



IATA view of EU Slot Regulation and the Call For Evidence

November 2022

General position related to the EU Commission's intention to review and revise the EU Slot Regulation

- The current Slot Regulation is working well and has proven to facilitate the entry, growth and competitive aviation sector we see in the EU despite the tremendous lack of available airport capacity. IATA's view is this initiative is not necessary neither a priority, however if pushed ahead it should be used to enhance the regulation by aligning with the new Worldwide Airport Slot Guidelines (WASG).
- The EU should continue to align with international best practices and rules for slot allocation that ensure each end of the route is consistently managed on a global level.
- International connectivity, competitiveness of EU airlines and efficient planning relies on a global approach to slots. Isolation from global policy will not benefit EU passengers, trade or the environmental objectives the industry has agreed.
- The WASG, jointly developed by airports, airlines and coordinators, remain the internationally adopted approach to slot management. The objectives align with those of the EU Commission; competition, resilience, fair and non-discriminatory treatment, and efficient use of scarce airport capacity in the interest of consumers.
- The Worldwide Airport Slot Board (WASB) role is to ensure the continual review and approval of changes to the WASG for improvement and policy development in a globally consistent manner; to foster a globally consistent implementation of the WASG. Importantly, these guidelines are developed by industry experts who consider deeply the impact any policy change would have and work in the interest of all stakeholders and business models.
- The EU should not isolate itself from global practices and standards on this topic but support the role of the WASB as the industry forum for slot policy development. We encourage the EU to be the leading advocate supporting globally consistent implementation of the WASG and the role of the WASB as an industry partner in slot policy development.

What could be improved in the existing EU Slot Regulation?

- **The existing Regulation should be better implemented and adhered to as a first step.** While adopting updated policies from the Worldwide Airport Slot Guidelines (WASG) should be a priority for the Commission.
- **The independence and transparency of the coordinator remains a vital and important pillar which should be further enhanced and ensured at all Level 2 and Level 3 airports in the EU.**
 - Resourcing and technology are critical elements to achieve uniform and consistent processes by all coordinators, while the provision of transparent data is key to ensure competitive outcomes.

- **Some elements of the Regulation should be refreshed to align with the recently updated global industry standard, the WASG, to ensure the EU keeps up with the rest of the world** on access and allocation policy, new entrant rules, slot performance monitoring and transparency of information. All of these areas were updated in 2019/2020 and should be adopted by the EU policy makers given airports, coordinators and airlines established and agreed the improvements.
- **There are important components of the WASG that should be better adopted in EU policy** to increase efficient use of airport capacity, manage congestion effectively, improve connectivity, all whilst ensuring transparency and fairness between competitors:
 - **Airport capacity declaration and setting of coordination parameters** is the vital first step in the coordination process, yet the regulation is ambivalent on the process and accountability airports have. It should be clearly defined to be regularly reviewed and consulted, given it is the basis for the whole slot coordination process to work effectively and support the drive to reduce congestion. It is also fundamental to unlocking additional capacity and allow growth and development of connectivity.
 - **Coordination Committees are an essential tool at all Level 3 airports**, it should be a mandatory requirement to establish well-functioning and fair coordination committees to achieve transparency, improvement of performance and collaboration between airport operator, coordinator and carriers.
 - **Level 2, schedule facilitated airports should be required to have the same levels of transparency and independence as Level 3 airports**. The Regulation should require adoption of the WASG principles and processes at Level 2 airports, which are as important in managing congestion in the EU and mitigating delay.

Which policy ideas set out by the EC to be reviewed would do more harm than good?

Many of the Commission's proposals from 2012 were amended by Council and Parliament. Important and vital progress was made by these two EU institutions which provided grounds for a reasonable and effective regulation to move forward, this work should not be forgotten and lost when the Commission is looking to revisit the Regulation:

- **Primary trading in the form of auctions is not supported** and would have detrimental impacts on competition, fairness and the functioning of the system because it is not compatible with the process. It would undermine the global network, risk retaliation by third countries and distort markets, damaging (not benefiting) EU aviation or its consumers. In 2011, Steer demonstrated the net economic benefits of Secondary Trading were greater than all other options put together in their assessment of the Regulation.
- **Increasing the slot use rate and requiring the use of more slots in a series was rejected** by both Parliament and Council and we strongly discourage revival of such a policy. The slot use rate is not the maximum level airlines use their slots but necessary flexibility to ensure flying programs match levels of demand and provides necessary flexibility to manage unplanned eventualities operationally. With systemic efforts to achieve a more sustainable aviation sector and align with the Green Deal, it would be perverse to now suggest increasing the 80/20 rule arbitrarily.
- **Airlines need flexibility to operate sustainably**. They also need a mechanism that allows them to return slots that simply cannot be used due to demand trends throughout the season, for example public holidays (which fall on different days of the week each year) and distinct patterns in business traffic flows. There should be consideration for a slot return policy pre season that is reasonable and assists airlines to make sustainable decisions about their seasons schedule in advance and return slots up to a level that is both acceptable and provides important ad hoc capacity to achieve maximum utilisation of constrained capacity.
- The **slot system is already designed to monitor and ensure good performance**, the regulation does not prohibit financial sanctions where clearly identified misuse occurs and the WASG supports this approach with a new section dedicated to slot performance monitoring. We are therefore of the opinion

this is not a priority for this initiative. However, additional charges for not using slots would be a double penalty, alongside the use-it or lose-it (80/20) requirements, which we do not support.

