

HOW EFFECTIVE IS THE CURRENT EU SLOT ALLOCATION REGIME?

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The current picture

- 104 Level 3 Airports in Europe Summer 2019 (out of 204 worldwide!)
- 77 Level 3 Airports for Winter 2019
- Capacity crunch getting worse
 - > Several Level 3 Airports highly saturated with over 85% of slots occupied in busiest period of the day – very little availability of new slots at most desired times
 - > Forecast of 16 Heathrows in 2040 (EUROCONTROL Challenges of Growth 2018)
 - > Some airports trying to build new physical capacity – but dominant carriers opposing (would let in competition & devalue slots)
- Regulation dating from 1993 with minor modifications since
 - > Need to adapt to the many market developments in past 25 years, and for the future



→ What is working?

- Good principles
 - > Principle of grandfather rights gives stability from one season to the next
 - > New Entrant rule to allow airline competition to develop and new markets to be served
 - > Independent coordination for objective capacity allocation
 - > Airport levels to give appropriate rules for the level of congestion at airports

- But reconsideration is required for the current and future market! Since 1993:
 - > Liberalisation of airline industry: Single aviation market, EU-level Agreements
 - > Low-cost carriers now mainstream & operating at congested hubs
 - > Global alliances, multi-hub airlines
 - > Several totally saturated airports with no capacity left
 - > The Internet! Expansion of information access, total change in business dynamics (B2B and B2C)



→ What is not working?

- **New entrant rule not allowing carriers to develop a competitive foothold**
 - > Number of slots available to NE not sufficient – slots/day allowed in rules, as well as absolute number of slots available at airports
 - > In the modern era of airline consolidation – fewer competing airlines; base carriers dominate historic slots at airports; airline groups using multiple AOCs to abuse the rule

- **Double dip**
 - > Airlines able to cancel 20% of slots in window between SRD and HBD, then a further 20% during season – so potentially qualify for historic slots based on 64% usage. Is this the intention of Article 10(3) in the Regulation?

- **Short series length**
 - > Can lead to schedule fragmentation, wasted capacity

- **Overbidding/misuse**
 - > Lack of slot reservation system means no disincentive against airlines requesting more slots than really need (thus blocking out competitors)
 - > Late hand-backs of slots means they cannot be reallocated, therefore go to waste



What is not working?

- Levels – some airports so saturated that L3 status inadequate?
 - > Several airports in Europe where little to no availability of slots
 - Few means for competition to develop
 - Encourages slot-sitting/babysitting

- Secondary trading grey area – need more clarity?
 - > Airports unclear whether trading going on, not receiving any of the proceeds of selling the right to use their capacity

- Not enough transparency
 - > Uncertainty over secondary allocation criteria applied, consideration of airports'/regions' connectivity strategies and promotion of airline competition
 - Are coordinators equipped to compare different allocation options to ensure optimal capacity use, especially at very busy airports?
 - How are secondary criteria weighted?
 - > Data not required to be made available to *all* interested parties
 - Reg. 793/2004 is more restrictive than Reg. 95/93 – why?



Summing up

- Slot allocation system is based on good principles, but which need to evolve with the times
- EU Regulation is out of date, written for an era in which today's market would be unimaginable
- Increasing airport congestion in recent years – and in the future – means reform is ever more critical
 - > Current rules are unable to ensure effective allocation of airport capacity and fair competition, particularly at the most congested airports
 - > Ever greater number of airports with very high proportion of historic slots – so little scope for new airlines/markets to grow at the airport
 - > New entrant rule does not allow its beneficiaries to develop a competitive foothold – many L3 airports have very low number of NE requests
 - > System does not have enough transparency on slot allocation criteria – do not know if airports'/regions' strategic goals being served





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