4 Regulation and other constraints on air services

Contents

Introduction

4.1. In this chapter we describe how air services are regulated and the way that airport capacity constrains services. Air services are regulated at three levels: on a worldwide basis (see paragraphs 4.2 to 4.15), at the European level (see paragraphs 4.16 to 4.24) and nationally (see paragraphs 4.25 to 4.40). The main capacity constraints at many airports, including Gatwick and Heathrow, are their limited runway and terminal capacities. This necessitates a complex system of allocating take-off and landing slots, which we describe in paragraphs 4.41 to 4.84. We consider other potential capacity constraints at airports in paragraphs 4.85 to 4.98.

Regulation

International regulation of air transport

The Chicago Convention

4.2. Scheduled airlines compete within a framework of bilateral ASAs that regulate air transport between countries. Although the trend is towards liberalization and deregulation, these ASAs have traditionally involved complex governmental controls. The system is founded on the principle that a country has absolute sovereignty over the air space above it and may determine the circumstances in which foreign airlines may operate to, from and within its territory. The basic framework for the operation of international scheduled air services was established by the Chicago Convention signed in December 1944. Access rights to airspace are specified in terms of the 'freedoms of the air' which were specified in the Chicago Convention. We describe these freedoms in Appendix 4.1. In summary, they are:

First freedom:	The right to overfly a country without landing.
Second freedom:	The right to land in a country without passengers boarding or disembarking.
Third freedom:	The right to disembark passengers who have boarded in the home country of the aircraft concerned.
Fourth freedom:	The right to take on board passengers destined for the home country of the aircraft concerned.
Fifth freedom:	The right to disembark passengers who boarded in a country other than the home country of the aircraft concerned or to take on board passengers destined for a country other than the home country of the aircraft concerned.

Additional, more complex, sixth, seventh and eighth freedoms are also referred to. Although these were not defined in the Chicago Convention, we describe them in Appendix 4.1.

4.3. The International Air Services Transit Agreement, which most parties to the Chicago Convention have signed, grants the first and second freedoms on a mutual basis to all signatories.

Bilateral air services agreements

4.4. Within the EEA, which consists of the 15 EU member states plus Iceland, Norway and Liechtenstein, aviation is treated as a single market (see paragraph 4.16). In this section, we consider aviation between the UK and countries outside the EEA. This is regulated by ASAs, which the UK has signed with other countries. The UK is a party to around 120 such agreements. To benefit from these

agreements, airlines must generally be substantially owned and effectively controlled by nationals of the relevant home country.

4.5. ASAs do not directly confer rights on specific airlines or give them access to slots and facilities at airports. Rights to operate routes are, where necessary, allocated by the national aeronautical authorities (see paragraph 4.35). Access to slots is governed by other legislation (see paragraph 4.49). The allocation of facilities at airports is the responsibility of the airport operators (see paragraph 4.87).

4.6. ASAs and the unpublished memoranda of understanding, which generally accompany them, cover many other aspects of an inter-governmental air service relationship, including:

(a) the number of airlines that may operate on each route between the two countries;

(b) the service capacity and frequency of service on each route;

(c) limits on the share of capacity or frequency to be provided by airlines from each country;

(d) procedures for any required government approval of fares;

(e) routing rights and rights to carry traffic to or from third countries (fifth freedoms);

(f) the cities or airports that may be served;

(g) details of business operations, such as ticket sales and currency remittances;

(h) airport security; and

(i) dispute resolution procedures.

4.7. The DETR is responsible, in consultation with the Foreign and Commonwealth Office, for negotiating ASAs with states outside the EEA. The DETR told us that its general policy was to negotiate liberal arrangements. It considered this to be in the interests of UK consumers and UK airlines, which were generally more efficient than the airlines of the UK's aviation partners. The DETR added that it sought ASAs which:

(a) provided for multiple designation (that is, did not restrict the number of airlines that could operate);

(b) removed restrictions on service capacity or frequency; and

(c) established liberal fare-setting regimes, subject to safeguards against excessively high or predatory fares.

4.8. It said that the Government had also adopted a policy of encouraging direct international services to regional airports. To achieve this, it had offered open access to all UK airports, except Heathrow and Gatwick, to all its bilateral partners, on the condition that UK airlines would also be allowed to operate on any resulting routes.

4.9. This liberal approach did not, however, extend to rights to carry traffic to third countries (the fifth freedom). Other than for EEA airlines within Europe, these were considered in the context of individual bilateral relationships. Because many other countries opposed liberalization, negotiations were frequently needed to obtain marginal increases in service capacity or frequency, and fifth freedom rights might then need to be traded.

4.10. The DETR told us that the ASAs with Canada and Australia provided for broadly liberal air services markets. ASAs with a large number of more protectionist countries were, however, restrictive. Such countries sought to protect their less efficient airlines by restricting competition.

ASAs with them often allowed only one airline from each side to operate a route, imposed tight limitations on service capacity and frequency, and required tariffs to be authorized by both sides.

4.11. Charter services to all significant destinations now operated in a broadly liberal market. The DETR told us that it considered slot shortages at Heathrow and Gatwick to be a more important barrier to entry for new airlines than any remaining restrictions in the bilateral ASAs.

4.12. Where ASAs between the UK and non-EEA governments impose restrictions that prevent UK airlines from mounting all the services they plan to provide, procedures have been established under which the CAA allocates bilateral capacity between the airlines concerned (see paragraph 4.40).

Bermuda 2

4.13. The Bermuda 2 agreement with the USA is the UK's most important bilateral ASA. We consider it in more detail as an example of the types of restriction that are often applied in the UK's ASAs, although in certain respects it is a unique document which has peculiar complexities. Bermuda 2 came into force in 1977 and has since been revised many times, most recently in June 1995. We describe its current provisions in Appendix 4.2. Bermuda 2 covers scheduled passenger and cargo air services between the UK and the USA and between overseas territories of the two countries. An annex covers charter services. Bermuda 2 provides a framework of rights and obligations but does not guarantee actual physical access to aviation facilities, such as take-off and landing slots, which must be obtained through normal slot allocation procedures (see paragraph 4.48).

4.14. The restrictions in Bermuda 2 give each government the right to block the operations of an airline of the other country if it is not satisfied that the airline is in the substantial ownership and effective control of nationals of the other country, although this right has not been exercised to date. Fares are subject to the approval of the aeronautical authorities of both countries.

4.15. Bermuda 2 places detailed restrictions on the destinations that can be served by airlines and the frequency of service that they can operate on those routes. The number of US cities that may be served from London is limited to 20. (In practice there are services to 21 cities, with separate services to the neighbouring cities of Washington DC and Baltimore.) At present there are services to all the permitted destinations (see Appendix 4.2) from London, which means that there are far more US cities with direct air services from the UK than from any other European country, including those that have signed 'open skies'[1] ASAs with the USA. Only two UK airlines and two US airlines are allowed to operate from Heathrow (currently these are BA, Virgin Atlantic, American Airlines and United Airlines). Services are permitted to only 13 US cities from Heathrow. There are no further limits on the number of airlines that can operate from any other UK airport, including Gatwick.

Regulation of air transport within the EU

4.16. Until 1987, the regulation of air transport within the EU remained a matter wholly for member states and the bilateral ASAs between them. In that year, the Council of Ministers adopted the 'first package' of aviation regulations. This was superseded initially by the 'second package' and then, in 1992, by the 'third package', which provides the current regulatory framework. The third package, which came into effect in 1993, deregulated the EC's internal international air services market for all EC airlines, thereby creating a single market in air transport in the Community. It was extended to the EC's domestic markets in 1997. The third package comprises three regulations: a Licensing Regulation (Regulation 2407/92), an Access Regulation (Regulation 2408/92) and a Fares Regulation (Regulation 2409/92). This regime was extended to cover all members of the EEA (see paragraph 4.4) in 1994. For convenience, the term EU will be used in the following paragraphs, even though in many contexts it would be strictly accurate to refer to the EEA.

[1] 'Open skies' is the term used for the type of ASA that the USA has sought to negotiate with individual countries. Such ASAs remove most restrictions on international air services but do not grant access to the US internal market.

