



AIRPORT SLOT ALLOCATION POSITION PAPER



**AIRPORTS COUNCIL
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Preface: Airport Slot Allocation in the context of the COVID-19 crisis

The effects of the COVID-19 crisis on aviation have been profound, and have been directly manifested in the slot allocation process. Waivers and alleviation measures have been standard practice since February 2020, with airports seeking to ensure protection for routes from the effects of the pandemic while ensuring that connectivity, competition and airports' financial viability are also secured.

The experience of the COVID-19 crisis demonstrates that the case for reform of the EU Slot Regulation, as advocated in this Position Paper, remains valid and is even, in some respects, enhanced. The issues identified with the Regulation are still there, and will be evident when the "normal" 80/20 rules return in the Winter 22 season.

Europe will have 106 out of a total 198 Level 3 airports worldwide in the S22 season, a higher number and percentage (53.5%) compared to when this Position Paper was first published (50.1% in S19, or 104/204). This shows that, despite the crisis, congestion at European airports remains a critical, and worsening, problem, and its effects just as pronounced.

Airports remain committed to developing their connectivity as a key strategic goal, which should be enabled by the slot allocation process. The experience of the COVID-19 crisis has threatened this objective, due to market closures and airlines rationalizing their fleets and networks while at the same time maintaining historic slots since S19 thanks to waivers and other alleviation measures.

The future Slot Regulation will need to ensure that connectivity of airports and their regions is paramount and minimize the risk to this connectivity from crises such as this one. This may include prioritization of connectivity in allocation decisions, and allowing a distinction to be made on a route-by-route or market-by-market basis when adopting alleviation measures, for instances such as during COVID-19 where short-haul and long-haul markets have been affected differently by the crisis.

This has been underlined by the initiatives of some Member States to provide financial support for air connectivity and to seek EU measures to address the connectivity gap which has resulted from the pandemic. Deteriorating air connectivity has ramifications for Europe's economic recovery post-COVID and the free movement of citizens. However, the effectiveness of such initiatives will be blunted if not properly aligned with slot rules and if access to airport capacity is blocked through a lack of new slot availability.

The need to preserve and promote airline competition also remains key to the strategic goals of airports. The lengthy period of alleviation measures has presented the risk of incumbent carriers consolidating their slot



portfolios at the expense of competitors and new entrants. The fact that Regulation 2021/250 amended the New Entrant rule so as to enable a broader definition of new entrants during the alleviation period was a response to this risk, and underlines the necessity of such a reform on a permanent basis.

The practice of airlines seeking to prevent entry by competitors, by maintaining slot portfolios which are protected by waivers and alleviation measures without the intention of operating their slots, must also come under scrutiny in the revision of the Regulation. This compromises vital air connectivity and its economic and social benefits, as well as the clear detrimental impact on free competition.

Other lessons learned from the COVID-19 crisis include the benefits of transparency and engagement with slot coordinators, particularly as relates to the application of force majeure provisions and allocation decisions. The revised slot regulation must ensure that this transparency is commonplace through clear binding requirements. It is also vital that application of the “double-dip” is ended as a practice in Europe, so that when the normal rules are reinstated post-pandemic, 80% really means 80%.

The post-pandemic aviation market will likely be characterized by the further consolidation and possible bankruptcies of existing airlines, expansion of insurgent carriers and the creation of new ones. This new reality will underscore the need to develop a slot allocation regime which is resilient to future disturbances and which is fit for the current and future aviation market.

Several of these issues are the subject of a series of Working Papers developed by ACI EUROPE to accompany this position paper. These papers, covering Airline Bankruptcies, the Double-Dip, New Entrants, Secondary Slot Trading and Setting of Declared Capacities expand on some of the points raised in this Position Paper and raise areas of concern which should be examined in the process of revising the EU Slot Regulation.

