

SHORT (& MEDIUM) TERM MEASURES - EXECUTIVE SUMMARY

MEASURE SET	Slot scheduling reform
MEASURE TITLE	Allocation mechanisms
MEASURE SUMMARY	This measure concerns proposals to reform the processes under which slots are allocated and subsequently traded.
MEASURE INVOLVES	<div> <input type="checkbox"/> Behavioural Change <input type="checkbox"/> Infrastructure Change </div> <div> <input type="checkbox"/> Operational Change <input checked="" type="checkbox"/> Regulatory Change </div> <div> <input type="checkbox"/> Technical Change <input checked="" type="checkbox"/> Policy Change </div>
WHAT DOES THIS ADDRESS? <p>The slot allocation process and the associated governance arrangements within the EU are defined through:</p> <ul style="list-style-type: none"> • The EU Slot Regulation, Regulation 95/93, and its amendment Regulation 793/2004 on common rules for the allocation of slots at Community airports (the Regulation) • Misuse of Slots Enforcement Code • The IATA Worldwide Scheduling Guidelines • Bilateral/multilateral air services agreements, where applicable • National legislation (including night restrictions, traffic distribution rules, planning restrictions) and local rules. <p>Slots are only allocated at airports designated at national level as being coordinated under the Regulation 95/93. The current slot allocation system is thus primarily an administrative procedure. Slots are allocated by the designated Co-ordinator primarily on the basis of historic use. Incumbent airlines have so-called grandfather rights, giving them preferential access to slots regardless of the value of the service they provide. This is subject to a 'use-it-or-lose-it' provision to ensure slots are utilised. Slots can become available either through airport capacity expansion through slots being reallocated from the 'pool'. Fifty percent of 'pool' slots are prioritised to new entrants. In addition, airlines can exchange slots on a one-for-one basis; however ostensibly they are not free to buy or sell them as they choose because property rights are not well-defined, although there is a fully-functioning secondary market in the UK.</p> <p>The governance arrangements are multi-tier:</p> <ul style="list-style-type: none"> • the Member State, which is responsible for, inter alia, designation of its airports as coordinated or schedules facilitated as well as oversight of aspects of the process such as ensuring the Coordinator is appointed and that the Coordination Committee is established • the Coordinator (Airport Coordination Ltd in the UK case), that must be at least functionally independent from all other interested parties and is responsible for the execution of the end-to-end slot allocation process in a neutral, non-discriminatory and transparent way • the Coordination Committee, comprising at least to the air carriers using the airport regularly and their representative organisations, the managing body of the airport concerned, the relevant air traffic control authorities and the representatives of general aviation using the airport regularly • the managing body of an airport, which has the task of administering and managing the airport facilities and coordinating and controlling the activities of the various operators present at the airport or within the airport system concerned. <p>At the policy level, the Slot Regulation is key and critical for the proper functioning of air transport:</p> <ul style="list-style-type: none"> • to ensure the efficient use of scarce resource, in terms of the infrastructure of congested airports, which by their very nature are the large, busy airports that enable and contribute most significantly to economic growth and the need to mitigate the environmental impact of air transport • to enable competition, new entrants to the market and new routes which stimulate economic growth, promote economic efficiency and enhance the services provided to consumers. <p>Ideally, therefore, airport slots should be allocated to the airline that will use them most efficiently. This would represent the best use of a scarce resource. This should also be balanced against ensuring competition exists in the downstream air routes offered using the slots to ensure that benefits are passed on to air travellers and, in the longer term, should itself</p>	

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<p>promote greater efficiencies from the airlines.</p>			
<p>WHAT WOULD BE DONE?</p>			
<p>This measure is concerned with reform of the slot allocation and secondary trading mechanisms to promote the more efficient use of slots.</p>			
<p>WHAT IS THE IMPACT?</p>			
<p>The outcome would likely be the more efficient use of scarce resource, not only from the economic perspective but also environmentally</p>			

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Proposed by:	ABTA, Individuals, London Stansted Corridor Consortium		
Proposal:	Several proposals have been made to concerning the improvement of slot allocation mechanisms to allocate slots in the most economically efficient way. The proposals are:		
SSR-AME-1	<ul style="list-style-type: none"> Slot auctions, for the allocation of new or returned slots 		
SSR-AME-2	<ul style="list-style-type: none"> Slot rentals, where the nominal <i>owner</i> of the slot can lease it to another airline without losing grandfather rights, which already occurs in practice 		
SSR-AME-3	<ul style="list-style-type: none"> Notional slot trading, where existing administrative processes would be replaced by a trading system both for primary and secondary trading <p>With the exception of slot rentals, which occur already through a leasing type-mechanism, any fundamental changes to the slot allocation system will require at least European-level action (reform of the Slot Regulation), enacted into UK legislation, and, probably, changes at international level through the IATA slot allocation guidelines.</p>		
Approach	As described above, the proposals would modify the way that slots are allocated and would, potentially, impinge on grandfather rights as they may require airlines to return slots to a pool for re-allocation after a given period of time.		Stated Capital Cost: Not stated
			Capacity (mppa): Not stated
			Capacity (atm): Not stated
Benefits	The stated benefits of these approaches are the improved economic efficiency of slots, which are effectively tools that are used to allow access to scarce resource.		
Issues & Risks	The main issue is that, with the exception of slot rentals, which already exist, the other mechanisms would likely require significant change to the Slot Regulation. Periodically attempts have been made at European level to modify the Slot Regulation – to date these have been largely unsuccessful.		
Mitigations	None needed.		
Dependencies	The major dependence is on significant reform of the current slot allocation mechanism itself requiring modification to the Slot Regulation through the EU legislative process (proposal by the European Commission followed by amendment/approval by the European Parliament and European Council).		

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ASSESSMENT SUMMARY

Strategic Fit	TBD – depends on long-term options. However, efficient mechanisms of allocating new slots will be essential if the long-term options create a large amount of new capacity.
Economy	There are potentially large improvements to be made in the economic efficiency associated with the allocation and retention of slots. More market-based mechanisms would provide incentives for efficient use of slots and would, in theory, allow more efficient operators access to scarce resource whilst providing incentives for less efficient operators to relinquish slots, instead of baby-sitting grandfather rights, in return for concomitant financial rewards, e.g. that could convert the slot value that is implicit or explicit in the balance sheet into other tangible assets.
Surface Transport	There would be little or no impact on surface transport.
Environment	No fundamental impact in itself.
People	No impact
Cost	Not yet known
Operational Viability	There are significant institutional/regulatory barriers to any reform of the slot allocation mechanism.
Delivery	Delivery would be through the European legislative process to reform the Slot Regulation.