- **Prioritising and strictly defining the hierarchy of few allocation criteria would decrease fair competition and access opportunities, be discriminative and reduce efficiency because the overall allocation could not be optimised**, it may also create perverse incentives. Furthermore, it would allow interested parties to interfere in allocation decisions which are by the very nature of the regulation, meant to be impartial and neutral.
- **The coordinator is already able today to consider connectivity, competition and other factors when allocating slots.** Neither or all of these have priority above another factor for good reason: they are not mutually agreeable when choosing which slots to allocate to a carrier. Connectivity could be aided by allocating slots to a new carrier on a new route, whereas competition at a route level is aided by allocating slots to another carrier on existing routes. These factors are already taken into account by coordinators, supported by the WASG which clearly defines the criteria to be considered. The Regulation should explicitly require coordinators to follow WASG 8.4.
- **Environmental links to slot allocation decisions are complex and would not help the industry achieve its global sustainability objectives.** The industry has identified the most appropriate and effective means to manage its environmental impact, which it has committed to at ICAO. The industry is fully embracing and aligning with many initiatives related to Fit For 55 which also align with the EU Green Deal. The slot process aligns with the initiatives of the Green Deal because its objective is to efficiently allocate and manage capacity reducing delays, reducing emissions on the ground and in the air, providing flexibility to match demand with the appropriate aircraft and respond to changes in markets. There would be unintended consequences if extreme approaches were taken at (only) coordinated airports to require specific operating conditions related to the environment and slots considering the industry's objectives related to sustainability are global, for all airports and operations. The Worldwide Airport Slot Board has endorsed a position that outlines how the slot process already supports the industry's environmental objectives through its existing policies.
- The coordinators should be able to react when crisis or demand shocks require alternative and more flexible approaches. The value of the WASB's recommendation for managing COVID was recognised by regulators and adopted well by global governments. We would encourage the Commission to align with the WASB and future recommendations to increase resilience.
- The basis on which decisions are made should be reflective of industry metrics and not isolated traffic forecasts. The Eurocontrol forecast has consistently been more optimistic than reality through COVID. Airlines should be the litmus-test for demand and their data should be better utilised to depict market trends.

Evidence that the Regulation is generally working well

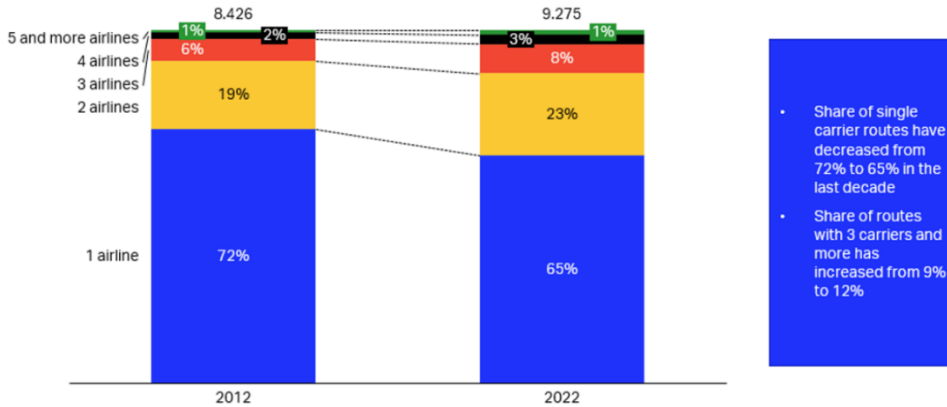
IATA does not believe regulatory updates should be based on the previous 3-year period when the industry was in survival mode during the COVID-19 pandemic. 2020-22 does not reflect how the regulation works given much of it was suspended and carriers were not operating normal networks with anything close to normal levels of demand. To illustrate there has been no harm to competition or efficient use of capacity from relaxing slot use rules during the COVID pandemic, data providing growth and connectivity impacts in 2021-22 may be referenced.

Larger choice of carriers, routes and lower fares

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 (see Figure 1). The number of routes originating in the EU (domestic and international) has increased from 8,426 in 2012 to 9,275 in 2022. In 2012, 72% of these routes were operated

by a single carrier. This number has reduced to 65% in 2022. 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 10%, which would typically imply the addition of single-carrier routes at least in the early years of operation.

