered slots can be traded (new entrant slots only after two years); and
- Transactions are transparent, but price disclosure is not required.

However, slot trading remains a niche solution for particular circumstances, rather than a general principle. It is generally only used at airports where there is little to no capacity remaining and is not seen where infrastructure is sufficient to meet demand.

**Slot Transfers – Slot Leasing**

A slot lease is a time-limited transfer of a slot. Slot leasing provides an additional option to gain access to an airport, or develop an existing network, without the full commitment of a slot trade.

Slot leasing is commonly used where airlines are not able to commit to the immediate use of slots but intend to use them in the future. This may be during the development phases of a route where frequency is still growing, or quite typically where there is a temporary drop in demand on a route. External factors such as political, disease epidemics, or the indefinite grounding of aircraft types, amongst many other influences, can all impact demand on a temporary basis.

As with slot trades, slot leasing is generally seen only at the most congested airports, as a direct result of infrastructure failing to keep pace with demand.
Slot Transfers – Benefits

Slot transfers support:

- The growth of competition and connectivity where slots are not available from the pool;
- Flexibility to optimise networks;
- Consistent and resilient schedules for the benefit of consumers; and
- Market entry by new airlines where there is little or no capacity available.

We have also seen at LHR that the airlines taking part in the secondary market generally increase seats available and may open new routes, which are positive to consumers.

Slot leasing also provide the lessor and the lessee with the flexibility to test or develop new competition and connectivity, while from a capacity perspective, scarce capacity remains well utilised.

In summary, slot transfers provide slot mobility where there are few or no slots in the pool and encourage the airlines to put slots that have value for other carriers onto the market – usually more frequently than if they were simply returning them to the pool. This enables mobility that otherwise would not exist, aiding in flexibility while assisting to optimise the use of scarce capacity.

We agree with the European Commission’s original proposal that the slot transfer system should be explicitly allowed in the EU. But we would recommend some adjustments: we would support measures to ensure that slot transfers are transparent, as discussed below. Local law preventing anti-competitive restrictive covenants in slot transfers should continue to be enforced. Further, allowing slot transfers and year-round trades between unrelated airlines (through the removal of artificial exchanges) and allowing explicit slot leasing (with different airlines registered as “slot holder” and “slot operator”) is also encouraged.

Slot Transfers - Transparency

Airlines are reliant on coordinators making up-to-date schedules available online to ensure all interested parties are aware of slot mobility opportunities. This information should include slots that are requested and those that are allocated. The UK coordinator is a good example in this area, providing this information on a regular basis. Airlines can therefore view held and waitlisted slots, download this data, and analyse where opportunities might exist for slot transfers. The UK coordinator also publishes information on its website announcing slot swaps or transfers which have taken place. This could be improved in the EU by all coordinators adopting similar transparency of slot mobility.

To complement the availability of data online, we recommend that data should be provided in an easily useable format. For example, airlines may access schedules via SSIM coding requests, but full access to schedules in a format such as Microsoft Excel often requires subscription to online coordination platforms. Since different coordinators use different online platforms, this is a barrier to transparency.

For secondary trading to work effectively, it is important to develop a process which encourages willing and widespread participation. Anything which impedes the ‘liquidity’ of slots in the secondary market would undermine the benefits of a trading scheme in optimising the use of capacity.

Slots transfers and the Impact assessment of revisions to EU Regulation 95/93. Steer Davies Gleave. March 2011

The study “Impact assessments of revisions to Regulation 95/93”¹⁴ completed in 2011 takes a supportive position towards slot trading, highlighting many of the benefits that slot trading brings to the industry. It states

that secondary trading has been beneficial at London Heathrow as routes have been operated with larger aircraft leading to an increased number of passengers travelling and thus more efficient capacity utilization and increased competition on long-haul routes. It also states that regional accessibility has somewhat declined but this is not due to slot trading but other factors such as reallocating slots to more profitable services.

The study recommends that the EU Regulation should be amended to explicitly permit secondary trading at all EU airports, through temporary or permanent transfers of slots between airlines, arguing that this could generate significant economic benefits by improving the economic efficiency of slot allocation and utilisation at EU airports where demand for slots significantly exceeds capacity.

### 3.8.1 Secondary Market

A minimum period of operation prevents abuse of the new entrant rule.

It has been suggested that airlines can sell slots which are initially allocated for free on the secondary market, potentially having obtained slots under the new entrant rule (see below) with the sole purpose of later transferring these to an incumbent or affiliate airline.

Where existing WSG principles are implemented, it is not possible for new entrant airlines to request slots with the sole purpose of transferring the slots to an incumbent or affiliate airline. Newly allocated slots are subject to a two-year minimum period of operation before any transfer of slots is permitted.

It is also misleading to state that the airlines have received the slots for “free.” Although there is no direct cost in the form of an auction or an allocation fee, the airline will have paid airport charges over the life of the slot holding. In addition, an airline must invest heavily in a new route to provide the aircraft, crew, ground handling, marketing, and other components of a successful service, which cannot be ignored.

### 3.9 Local Rules and their application

In certain circumstances it may be appropriate to implement rules specific to the local situation, as described in the Regulation. However, the airline industry feels this should be minimised to reduce divergence from the EU Regulation, and global standards. In the case a Local Rule is deemed to be appropriate, there must be full consultation with the airline community and ability to discuss the issue at the Coordination Committee, which requires advance notice of the agenda.