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Introduction

- Slot allocation is an essential part of capacity management at airports in Europe. Airport slots are used to manage congestion and accommodate demand for flights in a way which optimises the use of airport capacity. At airports where demand outstrips capacity, an airline wishing to operate is granted a slot by an independent coordinator, giving the permission to take off, land and use airport infrastructure for the route and day requested.
- Europe's airports are particularly affected by this regime, with Level 3 airports (those where a slot is required in order for an airline to operate) most prevalent in Europe. In the Summer 2019 scheduling season, 104 of the 204 Level 3 airports worldwide were in Europe, with 77 Level 3 airports in Europe for the Winter 2019 season out of 168 worldwide.
- Any slot regime needs to be balanced and provide certainty to both airports and airlines that schedules can be stable from one season to the next; allow airline competition to develop and new markets to be served; and ensure non-discriminatory capacity allocation through independent coordination and proportionate rules that adapt to the level of congestion at airports.
- However, the aviation market is continuing to grow, bringing increasing saturation at airports. It has developed in ways which were unthinkable when the current Regulation was adopted. In particular, as airline business models have diversified, airports themselves have become competitive businesses in their own right with an increased focus on efficiency. At the same time, air connectivity has acquired a new strategic relevance for Europe along with the need to limit aviation's negative externalities – in particular environmental impacts.
- It is therefore essential that the slot allocation system better reflects the available capacity, and expected future increases in capacity, at European airports; is more suited to the current and future air transport market; and fully recognises the need to develop air connectivity to the socio-economic benefit of regions served, while limiting environmental impacts. A paradigm shift is thus required in order for the slot allocation regime to balance the legitimate interests of all stakeholders for the benefit of consumers, regions and the environment.
- ACI EUROPE is therefore calling for revision of the EU Slot Regulation (Regulation 95/93) so as to adapt it to market changes in the past 25 years, and to prepare the slot allocation system in Europe for the future. ACI EUROPE believes that the following elements should form part of a revised Regulation:

- Greater transparency in the slot allocation process;
- More scope to ensure that slot allocation takes into account the economic and connectivity strategies of airports and the related needs of their local markets;
- Ensuring that airlines make full and proper use of the slots allocated to them;
- Strengthening the new entrant rule so as to deliver greater competition at Europe's airports and more choice for passengers which caters to their needs.

This Position Paper sets out ACI EUROPE's proposals for achieving these goals.

The Current Regulatory Framework

The slot allocation system in Europe is governed by [Regulation 95/93/EEC](#), as amended by Regulation 793/2004/EC and influenced by the [Worldwide Slot Guidelines](#)¹. The central elements of the Slot Regulation are:

- The "80/20 Rule" whereby if an airline uses a slot at least 80% of the time in a season, it will retain it for the following equivalent season.
- The allocation of slots by an independent coordinator.
- The New Entrant Rule which grants certain protections and privileges to airlines which would bring a competitive challenge to incumbents at an airport.

The Regulation is silent on whether slots, once allocated, may be traded between airlines, and as such Communication (2008)227 tolerates the practice to continue so long as it takes place in a transparent manner and subject to all other administrative requirements for slot allocation being met.

Regulation 95/93 was clearly written in a different era for aviation, and in the quarter-century since momentous changes have taken place. These include:

- The liberalisation of the European airline industry, which has led to the game-changing rise of Low-Cost Carriers, the emergence of multi-hub & multi-airline groups and global alliances.
- Multilateral aviation agreements between the EU and third countries;
- The entry of Low-Cost Carriers, which previously operated at secondary airports, into major hub airports over the past decade.
- The development of airports as competing, corporatized & increasingly privatised self-financing businesses focused on the development of their route network & diversified airline portfolio as well as operational

¹ At world level, the Strategic Review of the Worldwide Slot Guidelines, which influences the allocation regime in Europe, has made some important improvements to that document. These changes have in many ways been more ambitious than the current EU Regulation, which must be reformed along similar, far-reaching lines, tailored to the particular situation in Europe.

efficiency & sustainability.

- The growth of the aviation market to an extent that Europe now has several totally saturated airports with no spare capacity.

A [proposal](#) to revise Regulation 95/93 was tabled in 2011, which would have updated the regulation to openly allow airlines to buy and sell slots from one another, broaden the definition of new entrant so as to boost competition by allowing more airlines to fall into its scope, increase the threshold for historic rights, and strengthen the independence and transparency of the coordination process. The introduction of a 'slot reservation system' would have given greater incentive to airlines to use the slots which they have been allocated. It would also have established a link with the Single European Sky, by giving the Network Manager visibility over capacity at airports and their link with the network.

