

Addressing Barriers to Airport Development
The Sweep of History

Andrew Charlton
Isle of Man
June 2014

The Chicago Convention 1944

- The 'bedrock' of international aviation
 - 75 years young
- Provides for national regulation
 - Safety; Access; Licencing; ATM
 - Airport operations and airport charging
 - Noise
 - Access
 - Funding
- Assumes State-owned aviation systems
 - Dominance of flag carriers
 - No understanding of modern aviation imperatives
- The world has moved on...

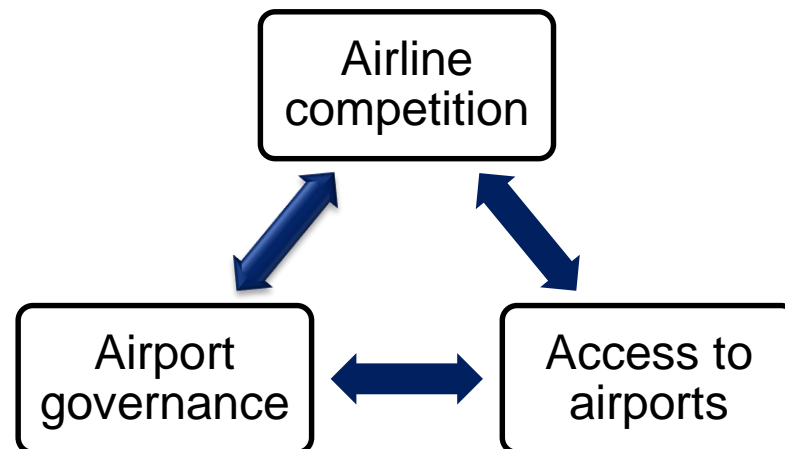
Changing Views on Competition in Aviation

- Value Chain
 - Traditional view
 - Aviation is a life support for airlines
 - Driven by Chicago Convention governance
- Eco-System
 - Modern, liberalising view
 - Each part separately adding value

The choice of vision drives policy choices

Airlines, Airports, Slots

- Competition is agreed to generate good economic outcomes
- Competition requires competitors
 - Policy determines number of airlines/airports
 - Ability of airports to compete increases options
 - Access to airports key to how airlines compete
 - Slot rules control access
- These are policy choices for regulators



Airport Growth and Slots

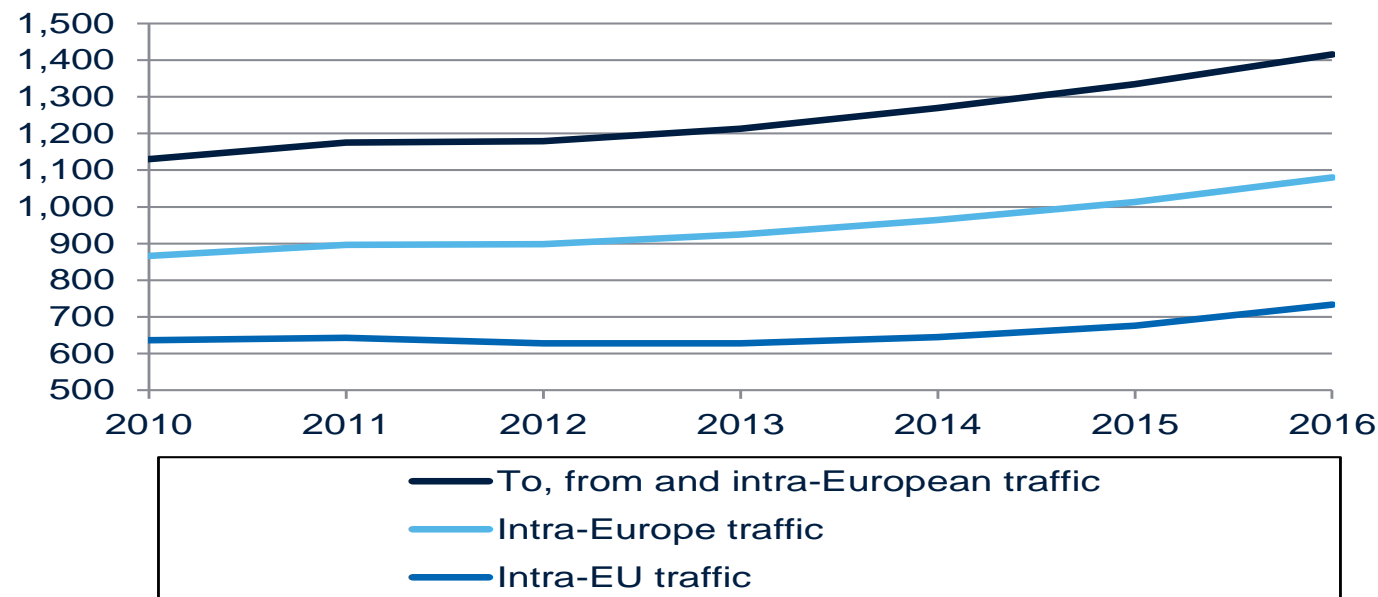
- Slots are a system to allocate access at a specific time to limited infrastructure
 - Runways
 - Terminals
 - Airspace
- No need for slot rules if there was unlimited space
 - Airports
 - ATC procedures
- Once, rule was first-come, first-served
- Airlines schedule to meet market demands, not capacity availability – peak hour congestion
- Situation getting worse