Local Rules have the ability to not only impose a change to the slot process at the particular airport, but also the other end of the route. We strongly advise against any Local Rule that could change slot policy beyond the specific local environment. Further, we cannot support any Local Rule that departs from the fundamental principles of the slot process. For example, a Local Rule that increases series length implies an extension not only to all slot series at the airport, but all other airports on the other end of the route, regardless of their own requirements. The imposition of local solutions to other EU and global airports is not appropriate and not the intention of a Local Rule.

The recent example of a Local Rule implemented at Innsbruck Airport, whereby the winter series length was extended and then rescinded through legal clarification, highlights where a new rule can have negative consequences and would not be supported by the airline industry.

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15 SDG impact assessment paragraph 31.
3.10 Slots and Air Traffic Flow Management (the Single EU Sky)

The necessity to ensure the optimal use of all aviation capacity in Europe is supported by the airline industry in as much as both are limiting the full potential of EU aviation currently through their inability to meet demand. However, the industry does not see the Single European Sky (SES) and the Slots Regulation needing changes on either side to accommodate their objectives.

Airline Planning and Operational Management

The current airline planning and commercial process is very separate from the airline’s operational management and tactical response. Typically, an airline planning and commercial area is dealing with network planning, route development, fleet & crew planning and scheduling to develop the next season’s schedule, and where required a specific slots team will be securing and optimizing the airlines airport slot portfolio to match the schedule being developed. This all takes place during a process starting around 18-12 months prior to operation. The operational teams will take over as ‘current ops’ around 72-48 hours prior to the flight operation.

There is no overlap of airport slot information into the ops area, apart from ‘watch lists’ for flights that require an airport slot/s and therefore must be carefully considered before cancellation due to the 80/20 rule (the basis for an airline retaining their slots the next equivalent season by ensuring they utilize the slot series at least 80%).

Slot data and schedules are compressed in systems, whereas operations are working with individual flight legs. A 32-week season daily return flight is stored as one data line for scheduling and slots purposes, whereas separate dated flights would produce 448 data lines – 448 individual flights.

Importantly an airport slot does not ensure On Time Performance (OTP)! Historic precedence is granted to those carriers who utilize their slot series at least 80% of the season, the 80/20 rule, or Grandfather Rights (Principle of the Worldwide Slot Guidelines (WSG) allocation process). The historic right to a slot is not linked to OTP and neither should it be, as long as the intention of the carrier was to operate at the given time. For a multitude of reasons flights do not always operate on time, often outside the carriers’ influence. Causes include weather, airport closures, aircraft tech & maintenance issues, passengers, security and airspace related delays.

Current Situation – airline operations / flight planning

Airline flight operations departments take the plan formulated by the commercial department and execute it to the best of their abilities. They take for granted that any applicable airport arrangements, such as slots, have been made. The data pertaining to slots are not tracked or included in the flight planning systems.

Abilities to execute the plan are affected by an infinite number of factors, which include airport issues (maintenance, security, weather, de-icing, snow clearing, congestion, etc.), air traffic control issues (reduced capacity due to staffing issues or equipment failure, unexpected winds or weather, conflict zones, etc.), and airline issues (equipment failures, crew or passenger connections, etc.).

In the event of some disruptions, that lead to diversions, airline operations departments need to recover the diverted aircraft and crews and resume normal operations as rapidly as possible.
Current Situation - ATM and ICAO

ICAO, its member states and accredited international organizations (such as IATA), has been publishing a Global Air Navigation Plan (GANP) for a number of years. The current, 4th, edition incorporates the concept of Aviation System Block Upgrades (ASBUs). The ASBUs are focused on the following performance improvement areas: Airport Operations, Globally Interoperable Systems and Data, Optimum Capacity and Flexible Flights, and Efficient Flight Paths.

Experts around the world are striving to create globally harmonized and interoperable air traffic management ecosystems that enable this complex and challenging performance areas.

Seeking to negotiate 16 hour flights to optimize their trajectories while optimizing airport and airspace capacity is sufficiently complex without introducing considerations that exceed the scope of ATM.

Is there a slot compliance problem impacting capacity?

Data collected for EU airports shows that no-slot operations are relatively rare, and certainly not the major problem Eurocontrol perceived in their original concept for matching slots and flight plans; three of the busiest EU countries for air traffic saw between 0% and 0.2% no-slot ops as a proportion of all operations at their coordinated airports across two seasons. This is in a region with the highest proportion of slot coordinated (L3) airports in total.

Airport Slot Data and the Operational Environment

During the previous years there have been a number of external proposals aimed at improving operational processes that have included airport slots in the drafted solution. Indeed A-CDM contains a first milestone check for the airport slot at CDM airports designated coordinated.

Eurocontrol CS1 – Flight plan and airport slot matching service (FAS)

Eurocontrol proposed a service to check flight plans for matching airport slots to mitigate aircraft operating to European coordinated airports without an airport slot, in an attempt to prevent misuse of capacity in a tactical timeframe. IATA fully agree that any aircraft operating at a Level 3 slot coordinated airport without a slot should be penalized, however the current practice of post-operational sanction after investigation is proven effective and discourages such behaviour where adopted, whilst avoiding any operational impact directly to passengers and services that could later be found to be in error. The FAS was designed to reject a flight plan with no matching airport slot (where an EU Member State mandates FAS to do so), and until the match could be made the aircraft could not operate. Given slots are a planning tool, and not operational, this concept could not be supported by airlines who would need operational departments to also now be able to file airport slot requests and manage the portfolio when a flightplan was flagged. It would cause operational disruption far greater than the problem it is trying to mitigate, harming consumers travel plans greatly. The no-slot problem in Europe is of such low proportions, there was no business case for this service.

