

Gov't urged to review slot allocation guidelines for new airports

By Kris Crismundo, September 24, 2018

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MANILA -- Government is urged to decide whether to maintain the current system of allocating airport slots or come up with a new one that takes into account the projected competitive environment.

In a public forum of Philippine Competition Commission (PCC) Monday, the anti-trust body's consultant Gilberto Llanto said if the slot allocation model used at the Ninoy Aquino International Airport (NAIA) is imposed on new airports, existing airlines will have an edge over the new entrants.

The review of slot allocation guidelines is part of recommendations of the study on the competitiveness landscape of domestic air transport industry done by Llanto, the former president of the government think-tank Philippine Institute for Development Studies.

NAIA's slot allocation system follows the International Air Transport Association's (IATA) standard.

IATA defines airport slot as a permission given by a coordinator for a planned operation to use the full range of airport infrastructure necessary to arrive or depart at Level 3 airport on a specific date and time. Level 3 airports are those that have high volume demand that exceeds the capacity.

A historic or "grandfather rights" is also applied in this system, where the slot is granted to those with series of slots that was operated at least 80 percent of the time during the period allocated in the previous equivalent season, according to IATA. "Is slot banking or hoarding being practiced in NAIA? The answer is no. But some people told us there are ways to get around it," Llanto said.

Llanto noted that it will be hard to change the current scheme on slot allocation in NAIA.

But for the upcoming airports, he urged the government to look into the potential anti-competitive effects of this scheme. "The question is, do we support the continuation of grandfather rights, historic rights for the basis of slot allocation?" Llanto said.

"You can't still deny the fact that [system] has some anti-competitive effects because those who have prior right have an edge over competition. Do we want that kind of arrangement in the industry? What about the construction of new international airports? How will slots be allocated? Will this be still be based on historic rights?" he further said.

Llanto added that the government should find a formula for a "fair and efficient allocation" of slots for the new airports. "We flag it to the government. You should think ahead because sooner or later they will break ground with construction of new airport, and this is a very critical aspect of the industry because this can make or unmake competition," Llanto noted.

He also mentioned that some airports in other countries tried to auction the slots though this did not become successful.

For Cebu Pacific Air Chief Executive Officer Lance Gokongwei, the current slotting regime in NAIA exists because of the limited runway infrastructure, noting that this system is the "best way to allocate the scarce resources".

Gokongwei said the historic rights of airlines are "very hard earned slots".

"We have to fly 80 percent of these slots in order to maintain our slots even if we are losing money on this. For many years we have been investing on the slots at a loss," the executive explained.

Meanwhile, PCC Commissioner Amabelle Asuncion said the issue on slot allocation could be the focus of the second part of PCC's study on the air transport industry. "That could be a very good subject for the Part 2. Since this is just a scoping exercise, it's about understanding the industry," Asuncion said.

"[We can] Focus on the issues and what are those impacts of those issues on competition. For example, that slotting is a potential competition issue," she added. (PNA)