Aviation and Competition

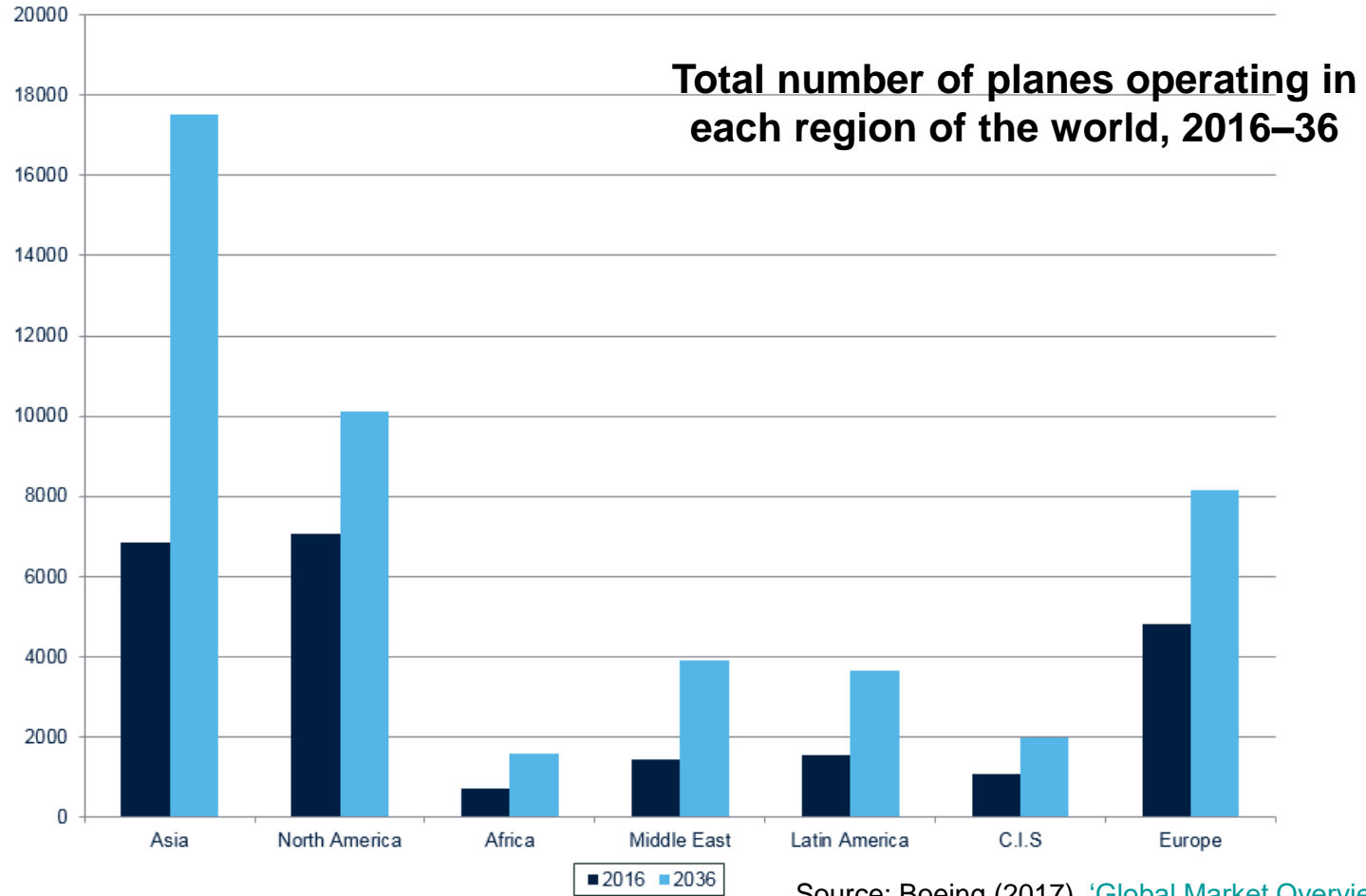
- Modern aviation dates from 1944
- First half century was controlled by States
 - Under the Chicago Convention
 - Dominance of concept of national sovereignty
 - Linked to national interests generally
 - Little or no competition
- More recently, we have seen liberalisation
 - First in the US, domestically; then Europe, domestically
 - Now open skies agreements being agreed
 - Becoming a 'normal' industry, subject to normal rules
 - Increasingly open and competitive
 - Incumbents/vested interests resist this change