Airline licensing

4.17. The third package provides that any EU airline meeting specified financial, safety and nationality requirements must be licensed by the member state within which it has its registered office and principal place of business. Licensed EU airlines, which must be majority-owned and effectively controlled by EU nationals, may operate air services between any pair of EU airports at such frequency and with such aircraft as they choose. They may determine their own fares, subject to limited rights of regulatory intervention to prevent excessive or uneconomically low fares. All EU airlines are entitled to exercise all the seven freedoms of the air within the EU. However, for services to or from a point outside the EU, or between points outside the EU, the traditional bilateral arrangements, including conditions concerning the nationality of ownership and control, continue to apply between the relevant member state and the other country or countries concerned.

Competition policy

4.18. In addition to the third package, other EC regulations deal with competition policy and the commercial regulation of aviation. Regulation 3975/87 (as amended) provides the European Commission with powers to apply the competition articles of the Treaty of Rome (Articles 85 and 86) to air transport between EC airports. Similar provision is made in respect of other EEA members.

4.19. Under Articles 85 and 86 airlines are liable to fines and to potential actions for damages if they enter into anti-competitive agreements or engage in other anti-competitive behaviour. Agreements falling within Article 85(1) are prohibited unless the European Commission has granted an exemption under Article 85(3) to those agreements. The European Commission may grant such exemptions either to duly notified individual agreements or by means of 'block exemptions' applicable to all agreements meeting specified conditions.

Other EC regulations and block exemptions

4.20. Regulation 1617/93, as amended by Regulation 1523/96, conferred block exemptions in the following areas:

(a) consultations on tariffs for the carriage of passengers, with their baggage, on scheduled air services between EC airports;

(b) slot allocation and airport scheduling, in so far as they concern air services between airports in the EC;

(c) the joint planning and coordination of the schedule of an air service between EC airports; and

(d) the joint operation of a scheduled air service on a new, or on a low density, route between EC airports.

4.21. The effect of these block exemptions is that operators do not need to apply to the European Commission for an individual exemption every time they engage in these practices. Their purpose is to give legal certainty to airlines to enable them to conclude cooperation agreements of the types exempted, of which there are many examples. For agreements and practices not covered by the block exemptions, operators must apply to the European Commission for an individual exemption in each case.

4.22. Regulation 1617/93 expired on 30 June 1998. The European Commission has now proposed an amending Regulation in the areas of passenger tariffs and slot allocation, which would have retrospective effect from 1 July 1998, until 30 June 2001. The block exemptions for the joint planning and coordination of schedules and for the joint operation of a scheduled air service on a new, or low density, route would not be renewed beyond 30 June 1998.

4.23. The DETR told us that the European Commission had been examining the long-term future of all the block exemptions. It had not yet completed its consideration of the block exemptions for tariffs and slots, and the three-year extension was intended to allow time for that consideration.

4.24. The Council of Ministers has adopted other legislation in the aviation field that has contributed to the development of a common air transport policy. Legislative measures have included initiatives on slot allocation (see paragraph 4.49), aviation safety, noise limitation, consumer protection, ground handling (see paragraph 4.96), CRSs and the harmonization of air traffic management equipment.

Civil aviation policy and regulation in the UK

4.25. There are two bodies responsible for regulating civil aviation in the UK: the DETR and the CAA. The relationship between them is close. The CAA administers airline licences under the EC regime and has responsibility for licensing airlines for routes not covered by the third package (see paragraph 4.17). Subject to the third package, the DETR makes overall civil aviation policy in consultation with the CAA, which also develops its own policies under the Civil Aviation Act 1982 (the Act) in such areas as air transport licensing and airline tariffs. The views of the CAA and the DETR on the proposed merger are summarized in Chapter 8.

4.26. The existence of the single European aviation market means that policy competence for civil aviation within the EC now resides largely with the European Commission. The DETR told us that it was satisfied that the development of the single European aviation market has allowed UK airlines to compete effectively within Europe, thereby promoting the interests of the consumer and the healthy state of the UK's airline industry.

4.27. In 1998 the CAA published a major report on the first five years of the single European aviation market.[1] Whilst acknowledging that there was still room for improvement, the CAA concluded that, on many routes, competition had led to substantial price reductions, for business as well as leisure travellers; to increased choice for customers; and to better value for money. The rapid growth of low-cost airlines was considered to be a particularly notable development.

4.28. The DETR told us that, outside the EU, it sought to liberalize air transport arrangements with other countries (see paragraph 4.4), although it was inevitably constrained in some cases by the speed at which its bilateral partners were prepared to open markets.

UK airport policy

Runway capacity

4.29. In response to CAA publications that identified a need for additional runway capacity, the Government established an independent working group in 1991 to advise on future runway capacity in the South-East of England (RUCATSE). The RUCATSE working group included representation from Heathrow, Gatwick and Stansted. In February 1995, following a review of the runway options proposed by the RUCATSE study, the Secretary of State for Transport rejected the options considered for Heathrow and one of the options considered for Gatwick. He asked BAA to 'examine whether there might be less damaging options for development, such as a close parallel runway at Gatwick'. In response, BAA undertook preliminary technical research in conjunction with various industry partners, but reached no definitive conclusions on feasible runway options.

4.30. In autumn 1997, the Transport Minister asked BAA to cease further research until Government policy on the issue had been reviewed. In July 1998, the Government published its transport White Paper,[2] which set out the basis for an integrated transport policy and committed the Government to developing a statement of airport policy, looking 30 years ahead. On 11 March 1999,

[1]CAP 685, *The Single European Aviation Market: The First Five Years*.
[2]*A New Deal for Transport: Better for Everyone*, Cmnd 3950.

the Transport Minister announced a study of airport issues in the South-East and East of England. This study was to appraise the economic, environmental and social effect of a wide range of options for both terminal and runway capacity and was expected to take about two years.

4.31. BAA told us that it was for the Government to determine how future needs for runway capacity should be met. BAA has entered into a formal agreement with West Sussex County Council not to construct another runway at Gatwick before 2019. This agreement was concluded by the then publicly-owned BAA in 1979, following a Government request to it to relinquish the planning safeguard that protected the site for a second runway at Gatwick. BAA told us that all its plans for Gatwick were consequently based on developing the current site to the full potential of its single runway, which is expected to be around 40 million passengers a year.

Traffic distribution rules

4.32. In addition to the constraints imposed by domestic licensing and international agreements, further restrictions on airlines' freedom of operation have in the past been imposed through the Government's airport policy. These restrictions were originally developed in response to congestion at Heathrow and the desire to see Gatwick expand as a major airport for scheduled services.

4.33. The Secretary of State for the Environment, Transport and the Regions (the Secretary of State) is empowered by section 31 of the Airports Act 1986 to make TDRs relating to any two or more airports serving the same area in the UK. These rules enable types of air traffic to be prohibited, or restricted, from using a particular airport. In 1986, TDRs were made for the airports serving the London area. These formalized and built on administrative arrangements already in place that were intended to relieve congestion at Heathrow and to build up Gatwick as London's second international airport. They prohibited the following traffic from using Heathrow:

(a) international scheduled passenger services operated by any carrier that had not provided such services before;

(b) whole-aircraft[1] charter flights (with minor exceptions); and

(c) new domestic scheduled services, except where the Secretary of State ruled that user benefits were sufficient to justify them.

The TDRs also provided for limitations at both Heathrow and Gatwick on whole-aircraft cargo services and general and business aviation.

4.34. In 1991, the Government removed all the provisions of the 1986 TDRs that had restricted the ability of airlines to start up new services from Heathrow. The remaining provisions (the 1991 TDRs) stipulate that whole-aircraft cargo services and business and general aviation are not permitted to operate at Heathrow and Gatwick during the hours of peak congestion, unless specifically authorized by BAA to do so. For each scheduling season, the CAA establishes the hours of peak congestion for which the TDRs will apply at each airport, following consultation with BAA and ACL. The DETR told us that it had no plans to amend the 1991 TDRs further or to introduce new TDRs elsewhere.

The role of the Civil Aviation Authority

4.35. The functions and objectives of the CAA with respect to the economic regulation of UK airlines are set by the Act, as amended to take account of the third EC package (see paragraph 4.16); by the Licensing of Air Carriers Regulations 1992;[2] and the Air Fares Regulations 1992.[3] The Licensing of Air Carriers Regulations 1992 provide for the granting of operating licences by the CAA. One condition for the granting of an operating licence is that the CAA must be satisfied that the airline

[1]That is, flights involving the chartering of a complete aircraft, as opposed to a block of seats on a scheduled flight.
[2]SI 1992/2992.
[3]SI 1992/2994.

is adequately financed. An operating licence entitles an airline to operate air services on virtually any route within the EEA. In order to serve any route outside the EEA, a UK airline must hold a route licence granted by the CAA as well as an operating licence.

