Airport Slot Allocation System Reform

7 March 2024

Summary

- Fifty years have passed since the global slot system was last updated. Rapid adjustments are needed in a few specific areas of the system, such as more automation and transparency throughout the slots system to aid with operational planning and forecasting.
- Although there are undoubtedly places for improvement, government must keep in mind that slot policy is applicable along the whole route, not only in the UK. Because of this, government must make sure that the rules are broadly aligned in their drafting and implementation, that the sector adheres to best practices, and that modifications are only made when essential to address problems unique to the UK environment.
- It is crucial to avoid excessive government interference in order to preserve Airport Coordination Limited's independence with regard to slots. Specifically, the Secretary of State shouldn't be allowed to enter markets since doing so would jeopardise market rules, politicise the slot allocation process, and take away the advantages of competition.

About Logistics UK

Logistics UK is one of the country's largest business groups, supporting, shaping and standing up for safe and efficient logistics. We are the only organisation representing the entire logistics sector.

We represent a sector delivering an increasingly innovative, productive and sustainable system of essential national infrastructure. This system ensures the availability of the products that households, businesses and public services rely on every day, and is supporting the UK's transformation for the future. Our membership of over 20,000 includes global, national and regional businesses and SMEs spanning the road, rail, sea and air industries as well as the buyers of freight services, such as retailers and manufacturers.

Response to consultation

New entrant

6. Do you agree or disagree that Secretary of State (SofS) should have the power to make changes to the definition of a new entrant?

- [ ] Yes, in all circumstances
- [x] Yes, in some circumstances (Go to 'New entrant: additional criteria')
- [ ] No (Go to 'Airport system: removal')
- [ ] Don't know (Go to 'Airport system: removal')

New entrant: circumstances

7. The circumstances that you think the SofS should have the power to make changes to the definition of a new entrant are:

	Yes	No	Don't know
for an individual airport?	☐	☑	☐
to reflect the latest WASG?	☑	☐	☐
for any other circumstances?	☐	☑	☐

If "yes" what other circumstances?

It would have to be under ‘exceptional’ circumstances to allow for the SofS to make changes. However, if they were to incorporate changes, operators, trade bodies, etc. would need to be consulted beforehand on their proposals.

Where possible, government should always aim to align itself with WASG. Deviating from the WASG is endangering a global standard, which is vital for airlines to efficiently operate their services. There should also be no variance for any particular airport, as there are no airports in the world that function in such a way that any divergence from the global norm is justified.

The New Entrant rule itself, if adjusted to the current WASG standard, is efficient enough. There are other, UK specific rules and regulation, which convert an effective system into something inefficient and should therefore be abolished, such as the 1991 Traffic Distribution Rule.

For ‘any other circumstances’ these would need to be specified, or at least an example provided before they could agree to this.

New entrant: additional criteria

8. What, if any, additional criteria, beyond the limits on the number and proportion of slots held, do you think should be included in the definition of a new entrant?

The process of ‘defining a new entrant’ should be independent of government. The UK should not differ from the global approach to slots which reflects the global nature of the aviation industry. To oppose this and implement an independent process of international operators has the potential to segregate UK operators and airports from global competitors.

It must be recognised that slots are required at both ends of the route and that if the UK has a vehemently unique system to other nations, it reduces its operational functionality and reduces its competitiveness on the global stage.

If SofS powers were to be implemented, there would need to be parameters around the agreement of said powers.

Restrictions on newly allocated slots

11. Do you agree or disagree that restrictions on:

	Agree	Disagree	Don't know
Re-routing of slots should be extended to be applied to all new slots allocated to incumbents?	☐	☐	☑
Exchanging and transferring of slots should be extended to be applied to all new slots allocated to incumbents?	☐	☐	☑

If disagree, why not?

12. Do you agree or disagree that the duration of these restrictions should be extended from 2 to 4 equivalent seasons?

- [ ] Agree (Go to ‘Removal of re-time priority’)
- [ ] Disagree
- [x] Don't know (Go to ‘Removal of re-time priority’)

Removal of re-time priority

14. Do you agree or disagree that re-time priority for slots should be removed in accordance with WASG?

- [ ] Agree
- [ ] Disagree
- [x] Don't know (Go to ‘Permanent powers to improve resilience’)

Removal of re-time priority: positive and negatives

15. What do you consider are the main:

Positive operational implications of removing the re-time priority for slots?	A transparent and equitable slot allocation process can facilitate better collaboration amongst stakeholders, including airlines, regulatory bodies and airport authorities. It has the potential to encourage alignment with the WASG and the following of best practices.
Negative operational implications of removing the re-time priority for slots?	Cargo carriers often apply for night flights. If those nightslots are not available they often get allocated slots shortly before or after those restricted periods. Without the re-time priority, nightslots, should they become available, might get allocated to passenger airlines, e.g. due to a lower QC usage, instead of to those cargo carriers who need them most.