Figure 1 Number of carriers on routes originating in the EU, 2012-2022

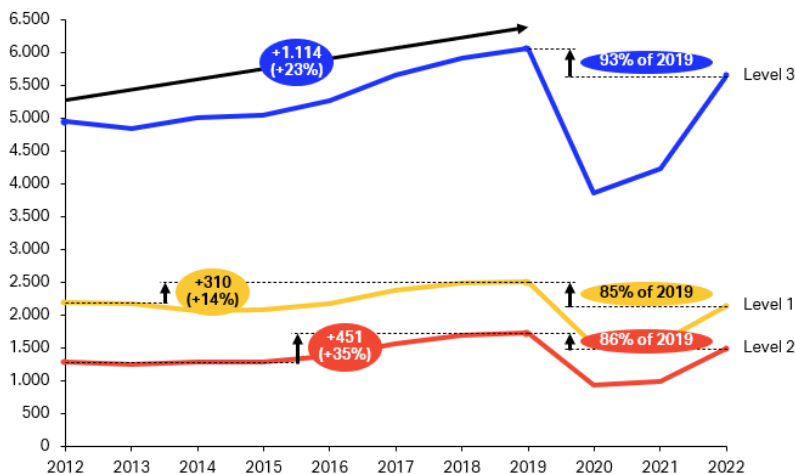


Source: IATA Economics based on data from OAG

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.

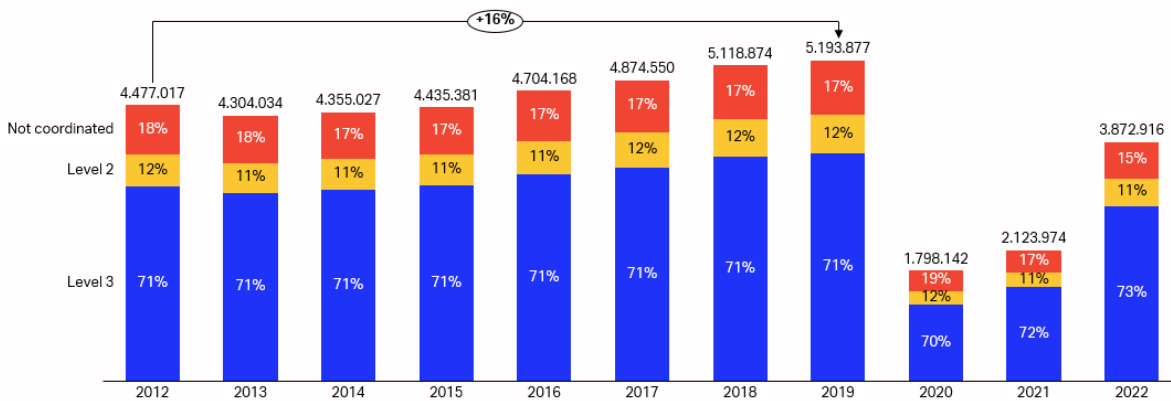
- Pre-pandemic (2012-2019), airlines added over 1,800 new routes departing from the EU. During this period, consumers benefited from new connectivity choices in terms of routes (both domestic and international).
- Despite capacity constraints, before the pandemic (2012-2019) airlines managed to add a total of 1,114 routes (+23%) departing from L3-slot coordinated airports in the EU, and 451 routes (+35%) from L2-coordinated airports.
- In 2022, the number of scheduled routes departing from the EU has almost recovered to pre-pandemic levels (90% recovery), with L3-slot coordinated airports recovering the fastest (93% recovery).

Figure 2 Number of Routes Departing from EU Airports by Level of Slot Coordination, 2012-2022



- Prior to the pandemic, the number of flights increased by 16% between 2012 and 2019, with a 40% increase of long haul flights from the airports originating in the European Union.
- Due to the scarcity of capacity, the number of flights from the EU level 3 airports has increased by 15% over the past 7 years. At the same time, the flights from Level 2 airports have increased by 19% and from not slot coordinated by only 10%.
- In the meantime, the number of passengers has increased by 36% as airlines have been using larger aircraft and operating with higher load factors, ensuring efficiency and meeting consumer demand.
- As a result, although routes from European Level 3 airports have accounted for 61% of all EU routes they have a higher share of 73% of flights and 76% of seats.

Figure 3 Share of Flights Departing from EU Airports by Level of Slot Coordination, 2012-2022



EU aviation policy should continue to support consumers making their own choice

All business models should be supported to thrive in the EU to continue to maximise consumer benefits. IATA's just-released study highlights further the route, competition, and product diversity the European aviation market delivers. The study "[One Size does not Fit All - Airline Business Models](#)" highlights extensive economic and social benefits are generated for Europe by a spectrum of airline business models adopted by network carriers and LCCs. Network carriers provide the bulk of inter-continental capacity which facilitates high-value inbound business and leisure travel, as well as trade via air cargo. Within Europe, network carriers provide extensive connectivity for Europeans, reaching well beyond the connectivity provided by LCCs, especially for those living in relatively remote areas in Europe. LCCs carry more passengers than network carriers in the intra-European market. Network and regional carriers and LCC business models are complementary – not substitutes, and together existing and future business models cater to current and emerging market segments. Regulators formulating aviation policies should therefore seek to establish a framework that allows consumers to make their own choices in function of their own preferences, and that enables multiple existing and future business models collectively to meet the whole spectrum of that demand.