4.36. Section 4 of the Act requires the CAA to carry out its licensing and other duties in a manner best calculated to secure that British airlines provide services which satisfy all substantial categories of public demand at the lowest charges, consistent with a high standard of safety and an economic return to efficient operators and with securing the sound development of the air transport of the UK. The CAA is also required to further the interests of users of those services. Section 68 of the Act gives the CAA further duties, including:

(a) the duty to perform its air transport licensing function in the manner best calculated to ensure that British airlines compete as effectively as possible with other airlines on international routes; to have regard to any advice from the Secretary of State on the bilateral situation; and to the need to secure the most effective use of airports within the UK;

(b) the duty, in deciding licence applications, to have regard to the effect of authorizing new services on the existing services of British airlines and to have regard in particular to any benefits which may arise from allowing two or more airlines to compete; and

(c) subject to other duties, the duty to impose the minimum restrictions on the UK civil air transport industry.

4.37. The CAA is required under section 69 of the Act to publish from time to time a statement of the policies it intends to adopt in performing its licensing functions. Its latest Statement of Policies, which was published in 1993, took account of the changes to the regulatory framework resulting from the completion of the single aviation market within the EC. It makes clear that the CAA's prime concern will be to protect the reasonable interests of users. It sees active competition, both among British airlines and between British and foreign airlines, as the best available means of ensuring that users have the widest possible choice of products, services and airports, that quality of service is maintained and that fares are set at reasonable levels in relation to cost. It states that the CAA will license competing services liberally, wherever doing so is likely to benefit users.

4.38. The Statement of Policies also sets out the CAA's policy on anti-competitive behaviour. Paragraph 12 states that the Authority will be ready to use its regulatory powers where the realization of the objectives laid down in the Act is threatened by anti-competitive behaviour including, but not limited to:

(a) the charging of fares and rates at levels which are insufficient to cover the costs of providing the services or facilities to which they relate or which are otherwise unreasonably low;

(b) the payment of commissions at rates which are higher than the airline otherwise pays; or

(c) the addition of excessive capacity or frequency of service;

where such behaviour would have, or would be likely to have, or is explicitly intended to have, the effect of crippling, excluding or driving off a competitor.

4.39. The CAA introduced expedited procedures for dealing with such anti-competitive behaviour in 1989. These are now incorporated in the Civil Aviation Authority Regulations 1991[1] (the CAA Regulations).

4.40. Expedited procedures for dealing with the allocation of scarce bilateral capacity on routes were also introduced in the CAA Regulations. These are designed to deal with situations where capacity has to be allocated between UK airlines because restrictions in the UK's bilateral ASAs prevent them from making available all the air service capacity they plan to provide.

[1]SI 1991/1672.

Other constraints on air services

Congestion at airports in south-east England

4.41. Airport congestion is caused by an excess of demand over runway or terminal capacity, defined in terms of the number of available slots. (A slot is a scheduled time of arrival or departure at an airport available or allocated to an aircraft movement on a specified date.) Although there is some congestion at peak hours at Manchester and Birmingham airports, airport congestion in the UK is largely confined to airports in south-east England, particularly Heathrow and Gatwick, the two main airports operated by BAA.

Runway and terminal capacity

4.42. The key causes of scarce capacity at Heathrow and Gatwick are runways and terminals. At Heathrow, a lack of stand space is also a constraining factor. Runway capacity is expressed in terms of a maximum hourly throughput of ATMs and terminal capacity is expressed in terms of the maximum hourly throughputs of arriving and departing passengers at each terminal. The values of these constraining factors are openly declared before each season by Heathrow Airport Ltd (HAL) and GAL, the BAA subsidiaries responsible for operating the airports, after taking advice from National Air Traffic Services (NATS) on air traffic control factors.

4.43. Once HAL and GAL have declared these constraints, the task of allocating the available runway and terminal capacity falls to ACL (see paragraph 4.60). HAL and GAL, however, retain the responsibility for allocating ancillary airport facilities to support the slot allocations made (see paragraph 4.87).

4.44. Table 4.1 shows the hourly capacity limits declared for the single runway at Gatwick for each summer season since 1994. The total availability of slots during the hours from 0500 to 1800 GMT has increased by 14 per cent in the five years since 1994. It is apparent from the table that this has largely been achieved by increasing the number of slots at the beginning and end of each day and by making more slots available at the middle of the day.

4.45. GAL told us that the scope for increasing movements in the most congested hours was now very limited. Although the runway at Gatwick could handle in excess of 50 movements an hour in favourable circumstances, a maximum capacity of 48 movements an hour was used for scheduling in order to avoid unacceptable delays and maintain service levels. GAL told us that it was continually seeking ways of achieving marginal increases in hourly runway capacity, including undertaking some investment in new infrastructure where necessary. GAL had also been working with airlines and NATS to minimize aircraft runway occupancy times and improve the punctuality of services.

4.46. Table 4.2 shows the terminal scheduling limits used to plan the hourly passenger flows at Gatwick for the summer 1999 season. The capacity of the two terminals does not act as a significant constraint at Gatwick.

4.47. The other main airports serving the South-East are Stansted, Luton and City. Until recently, none of these airports has been sufficiently congested to require full coordination (that is, a formal procedure for allocating slots). Rapid growth in traffic has, however, taken place at Stansted in recent years and full coordination was introduced there for the start of the 1999 summer season. Despite this growth, slots are still easily obtainable outside a few peak hours at Stansted. The remaining airports in the South-East that handle commercial passenger services are at Southend and Biggin Hill. In 1997 they jointly handled less than 0.04 per cent of the terminal passengers in the region. The overall growth in ATMs at the main London airports is shown in Figure 4.1.

TABLE 4.1 **Hourly runway capacity limits at Gatwick**

	Gatwick scheduling limits for hours beginning at the following times (GMT)															
Season	*0500*	*0600*	*0700*	*0800*	*0900*	*1000*	*1100*	*1200*	*1300*	*1400*	*1500*	*1600*	*1700*	*1800*	*1900*	*Total for peak hours*
Summer 1994	35	44	46	44	42	42	40	38	42	36	36	44	45	44	38	616
Summer 1995	35	44	47	45	43	43	40	38	41	38	38	44	47	47	36	626
Summer 1996	37	47	47	47	46	43	41	40	41	38	38	46	48	48	40	647
Summer 1997	42	48	48	48	48	45	43	43	42	42	40	48	48	48	40	673
Summer 1998	42	48	48	48	48	48	48	44	44	44	44	48	48	48	43	693
Summer 1999	42	48	48	48	48	48	48	44	44	47	47	48	48	48	46	702
Increase from 1994 to 1999	7	4	2	4	6	6	8	6	2	11	11	4	3	4	8	86
Percentage increase	20.0	9.1	4.3	9.1	14.3	14.3	20.0	15.8	4.8	30.6	30.6	9.1	6.7	9.1	21.1	14.0

Source: ACL.

TABLE 4.2 **Gatwick terminal scheduling limits, summer 1999**

Terminal and passenger category	*Passengers an hour* *Maximum hourly passenger flow*
North Terminal	
Departures	
International passengers	2,800
Domestic passengers	900
Arrivals	
International passengers	2,700
Domestic passengers	900
South Terminal	
Departures	
International passengers	3,440
Domestic and CTA* passengers	900
Arrivals	
International passengers	3,400
CTA* passengers	200
Domestic passengers	650

Source: BAA.

*Common travel area: the Channel Islands, the Isle of Man and the Republic of Ireland.

Obtaining slots

4.48. A system for managing the imbalances between airline demand and airport capacity has been developed over many years under the auspices of IATA. This involves a process of schedule coordination and slot allocation. Take-off and landing slots at congested airports are allocated by airport Coordinators (see paragraph 4.60), who are required to act in a neutral, non-discriminatory and transparent way. The IATA Scheduling Procedures Guide (the IATA guide) provides the worldwide framework within which Coordinators allocate slots and sets the timetable of events for the overall scheduling process. Within the EU, slot allocation is governed by the EC slot regulation.[1] We outline the main features of the regulation below and set out extracts in Appendix 4.3. In the UK, a separate set of allocation rules is applied to entitlements for night movements and noise quota under the night noise restrictions (see paragraph 4.78).

