

IATA
GLOBAL
MEDIA DAY

The Value of the Slot Process

Avoiding the Pitfalls of
Permanent Capacity Reductions

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- Good morning everyone. My name is John Middleton, and I am the Head of Worldwide Airport Slots for IATA, based here in Geneva.
- I'd like to talk to you today about why capacity reductions – and the resulting loss of historic slots – are so harmful to customers, the aviation industry, and the economy as a whole.
- For the reasons I'll explain today, IATA is completely opposed to permanent capacity reductions, and urges regulators, airports, and other stakeholders to work with the airlines to identify more refined and efficient solutions to any perceived problems.

Airport Slots

A permission given by a coordinator for a planned operation to use the full range of airport infrastructure necessary to arrive or depart at a Level 3 airport on a specific date and time

- Not every airport is slot coordinated (“Level 3”)
- All carriers must have a slot to operate – but these are not ATC slots!
- Independent coordinators manage the slot process
- Neutral, non-discriminatory, and fair access
- The fundamental principle of the process is historic rights



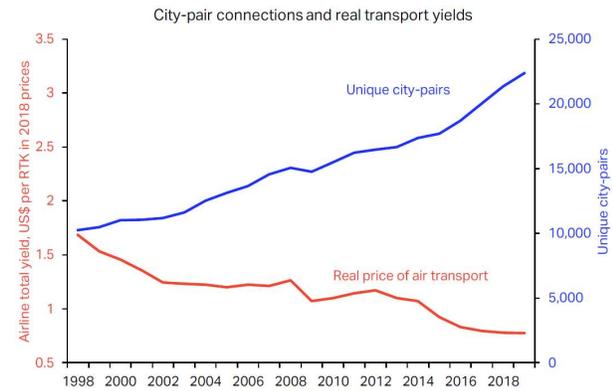
- I'd like to start with a brief reminder on the basics of airport slots.
- You have the definition of an airport slot there on the screen – as this indicates, these are planning tools, issued in advance to help organize the schedule well in advance of the actual on-the-day operations.
- Not every airport requires airport slots. Only what we call Level 3, highly congested airports are constrained to the point where slots are a necessary planning tool.
- While all carriers at one of these Level 3 airports must have a slot to operate, it is important not to confuse them with ATC slots, which are the on-the-day tool used once we move from the planning stage to the operational.
- Airport slot allocation is managed by independent coordinators in order to provide neutral, non-discriminatory, and fair access.
- The fundamental principle of the airport slot system is historic rights. This concept is often referred to as the “use-it-or-lose-it” principle and is included in the Worldwide Airport Slot Guidelines agreed by airports, coordinators, and airlines as the global best practice – as well as in every slot regulation for Level 3 airports around the world. These regulations create a legal property right of the airline in the historic slot, so long as it is operated to the required levels. This ensures that the same slot will be returned to the airline in the following year.

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- Historic slots provide the foundation for the global network schedule which we all rely on.
- 43% of all passengers pass through a Level 3 airport – including most of you, I assume, as Geneva is Level 3. As the other stats indicate, this is a globally prevalent system, which we have referred to as the “unsung hero” of the air traffic network.
- Whether on a micro- or a macro-basis, historic slots provide the certainty needed to ensure the value of aviation. I’d like to take a bit deeper dive into that over the next few minutes. I’ll start by zooming in on the customer, then pull back to look at the aviation industry and then finally to the economy as a whole.

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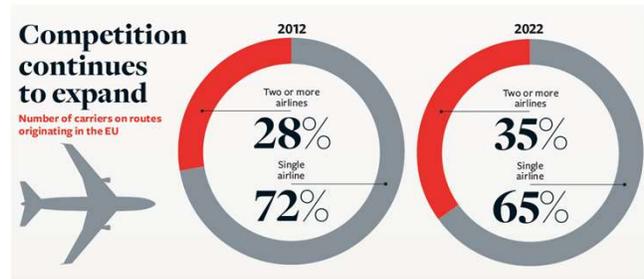


Source: IATA Economics, Economic Performance of the Airline Industry, Mid-year 2019



- Since the creation of the slot system and the concept of a historic slot, people have been able to fly more efficiently, at a lower cost, to more places than ever before.
- The chart shows the growth in connectivity versus the real price of air transport, over slightly more than two decades. We know that customers demand choice and want it at the best possible price.
- This connectivity and cost-competitiveness has been delivered through the slot system. Historic slots allow airlines to invest in new routes by providing them with the security that their investment will continue from year to year.
- Similarly, we all rely on the certainty of airline schedules and these city-pair links. People need to know that they will be able to timely obtain the materials they need to fulfill their contracts, to visit friends and family abroad, and more broadly to have access to the rest of the world.
- If capacity is reduced and historic slots are removed, this connectivity will be lost. Vital links between communities will be broken, preventing people from engaging in trade, tourism, and travel.

