



Airport slots – Recent policy and regulation
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Airport Slots – Recent policy and regulation.

1. Timeline
2. Brazilian Regulation
3. Problem definition
4. Opportunities for improvement
5. Alternatives under discussion

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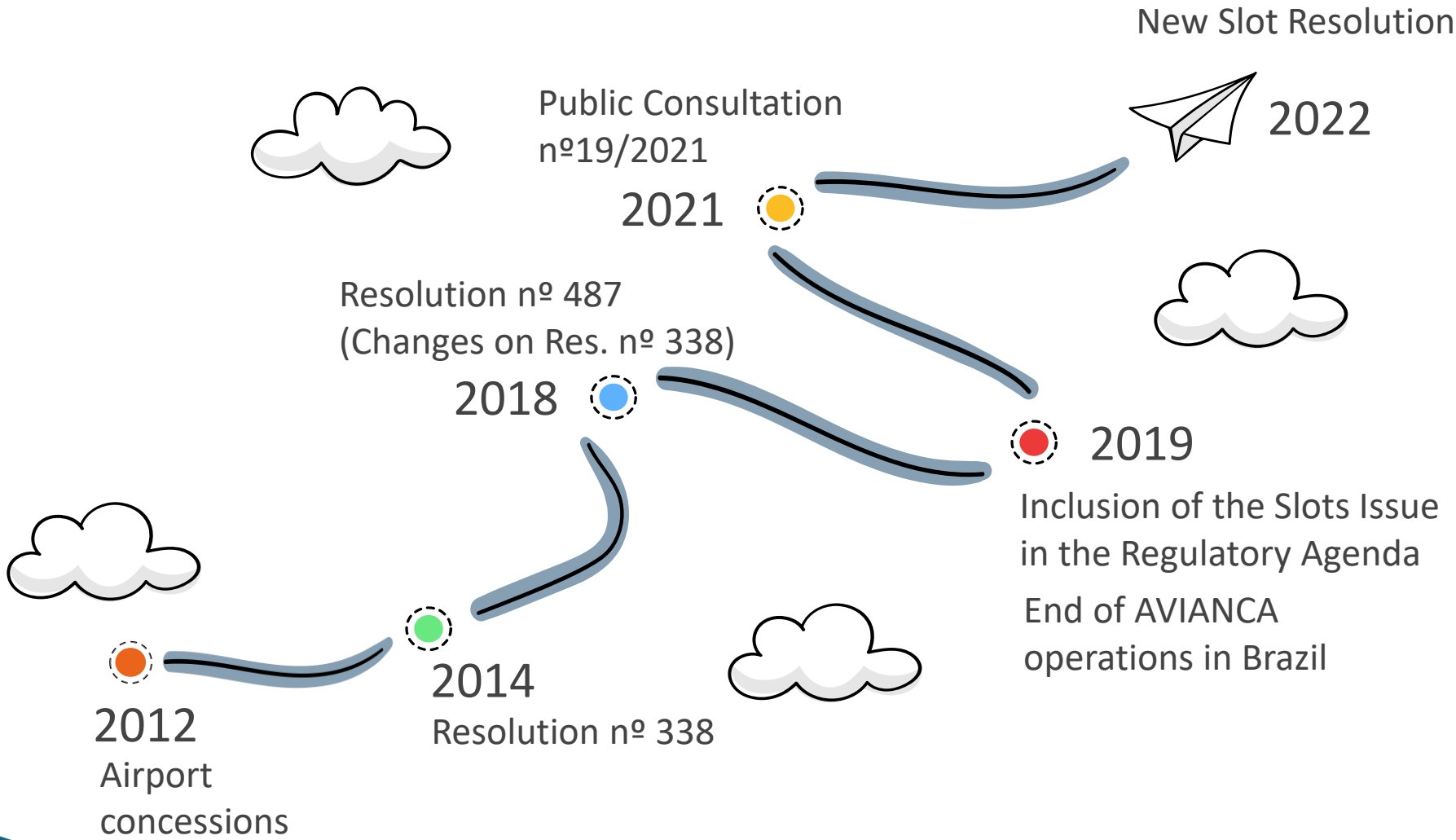
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Timeline - concessions and slot regulation