The EC slot regulation

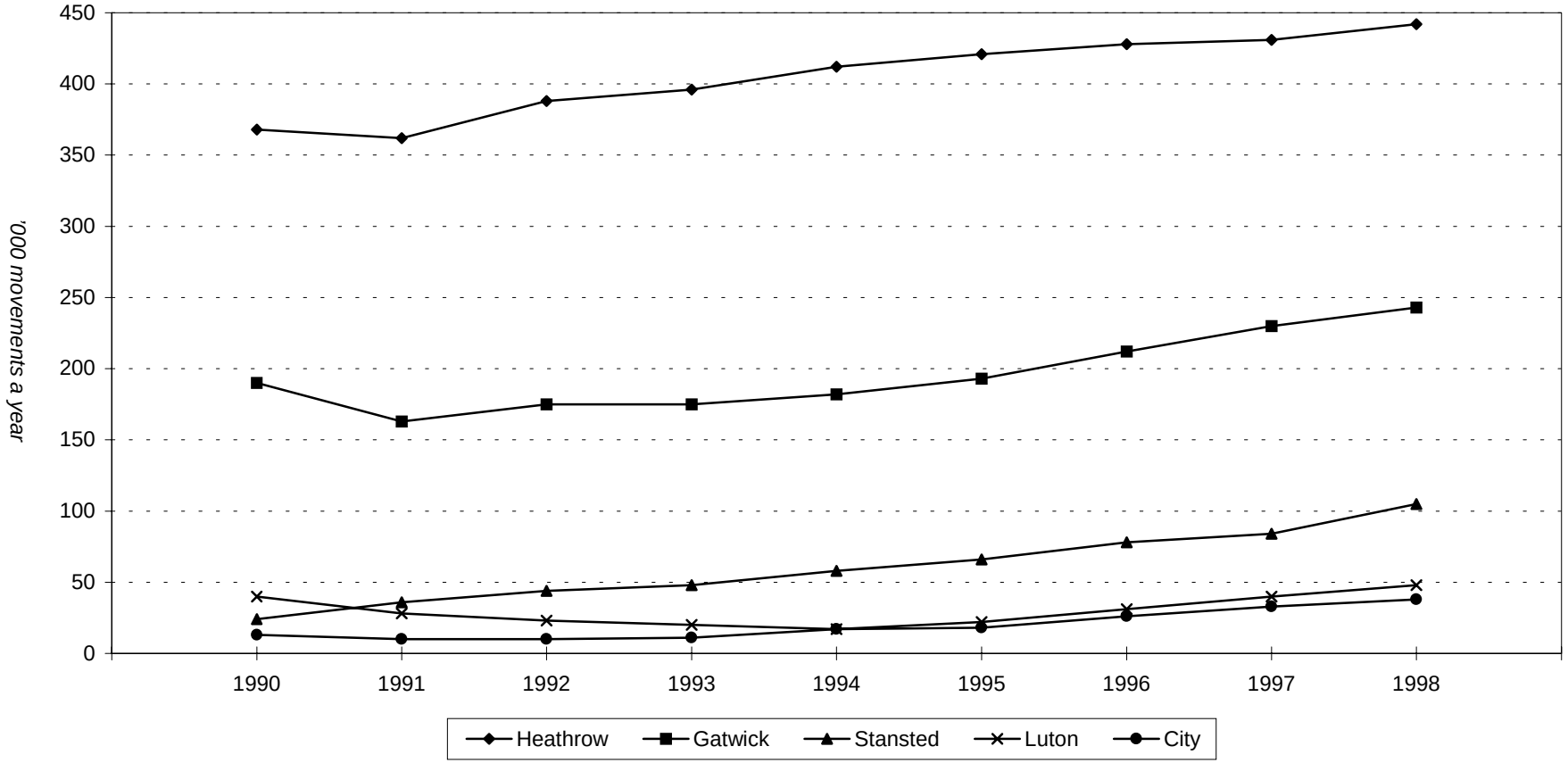
4.49. The EC slot regulation was introduced to increase opportunities for new entrants, to maximize airport capacity and to ensure that the scheduling process was managed in a neutral transparent and non-discriminatory way. It requires the member state responsible for a coordinated airport to ensure that a Coordinator is appointed after consultation with the airlines using the airport, their representative bodies and the airport authorities. Under the Airport Slot Allocation Regulations 1993,[2] which implement the EC slot regulation in the UK, the airport operator for a coordinated or fully coordinated airport is responsible for appointing a Coordinator. This appointment must be approved by the Secretary of State after consultation with interested parties.

4.50. The EC slot regulation is largely based on the previously established IATA procedures but also incorporates measures to give further priority to new entrants (as defined in the regulation) at congested airports. It sets out a hierarchy of priorities for allocating runway capacity to different categories of user. We were told that it, and the IATA guide, were framed to allow the unique problems at each airport to be resolved locally by the Coordinator in a manner acceptable to the

[1]Council Regulation (EEC) No 95/93 of 18 January 1993 on common rules for the allocation of slots at EC airports, Official Journal 1993 L14/1.
[2]SI 1993/1067.

FIGURE 4.1

ATMs at London airports



Source: CAA.

airlines, the airport operator and other bodies, including air traffic control and other control authorities (such as national immigration, customs and police services).

4.51. The possession and regular use of a slot in one season gives an airline an absolute right to the same slot in the following equivalent season. The EC slot regulation accordingly gives precedence to airlines' historic allocations of slots in the previous equivalent season (known as 'grandfather rights'), and to proposals for retiming slots held under historic precedence. 'New entrants' are given priority in allocating half of any remaining capacity at an airport. Any capacity available after bids from new entrants have been considered is allocated, on an equal basis, to bids for new or increased services received from all airlines. For the purposes of the EC slot regulation, new entrants are defined as:

(a) airlines requesting slots, that hold, or have been allocated, fewer than four slots at the airport on the relevant day; or

(b) airlines requesting slots for a non-stop service between two EC airports, where at most two other carriers operate a direct service between the airports, or airport systems,[1] on the relevant day, and where the applicant airline holds or has been allocated fewer than four slots on that day for that service.

No airline holding more than 3 per cent of all slots at an airport, or more than 2 per cent of all slots in an airport system, on the relevant day may qualify as a new entrant.

4.52. When the Coordinator cannot accommodate all slot requests, the EC slot regulation requires him to give preference to commercial air services and, in particular, to scheduled services and programmed non-scheduled services. The EC slot regulation also requires the Coordinator to take into account additional priority rules established by the airline industry or 'local rules' recommended by the Coordination Committee (see paragraph 4.61).

4.53. The provisions of the IATA guide must therefore be taken into account where they are compatible with the EC slot regulation. The three priorities of the IATA guide are, in order of precedence: historic slots (including requests to retime historic slots); new entrants; and the introduction of year-round services. When two or more airlines compete for the same slot, the IATA guide requires that priority should be given to the airline intending to operate the slot for the longer period within the season. It also sets out secondary criteria that should be considered, such as the size and type of the market, competition, the requirements of the travelling public and the needs of airlines whose schedules are constrained by curfews at the other airport on the route.

4.54. When a slot request cannot be accommodated, the EC slot regulation requires the Coordinator to tell the airline the reasons and to suggest the nearest alternative available slot. Details of how the EC slot regulation is applied at Gatwick are set out in paragraphs 4.64 to 4.84; similar methods are used at other fully coordinated EEA airports.

4.55. The DETR told us that it was discussing possible changes to the EC slot regulation with the European Commission. It was concerned about facilitating access from regional airports to major hub airports. In the DETR's view, any replacement slot regulation should therefore give greater priority in the allocation of pool slots to airlines wishing to operate services to regional airports. Proposals from the European Commission were awaited.

The exchange of slots and slot trading

4.56. Article 8.4 of the EC slot regulation provides:

> Slots may be freely exchanged between air carriers or transferred by an air carrier from one route, or type of service, to another, by mutual agreement or as a result of a total or

[1]An airport system is a group of airports jointly serving the same city or conurbation.