Permanent powers to improve resilience

16. Do you agree or disagree that the SofS should have permanent powers to make regulations about slot alleviation in response to a crisis?

- [x] Agree
- [ ] Disagree (Go to ‘Permanent powers to improve resilience’)
- [ ] Don't know (Go to ‘Permanent powers to improve resilience’)

Slot alleviation power circumstances

17. In what circumstances, if any, should these powers not be:

Available?	The following response applies to both ‘available’ and ‘exercisable’.

	Regarding the Covid-19 pandemic, Logistics UK members agreed that this is a positive example of government intervention. Government took action after it had listened to the sector at a national and international level. However, this solitary positive example should not translate into permanent powers. Before decision-making, government consultation with industry is vital. Members are willing to accept, for example, powers to temporarily amend the usage rule. However, significant checks and balances and clear government processes would need to be in place before these powers could be implemented. There is cause for concern surrounding the 'enforcing any changes' point as this sounds like implementation without consultation. Permanent changes would require consultation and review. For example, if government were to alter the slot usage ration from 80:20 to 90:10 without first consulting industry, this would cause industry-wide problems.
Exercisable?	Please see above.

Permanent powers to improve resilience

18. Are there additional powers to those suggested that you think should be available to the SofS in making bespoke regulations in exceptional circumstances?

- [ ] Yes
- [x] No
- [ ] Don't know

Increase to slot usage ratio

19. Do you agree or disagree that a higher usage ratio would lead to more efficient use of existing airport slot capacity?

- [ ] Agree
- [x] Disagree (Go to 'Increase to slot usage ratio disagreement')
- [ ] Don't know (Go to 'Airport option')

Increase to slot usage ratio agreement

20. What do you consider would be the main:

Positive operational implications of a higher slot usage ratio?	N/A
Negative operational implications of a higher slot usage ratio?	Please the answer to question 22.

21. What would you consider to be an appropriate higher alternative usage ratio to 80:20?

Logistics UK's members do not support a change from the current 80:20 ratio.

Increase to slot usage ratio disagreement

22. Why not?

Members have warned that altering the current 80:20 slot usage ratio could lead to detrimental consequences for their operational efficiencies. If the slot usage ratio agreement is increased, it implies an increased strain on available slots, potentially leading to congestion and delays. In turn, this holds the potential to result in a domino effect, affecting cargo delivery timelines and causing disruptions to supply chains.

There is little appetite within the cargo industry to increase the usage ratio. Cargo airlines do not operate in the same way as passenger airlines and use forecasts rather than confirmed bookings to inform their network planning. While the forecasting carried out by cargo operators is detailed and built on years of experience, it does not provide the certainty that a confirmed passenger booking provides. Increasing the usage ratio would put cargo carriers at a disadvantage given the differences in the airline business model. In addition, for express cargo carriers serving the UK business market, bank holidays can have a significant impact on volume and demand. The majority of bank holidays in the UK fall on a Monday which can result in lower volumes and an airline choosing not to operate a specific flight on that day. Should an incident occur later in the series that results in a grounded aircraft on a Monday, that slot will be at a higher risk of failing to meet the usage threshold simply because the bank holiday reduced operational demand.

It is believed that the excess demand for slots may lead to increased turnaround times for cargo planes, escalating operational costs for carriers and impacting overall service reliability. Furthermore, higher slot usage ratios might strain ground handling facilities and compromise the timely processing of cargo, affecting the cargo industry's ability to meet stringent timelines and maintain a seamless flow of goods.

Power to direct the UK slot coordinator

36. Do you agree or disagree that the SofS should have the power to direct the coordinator?

- [ ] Agree
- [x] Disagree (Go to 'Power to direct the UK slot coordinator: disagreement')
- [ ] Don't know (Go to 'A slot register, a specified platform for all UK slot trades and strengthened oversight of secondary trading')

Power to direct the UK slot coordinator: disagreement

38. Why not?

The UK slot coordinator must be independent of government and therefore the SofS to ensure impartiality and fairness in the allocation and management of aviation slots. This decision reflects the importance of avoiding political influence in the coordination process, as an independent coordinator can prioritise the efficient use of slots based on industry needs rather than political considerations. Independence from government control enhances transparency and trust within the aviation sector, fostering an environment conducive to effective slot management and equitable distribution among airlines.