Future Risks:

Linking operations by planning/slot data is not going to create the benefits certain stakeholders have claimed – some examples of the risk areas we see potentially gaining traction in future under a misguided view ‘additional capacity’ will be found in very congested airspace and airports:
• Using slot data for performance management, linking the planned operation to on-the-day flight management by matching the airport slot to the EOBT for example.

• Suspension of flight plans that are filed with an operation outside a stated slot time tolerance, i.e. +/- 15 mins, or without a slot without understanding the aircraft rotation, reasons for delay or intentional nature of the difference.

• Using airport slots as a means for solving other problems, e.g. ghost flights, forecasting traffic loads, network management etc. when schedule aggregators provide full-picture information on all flights, not just coordinated airport traffic.

• Inclusion of airport slots in general ATM solutions thereby ‘forcing’ non-coordinated airports to become slot coordinated in order to comply with future ATM concepts

• Only 200+ slot coordinated airports worldwide - therefore they do not provide a ‘global and/or standard solution’

• Misunderstanding that airport slots are the same as ATC slots

• Misguided belief that airport capacity and/or airspace capacity can be enhanced through linking airport slots to ATFM

• Linking slots to routes at the point of allocation through ANSP involvement in coordination and airline planning - e.g. block time review and forcing of blocktime on carriers removing their commercial freedoms.

Conclusion – ATFM and Slots are not linkable – but for planning purposes the airline schedules can and should be utilised to allow the network resourcing to be optimised.

IATA does not support forcing unnecessary links between wholly different processes, one being planning operations at congested airports, and one being the stable operation of flights in congested airspace. When it comes to planning the utilisation of the network in Europe we support the use of accurate schedule data, enriched with slot data where appropriate (from coordinators databases). However further encroachment in to the airlines planning process by the network manager is not supported as they have no role to play in defining the commercial reality of the flight schedule, neither the slot time allocation or monitoring of the airlines performance against the slot allocated – this is the role of the coordinator already stipulated in the Slot Regulation.
4.0 Proposals for change

4.1 Slot Reservation Fees

Penalising all airlines even when compliant with the use-it or lose-it rule: an administrative burden that doesn’t only harm the wrong doers.

Air carriers do not agree with the imposing of a slot reservation fee as a viable means of addressing late hand back of slots. Instead IATA and air carriers support a dissuasive sanctioning system for wrong doers regarding late hand backs, already included in the Regulation and enhanced through substantive additional guidance in WSG Edition 10.

In the Commission’s proposal for slot reservation fees, air carriers would be punished for not operating slots, which are within the 20% margin of flexibility – the explicit allowance given by the use-it or lose-it rule. The 20% margin is in place to allow air carriers to deal with all kind of circumstances that influence their operations. Many of these circumstances are beyond the airline’s control: weather, technical problems, airport related delays, ATC delays, strikes, consequential delays, security problems, etc. These circumstances beyond control do not all refer to the circumstances as mentioned in Article 10(5), as these are primarily meant to deal with the circumstances that cause the air carrier to fall below the 80% level of operations. They are of a stricter regime.

An air carrier should not be punished for circumstances beyond its control.

Furthermore, the proposal originally had to include clauses as a workaround to the impossible nature of its application, such as alleviation for public holidays. Globally there are public holidays on all but eight days of the summer season. How would the coordinator be able to keep track of these global holidays and understand their impact on the airline’s operation at a global level, as cancellations in the EU may be due to aircraft rotation from a holiday period in another area of the world. Likewise, are the shoulder days of the holiday period applicable for alleviation as well, as this drastically impacts demand in the same way as the actual public holiday day? These sorts of complex issues are unavoidable when defining a slot reservation fee process and policy that impacts a carriers use of the 20% flexibility margin. Today such complexities do not need to be defined for the 20% flexibility to be applied by the coordinator. The proposal is almost impossible to apply.

We support the European Parliaments’ full deletion of the slot reservation fee concept in their proposed amendments.

4.2 Slot Auctions

Allocating new or significant capacity by auction would harm competition, connectivity, and capacity utilisation whilst increasing costs to the consumer

The viability of market-based measures for allocating scarce resources is founded in economic free-market theory. There are several reasons why slot auctions would not result in the theoretical outcomes competition authorities and academics describe. These are discussed in turn below.

Complexity

Slot coordination is a process by which all constrained airport infrastructure is allocated for use, including terminal facilities, gates, aprons, runways, and other associated airport infrastructure. This complex process ensures all infrastructure can accommodate planned flights and is ideally completed in a single coordination process. It is very hard to envisage how an auction could be designed to allocate all these discrete capacities in
one process and still maintain the same principles of fairness, non-discrimination, transparency, certainty, and consistency recognised by ICAO, global governments, and aviation stakeholders.

Airport congestion is a global problem, meaning airlines operating between countries and continents are often faced with the challenge of securing slots on each end of the route. In 2017 30,000 routes were operated with a slot attached, and of these over 60% had a slot on both ends of the route.

Securing a slot at one airport at a time that matches the anticipated demand does not mean the corresponding slot on the other end of the route can be secured. Furthermore, an airline will seek to minimise ground time and rotation of aircraft, so turnaround time at the airport is a feature of the slot request.

Rounds of coordination take place to optimise a workable schedule based on block time, turnaround time, curfews, crewing regulation limitations, and slot availability. As congestion increases this challenge gets ever more complex – in effect carriers become locked in to their schedules. The outcome is suboptimal by definition; there is not enough capacity to match demand.