BRAZILIAN AIRPORT CONCESSIONS

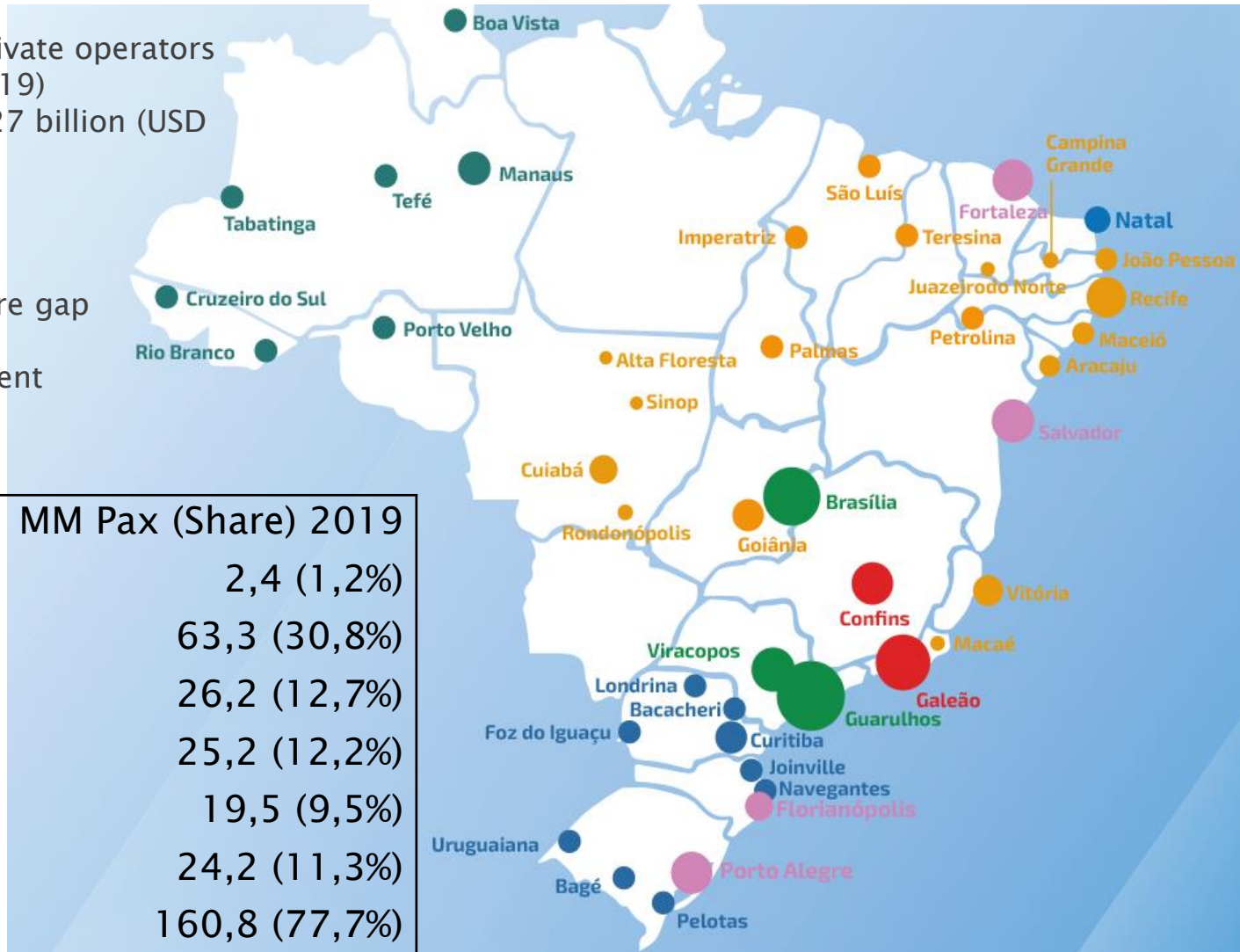
From 2011 to 2021

- 6 rounds of concessions
- 44 airports granted to private operators
- 170 million PAX/year (2019)
- Investments (CAPEX): R\$27 billion (USD 4.9 billion)