> partial takeover or unilaterally. Any such exchanges or transfers shall be transparent and subject to confirmation of feasibility by the coordinator …

We were told by the DETR that it had been unclear whether an airline could give slots to another in exchange for other, less valuable, slots and a compensatory payment. Whether airlines could arrange such an exchange and payment has been disputed, in particular by the European Commission, which argues that the EC slot regulation does not permit it. Because of the uncertainty about the legal position, a 'grey' market has developed. A few airlines told us about deals of this type that they had taken part in. BA told us that, since 1995, it had acquired 22 pairs of year-round slots from eight different carriers in nine transactions. The prices it had paid ranged from £[✂] to £[✂] a slot; recent acquisitions had cost an average of £[✂] a slot. In view of the legal position, little further information is available about the scale of this trade or the prices paid.

4.57. In a recent decision of the High Court (*R v ACL ex parte the Guernsey Transport Board*) the Guernsey Transport Board (the GTB) applied to the High Court for a judicial review of ACL's handling of an exchange of slots at Heathrow between KLM uk and BA that was believed to have been accompanied by a payment by BA to KLM uk. In March 1999 the High Court ruled that the transaction was not unlawful. The court refused the GTB's application for the case to be referred to the European Court of Justice under Article 177 of the EC Treaty.

The 'use-it-or-lose-it' rule

4.58. Airlines operating from congested airports, such as Heathrow and Gatwick, have generally held on to slots for which they have historic rights. To avoid losing slots under Article 10(3) of the EC slot regulation, known as the 'use-it-or-lose-it' rule, they have to ensure that the Coordinator's monitoring of slot use shows that each of their slots has been used at least 80 per cent of the time (or 70 per cent in the case of charter operators). As a result the number of available slots at commercially attractive times has steadily diminished. Although a small number of new slots is created each year by improved management of runway and terminal capacity, the scope for future increases in capacity seems limited at both Heathrow and Gatwick.

4.59. For a considerable time, demand for runway capacity has greatly exceeded supply at Heathrow. In recent years, demand has also exceeded supply at Gatwick and airlines seeking several pairs of slots a day to start new short-haul services have had limited success. Most recently, even some airlines requesting as little as a once-daily pair of slots to start a new long-haul service have also found it difficult to obtain commercially attractive arrival and departure timings at Gatwick. Two such airlines, Continental Airlines and US Airways, have, however, recently obtained slots to launch services from Gatwick to Cleveland, Ohio, and Charlotte, North Carolina.

The roles of Airport Coordination Ltd and Scheduling Committees

The Coordinator

4.60. The Coordinator is responsible for allocating slots and monitoring the use made of them. In most countries, the 'national carrier' or the largest operator at each congested airport acts as the airport Coordinator. In 1992 BA formed a special subsidiary, ACL, to carry out this role in the UK. Later that year, ACL became an independent company limited by guarantee, whose members consisted of BA and eight (now 11) other airlines. Under a coordination agreement with the airport operators, ACL has been appointed as the Coordinator at six UK airports, including Heathrow, Gatwick and Stansted. ACL also provides data collection and schedule adjustment services at six other UK airports. ACL is responsible for allocating slots in accordance with allocation rules determined mainly by the EC slot regulation and the IATA guide. On complex issues the Coordinator may consult the Coordination Committee which includes representatives of all airlines using the airport.

The Coordination Committee

4.61. The EC slot regulation requires the formation of a Coordination Committee for each fully coordinated airport. The committee at each such airport includes representatives of the airlines using the airport, the airport operator, air traffic control and general/business aviation interests. Its role is to advise the Coordinator in such matters as increasing airport capacity, methods for monitoring the use made of allocated slots and local guidelines for slot allocation. The Coordination Committee also deals with any complaints about the allocation of slots by the Coordinator that are referred to it by the airlines or the Scheduling Committee.

The Scheduling Committee

4.62. Airline Scheduling Committees have existed for many years. They are representative bodies for all airlines that have expressed an interest in the allocation of slots and in the coordination of schedules at a particular airport. The Scheduling Committee at an airport is responsible for advising the Coordinator and proposing any local scheduling guidelines needed to supplement the IATA guide and the EC slot regulation to the Coordination Committee for ratification. At Gatwick, these local rules include the arrangements for administering the allocation of night movements and night noise quotas. The Scheduling Committee has no responsibility for allocating slots. The members of the Scheduling Committee elect its Chairman. The Gatwick committee is chaired by a representative of BA. A representative of British Midland chairs the Heathrow Scheduling Committee.

4.63. When a vote needs to be taken at the Gatwick Scheduling Committee, voting is carried out using a system of VPPs. The calculation of VPPs is explained in detail in Appendix 4.4. It is based on a formula that broadly measures each airline's overall level of activity at the airport.

The allocation of daytime slots

4.64. For the purpose of slot allocation, daytime is defined as the period from 0600 to 2330 local time. (Since schedule times are expressed in GMT, this corresponds to 0500 to 2230 in the summer slot allocation.) Slots are allocated twice a year, for the summer and winter air service seasons. Each May and September, the Coordinator sends the historic winter or summer schedule (as the case may be) to each airline for checking. This historic schedule is based on the use of slots revealed by the slot monitoring process throughout the preceding season (see paragraph 4.58). After the airport management has declared the values of the runway and terminal capacity constraints, the Coordinator invites airlines to submit requests for slots before the IATA scheduling deadline (in May, for the winter scheduling season, or October, for the summer scheduling season). This produces a pattern of 'raw' or unconstrained demand and this is demonstrated in Figure 4.2, which shows the position at Gatwick for each day of the peak week in the summer 1999 season, as at the initial coordination of the summer 1999 season in November 1998. The figure shows the total number of slots applied for in each relevant hour, commencing at the stated times. Within the column for each hour, a smaller separate column is shown for each day of the peak week. The times shown are GMT and the asterisks indicate the level of available capacity in each hour.

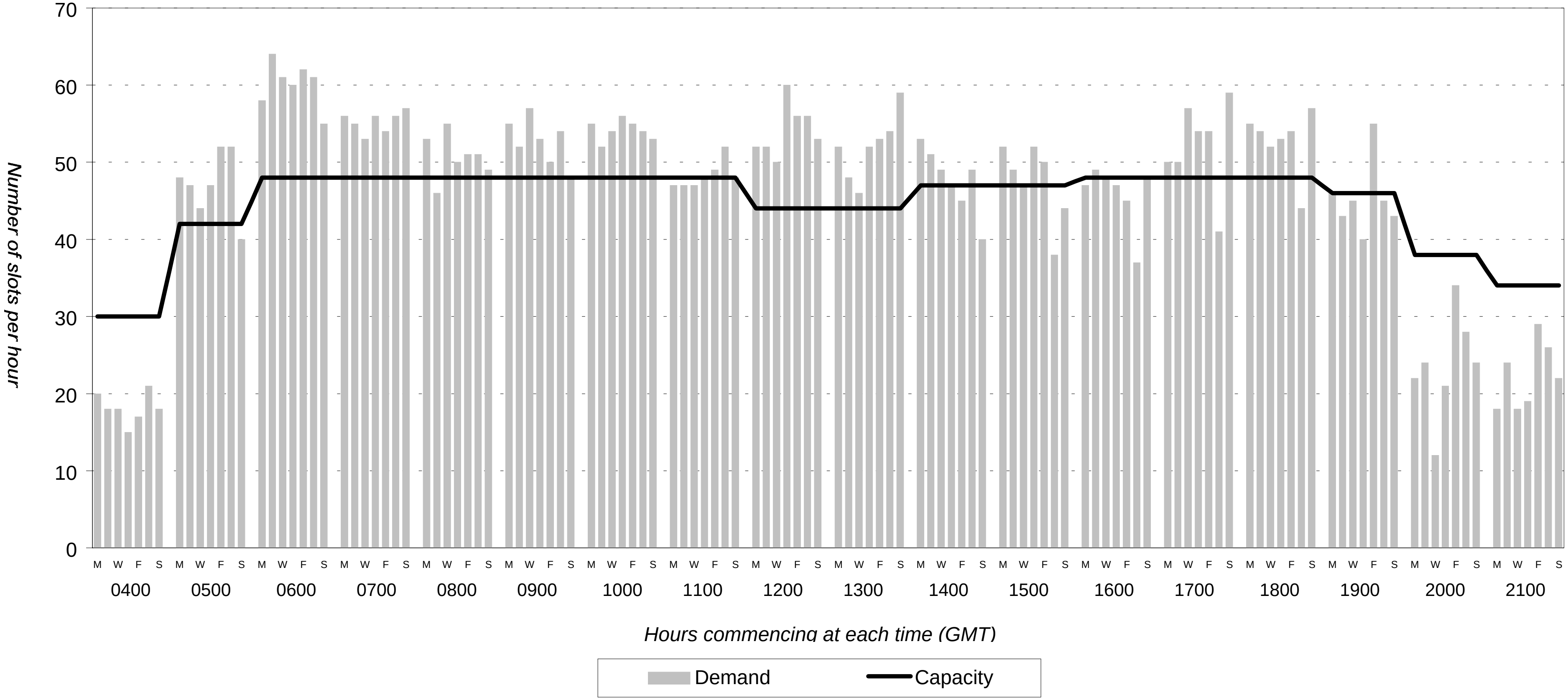
4.65. The Coordinator then sorts the requests made by airlines into four categories:

(a) historic slots for flights that qualify for historic precedence rights and have no significant changes from the previous corresponding season;

(b) changed historic slots for flights with existing historic precedence rights, which an airline wishes to modify to become significantly different slots, for example by changing the time of a slot by five or more minutes or by substituting a larger aircraft that might result in extra requirements for terminal space or stands. About 10 per cent of historic slots are changed each season;

FIGURE 4.2

Slots requested for peak week of summer 1999 season at Gatwick; position as at the initial coordination in November 1998



Source: ACL.

Note: Each day of the week is represented by a separate bar.

(c) new *entrants* which are divided into two categories: airlines that are new to the airport and new services requested by incumbent airlines that qualify as 'new entrants' under the IATA guide and the EC slot regulation (see paragraph 4.51); and

(d) *new incumbent applications* which include all new slot requests from incumbent airlines that do not qualify as new entrants.

4.66. First, all historic slots and changed historic slots are put into the database for the new season. Changed historic slots that would breach the scheduling capacity limits are rescheduled as close to the requested times as possible within the limits. ACL told us that this process takes a number of days.

4.67. Once the historic and changed historic slots have been accommodated, the slot pool is created. The pool is made up of new capacity, historic slots that are no longer required by airlines and slots that have been lost under the 'use-it-or-lose-it' rule. The resulting pool of slots is available for allocation to requests for slots to accommodate new services and increases in frequency on existing services.

4.68. Airlines qualifying as new entrants under the EC slot regulation (see paragraph 4.51) receive priority in allocating 50 per cent of this pool. The remaining 50 per cent, together with any balance of the initial 50 per cent that has not been taken up by new entrants, is then allocated to requests for new slots made by other incumbent airlines. If new entrants, in aggregate, apply for more than 50 per cent of the pool, they may be allocated additional slots, but on an equal basis with requests from incumbent airlines. A new entrant that is offered, but refuses, slots within two hours of its required time loses its new entrant status. An analysis of the times of slots allocated to the various types of bids in summer 1999 is set out in Appendix 4.5.

4.69. Table 4.3 shows how the available peak week slots at Gatwick were allocated in the summer seasons since 1997. The proportion of peak week slots available in the peak hours between 0500 and 1959 GMT for new services, after historic slots have been provided for, has fallen, but still amounted to 6.6 per cent of the total runway capacity in these hours in the summer 1999 season. In addition to the 344 pool slots available at these times in the peak week of summer 1999, a further 304 slots were available in the period between 2000 and 2259 GMT, which was less attractive to airlines and not fully taken up.

TABLE 4.3 **Gatwick slot availability and slot allocation in the peak hours of the peak week**

	Peak week slots between 0500 and 1959 GMT		
	Summer 1997	*Summer 1998*	*Summer 1999*
Weekly capacity	4,711	4,851	4,914
Historic slots	4,060	4,413	4,570
Pool slots available	651	438	344
Pool slots allocated*	711	401	326
Pool allocation as percentage of capacity	15.1	8.3	6.6

Source: ACL.

*Slots allocated at the time of the IATA Scheduling Conference in November. The excess allocation shown in 1997 is caused by a policy of overbooking that has since been abandoned.

4.70. Table 4.4 shows the total number of slots allocated at Gatwick in each complete season since 1995. The numbers of slots shown are calculated on a 24-hour basis, which include the number of available night movements. The table demonstrates that until winter 1998/99 a steadily increasing proportion of the available slots was being allocated as previously off-peak hours became fully used and airlines filled the shoulder months of the season. This was the result of increasing pressure for slots causing the peak hours to extend into previously quieter parts of the day. In summer 1999, however, demand increased less rapidly than capacity.

TABLE 4.4 **Gatwick 24-hour runway capacities and total slots allocated for complete seasons**

'000 slots per season

Season	*Runway capacity*	*Allocated slots*	*Percentage allocated*	*Season*	*Runway Capacity*	*Allocated slots*	*Percentage allocated*
Summer 1995*	163.9	132.2	80.7	Winter 1995/96	111.6	81.0	72.6
Summer 1996	162.4	138.7	85.4	Winter 1996/97	116.0	86.8	74.8
Summer 1997	167.2	150.7	90.1	Winter 1997/98	118.3	95.2	80.4
Summer 1998	174.2	157.4	90.4	Winter 1998/99†	121.0	98.2	81.2
Summer 1999*†	183.9	162.9	88.5				

Source: ACL.

*For comparison with other years, the totals for the 31-week seasons in 1999 and 1995 should be multiplied by 30/31.

† Winter 1998/99 and summer 1999 position as at 13 April 1999.

The effect of slot timing

4.71. The demand for airport slots varies with the time of day and has distinct peaks. For business-orientated short-haul routes, early morning departure slots are very important for a successful service. For example, most demand from UK-originating passengers for flights from London airports to cities such as Brussels, Amsterdam and Paris is for early morning (0700 to 0900 local time) departures. Business travellers, who make up much of the traffic, also want a frequent service. Thus, excess demand for slots at airports is most severe at specific times. Airlines that are not able to obtain slots at their requested times may be offered slots at other times by the Coordinator.

4.72. The optimum arrival and departure times for long-haul services are often determined by time constraints at the destination airport. Many long-haul services require arrival slots at between 0600 and 0900 GMT to operate successfully. Departure slots late in the morning are preferred for many long-haul services.

4.73. The result of the slot allocation process at Gatwick is illustrated by Figures 4.3 and 4.4. Figure 4.3 shows the effect of applying the slot allocation rules to the demand pattern shown in Figure 4.2 for each day of the peak week of the summer 1999 season. The allocation shown is the position as at 9 February 1999. It demonstrates that the numbers of ATMs at Gatwick at all times between 0500 and 2000 GMT are likely to be close to capacity. The difference between peak hours and other daytime hours has thus been eroded. Figure 4.4 shows the actual slots finally allocated to airlines in the peak week of the summer 1998 season.

4.74. Separate slot allocations are made for each day of the season. During the season, the Coordinator considers the use made of slots on an hour-by-hour basis. Any slots that subsequently become available, because airlines have either returned them to the pool or failed to use them, may accordingly be reallocated through pool procedures to airlines with unsatisfied requests.