An auction exacerbates this challenge because there would not be perfect knowledge of likely outcomes; bidding would be based on imperfect information and therefore values distorted. Securing a new slot at LHR through an auction of new capacity will likely be in a timeframe when the slot on the other end is unsecured. This uncertainty of availability presents serious strategy challenges when bidding. If airlines do not have full ability to anticipate how they will be able to use a slot, it will be very difficult for them to estimate an accurate value to bid. Moreover, a carrier’s network of flights is not only one-route specific; aircraft schedule plans are drawn up to efficiently use fleet, crew resources, and aircraft rotations designed to minimise the time on ground. An auction with undetermined outcomes could see a domino effect on whole lines of flying for the airline (and other slot-constrained airports) as airlines try to optimise their slots across a fleet to accommodate slot timings gained via auctions in their network. In other words, even if a hub carrier could accommodate suboptimal slots, this would come at the cost of hub efficiency which will affect competitiveness (and by extension, yield).

Cargo integrators also face complexity, as flight schedules must be coordinated with activities on the ground including pick-up and delivery at customer’s premises and ground transport to or from the airport. This includes goods vital for the UK economy, like financial or legal documents for the City; components required by manufacturing companies (for example, those required by the automotive industry to keep a production line running); and medical supplies, pharmaceutical products, and life sciences samples with a limited viability of 24-48 hours. Further, these goods are often transported in a combination of freighter aircraft and belly-hold freight in passenger aircraft, requiring close coordination of both types of flights. Auctions do not allow and cannot guarantee these efficiencies.

NERA (2004) concluded that while in theory primary auctions could be an efficient solution, in practice the auctions would be so complex, both for auction organisers and for airlines bidding in them, that it was impossible to determine whether an efficient allocation of slots would emerge.16

Further, due to the unavoidable complexity of a slot auction, the design and rules of the auction would have to be very prescriptive in order to achieve the government’s desired objectives. However, the more prescriptive the auction, the higher the likelihood that it will discriminate against some airlines whilst unduly favouring others.

Slots differ from other commodities that have been traded or sold by auction (for example spectrum, in the case of telecoms utilities). This is because several factors mean the product is heterogeneous (that is, no two slots are exactly alike):

16 https://www.nera.com/content/dam/nera/publications/archive1/PUB_SlotAllocationSchemes_NPL.pdf
• The time dimension (peak/off peak, need for arrival and departure slot);
• The existence of significant demand interdependencies (the need to match departure from airport A with arrival at airport B, network effects, rotation from arrival to departure);
• The complex nature of the capacity constraint being not just runway allocation but also terminal, apron, and otherwise;
• Several key dimensions (such as capacity and turnaround times between departure and arrival) are dependent on what type of aircraft is operated; and
• Operating curfews (for example, night restrictions and closures).

There are so many dependent factors (such as aircraft size, configuration, origin/destination, and turnaround) it is almost impossible to determine them at the auction stage, and therefore an auction would require a secondary administrative process to ensure the feasibility of the airline’s operation, followed by the ability to make slot transfers to optimise the airlines final allocation. This process would severely undermine the theoretical efficiency gains of a round of primary auctioning, given that a combination of coordinator allocation and administration and slot transfers are already in place today, to good effect.

**Barrier to Entry**

Congestion presents a scarcity problem and barrier to entry. However, auctions do not reduce barriers to entry – in fact, they distort the ability for carriers to access scarcity by conditioning access solely on their willingness to pay. In contrast, the administrative process of slot allocation ensures a pool of slots for new entrants where capacity is available, promoting access and competition. Moreover, the free-of-charge allocation of capacity is non-discriminatory and in compliance with ICAO guidelines and global agreements on airport charges.

An auction is designed to efficiently determine the willingness of carriers to pay for slots, with all theory suggesting that incumbents will have the highest willingness and ability to pay for the additional slots to their network. The value paid by incumbents will therefore exceed the value a new entrant would place on auctioned slots.

Hub carriers with large slot holdings at an airport have more ability to flex their slot portfolios and therefore more certainty on their ability to use capacity gained from an auction. This distortion in the market favours hub or home-based carriers as well as large incumbents over small operators and entrants.

In addition, the fees imposed by an auction would limit the ability of new entrants to compete and enter an expanded airport. Costs of entry are already high due to locating resources, maintenance and ground handling provisions, marketing and sales costs for entering new markets, consumer-related service provisions, and the costs of operating and airport charges. These charges, when set against the initial revenue performance of new flights, typically result in years of operations (on average, three and a half) before an airline may break even. Adding an auction cost to this burden would further discourage investment in new routes and competition.

The combination of cost and revenue dimensions helps to explain why incumbents can be expected to have higher willingness to pay than entrants. In a pure auction, therefore, the efficient outcome would likely result in incumbents expanding their dominance and airport presence. Network density effects will result in some benefits for the hub, including price and growth of networks. Choice and competition will suffer, however, and cargo carriers may also lose their access, severely limiting options for the import and export of time-sensitive products and goods.
Case Study: Chinese Slot Auctions

In December 2015 the Civil Aviation Authority of China (CAAC) announced two pilot programs of market-based slot allocation for domestic slots:

- A slot auction was completed for Guangzhou Baiyun International Airport (CAN) on 30 December 2015, raising CNY 550M (USD $84M) for nine domestic lots of slots (totalling seven daily slot pairs). The four largest Chinese airlines benefitted from the auction, which allows the successful airlines to operate the slots for only three years.
- A slot lottery with user fee at Shanghai Pudong International Airport (PVG) was completed on 20 January 2016 for domestic slots, raising CNY 18.7M (USD $2.8M). The lottery consisted of seven lots of daily slot pairs.

