

Position Paper

November 2011

AEA POSITION ON A POSSIBLE REVISION OF THE EU REGULATION ON SLOT ALLOCATION

General Remarks

The airline industry is of the opinion that the existing slot regulation works well. If properly applied, the current EU Regulation 95/93 as amended (hereafter 'the Regulation') provides for the allocation of scarce capacity at congested airports while still allowing the necessary flexibility for airlines to optimise their schedules. It also ensures stability of slots and creates business certainty for operators, leading to investment in new routes.

A revision of the Regulation will not solve the problem of the lack of capacity at congested airports. It will merely lead to the introduction of unnecessary new rules and additional complexity and costs which will benefit neither airlines nor passengers. The Commission should therefore concentrate on ensuring that the current Regulation is fully implemented by all Member States before considering any changes.

AEA is therefore not in favour of a revision of the Regulation.

AEA comments on the Steer Davies Gleave Report

The report prepared for the European Commission by Steer Davies Gleave on a possible revision of the EU slot regulation was published in June 2011. Although the consultant has concluded that they could not identify any major problems, a long list of changes is suggested. However, the recommendations take no account of the fact that an amended EU Slot Regulation will substantially differ from the World-wide Slot Guidelines (IATA WSG) and may therefore lead to distortions of competition for European carriers. They also do not consider the possibility of retaliation from non-EU countries.

Moreover, it seems obvious that some of the suggestions made in the Report are driven by the unrealistic target of a 100% usage of slots at congested airports and the use of larger aircraft, ignoring demand in the passenger and cargo market. This becomes particularly clear when the Report mentions changes to the 'use it or lose it' rule. Carriers which are not able to meet this 100% target and/or use smaller aircraft would be penalized, as they will have to absorb additional costs (slot reservation fee, operating empty aircraft in times of lower demand, etc.) without any additional benefit/revenue, while major airport operators will be able to generate additional

revenues. Such an approach is simplistic and totally ignores network effects whereby usually smaller aircraft are operated on thin routes to feed bigger aircraft on long haul sectors so as to maximise economic benefits while developing an optimal network. A slot mechanism that would systematically favour the operations of larger aircraft would in the end hurt network carriers and/or commuter (regional) airlines. Furthermore, this would ultimately penalise smaller communities which would be deprived of their access to a global network.

1. AEA welcomes the following statements and conclusions of the report:

- *The EU Slot regulation is not able to deliver more capacity;*
- *There should be no withdrawal of slots and subsequent auctioning for the purpose of constant re-distribution/re-allocation of slots;*
- *Some of the shortcomings identified can be solved by a complete and common implementation of the current slot regulation.*
- *Secondary Trading delivers by far the best improvements, more than all the other recommendations put together.* This mechanism is already compatible with the current Regulation, but there is a lack of common interpretation between EU Member States. Recognition of this practice by the Commission and Member States would ensure that airlines will be able to use this mechanism without sanctions. AEA also stresses that exchanges of slots should only take place between airlines;
- *The independence of the coordinator and the transparency of data should be improved;*
- *With regard to local guidelines/rules, the Regulation provides adequate flexibility;*
- *There is no need for special slot allocation rules for business/general aviation;*

2. AEA does not support the following recommendations:

- *Allocation of new slots generated through new infrastructure should be achieved solely by means of auctions and/or primary trading.* Auctioning raises fundamental questions about slot ownership and the nature of these particular slots could subsequently create a different set of rules that would be complicated and difficult to administer. In addition, auctioning is based on the premise that the aviation market operates in a commercially rational way whereas in practice the global market suffers many competitive distortions and is governed by complex bilateral air service agreements. Airlines fund airport development through user charges so auctioning of new capacity would require them to pay again for access to the capacity they've already paid for. The mechanisms contemplated are therefore not compatible with world-wide procedures and will lead to increased costs for European carriers.

- *Increased threshold for the use-it or lose-it rule to 85/15%. The 80% usage target refers to a series of slots on a particular day and not to the average utilisation of all slots in an airline's possession. Increasing the threshold to 85% deprives an airline of the operational flexibility it needs in order to be able to cancel services on specific days or at times of low demand (e.g. Christmas Day), whilst maintaining a contingency of allowable cancellations for normal operational disruption. In any case, the circumstances in which airlines can use the existing 80/20 rule are already very limited following a previous revision of the Regulation;*
- *Modified definition of a series of slots requiring 15 for summer and 10 for winter, instead of 5 slots at present. This would reduce airlines' ability to adjust their schedules to take account of seasonal holidays and changes in demand;*
- *Additional penalties for late hand back of slots and introduction of a slot reservation fee. We agree with the principle of penalties for intentional abuse and misuse; however, there are already measures available under Art. 14.1 of the Regulation allowing for the imposition of sanctions if an airline repeatedly or intentionally misuses the system. No further penalties are required. Such penalties could also be incompatible with the common rules principle;*
- *Allowing Member States to deviate from the common rules principle which currently applies equally in all EU Member States.*
- *Giving individual regional government authorities the possibility to buy slots by means of Secondary Trading for the purpose of protecting Public Service Obligations (PSO);*
- *Widening the scope of the Regulation to cover Level 1 airports, (i.e. airports with no airport capacity shortage) for the purposes of collecting data for the Network Manager in the context of the Single European Sky (SES) for airspace capacity planning purposes. As this is not required for comparing flight plan and airport slot, it is premature to include the notion of an airport network in any proposal for revision of the Regulation, as it is not yet clear what kind of information the Network manager (Eurocontrol) would require. AEA airlines are willing to submit to the Network Manager planning information in the context of gate-to-gate operations under the implementation of the Single European Sky. However, the Regulation is not the right tool to address *ad hoc* problems of day-to-day operations, including capacity restraints and other potential disruptions. The envisaged data gathering by slot coordinators under their network airport concept will lead to more bureaucracy and not provide added value. There are other tools available to access this data.*

*For further information please contact :
David Henderson
Manager Policy Projects - Tel: 32 (0)2 6398972*