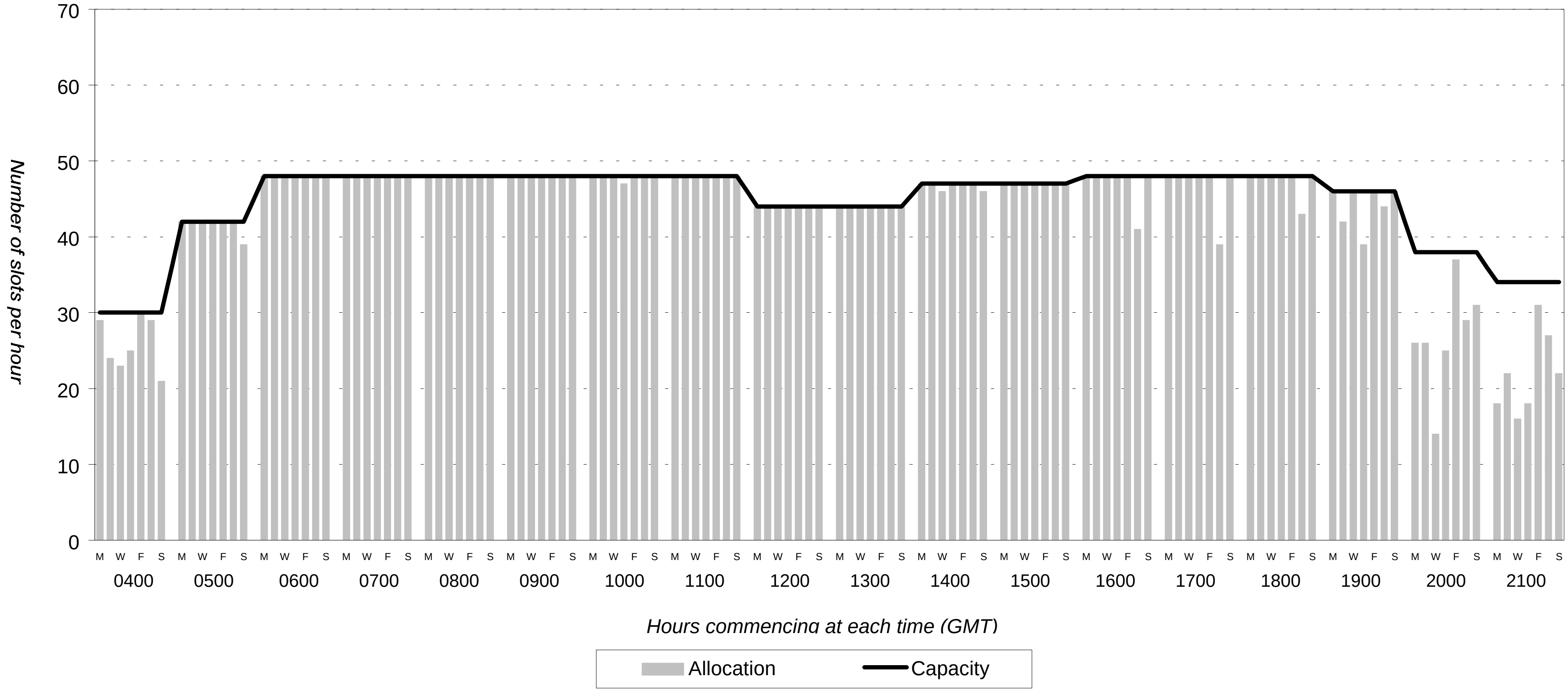
4.75. International IATA scheduling conferences are held twice yearly, after the initial slot allocations have been made at all fully coordinated airports. At these conferences, the allocation of slots for all the world's major airports is coordinated and slot exchanges may be negotiated on a global basis.

The significance of slot portfolios

4.76. Airlines with a substantial portfolio of slots have an important advantage over airlines with only a limited number of slots. Where an airline with only a few slots is offered an additional pair of slots at commercially unattractive times, it may find it extremely difficult to make effective use of them. In many cases, such slots are returned to the pool. Alternatively, the airline may choose to operate a loss-making service using the slots, in the hope of being able to retime the slots or acquire additional, better-timed, slots in future seasons.

FIGURE 4.3

Slots allocated for peak week of summer 1999 season at Gatwick; position as at 9 February 1999

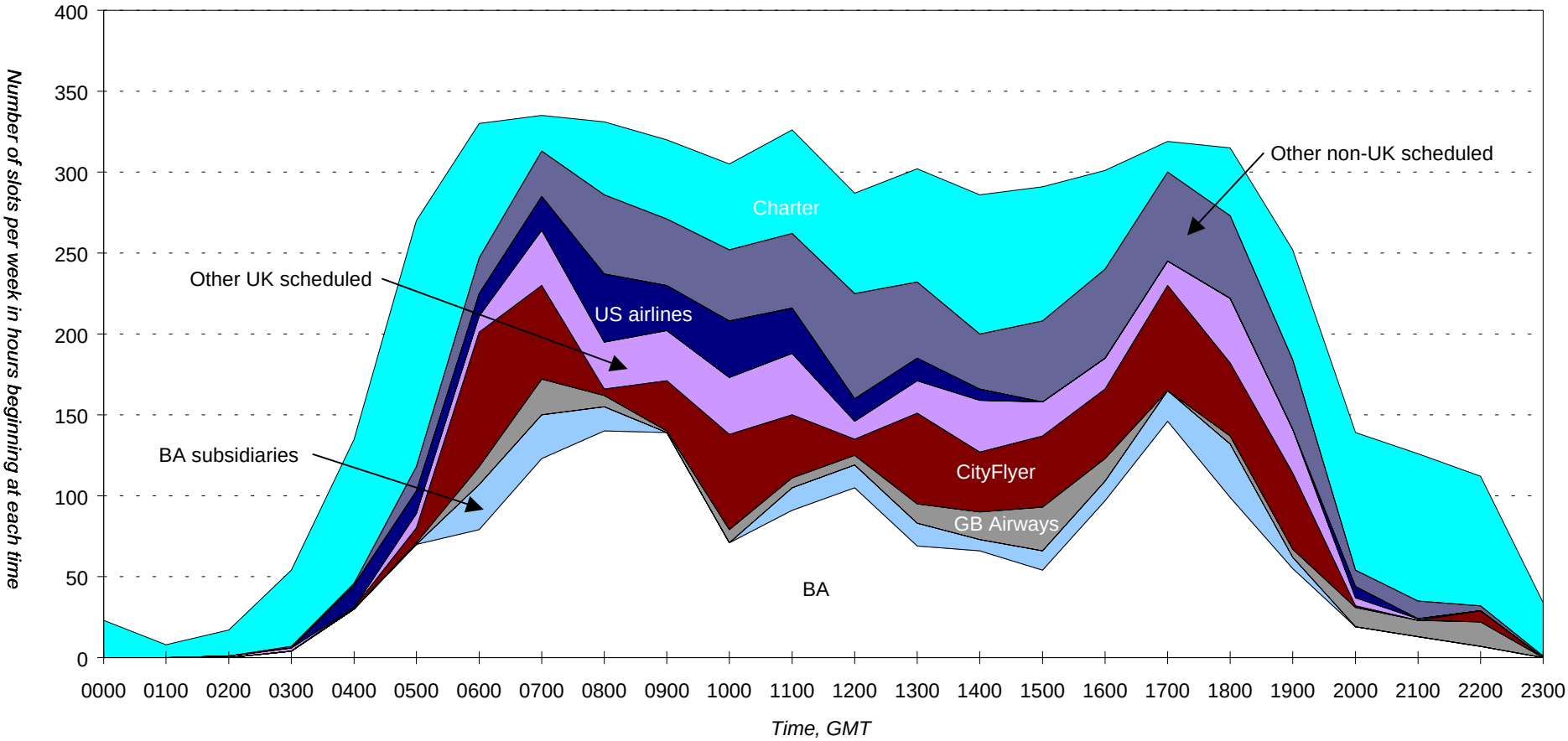


Source: ACL.

Note: Each day of the week is represented by a separate bar.

FIGURE 4.4

Gatwick slot holdings, peak week, summer 1998



Source: ACL.

4.77. Airlines with a variety of types of service and a sizeable portfolio of slots have more flexibility to optimize the allocation of their slots to services. They are better placed to use slots that might otherwise be regarded as commercially unattractive. These airlines can reorganize their large timetables to accommodate these slots in the most effective manner, reducing the likelihood of operating them at a loss. Most importantly, these airlines are better able to change the use of their slots in response to market conditions. This helps them to increase frequencies on particular routes where demand is strong, launch new routes, and refine the competitive timing of services through changing the slots allocated to them. They are also more likely to have slots readily available to swap with other airlines to increase their flexibility further.

The allocation of night-time movements and noise quota

4.78. The Government establishes overall night movement and noise quota allocations for Heathrow, Gatwick and Stansted under section 78 of the Act. These are allocated to individual airlines by the airports' Coordinators. (Noise controls at other airports are generally established through conditions attached to planning permissions.) Local rule 1, established by the Gatwick Coordination Committee, sets out the procedures for allocating night movements and noise quota (referred to as quota count or QC). Entitlements to night movements and QC are initially allocated in proportion to the airlines' VPPs (see paragraph 4.63) in November for the summer season and in May for the winter season. As VPPs are related to the airlines' overall activity (including daytime activity) at the airport, rather than their specific need for night flights, airlines receive entitlements that are typically very different from their requirements. Both BA and CityFlyer regularly receive larger initial night movement and QC allocations than they use. Charter airlines, by contrast, receive smaller allocations of night movements and QC than they need because they have a larger proportion of night-time flights than scheduled airlines. They are thus very dependent on the reallocation of night movements and QC returned to the pool by scheduled airlines.