By maintaining autonomy, the slot coordinator can better navigate complex industry dynamics, address competing interests, and implement policies that optimise air traffic flow while serving the broader interests of the aviation community.

Power to direct the UK slot coordinator

39. What do you consider, if any, are the main:

Positive operational implications of the Secretary of State having a power to direct the coordinator?	We do not consider there to be any positive operational implications from the SofS having powers to direct the coordinator.
Negative operational implications of the Secretary of State having a power to direct the coordinator?	One major concern is the potential for political interference in the day-to-day management of aviation slots. If decisions on slot allocation are influenced by political considerations rather than industry expertise and demand, it may lead to inefficient use of resources, suboptimal scheduling, and disruptions to the normal functioning of the aviation sector. Moreover, members raised their concerns that political intervention in slot coordination could result in a lack of transparency and fairness, creating an environment whereby certain airlines or interest groups receive preferential treatment based on political affiliations rather than operational merit. Such practices can undermine competition and hinder the growth of the aviation industry.

40. In what scenarios, if any, do you consider that a direction from the SofS would not be:

Appropriate?	The SofS direction would only ever be appropriate and necessary if a coordinator does not act independently, creates unilateral deviations from the global standard, or does not apply the WASG correction.
Necessary?	If the existing regulatory framework and industry practices effectively manage slot allocation without requiring direct intervention.

A slot register, a specified platform for all UK slot trades and strengthened oversight of secondary trading

41. Do you agree or disagree that there should be a public slot register which records:

	Agree	Disagree	Don't know
who holds the 'historic rights' to a slot?	☑	☐	☐
who operates each slot?	☑	☐	☐
the duration of any slot lease?	☐	☑	☐

If 'disagree', why not?

The implementation of a slot register not only brings transparency to the slot trading process but also ensures accountability by recording crucial information about 'historic rights' holders and slot operators. Having a centralised slot register will create a more organised and accessible system. Knowing who holds the 'historic rights' to a slot and understanding the current slot operators will enable better decision-making, resource allocation, and strategic planning within the industry.

Furthermore, strengthened oversight of secondary trading is a vital aspect of maintaining fairness and integrity in the slot market. This will help prevent any potential misuse or manipulation of slot rights. The increased scrutiny will ensure that slots are allocated and utilised in a manner that maximises their value.

In answering ‘disagree’ for the duration question, this recognises the confidential nature of slot trades serves to protect sensitive business strategies, pricing information and network planning details. Releasing this information publicly

could potentially give competitors insights that might be exploited to gain a competitive advantage, leading to concerns about market manipulation and anti-competitive behaviour.

Final comments

79. What, if any, other comments do you have regarding reform of the slot allocation system?

The reform of the slot allocation system to better accommodate cargo operators is imperative in recognising the pivotal role of the air cargo industry in global logistics. To enhance the efficiency and responsiveness of cargo operations, a revised system should include dedicated cargo slots, ensuring that freight carriers have the necessary infrastructure to meet burgeoning demand. Recognising the unique characteristics of cargo aircraft and creating a system adaptable to market dynamics will contribute to a more streamlined and resilient slot allocation process.

In order to ensure a robust and forward-looking slot allocation system, the government must adopt a visionary approach that anticipates and accommodates potential new capacities across UK airports, aligning seamlessly with the imperative of achieving net-zero aviation. This involves not only acknowledging the evolving dynamics of the aviation industry but also proactively addresses the opportunities presented by aviation decarbonisation.

Whilst airports need to have more influence on slots in terms of where they go and how they're used, not every airport is the same. It is therefore important to have a level of flexibility in the process. Recognising the unique characteristics, operational constraints, and strategic priorities of each airport is essential in harnessing a slot allocation system that is equitable and responsive to the diverse needs of the aviation landscape. Providing flexibility in slot allocation allows airports to strategically manage peak periods and optimise capacity utilisation.

80. Any other comments?

Logistics UK is in favour of the abolition of Traffic Distribution Rules as they act as a barrier to entry at affected airports.

Cargo services should be able to utilise whatever capacity that is available as they also offer crucial services. This flexibility in utilising available capacity is essential for cargo services to efficiently meet the ever-changing demands of the global market. By adapting to fluctuations in demand and optimising the use of existing resources, cargo services can enhance their responsiveness and contribute to the seamless flow of goods across borders, ultimately supporting economic growth and trade worldwide. Moreover, the ability to leverage available capacity allows these services to address unforeseen challenges, such as disruptions in supply chains or sudden increases in demand, ensuring a robust and resilient logistical network.

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