The CAAC has since expressed their surprise at the results, which did not see any new entrant airline gain access. Instead, the main Chinese airline groups consolidated their presence and the costs were much higher than anticipated for a three-year slot allocation. The process was therefore recognised as wholly unsustainable.

The unsustainability of this approach is seen in the costs resulting to passengers and airlines from the Guangzhou auctions:

- Based on figures released by CAAC, IATA calculates that the average price paid per slot during the auctions for slots at Guangzhou was CNY 5.4M.
- Assuming average aircraft size on domestic routes of 180 seats with load factor of 80% and slot utilisation (taking account of weather and operational or technical issues) of 90%, IATA calculates the slot cost per passenger at an average of CNY 37.93.
- To put this into context, IATA’s estimates for average profit-per-passenger across Asia are CNY 27.87. In other words, based on average figures, the cost of buying slots is more than enough to eliminate airlines’ already thin margins.

Competitiveness

The current slot process is highly dynamic and mobile. Airlines swap slots one-for-one, both during coordination and during the season, providing much-needed flexibility to respond to demand changes and to optimise schedules for operational reasons. This enables a better ability to meet consumer demand and expand networks whilst optimising the efficiency of the network and the use of scarce capacity.

With costly investments tied to access to airports, slot mobility could be weakened and worse there would be a mobility disincentive on any time-limited slots. In a global network this puts constraints on the airport operating under this condition, in comparison to the airports globally that remain aligned to the slot standard. Competitiveness of the UK airport infrastructure to respond to market demand, support aviation growth, and retain openness would be harmed.

Allocating capacity with different primary processes will put carriers at a competitive disadvantage; for example, slots auctioned for a new runway will put the winners in a less competitive position than current incumbents who accessed the same infrastructure without historical slot costs. There is a danger of market distortion; those paying for slots might have to charge higher fares which put them at a competitive disadvantage on their global network, both against UK airlines who did not pay for their slots and against global airlines operating from airports with no slot costs.
The ability to pay is also an important factor; airlines will have different abilities to take part because of their structure, business model, and access to finance. Indeed, slot auctions mean those carriers with the ability to pay the most for the slot are granted access to the airport, instead of those airlines who will increase competition and connectivity in the interests of the airport and passengers.

Finally, there is a practical issue of imperfect information and understanding the correct price to pay for slots with the consequent risk of overbidding. Overpaying will damage the financial sustainability of new entrants and could lead to quick failures. The airline industry is prone to small margins and has a significant lead time on new services and markets making returns. Airlines have been allowed to fail, unlike some other industries, as seen in the recent examples of Monarch, flybmi, Germania, and airberlin. The risk of primary market-based allocation leading to airline failures – especially of UK airlines who would have to bid for a disproportionate share of their overall slot portfolio – should not be underestimated.

Regional Connectivity

The policy ambitions of EU Member States are often focused on consumer-related benefits that do not necessarily align purely with efficiency and welfare objectives. Regional and domestic connectivity is one such example. An auction of capacity is in stark contrast to an objective for enhanced intra-EU or domestic connectivity because short haul and domestic routes would be the least likely to be served by auctioned slots.

Further, the slots required for connectivity through regional services that allow the feeder traffic to meet banks of connections that underlie the economic feasibility of such services, would be a difficult feature of an auction. This would require intervention in the auction – resulting in a sub-efficient result with increased complexity in design. Furthermore, the slots carved out from the auction for these services would essentially reduce the pool and force up prices without any incremental value.

Additional Concerns

The global market is governed by complex bilateral air service agreements. Reciprocal action in third countries cannot be ruled out, leading to carriers paying at both ends if carriers are forced to pay for initial slot allocation through an auction.

Airlines typically fund airport development through user charges. Auctioning of new capacity would therefore require airlines to pay again for access to the capacity they’ve already paid for.

Summary

IATA strongly believes that the imposition of auctions or other market-based measures for primary slot allocation would be a disaster for the competitiveness of EU aviation. The concerns and challenges with auctions are myriad, and there is simply no evidence supporting the need for such a drastic deviation from global best practice.
5.0 Other EU Legislation

5.1 Links with the Airport Charges Directive

IATA does not support any link between the Slot Regulation and airport charges, in so far as funding additional capacity or paying for slots through auctions as well as being charged a fee for non-use of slots in the form of a slot reservation fee, even if cost neutral.

See our comments related specifically to auctions in section 4.2 above. We do not support the funding of additional capacity through slot auctions or slot charges prior to capacity being made available. Slots should not discriminate between carriers in terms of their ability to ‘fund’ primary access to congested infrastructure, when they will already be paying additional costs related to operating in congested environments in fuel, delays and lower aircraft utilisation.

ICAO Doc 9082 (ICAO Policies on Charges for Airports and Air Navigation Services) is very clear in stating that users should only pay for the costs of facilities and services they use. Moreover, Section II paragraph 2 provides the principles for the determining the cost basis for airport charges; where there is no reference to slots. Even in the case where these funds would be used to invest in additional capacity; this would be a clear case of prefunding in which ICAO is also very clear that it could only apply in very specific circumstances (after having allowed for possible contributions from non-aeronautical revenues and where it can assist financing large scale capital investment (in addition to the market distortions it would generate). However, in Europe the congestion issue has not been generated because of lack of financing but for other reasons (planning permissions, etc). In other words, a solution is being proposed to a problem that doesn’t exist.