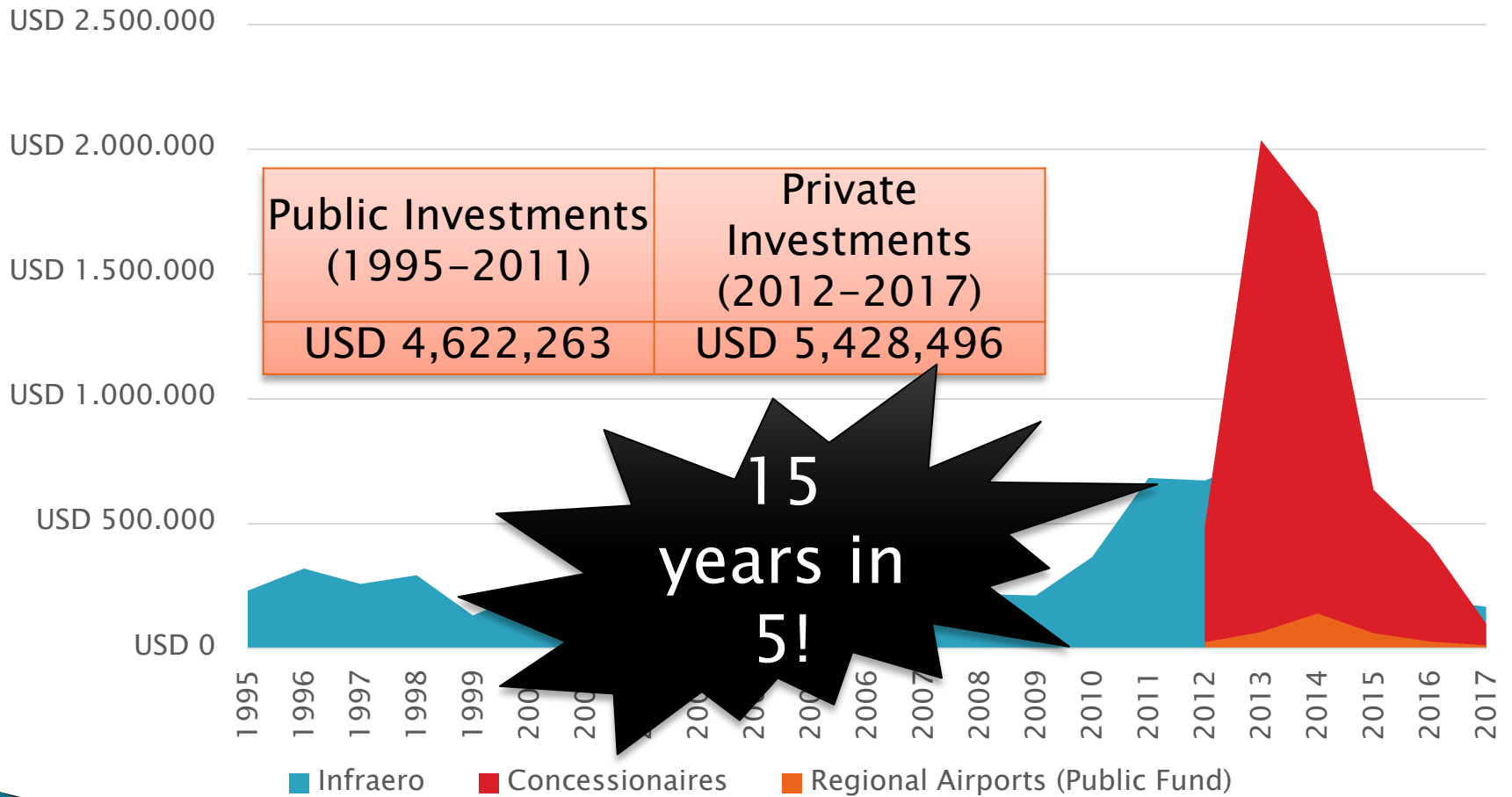
RESULTS

- Investment increase
- Reduction of infrastructure gap
- Airport modernization
- Service quality improvement
- Decrease in delays