Economic Imperative

- Passenger growth continues to expand
 - Passenger numbers to double by 2030
 - In Asia, to double by 2025
- Putting huge strain on existing infrastructure

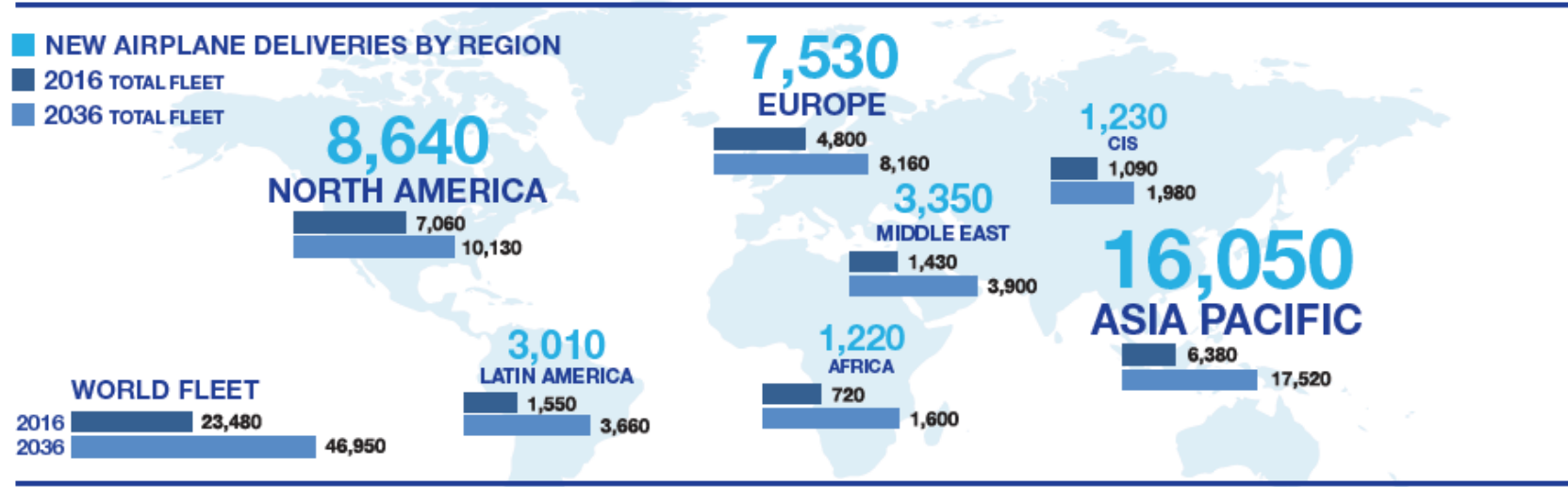


Global Growth



Source: Boeing (2017), ['Global Market Overview'](#).

Growth by Aircraft Type



NEW AIRPLANES TO BE DELIVERED BY 2036



Worldwide Slot Guidelines

- Committee determines total number of slots available
 - By season (summer and winter)
 - Time-based
- Allocate slots in accordance with agreed criteria
 - Grandfather rights
 - ‘Use it or lose it’
 - Unused slots go into a pool for reallocation
 - Reallocation on a ‘waiting list’ principle
 - Slots can be traded within the airport on a one-for-one basis
- Twice annual slot coordination conferences
- Airline operations need a ‘pair’ of slots to operate
 - Landing
 - Take off