5.2 Links with EEC Reg 1008/2008 – Air Services Regulation

IATA has recently provided its response to a targeted consultation on the Air Services Regulation (Regulation (EC) No 1008/2008). The consultation requested comment on the inks between the temporary licensing process and the Slot Regulation, and in particular the exemption of temporarily licensed airlines from the 80/20 requirement. The questionnaire identified a tension between the need to: “i) protect the slots of air carriers that are in the process of financial restructuring, [and] (ii) allow slot to be freed as early as possible (i.e. avoid that carriers continue to receive and maintain slots for months/years) where it is clear that the air carrier will no longer operate.”

While IATA agreed with the tension identified, it also noted that this should not be limited to the monetary value of slots. For some bankrupt carriers the monetary value of the slots may be of importance in seeking purchasers or in maximizing a return to creditors, but slots only have monetary value at those airports here insufficient infrastructure has been provided to meet demand. All of the slots of an airline – regardless of monetary value – are incredibly important to that airline’s restructuring attempts, as they allow for access to airports under a steady and reliable schedule, in many cases honed over the years to maximize connectivity and consumer benefits. The non-monetary value of an airline’s slot portfolio is therefore arguably more important than its monetary worth.

IATA further identified a need for clarification regarding an airline’s ability to apply for slots in future seasons, where there is no reasonable prospect of it continuing business until that season. In the Monarch case, for example, a quirk in the licensing regime of the United Kingdom allowed the airline to apply for slots for a future season despite clearly having no ability to actually operate them. The airline did this for the sole purpose of
monetizing the slots in its liquidation proceeding. IATA opposes the allocation of historic or new slots in future seasons where the requesting airline has ceased operations and cannot operate the associated flights.

The questionnaire also identified several alternatives to the temporary licensing scheme. Of note for this response, one proposal (labelled “OL6”) suggested a structured dialogue period for a 12-month period, during which time the airline would attempt to reorganize. If no restructuring plan was elaborated during that time, a temporary license would be granted for 6 months during which time the airline could orderly wind down.

IATA suggested, under this proposal, that the situation seen in Monarch could perhaps be addressed by preventing airlines in the temporary license period from being allocated slots for period after the termination date of the temporary license.

5.3 Links with the Single European Sky

The necessity to ensure the optimal use of all aviation capacity in Europe is supported by the airline industry in as much as this is limiting the full potential of EU aviation currently through their inability to meet demand. However, the industry does not see the link between the Single European Sky (SES) and the Slots Regulation needing changes on either side to accommodate their objectives.

Please see our comments in Section 3.10 Slots and ATFM.
## Annex A: Schedule Planning Influences

### Table 1: Planning factors that result in uncertainty

<table>
<thead>
<tr>
<th>Factor</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delayed regulatory permissions to operate</td>
<td>Non-viable slot availability at either end of the route</td>
</tr>
<tr>
<td>The need for plan B if plan A is not viable</td>
<td>7-9 months prior to season start, aircraft fleet counts are often not yet finalised</td>
</tr>
<tr>
<td>Ability to resource impacts final capability to operate</td>
<td>How to react to alternative slot times allocated at either end of the route</td>
</tr>
<tr>
<td>Delayed aircraft delivery from manufacturer</td>
<td>Airline in recovery and its ability to operate during the period of recovery</td>
</tr>
<tr>
<td>Holidays at either end of the route which influence the airport availability, such as Christmas Day airport closures.</td>
<td></td>
</tr>
<tr>
<td>Ongoing technical issues, such as the Trent 1000 engine problem on the Boeing 787</td>
<td>Competition drives the consideration for alternative plans</td>
</tr>
<tr>
<td>Delayed reallocation of slots by coordinators</td>
<td>How long an airline should hold slots while searching for schedule improvements</td>
</tr>
<tr>
<td>Commercial considerations can delay final schedule plans, but airlines must remain commercial to survive.</td>
<td>Delays to new market destinations for political, social, or regulatory reasons</td>
</tr>
<tr>
<td>Inconsistent slot allocation procedures in countries not fully aligned to the WSG</td>
<td>Aircraft with technical issues stranded in unexpected locations</td>
</tr>
</tbody>
</table>

### Table 2: Operational factors that limit the ability to operate

<table>
<thead>
<tr>
<th>Factor</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural disasters</td>
<td>Adverse weather conditions</td>
</tr>
<tr>
<td>Airspace delays and restriction disrupting airline networks</td>
<td>Unforeseen aircraft technical problems</td>
</tr>
<tr>
<td>Crew resourcing issues, including crew stranded in unexpected locations</td>
<td>Industrial action</td>
</tr>
<tr>
<td>Unknown new risks. For example, drone flying was not expected to disrupt flights until recently</td>
<td>Reduced airport performance levels restricting operations</td>
</tr>
</tbody>
</table>