This proposal remains blocked in the Council since 2013, while the market conditions which necessitated the 2011 revision have persisted and become even more acute.

Market Situation

Air traffic in Europe has grown consistently in recent years, and will continue to do so, increasing congestion and saturation at Europe's airports. Traffic has doubled to over 10 million annual flights in Europe in the years since the Slot Regulation was written, and is forecast to reach over 14 million flights by 2040.² With physical space at a premium, airports need to use other means besides and prior to infrastructure construction to optimise the use of their capacity and adapt to current and future market needs. As such, the European slot allocation regime needs to adapt not only to today's market but also that of the coming decades. **Ultimately, optimising the use of existing capacity may reduce the need for airports to increase airport charges to fund infrastructure investment.**

As air traffic has grown, the structure of the airline market has developed and changed fundamentally. The years since the 2011 proposal have seen increased concentration between airlines, particularly in the form of multi-airline groups, as well as airline bankruptcies, and the continued development & deepening of alliances through integrated Joint Ventures. This has an effect on the usage of airport capacity, by potentially reducing the number of competing airlines at an airport, and thus impacting on passenger choice and connectivity developments. It is therefore important to have slot allocation rules which enable new airlines to enter the market at airports and establish a competitive position which may bring an innovative offer to passengers.

EUROCONTROL's *Challenges of Growth 2018* report predicts that by 2040

² EUROCONTROL Challenges of Growth 2013 and 2018

there will be around 16 airports in Europe suffering “Heathrow-like” congestion, that is to say being at full capacity throughout the day. With a growing number of airports being extremely saturated, and the degree of saturation at those airports increasing, it is imperative to ensure that the available capacity is allocated in such a way as to optimise and maximise its use. Furthermore, a very high and growing proportion of historic slots at the most congested airports can limit airline competition if capacity may not be freed up for new entrants to join the market.

It is therefore essential that Europe’s slot allocation rules allow airports to address their current capacity constraints and to prepare for the future - with a focus on boosting competition and delivering on the legitimate strategic objectives & needs of airports and their communities, so as to ensure that passengers are offered the best choice, optimum connectivity and service.

Desired Reforms

- Definition of a slot

Regulation 95/93, as amended, defines a slot as “*the permission given by a coordinator in accordance with this Regulation to use the full range of airport infrastructure necessary to operate an air service at a coordinated airport on a specific date and time for the purpose of landing or take-off as allocated by a coordinator...*”

The current definition leads to different interpretations and should be changed to stress the airline’s obligation to make effective use of the permission which it has been granted. The Regulation should therefore clearly state that a slot is both the permission and the *obligation* to use airport infrastructure.

Slot misuse and wastage are a major problem for airports in today’s congested environment, which needs to be further addressed through a robust, consistent and transparent sanctions regime set out in the Regulation.

- Greater incorporation of airport priorities in the slot allocation process

Airports are competing businesses and exist to serve passengers and provide connectivity for their local & national communities. Most airports need to cover their infrastructure expansion costs and must manage without public funding. Indeed EU State aid rules allow for public financing only for smaller regional airports and under strict conditions. Airports therefore have a legitimate commercial interest in how their capacity is allocated and utilised.

As such, much greater consideration should be given to airports’ and their regions’ strategic objectives in the slot allocation process. These may include, but are not limited to:

- Opening routes to new or underserved destinations & markets;
- Strengthening airline competition;
- Prioritising and developing connectivity for the local community by serving strategically important markets (e.g. national capitals and important business/inward tourism destinations), facilitating hub connections, and increasing connectivity;
- Meeting airports' sustainability goals.

This can be achieved through the incorporation of locally defined priorities in the allocation system. This should involve full consultation of the airport by the coordinator, discussion of priorities in the coordination committee and reporting by the coordinator of the application of the priorities. The Regulation should explicitly include secondary allocation criteria, and the coordinator should have discretionary power to apply these criteria.

- Transparency

Transparency over the criteria applied in slot allocation, and engagement between the coordinator and airport/airline stakeholders in advance of allocation, is an essential element for airports to have a greater view of how their capacity is being allocated and how their strategic objectives are taken into account. Airports should be able to react to this information, while the allocation decision rests with the coordinator - recognising that they should not be exposed to unnecessary legal challenges. Transparency is therefore a necessary corollary of the independent coordination regime.