| Round | Year | MM Pax (Share) 2019 |
|---|------|----------------------|
| 1 st  | 2010 | 2,4 (1,2%) |
| 2 nd  | 2012 | 63,3 (30,8%) |
| 3 rd  | 2013 | 26,2 (12,7%) |
| 4 th  | 2017 | 25,2 (12,2%) |
| 5 th  | 2019 | 19,5 (9,5%) |
| 6 th    | 2021 | 24,2 (11,3%) |
| Total | | 160,8 (77,7%) |



Investments Raising



Source: Brazilian National Secretariat of Civil Aviation

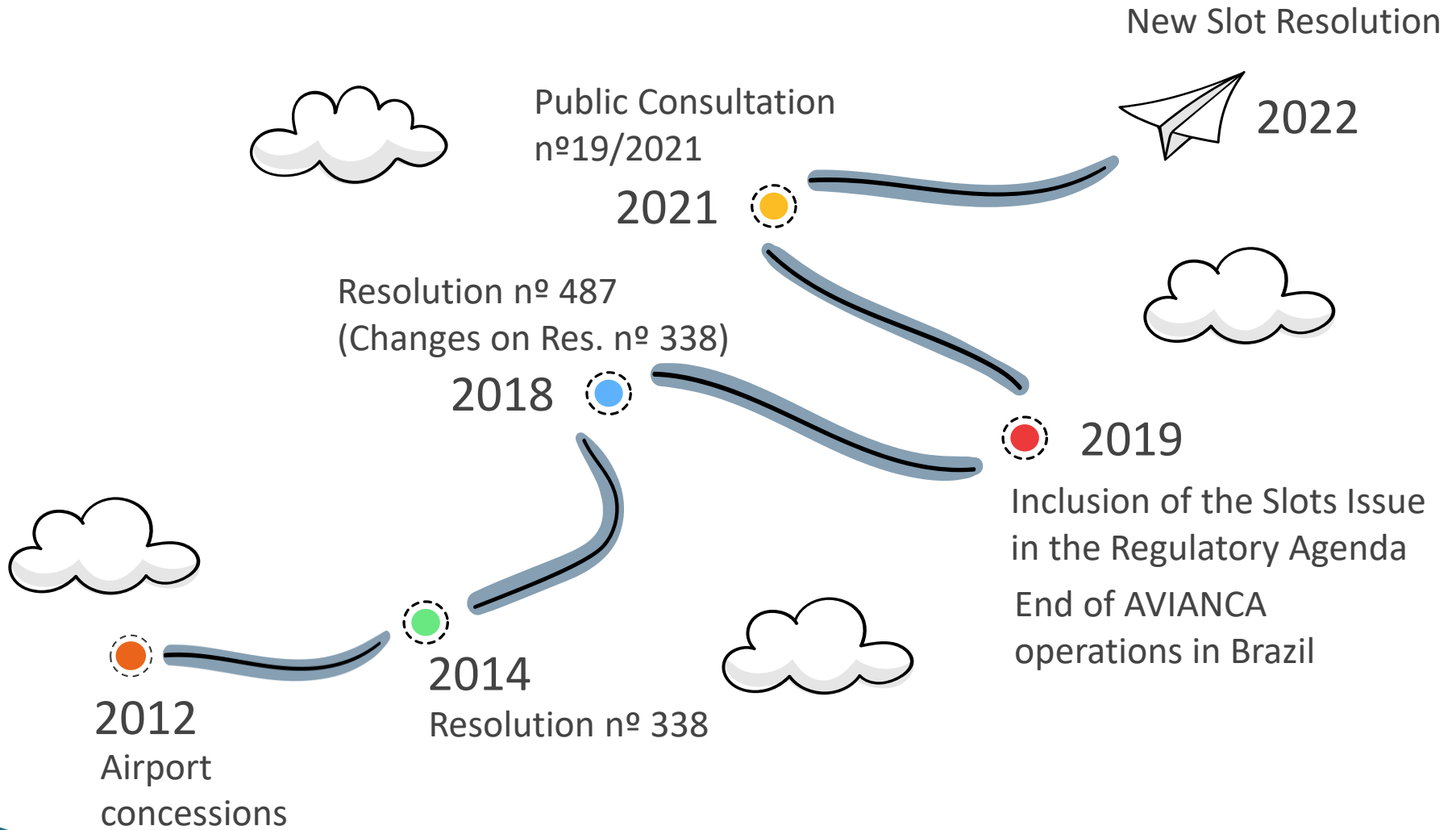
Passenger Satisfaction

Period of airport's expansion for the great sporting events (World Cup and Olympic Games)



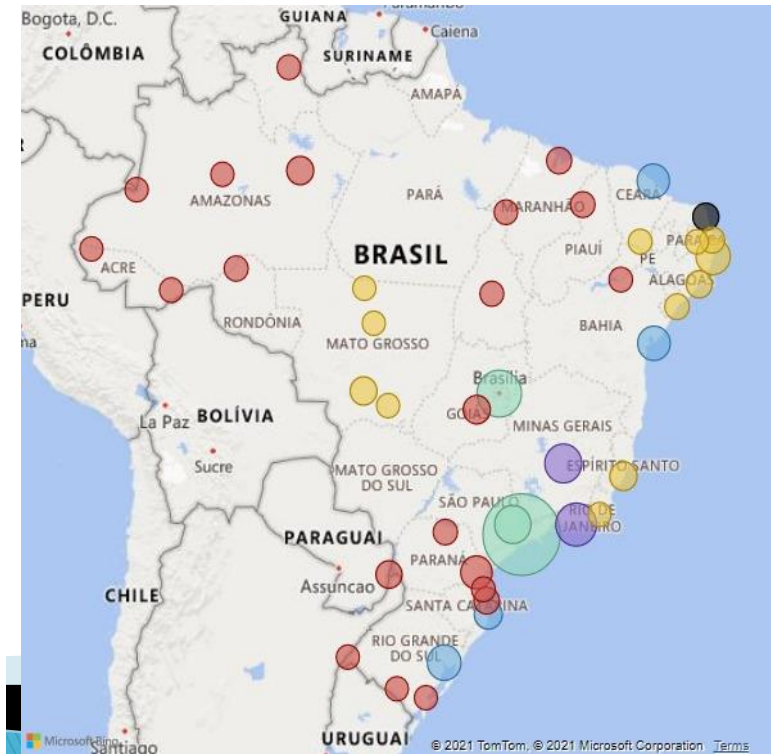
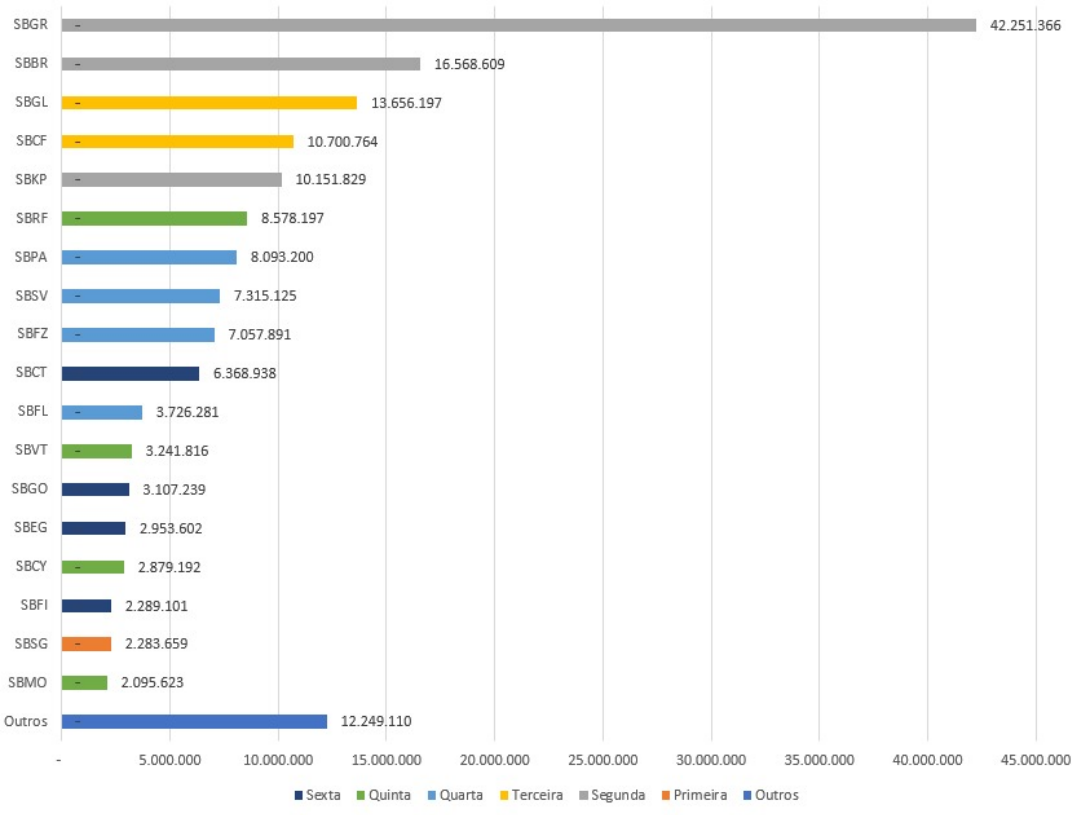
Source: Brazilian National Secretariat of Civil Aviation