### Table 3: Demand factors that limit the justification of operations

<table>
<thead>
<tr>
<th>Factor</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic downturn</td>
<td>Competition drives schedule changes for services to be profitable</td>
</tr>
<tr>
<td>Consolidation of flights to avoid unnecessary operation of multiple low demand additional flights</td>
<td>Seasonality of demand. For example, sun destination charters are often planned in the winter months and not year-round</td>
</tr>
<tr>
<td>Public and national holidays</td>
<td>Threat of terrorism at certain locations, such as the impact of terrorism in Egypt on aviation</td>
</tr>
<tr>
<td>Risk of disease at certain locations, such as the impact of SARS in 2003.</td>
<td>Unknown new risks</td>
</tr>
<tr>
<td>Government advice not to travel to a destination</td>
<td>Less stable political environments</td>
</tr>
<tr>
<td>Cyclical nature of the industry. Demand and growth are not a straight line over time</td>
<td>Changes in customs regulations</td>
</tr>
<tr>
<td>Timing of consumer demand. 84% of passenger demand is within three months of operation and express freight is often last minute</td>
<td>Holiday cancellations. For example, there is typically strong freight demand prior to Christmas and then low demand for the next few weeks.</td>
</tr>
<tr>
<td>Environmental concerns for operating when demand is low</td>
<td></td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Source</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17 IATA consultation with airlines operating to the UK</td>
<td></td>
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<tr>
<td>18 IATA consultation with airlines operating to the UK</td>
<td></td>
</tr>
<tr>
<td>19 IATA consultation with airlines operating to the UK</td>
<td></td>
</tr>
</tbody>
</table>
Annex B: Change to New Entrant, From < 5 slots to < 7

Preliminary analysis of change to NE Rule threshold (< 5, < 7, < 9, < 20 slots) at 10 airports

<table>
<thead>
<tr>
<th>Airports</th>
<th>&lt; 5 slots</th>
<th>&lt; 7 slots</th>
<th>&lt; 9 slots</th>
<th>&lt; 20 slots</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carriers</td>
<td>Flights</td>
<td>Carriers</td>
<td>Flights</td>
</tr>
<tr>
<td></td>
<td>AVG %Eligible Number</td>
<td>AVG</td>
<td>AVG %Eligible Number</td>
<td>AVG</td>
</tr>
<tr>
<td>LYS</td>
<td>55% 29 8% 72% 38 18% 87% 46 31% 93% 49 41%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>53% 27 11% 79% 41 32% 88% 46 44% 96% 50 97%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDG</td>
<td>52% 61 30% 74% 83 17% 81% 91 19% 93% 104 33%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>49% 58 6% 65% 78 12% 74% 89 17% 93% 111 35%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YZ</td>
<td>53% 33 4% 65% 39 6% 70% 42 7% 85% 51 16%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>55% 34 4% 66% 41 6% 68% 42 7% 84% 51 16%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LHR</td>
<td>41% 41 5% 63% 38 10% 70% 64 13% 92% 84 31%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>48% 42 5% 63% 39 10% 68% 63 12% 91% 93 30%</td>
<td></td>
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</tr>
<tr>
<td>PMI</td>
<td>62% 20 5% 68% 22 8% 71% 23 14% 86% 28 35%</td>
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<td></td>
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</tr>
<tr>
<td>S</td>
<td>51% 37 4% 76% 56 20% 80% 59 27% 93% 69 56%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JFK</td>
<td>50% 48 7% 77% 57 12% 84% 62 15% 94% 70 25%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>S</td>
<td>50% 43 5% 71% 53 10% 83% 63 15% 96% 72 25%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MEX</td>
<td>40% 12 2% 64% 12 3% 71% 14 5% 81% 15 9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>41% 13 2% 52% 17 2% 63% 20 3% 78% 24 3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DXB</td>
<td>50% 38 5% 50% 38 5% 80% 60 13% 91% 68 24%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>40% 30 4% 60% 43 9% 79% 51 13% 90% 58 21%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SYD</td>
<td>53% 27 5% 72% 36 9% 77% 38 10% 90% 45 18%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>53% 28 6% 71% 35 10% 74% 37 11% 85% 42 19%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNL</td>
<td>33% 13 4% 55% 22 8% 75% 30 15% 88% 35 23%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>37% 16 4% 62% 27 10% 74% 32 14% 88% 28 22%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IATA SSR Analyzer

Notes:
1) Typical Summer/Winter week used and averaged to DOW (NE rule determined by DOW)
2) Count by number of slots held (a movement, not flight)
3) New Entrant definition i.e. holding 1 less than the max threshold when allocated, to count the NE pool eligible for slots
   So < 5 means a carrier currently holding 3 or less slots (1.5 flights) to be eligible to apply and be allocated 1 additional slot
   < 7 means a carrier currently holding 5 or less
   < 9 means a carrier currently holding 7 or less
Detailed analysis of change from <5 to < 7 slots at 20 airports