In particular, airports (and airlines) should be able to request explanations from the coordinator on the rationale behind allocation decisions, i.e. the criteria which have been applied, particularly when a choice has to be made between multiple slot requests. It is furthermore essential for airports to understand which secondary criteria have been applied to an allocation, on what basis, and how these secondary criteria have been weighted against each other in the process. Coordination parameters should be clear and easily understandable.

Furthermore, access to data about all phases of the slot allocation process should be facilitated promptly. As interested parties, airports should have access to the various data elements listed currently in Article 4, paragraph 8 of Regulation 95/93.

This should be supplemented by a requirement, as per the 2011 proposal, for the coordinator to submit a report after each scheduling period on the slot allocation situation - particularly with regard to historic slots and allocation of slots from the pool. The coordinator should maintain a freely-accessible online database covering historic slots, slot requests, allocations and availability of slots.

Access to this information will enable airports to see how their slots are



being allocated, and therefore encourage greater consideration of airport strategic priorities in the allocation process.

- New Entrant Rule

The New Entrant rule as currently drafted does not give sufficient room for airlines with few or no existing slots at an airport to establish a competitive foothold at congested airports. By limiting New Entrant status to carriers holding fewer than five slots on the day for which they are requesting slots, or on the day in question for a particular non-stop service to an underserved airport, airlines are very limited in the extent to which they can access and develop at congested airports under the privileges granted by this status. Once the low limit of slots is reached, the airline must obtain them through “Other” requests, placing them at the bottom of the priority order and in competition with all other incumbent airlines, for what may be very few slots.

Consideration should also be given to granting New Entrant requests higher priority in the allocation process, ahead of Change-to-Historic requests. This would allow New Entrants to have improved access to any available capacity, without unduly compromising the historic rights of incumbent airlines.

Furthermore, the reference to an “air carrier” which holds 5% of slots at the airport/4% in the airport system is no longer fit for purpose. The growth of multi-airline groups and subsidiary airlines allows, under this definition, a carrier belonging to an airline group to qualify under new entrant status, even if its parent/partner airline already has an established presence. This allows airline groups which operate several airline brands – thus effectively operating as one company - to build up a dominant position by benefiting from rules which were intended to enable proper and effective competition.

The 2011 proposal would have raised this threshold to 10%, as well as specifying that this applies equally to the airline’s parent company and other members of the same airline company/group, where relevant, so as to prevent abuse. The case for such a measure remains clear, particularly in light of the continued consolidation in the airline market. Airlines which are part of a joint venture covering routes operated to/from the airport should be considered under this rule, and consideration should also be given to establishing a similar threshold for alliances, albeit at a higher level.

Furthermore, the 2011 proposal would have removed the “airport system” qualifier altogether. This should again be part of a new proposal. Airports compete for customers – both airlines and passengers – even within the same city/conurbation. As such, an airline should not be prevented from seeking New Entrant status at one of a city’s airports even if it already has a presence at one of the city’s other airports, which may in any case serve different markets.

The Regulation should also ensure that codeshares cannot be used to abuse the New Entrant rule. It should be expected that when slots are allocated to new entrants, the latter should be the effective operators of the flights. Any deviation from this should be strictly exceptional and minimal.

- Secondary Trading

Secondary trading of slots is currently taking place at some EU airports, and can bring benefits, such as transferring slots to a carrier who will make better use of them and who clearly places a value on them. While the 2011 proposal saw secondary trading as a strongly positive prospect, there are nonetheless many drawbacks to the practice. These include the use of scarce airport capacity to generate windfall profits for airlines with little or no commensurate benefit for the airport. The ability to trade slots on the secondary market also creates an incentive for airlines to resist capacity expansion. Capacity expansion would reduce the scarcity of slots and increase the ability for competitor airlines to access slots through primary allocation, thus shrinking the demand for, and the value of, an incumbent airline's slots on the secondary market.