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- The same applies when we zoom out a bit to look at the aviation industry. Competition is vital to a healthy industry, and it is alive and well in aviation.
- As the chart shows, the share of single-carrier routes in the EU has decreased from 72 to 65% over the last decade, providing competition on more routes which then drives innovation and the lower costs that we saw on the previous slide. This competition isn't just seen on the route level, either – according to ACI Europe, between 2009 and 2019 low-cost carriers grew 135.6% while full-service carriers declined by 7%. And all of this is in Europe, which has half of the world's slot-constrained airports.
- Historic slots enable this competition by giving new entrants the base they need to compete at congested airports and ultimately move from new entrant status to powerful incumbents in their own right. If you look out the window, you'll likely see more EasyJet planes than any other here in Geneva, as they have proved adept in using the historic slot system to expand their network and provide this competition. We've seen similar success elsewhere from the likes of Hong Kong Express, Jetstar, FlyDubai, and others. All four of these airlines are not only beneficiaries of the historic slot system but also among its strongest defenders, as members of our airline Slot Policy Working Group and – for EasyJet and HK Express – the joint airline-coordinator-airport Worldwide Airport Slot Board, which is responsible for writing the Slot Guidelines.
- As these airlines and others well know, their success would not be possible without historic slots, which provide them with a legal entitlement to continue operating their services year on year. From their bases in Level 3 airports such as Gatwick, Hong Kong, and Dubai, they are able to increase competition and expand into new markets thanks to historic slots.
- And as we've seen from the concerns raised by the US Government, JetBlue, and others as to Amsterdam, reducing capacity reverses this process. It removes historic slots from airlines who need that access to compete, and perhaps more importantly renders it impossible for new entrants to come into the system and earn historic rights themselves. This cuts competition, reduces choice, and ultimately harms the industry.

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- Air transport is vital for the modern economy. In addition to its direct role as an employer, it also serves as a virtual bridge between cities, generating the flows of trade, investment, people, competition, and the exchange of ideas which are the building blocks of economic development.
- If you look at just the Netherlands, in light of the ongoing discussion about Amsterdam airport, you can see this reflected in our Value of Aviation chart from 2019 showing 306,000 jobs created and 25 billion in added GDP supported by air transport and tourists arriving by air.
- Expanded to a global view, these numbers would be 87.7 million jobs and 3.5 trillion in added GDP.
- These values are the net result of the benefits of the slot process which I've discussed in the previous slides – customer choice, connectivity, and competition.

Capacity Reductions are a Last Resort

- Historic slots are a legally protected right
 - There is no process for their removal
- Reductions remove access possibilities for new entrants
- The Balanced Approach must be followed
 - Governments should work with airlines, rather than against them, to find alternative solutions



- Unfortunately, the value of the slot process is under attack. Permanent capacity reductions such as we've seen in Amsterdam put historic slots and the entire slots process at risk. To be clear, IATA is completely opposed to permanent capacity reductions.
- Looking at the example of the Netherlands, we can see how poorly this goes when the process isn't followed. Because historic slots are a legally protected right in the EU Slot Regulation, it is likely that individual carriers were planning to sue following the removal of their historic slots because of the planned reductions. Further, there is no process in the WASG or in EU law or regulation to cover how historic slots are to be removed, in what proportion, and under what protection in the future should capacity return. This forced the Dutch coordinator to invent a process out of whole cloth, which again may have been subject to legal challenge had the situation remained unchanged.
- Not only did airlines face the loss of historic slots, but the reduction in capacity also made it impossible to allocate any slots to new entrants such as JetBlue, defeating one of the most valuable parts of the slot process and threatening competition.
- Because of these concerns, first the Dutch courts were asked to intervene, and then ultimately the US government submitted that the reductions violated the Open Skies Agreement between the countries. The European Commission also wrote to the Dutch government advising that reductions were likely in violation of the Balanced Approach as enshrined in EU law.
- Thankfully all of these efforts finally caused the Dutch government to see the light and at least temporarily suspend the reductions, but we would have expected further litigation had this not been the case.
- We cannot rest easy on this file, however. Surprisingly, Schiphol airport expressed its disappointment with the suspension of the reductions. They have also suggested that capacity will not be able to return to last year's levels despite this development, claiming that ATC, border control, and other staffing shortfalls prevent the airport from delivering its historical capacity. These concerns were not raised when they initially declared capacity in September of this year, however, and we were very worried early this week to hear that they couldn't even guarantee a minimum level of service equal to what they already declared under the now-suspended reductions. This is a very troubling position which raises concerns as to whether the airport or the Dutch government is intentionally trying to drive down capacity to accomplish the reductions through other means.
- We could therefore still see the loss of historic slots at Amsterdam, along with all of the drawbacks that this entails for passengers, the aviation industry, and the economy as a whole.
- We therefore call on governments and airports to work with the airlines, rather than against them, in finding solutions to capacity concerns which maintain the critical value of the slot process and of aviation as a whole to their citizens, their economy, and their customers.

Additional Resources

Airlines Magazine special slot supplement:

bit.ly/3udbVSS

'Airport Slots' – documentary on the slots process:

bit.ly/3Mmo4Lu



- Before I conclude, I'd also like to briefly acknowledge the recent opening of the UK Slot Regulation for consultation and possible amendment. As I believe Willie said this morning, we welcome this opportunity to work with the UK government on slots. The current slots rules have helped the UK develop into one of the world's most competitive and connected air transport markets. The Worldwide Airport Slots Guidelines are a living document, constantly amended through the hard work of the airports, coordinators, and airlines, and it would be good for the UK to take the opportunity to more fully align with the changes that we have made over the past few years.
- Finally, I'd like to leave you with a few additional resources in case you'd like to know more about the airport slots world. We have recently released a special supplement on slots in the Airlines Magazine, as well as a documentary video providing a deep-dive into the slots process, filmed over the course of a few days during this year's June Slot Conference. They are available from links on our website, and I've provided shortened links on this slide as well for ease of reference.

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Thank you