| Airport | < 5 slots | | | < 7 slots | | |
|---------|-----------|------------------|------------------|------------------|------------------|
|         | Carriers  | Number | AVG % Eligible | Number | AVG % Eligible | Number | AVG % Eligible | Number | AVG % Eligible |
|         | Flights   |        |                | Flights   |                | Flights   |                | Flights   |                |
| LYS     | Winter    | 55%    | 29             | 8%       | 72%            | 38      | 18%            |
|         | Summer    | 53%    | 27             | 11%      | 79%            | 41      | 32%            |
| CDG     | Winter    | 55%    | 61             | 10%      | 74%            | 83      | 17%            |
|         | Summer    | 49%    | 58             | 6%       | 65%            | 78      | 12%            |
| YYY     | Winter    | 55%    | 33             | 4%       | 65%            | 39      | 6%             |
|         | Summer    | 55%    | 34             | 4%       | 66%            | 41      | 6%             |
| LHR     | Winter    | 45%    | 41             | 5%       | 63%            | 58      | 10%            |
|         | Summer    | 45%    | 42             | 5%       | 63%            | 59      | 10%            |
| PMI     | Winter    | 62%    | 20             | 5%       | 68%            | 22      | 8%             |
|         | Summer    | 51%    | 37             | 4%       | 76%            | 56      | 20%            |
| JFK     | Winter    | 56%    | 48             | 7%       | 77%            | 57      | 12%            |
|         | Summer    | 50%    | 43             | 5%       | 71%            | 53      | 10%            |
| MEX     | Winter    | 40%    | 12             | 2%       | 64%            | 12      | 3%             |
|         | Summer    | 41%    | 13             | 2%       | 52%            | 17      | 2%             |
| DXB     | Winter    | 50%    | 38             | 5%       | 50%            | 38      | 5%             |
|         | Summer    | 46%    | 30             | 4%       | 66%            | 43      | 9%             |
| SYD     | Winter    | 55%    | 27             | 5%       | 72%            | 36      | 9%             |
|         | Summer    | 55%    | 28             | 6%       | 71%            | 35      | 10%            |
| MNL     | Winter    | 33%    | 13             | 4%       | 55%            | 22      | 8%             |
|         | Summer    | 37%    | 16             | 4%       | 62%            | 27      | 10%            |
| SIN     | Winter    | 36%    | 26             | 4%       | 51%            | 37      | 18%            |
|         | Summer    | 37%    | 28             | 4%       | 53%            | 39      | 32%            |
| GRU     | Winter    | 56%    | 19             | 5%       | 77%            | 27      | 17%            |
|         | Summer    | 49%    | 18             | 4%       | 74%            | 26      | 12%            |
| DPS     | Winter    | 42%    | 16             | 6%       | 57%            | 22      | 6%             |
|         | Summer    | 40%    | 16             | 6%       | 56%            | 22      | 6%             |
| FRA     | Winter    | 55%    | 54             | 7%       | 74%            | 73      | 10%            |
Notes:
1 Typical Summer/Winter week used and averaged to day of week (DOW) (new entrant rule determined by DOW)
2 Count by number of slots held (a movement, not a flight)
3 New entrants are identified as those holding 1 less than the maximum threshold when allocated, such that they could continue to apply as a new entrant. For example, with a threshold of < 5 slots, a carrier currently holding 3 or less slots (1.5 flights) would be listed as a new entrant (eligible to apply and be allocated 1 additional slot). For a threshold of < 7 slots, a carrier with up to 5 slots would be listed as a new entrant.
## Annex C: WSG Strategic Review Changes

**WSG 10: Amendments related to New Entrant Rule and Primary Allocation**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.3.2.1</td>
<td>The first priority of slot allocation is historic slots requested as unchanged or with changes that do not impact the coordination parameters (for example, a change in flight number). These slot requests are referred to herein as unchanged historic slots. For changes to historic slots that impact the coordination parameters (for example, a change in timing), airlines and other aircraft operators should clearly indicate the range of flexibility they are prepared to accept (if any) using the appropriate industry codes and format in their submission. For any requested changes that cannot be allocated within the applicable flexibility range, the coordinator should reallocate the unchanged historic slots to the airline or other aircraft operator concerned.</td>
</tr>
<tr>
<td>8.3.3.1</td>
<td>Once historic slots and changes to unchanged historic slots have been allocated, the coordinator will establish a slot pool, including any newly created slots.</td>
</tr>
<tr>
<td>8.3.3.2</td>
<td>The coordinator will treat new entrant requests, non-new-entrant requests, and requests for changes to historic slots holistically and fairly across the day, using primary and, if necessary, additional criteria for initial slot allocation set forth in these guidelines.</td>
</tr>
<tr>
<td>8.3.3.3</td>
<td>50% of the slots contained in the pool at initial slot allocation must be allocated to new entrants, unless entrant requests by new entrants are less than 50%. The coordinator will treat requests holistically and fairly across the day. Similarly, 50% of new entrants and other airlines fairly, in accordance with the coordination parameters across slots contained in the pool at initial slot allocation must be allocated to non-new-entrant requests, unless such requests are less than 50%.</td>
</tr>
<tr>
<td>8.3.3.4</td>
<td>Where this 50/50 balance is not achievable in a single season (for example, where there is a very limited number of slots available in the pool), the coordinator should correct this imbalance over the next equivalent season (or seasons, if that is not possible) to ensure that the pool is allocated equitably to both new entrants and non-new-entrants.</td>
</tr>
<tr>
<td>8.3.4.1</td>
<td>Only airlines are eligible for new entrant status.</td>
</tr>
<tr>
<td>8.3.4.2</td>
<td>Slots available in the pool are allocated to airlines requesting a slot, using the criteria set out in 8.3.6, 8.3.6 and 8.4 below.</td>
</tr>
<tr>
<td>8.3.5.1</td>
<td>Within each category (new entrant requests, non-new-entrant requests, and requests for changes to historic slots, allocations to new entrants and other allocations from the slot pool), a request to extend an existing operation to operate on a year-round basis should have priority over a new slot request.</td>
</tr>
<tr>
<td>8.3.5.3</td>
<td>In allocating slots among new entrants, the priority for Year Round Operations (8.3.6) and the Additional Criteria for Slot Allocation (8.4) will apply.</td>
</tr>
<tr>
<td>11</td>
<td><strong>New Entrant:</strong> an airline requesting a series of slots at an airport on any day where, if the airline’s request were accepted, it would hold fewer than 6 slots at that airport on that day. In other words, an airline could schedule 3 rotations per day (3 arrivals and 3 departures, requiring 6 slots) as a new entrant.</td>
</tr>
</tbody>
</table>
Annex D: List of countries: Europe

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