4.79. BA told us that the limit placed on night movements at Gatwick was pitched at a level very much higher than the Gatwick airlines had historically used. It was thus the airlines' QC allocations that limited their night operations, rather than their night movement allocations. The QC needed for each aircraft movement varied from nil to 16 units, depending on the noise quotient of the type of aircraft. Older, noisier aircraft types used up more QC allocation, for example the arrival of a DC10 used ten units. Newer types of aircraft required much less QC allocation, for example the arrival of a Boeing 777 used only 0.5 units. The effect of QC restrictions, therefore, became less severe when an airline had invested in new, quieter aircraft.

4.80. Allocations of night movements and QC in excess of airlines' needs are taken back by the Coordinator and redistributed to other airlines. Some charter airlines were concerned by the delay that this process caused to the receipt of their final allocations of night movements and QC. ACL told us that a first reallocation took place in mid-February, for the summer season, and mid-September, for the winter season. At this time, ACL compared each airline's planned demand (based on flight schedules) with its VPP-derived initial allocations of night movements and QC. Airlines were not permitted to hold more night movements or QC than their planned requirements plus a margin of 15 per cent. Any excess had to be returned to the Coordinator for reallocation. ACL continued to perform similar reallocations throughout the season, as necessary. Generally, such reallocations took place monthly during a summer season. (Night movements and QC did not constrain airlines during the winter season.) As the 15 per cent margin applied to the remaining portion of the season, it steadily reduced towards zero as the season progressed.

4.81. ACL also maintains 'pools' equivalent to 10 per cent of the remaining available night movements and QC. These pools are used to supplement the allocations of airlines requiring larger allocations pending a reallocation.

4.82. ACL told us that, if an airline were to retain excess flight times in its schedules, it would follow the issue up with the airline and, if necessary, could refer the matter to its Slot Performance Committee. It told us that such deliberate abuse had not in practice been an issue. ACL did not believe that airlines withheld night movements or QC at Gatwick without good reason. In support of this view,

it said that actual use of QC was very close to the maximum possible: in summer 1998 8,845 QC points were used, out of a limit of 9,550 (a utilization rate of 93 per cent).

4.83. ACL told us that it had received legal advice that it was permissible for airlines to transfer noise movements and QC to other airlines; these quotas were distinct from slots and were not therefore covered by the EC slot regulation.

4.84. Proposals for revising the system of allocating night movements and QC at Gatwick are being developed. We were told that any such proposals would probably result in allocations that are more closely related to the actual night movements made by airlines in previous years. The scheduled operators, such as BA, that would receive smaller allocations could, however, oppose any such changes.

Access to other airport facilities

4.85. The other airport facilities required by airlines include:

(a) terminal accommodation, which comprises offices and commercially important passenger (CIP) lounges;

(b) check-in desks;

(c) aircraft parking stands;

(d) piers, air jetties and aircraft stands;

(e) aircraft hangars; and

(f) ground handling agents.

4.86. Appendix 4.6 outlines the background to the development of Gatwick and the main facilities there.

The role of BAA and Gatwick Airport Ltd

4.87. GAL is responsible for allocating ancillary airport facilities at Gatwick to airlines. It told us that, although the allocation of facilities each airline received was broadly related to the scale of its activities at Gatwick, it was not formally related to measures such as numbers of ATMs or VPPs. To achieve the most effective use of airport facilities, GAL took into account a range of additional factors when allocating facilities to airlines. These factors reflected the demands that particular types of traffic placed on the airport's infrastructure. Given the reasonably stable nature of air services, the starting point for each season's allocation was generally the allocation of facilities in the previous corresponding season. This allocation was then adjusted to reflect any significant changes in user demand from one season to the next.

4.88. The CAA told us that it had received no complaints from airlines about unfair treatment at Gatwick since the Commission's most recent periodic review of the economic regulation of BAA's London airports in 1996.[1]

[1] *BAA plc: a report on the economic regulation of the London airports companies (Heathrow Airport Ltd, Gatwick Airport Ltd and Stansted Airport Ltd),* CAA, MMC4, June 1996.

Terminal accommodation

4.89. A range of accommodation is available in each terminal. BAA told us that the starting point for allocating airlines to terminals was the existing pattern of occupation. Any changes in the allocation of offices and CIP lounges are normally made through negotiation between GAL and individual users. BAA added that GAL's terminal occupation policy had been agreed with Gatwick's airlines through the Airline Operators Committee (AOC) (see paragraph 4.98). The essence of the policy was to make the most effective use of terminal capacity, to maximize pier service, to minimize inter-terminal passenger transfers and, where possible, to co-locate airlines with commercial relationships. BAA told us that, as GAL attempts to avoid forced transfers, movements could normally be effected only with the agreement of all the airlines concerned. Although airline transfers did occur from time to time, it was not generally possible to switch an airline that required capacity at peak times to the other terminal unless another airline with equivalent requirements wished to transfer in the opposite direction.

4.90. When users were not satisfied with their accommodation, GAL could usually meet their requirements, after a reasonable period, through new development.

Check-in desks

4.91. GAL allocates check-in desks to handling agents, who in turn allocate them to the airlines they handle. GAL's allocation of desks is reviewed before each season and is generally based on the anticipated demand from each agent's airline customers. The analysis also takes into account the characteristics of the passengers handled by each agent, in terms of the balance of short-haul and long-haul and the mix of first, business and economy class customers. Once GAL has told each handling agent its overall entitlement, the agent is responsible for the day-to-day allocation of check-in desks to airlines. Imminent changes to Gatwick's ground handling market have prompted GAL to introduce a proportion of common user check-in desks in the South Terminal to create additional flexibility.

Pier service and stands

4.92. The allocation of aircraft parking stands is an important part of the overall management of an airport. The efficiency of the process affects the level of pier service that can be provided and thus the satisfaction that passengers have with their method of boarding and disembarkation. BAA has set a target that between 90 and 95 per cent of passengers boarding and disembarking from aircraft at its airports should do so via a pier attached to a terminal building and not require the use of a bus to reach a remote stand.

4.93. BAA told us that GAL allocated aircraft parking stands between handling agents on the basis of its assessment of the seasonal schedule. It had developed an allocation system, in conjunction with the handling agents, that was designed to maximize pier service whilst taking account of safety, the changing needs of the business and the different requirements of certain types of airline operation. The allocation was based on the handling agents' estimated shares of business at times of peak demand. It also took account of traffic characteristics, airline preferences, past allocations and any specific requirements, such as high-security flights.

4.94. The day-to-day allocation of stands is the responsibility of the individual handling agents in each terminal. Stand allocations are communicated to GAL Airfield Operations where they are assessed for their effect on overall operations and safety.

4.95. BAA supplied us with data showing the level of pier service received by all airlines at Gatwick in the period from March 1998 to February 1999. These data showed that, in the North Terminal, 68 per cent of BA's passengers received pier service, compared with an average of 71 per cent for airlines in that terminal. In the South Terminal, 96 per cent of CityFlyer's passengers received pier service, compared with an average of 98 per cent for airlines in that terminal.

Handling and ramp services

4.96. Under the terms of the EC ground handling directive,[1] ground handling agents are selected by the airport management after consultation with airport users. BAA told us that its policy was that airlines should generally have a choice of ground handling agents or be permitted to self-handle, where this did not compromise safety standards, overall capacity or the level of service to users. The CAA recently approved Gatwick's application to increase the number of ground handlers at the airport to a maximum of four companies. The four companies appointed to carry out ground-handling activities at Gatwick are BA, Servisair, Gatwick Handling and British Midland (from May 1999).

Aircraft maintenance facilities

4.97. Hangars are normally built by airlines or maintenance contractors, following the granting of a ground lease by the airport operator. BAA told us that GAL has been able to meet the demand to build hangars. Airlines that do not own hangars need to make arrangements with other airlines or maintenance contractors.

The Airline Operators Committee

4.98. An AOC has existed for some considerable time at Gatwick. Any airline operating there is entitled to membership of the committee and GAL is invited to attend. Meetings are typically held every six to eight weeks. Separate AOCs also exist for the North and South Terminals. GAL told us that the AOCs are key forums for consultation on matters of mutual interest.

[1]Council Directive 96/67/EC of 15 October 1996, OJ L272, 25.10.96, p36.