Timeline – concession

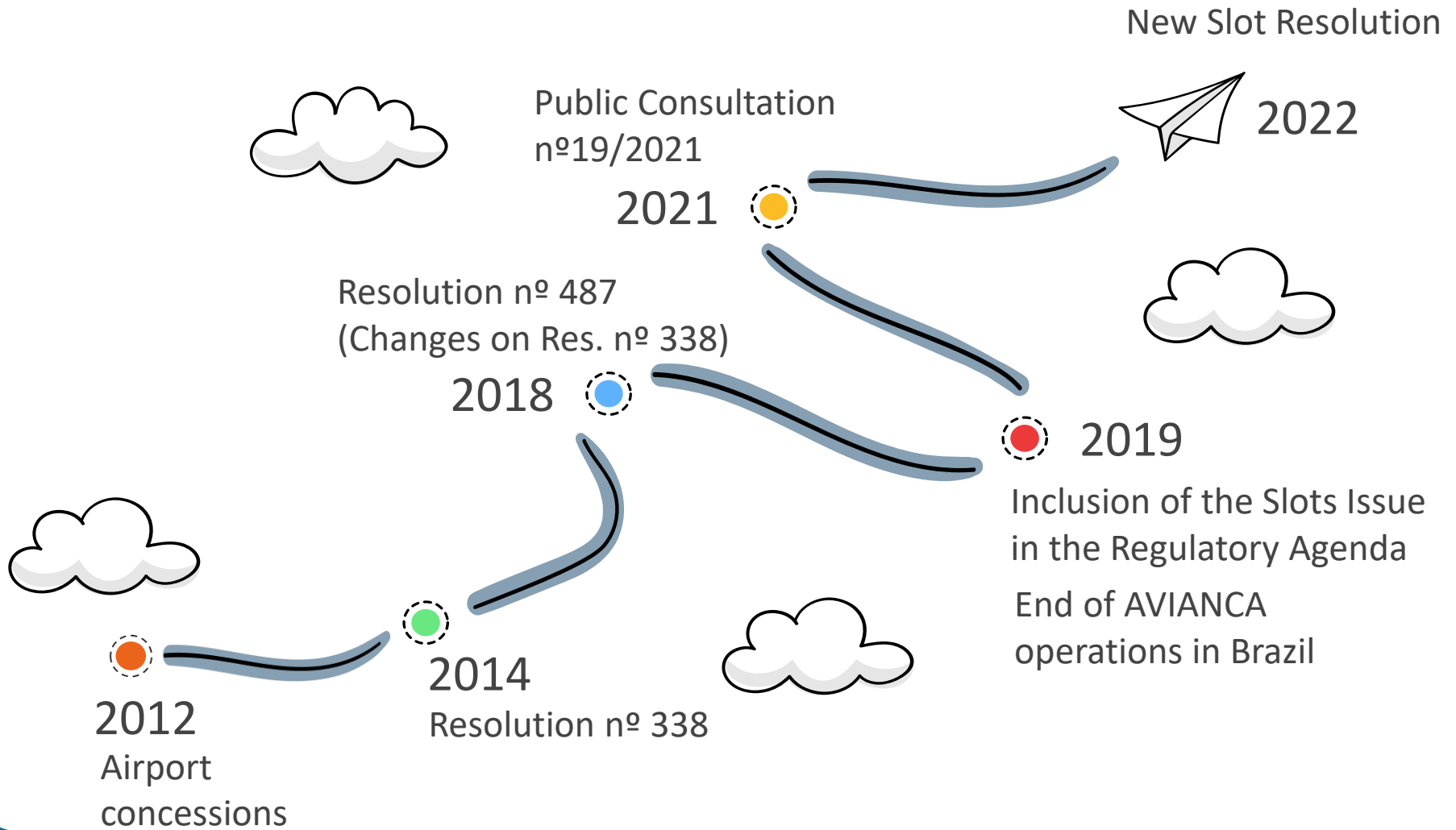


Airport Concessions (2011 – 2021)

Passengers (2019)



Timeline – slot regulation



Brazilian Regulation

Resolution n°338/2014

Disciplines access to slots

- Saturated airports (difficult access)

Disciplines the allocation process

- Standardizes procedures (information)
- Brings transparency

Encourages good use of infrastructure

- Scarce asset
- Greater allocative efficiency



Brazilian Regulation

Resolution n°338/2014

Based on IATA WASG model

Differences:

Punctuality criteria and flexible access rules:

- Regularity target (Min. 80%)
- % of bank for new entrants (min. 50%)
- N° of slots/day–new entrants (min. 5)



Amended by Resolution n°487/2018

- Slot monitoring (deviation trends)

Coordinated Airports

- High level of congestion
- SBSP, SBGR, SBRJ, SBRF



Problem Definition

“Perverse incentives on current legislation allow airlines to exercise market power over the access to saturated infrastructure”

Causes:

- Infrastructure Limitation
- Market concentration
- Grandfather rights
- Inefficient allocation of infrastructure
- Inadequate pricing of airport fees
- Low contestability

Demand
Airlines
(Slots)

Supply
Airport
(Infrastructure)



Opportunities for improvement

- Promote more efficient use of airport scarce infrastructure



- Encourage market contestability



- Create Regulatory Stability



- Provide better operational/administrative cost to the system