Why Slots Matter

Top 10 Revenue Routes Apr'17 – Mar'18

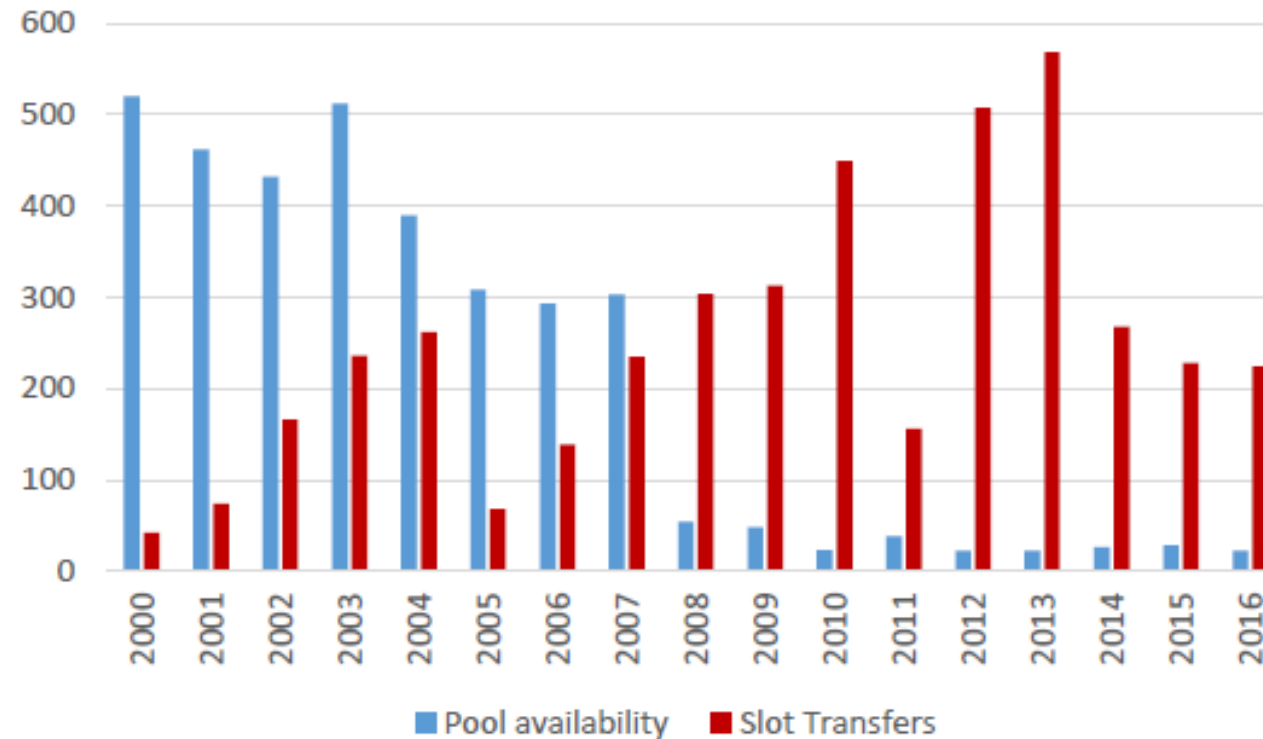


Airline Name	Market Pair Code	Total Revenue (US\$)	Scheduled Hours	Revenue Per Hour (US\$)
British Airways	JFK-LHR	1,037,724,867	42,117	24,639
Qantas Airways	MEL-SYD	854,692,402	35,264	24,237
Emirates	LHR-DXB	819,409,702	32,378	25,308
Singapore Airlines	LHR-SIN	709,730,107	38,883	18,253
American Airlines	LAX-JFK	698,074,171	50,581	13,801
United Airlines	SFO-EWR	687,674,312	56,693	12,130
Cathay Pacific Airways	HKG-LHR	631,855,868	44,206	14,294
Qatar Airways	LHR-DOH	552,658,316	31,264	17,677
Air Canada	YVR-YYZ	552,264,972	48,253	11,445
Singapore Airlines	SYD-SIN	543,723,893	27,847	19,525

Source [OAG schedules analyser](#) [OAG traffic analyser](#)

oag.com 

...Hence Trading



London Heathrow – slot transfers

Source: House of Commons library

Options for Reform

- Aim must be to encourage efficiency, fairness
- Economic allocation of resources to fund new capacity
- Able to encourage growth and innovation
 - Primary Auctions?
 - Secondary Trading?
 - Congestion pricing?
 - No swaps >30 mins?

Aviation Advocacy

Aviation Advocacy Sarl
Rue de la Gare 17
1260 Nyon Switzerland
Phone: + 41 22 361 06 33
info@aviationadvocacy.aero
www.aviationadvocacy.aero