Slot leasing is a further practice with potential drawbacks for airports. It allows slots which are not being used by the airline to which they were allocated to be leased to another airline, rather than returned to the pool. This is particularly the case with slot 'babysitting', whereby an airline which is not making use of a slot leases it to another airline, which continues to use the slot in a way which may not be optimal. In this case, the original airline will maintain its historic rights until such a time as it reclaims the slot. It is essential that unused slots are not wasted or hoarded, but instead returned to the pool to enable the allocation process to identify the best use of scarce airport capacity.

As such, Member States should be able to allow secondary trading of airport slots, should there be evidence that it would be beneficial to the optimal, competitive use of airport capacity. This should be subject to clear rules and conditions, so as to prevent risks such as the potential accumulation of slots and market power of specific airlines, negative impacts on connectivity and airline competition, absence of legal liability in the case of capacity reductions or a swift procedure in case of bankruptcies - to mention just a few possible impacts. Slot leasing as a practice should receive close scrutiny from coordinators.

Furthermore a percentage of the amount paid for the traded slot should be collected for subsequent investment in airport capacity.

- Market-based measures for allocation of slots

The notion of carrying out the primary allocation of slots through market-based mechanisms, particularly auctioning, has gained traction in recent

years³. This would be a step-change from the current administrative process, and would raise questions about ownership of the slots, compatibility with *use-it-or-lose-it* rules, and the ability to allocate slots in a manner which is operationally optimal.

Nonetheless, it is worth considering also that a form of auctioning of slots, even on a partial basis (such as for some new blocks of capacity), may serve to inject greater airline competition into the market at an airport, and the related revenues should be directed towards airport infrastructure investment.

Such ideas should therefore be studied more in-depth for their potential to boost the competitive landscape at European airports. At this stage, ACI EUROPE reserves its position on this matter.

- Addressing super-congested airports

Certain airports which are subject to extreme congestion should be able to apply provisions which will prevent slot stagnation, preserve airline competition and maximise the economic & social benefits generated at these airports.

At these airports, the lack of available physical capacity or stringent movement caps, means that few slots are available to accommodate new requests. As such they remain dominated by historic slots and thus see little development of new offers or in terms of competitive pressures for incumbent airlines.

Measures to be considered to address this situation need to be specific & tailor-made to each individual airport, with the decision on what measures to apply taken at local level. Some examples of such measures could include:

- Increasing the current “*use-it-or-lose-it*” threshold for historic slot series, e.g., from 80% to 90%, for one or both of the annual seasons (summer/winter);
- Stiffer penalties for persistently poor on-time performance and/or for late handing back of slots;
- Introduction of additional metrics of slot use, such as requiring that the number of seats per movement in a slot series does not fall below a specified lower limit set by reference to other series serving similar markets;
- Allocation of new capacity, or a share thereof, through market-based mechanisms, should the Member State determine that this would be beneficial to the optimal, competitive use of airport capacity;
- Prioritising connections to underserved destinations, rather than increasing frequencies on already well-served routes;

³ See UK Government Aviation 2050 Green Paper <https://www.gov.uk/government/consultations/aviation-2050-the-future-of-uk-aviation>

- Allowing the airport to determine the coordination parameters and capacity limits.

In addition, Member States should be able to stipulate airport-specific strategic criteria for slot allocation that coordinators would treat as primary allocation criteria at an individual super-congested airport. These would aim at maintaining/strengthening airline competition, increasing passenger numbers and improving connectivity. During the allocation process, such criteria would receive precedence over the “normal” allocation criteria for generic Level 3 airports, historic rights notwithstanding.

- Historic rights & series length

It is essential that the historic rights system is strengthened in such a way to avoid airlines to pursue methods to keep their slots which are contrary to their proper use. This should start with ensuring 80% means 80% by removing the ‘double-dip’.

This is the practice permitted in the WSG whereby airlines may return up to 20% of the slots initially allocated to them prior to the historic baseline date (i.e. 31 January for the summer season, and 31 August for the winter season), and then not operate up to 20% of the remaining slots during the season, but receive historic rights to the full amount of slots initially allocated to them.