- Create an exit mechanism



Alternatives under discussion

Public Consultation

122 Contributions

82 Days

Themes

- Secondary Market
- Supersaturated airports
- Definitions
- Parameters for allocation
- Environment
- Entry criterion

20 Annexes



Alternatives under discussion

Secondary Market

- a. Alteration of the market equilibrium
- b. Cap for Participation
- c. Eligibility Criterion
- d. Allocation criterion (priority)



Secondary Market

Pros

- Greater allocative efficiency of the slot (opportunity cost)
- Encourages contestability
- Creates exit mechanism
- Reduces cost generated by slot purchases disguised as company mergers.

Cons

- Slot becomes an unevenly distributed tradable asset
- Possible increase in cost
- May increase concentration (Need for a CAP)

Alternatives under discussion

Participation CAP

1. Prevent concentration on constrained airports
2. Minor priority for those above the CAP



Alternatives under discussion

Eligibility Criterion →

Qualification criteria for concentrated/saturated airports



Criteria suggested, almost unanimously:

- Minimum operating time criteria
- Recent experience with PAX transportation
- Financial capacity
- Business plan
- Market share

Objectives:

- Avoid "COA trading"
- Avoid "adventurers"
- Do not generate inefficiency in the operation of scarce slots
- Do not transform constrained airports into a "nursery for airlines"



Thank you!

Questions?

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