

## ERA POSITION PAPER

### COMMON RULES FOR THE ALLOCATION OF SLOTS AT EUROPEAN UNION AIRPORTS 2011/0391

#### Background

The European Commission (EC) contracted Steer Davies Gleave (SDG) to produce a Study into the Regulation covering airport slots and to advise how the Regulation could be revised. The Report was entitled *'European Commission, impact assessment of revisions to Regulation 95/93'*, but immediately following its publication the EC issued a statement saying that it was not, in fact, its impact assessment. Nevertheless, the text of the Draft Regulation, released on 1 Dec 11, was firmly based on the Study.

Another, independent, study commissioned by ERA and EBAA from consultants Mott MacDonald investigated the historical impact of the current rules and used this to predict the effects of the proposed Regulation. Mott MacDonald found that over the past 10 years at 12 of Europe's busiest airports, there had been a 7.2% increase in flights; however, the major beneficiaries were non-EU airlines, which captured 60% of the capacity gain, while the major losers were European regional airports, regional airlines and the regions themselves, with a drop of over 11% in connections from the 12 hubs to European regional airports. The Study concluded that the proposed changes would likely accelerate this trend.

#### ERA Analysis and Comment

The Draft Regulation represents a very substantial shift in control of aviation from States to the Commission, which gains substantial new powers in an area for which it has not previously had competence. These new powers and authorities include:

- raising a delegated act and two implementing acts,
- setting-up a committee to assist it in its controlling role; this proposal would give significant authority to an appointed and unaccountable group,
- overseeing all capacity-related work at Union airports,
- controlling State-guidelines relating to slots,
- intervening at State-level (by over-riding the Regulations) when the EC deem necessary and,
- intervening at airport level (attending coordination meetings).

In order to carry out this controlling function the EC proposes, in its Draft, to create additional process and in doing so States are directed to comply, as are coordinators and airports. Clearly, there will be substantial cost implications.

The EC contends that its proposals will increase capacity at Europe's most congested hub airports. However, this capacity increase is simply quantified in terms of numbers of passengers through-putting the airports, with no other factors considered, such as differentiating economic values of different

passengers. The ultimate gain claimed by the EC is a relatively small number, which would not make a practical difference to the scale of the impending capacity shortfall. Moreover, ERA believes this number and the economic benefit accruing, which the EC also claims, to be based on a flawed analysis and, as the Mott MacDonald Study showed, the proposals would actually result in net damage to the EU, including a decrease in European connectivity, a net financial outflow from the EU and a loss of European jobs.

The EC additionally claim that the Draft will link aircraft movements at airports with the airspace environment being constructed under the Single European Skies (SES) and SES Air Traffic Research programme (SESAR) and that this will have a beneficial effect. However, while new powers and processes are being given to slot coordinators and to Eurocontrol in the Draft Regulation, these again entail additional cost but without clear indication of how any practical benefit will be derived.

ERA members therefore believe that there will be little benefit from the main proposals and that the cost of the measures proposed in the transferring of authority to the Commission is not justified, so that the measures should be simplified to reduce cost.

The EC's claim for increased passenger throughput arises from its proposals to:

- formalise secondary trading in all member States,
- increase the minimum utilisation for a slot series,
- lengthen the minimum period of a slot series and,
- force the early hand-back of unutilised slots.

While the latter measure is a sensible "policing" measure, the changes to slot series would force environmentally and financially inefficient use at time of low demand for tickets, so ERA members do not support them. The formalising of secondary trading places clear rules to control a process that has already been taking place at some airports and is thus sensible and pragmatic. Nevertheless, the policy will serve to accelerate the loss of regional connections that is already taking place. ERA members, while not contending the proposal, strongly support the use of additional measures, including technology and implementation of best-practice infra-structure investment, in order to increase the number of slots available. Additionally, ERA supports the practice of governments (at State or Regional level) being able to set aside a number of slots in order to maintain regional services. This possibility was covered by the EC's Study, yet not pursued in the Regulation.

Proposals to enhance the independence of slot coordinators, the transparency of slot mechanisms and financing of the system are desirable, given increased secondary trading, although they will increase cost.

## **ERA Recommendations**

ERA members believe no recast of the existing Regulation is required. In particular, ERA members recommend that the following clauses are removed from the Draft Regulation:

- the costly and unnecessary proposal of the Commission to appoint a European Coordinator,
- the concept of Network airports, which offers no benefit but at considerable cost,
- the statement that “a gradual introduction of other market mechanisms could be envisaged, such as withdrawing and auctioning of historical slots”.

ERA members further recommend that:

- the EC propose practical measures to increase the number of slots available,
- state and regional governments be permitted to designate a percentage of slots for regional links,
- the proposed Delegated Act, specifying the methodology to be used to undertake a capacity and demand analysis, should be replaced with guidance material, to simplify the procedure,
- the requirements for reports at the end of each scheduling-period should be simplified and reached by consensus, rather than prescribed by the Commission in an Implementing Act,
- the 80/20 rule on slot utilisation and the minimum length for a slot series should remain unchanged,
- neither States nor coordinators should be able to withdraw a slot where an airline has changed the use of that slot; moreover, they should not have such extensive powers as those proposed to apply sanctions to airlines that would curtail the ability of the airlines to flexibly manage day to day contingencies,
- the Commission should not have the power to approve or reject local guidelines,
- the Commission should not have the power to form a Committee to “assist” its work. Such a Committee would place great power with an unelected and unaccountable body,
- coordinators should not be given wide-ranging authority to withdraw slots.