In the EU Regulation, the double-dip is enabled by Article 10(3), which states that “*Slots allocated to an air carrier before 31 January for the following summer season, or before 31 August for the following winter season, but which are returned to the coordinator for reallocation before those dates shall not be taken into account for the purposes of the usage calculation.*” This article should be amended so that only slots that have not been returned before the dates in question shall be eligible for historic precedence. Moreover, the current historic baseline dates should be brought forward, as has been done as part of the WSG Strategic Review for the series return deadline⁴, in order to allow more time for the reallocation of returned slot series.

Another way of optimising the overall slot utilisation would be to increase the series of slots in the summer and winter seasons. Currently the minimum series is 5 weeks, meaning that airlines must operate at least 4 slots (80%) to build history on their slot series and to keep them in the following equivalent season. In practice short series of 5 weeks can block the allocation of a full-season series. The minimum series length should therefore be increased, in order to optimise slot allocation.

Furthermore, the Regulation should clarify in which cases force majeure applies, whereby non-use by an airline of a slot does not count against its

⁴ The date by which airlines must return series of slot that they do not intend to operate, now 15 July for the following winter season and 15 December for the following summer season

qualification for historic rights. This would contribute to optimal usage by demonstrating that force majeure cancellations do not come out of the percentage of allowed cancellations for historic rights qualification.

- Slot reservation system

Introducing a slot reservation system would provide a monetary incentive relating to the actual & effective use of airport infrastructure, and discourage the late hand-back of slots. The implementation of a slot reservation system should be revenue neutral for the airport and administered through the existing charging system. This system would also incentivise airlines to hand back their slots in time in order to allow reallocation of the slot to another carrier. This would go a long way in making best use of existing airport capacity and allocating significant blocks of new capacity. Likewise, a robust, consistent and transparent sanctions regime would serve to improve slot performance.

- Link with Airspace capacity management

Slot allocation is just one of the many measures which may be used to optimise airport capacity, which must be considered in conjunction with other elements in order to achieve on-time performance. This includes air traffic flow management, where predictability is required in order to successfully allocate airspace capacity to flights. Therefore, it is important that flight plans (ATFM slot) be formally linked to the airport slot allocated for the purpose of the flight, and that the flight be operated in line with the slot allocated. The Network Manager should receive the relevant information allowing to link airport slots and flight plans, in order to properly carry out its flow management function. An ATFM slots should not be granted in the absence of a corresponding airport slot.

This will also serve to cement the integration of airports into the network and overcome gaps between airports and en-route capacity, and complement the necessary efforts to complete the Single European Sky and ensure adequate provision of airspace capacity.

Conclusion

The EU Slot Regulation is in need of revision in order to update it to a market which has changed drastically since its initial publication in 1993, and to enable future traffic growth to be accommodated within the slot allocation rules. This will serve to ensure that airport capacity is used in an optimal manner, guaranteeing airline competition at airports and allocating slots in a way which allows a more efficient and sustainable use of scarce airport capacity while at the same time serving the strategic priorities of airports and their regions.

The future EU Slot Regulation should therefore:

- i) Deliver a **paradigm shift in the slot allocation regime**, so as to balance the legitimate interests of **all stakeholders** for the benefit of **consumers and regional connectivity**;
- ii) Increase **transparency** over slot allocation decisions and particularly the application of secondary allocation criteria;
- iii) **Broaden the scope of the New Entrant Rule** while removing the possibility for airline groups to abuse this rule;
- iv) Grant Member States the right to allow **secondary trading** of slots if they consider it to be beneficial to competition and capacity optimization. This should be subject to clear rules and conditions, so as to prevent the identified risks associated with this practice;
- v) Allow certain **extremely congested airports** to apply **special provisions** in the allocation of slots, in the interest of competition, capacity optimisation and maximising economic and social benefits. Member States should be able to stipulate **airport-specific strategic criteria for slot allocation** that coordinators would treat as primary allocation criteria at an individual super-congested airport;
- vi) **Strengthen the system of historic rights** by better balancing the minimum series length, providing a clear definition of force majeure, removing the “double dip” and maintaining a minimum usage requirement;
- vii) Introduce a **Slot Reservation System** so as to incentivise airlines to hand back unneeded slots for their reallocation.

Adoption of these proposals will allow the European airport slot allocation regime to evolve in a manner which preserves and promotes free competition between airlines, accommodates future growth, and which ensures that airports and airlines may provide optimum connectivity for consumers and local/national communities.