UK CAA - CAP 3202: Call for inputs – review of the Traffic Distribution Rules 1991

Submission by International Airlines Group

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This submission provides the views of International Airlines Group (IAG) in response to the consultation undertaken by the UK Civil Aviation Authority (CAA) on its review of the Traffic Distribution Rules 1991 ("the 1991 TDRs").

IAG appreciates the opportunity to provide input for the CAA's review of the 1991 TDRs and, in line with the areas of interest identified in Annex 1 of the CAA's letter dated 18 December 2025, sets out a response as follows:

- Executive Summary
- Introduction – About Our Business
- Impact, Scope and Effects of the 1991 TDRs
- Market Conditions and Substitutability
- Alternative Mechanisms for Efficient Use of Airport Capacity
- Wider Slot and Economic Regulatory Reforms in the Context of Airport Expansion

Executive Summary

1. IAG - the parent company of British Airways, Iberia, Aer Lingus, Vueling and LEVEL - is a major contributor to the UK's global connectivity, economy and aviation sector. With extensive operations at Heathrow, Gatwick and London City airports, IAG delivers substantial economic value through employment, trade, inbound tourism and bellyhold cargo, supported by stable slot portfolios built over decades of investment. Any regulatory changes affecting access, slot allocation or airspace use therefore carry significant potential impacts for IAG, its customers and the wider UK economy.

2. **As a matter of regulatory principle, IAG does not generally support the use or expansion of Traffic Distribution Rules (TDRs)**. TDRs tend to be discriminatory, outdated and distortive tools that reduce transparency, constrain airlines' ability to operate according to market demand, and risk inviting reciprocal restrictions internationally. Modern, globally aligned frameworks, particularly the UK Slot Regulation (Slot Regulation), the IATA Worldwide Airport Slot Guidelines

(WASG) and locally agreed rules, provide more effective, proportionate and non-discriminatory mechanisms for ensuring efficient capacity use at congested airports.

3. However, given **the acute operational and slot constraints at Heathrow and Gatwick today**, the narrow purpose of the 1991 TDRs, to prevent inefficient runway use during peak hours, **remains relevant**. In the case of Heathrow, capacity is fully allocated and structurally constrained by the 480,000 cap on movements. Any relaxation of the 1991 TDRs could adversely affect resilience and compromise runway throughput by increasing exposure to Light/Small aircraft typically used by general/business aviation, whose wake-separation requirements reduce efficiency. The risk of small aircraft gaining historic slot rights in a highly congested environment would further undermine capacity utilisation and consumer benefits.

4. By contrast passenger aircraft carrying **bellyhold cargo provide the highest economic and consumer value per movement at Heathrow**, supporting wide-ranging long-haul connectivity, maximising trade flows, and delivering the most carbon-efficient cargo uplift. While bellyhold carriage meets the large majority of UK cargo needs, there remains a **limited but legitimate role for specialist freighter operations** where bellyhold alternatives are unavailable or insufficient. Such access, however, must be carefully calibrated within the context of runway scarcity, infrastructure efficiency and long-term regulatory cost implications.

5. IAG emphasises that existing **local rules**, notably Heathrow's Local Rule 2 and equivalent arrangements at Gatwick, already provide structured and effective mechanisms for managing ad hoc business aviation and freighter activity without resorting to blunt regulatory instruments such as TDRs. The decision of the UK slot coordinator (ACL) to remove a WASG pre-season handback mechanism has, however, hampered scheduling flexibility and impeded the efficient reallocation of unused slots across seasons.

6. Any review of the 1991 TDRs must be considered within the broader context of potential **slot regulation reforms**, **economic regulatory reviews**, and **uncertainty around future runway expansion**. Considering TDRs in isolation risks creating conflicting incentives, where amendments now could complicate matters with both slot allocation and pre-mature investment decisions. Once there is a clearer picture on how much and how fast additional capacity can be delivered at Heathrow and Gatwick, **there may be a logical case to phase out the TDRs** entirely and rely on standard slot allocation mechanisms and local rules. However, IAG believes **now is not the appropriate time for full revocation of the 1991 TDRs**, particularly in the case of general/business aviation.

7. IAG urges the CAA and the Department for Transport to prioritise strengthening existing, internationally aligned slot-regulation frameworks, supported by non-discriminatory local rules tailored to specific airport characteristics, while avoiding radical or unilateral reforms that could undermine competition, global connectivity or operational resilience. In this context, **IAG recommends that, for now, the 1991 TDRs be retained in their current, narrow form** while avoiding any expansion to other airports or traffic types. Ultimately the 1991 TDRs should be **phased out as part of a coordinated, industry-aligned package aligned with reviews of the slot and economic regulatory frameworks and an understanding of future capacity developments** and how this will all support an efficient, sustainable and consumer-focused operation, particularly in the case of Heathrow as the UK's only hub airport.

Introduction – About Our Business

8. IAG is the parent company of British Airways, Iberia, Aer Lingus, Vueling and LEVEL. Our airlines' networks combine to provide global reach for IAG Cargo and our loyalty division, IAG Loyalty, runs the Avios rewards currency supporting airline and consumer loyalty schemes across the world.

9. In 2024, IAG carried 122 million customers and 651,000 tonnes of cargo in more than 600 aircraft to 250 destinations in 91 countries. In the UK, IAG employs almost 40,000 people and our activities make a very significant contribution to society supporting over £10 billion in economic activity and 97,000 jobs from its direct activities, and those in the supply chain, and a further £7 billion and 104,000 jobs thanks to the impact of the inbound tourism our airlines facilitate[1]. [redacted] The operations of IAG, together with those of its joint business and alliance partners is therefore extremely important to UK aviation and the wider economy.

10. IAG is an important stakeholder at its London bases of Heathrow (LHR), Gatwick (LGW) and London City (LCY), with significant investment in buildings and equipment. IAG represents the only hub operator and the largest cargo handler and operator at LHR, with a 56% share of slots (BA has a 51% share). Therefore, IAG and its partners play a major role in delivering connectivity benefits to the UK and putting UK aviation on a competitive footing at both a European and global level.

11. Our networks at these airports are built on the stable and established allocation of these slot portfolios that have been built up over many years of investment. Any significant disruption to IAG's UK operations resulting from changes to regulatory statutes and instruments governing UK civil aviation, including how the UK designs its airspace, uses its runways or imposes restrictions, would have a negatively disproportionate impact, not only damaging IAG's business and our customers' interests but also the economic and social benefits we bring to the UK.

Impact, Scope and Effects of the 1991 TDRs

12. As a matter of regulatory principle, IAG generally opposes the use of Traffic Distribution Rules (TDRs). TDRs tend to distort markets, impose artificial restrictions on capacity allocation, foster protectionism, and risk triggering international retaliation, all of which ultimately harms consumers. TDRs can also lack transparency, further undermining the aviation market.

13. Consequently, IAG does not support adding further airports to the 1991 TDRs framework, as this would introduce additional restrictions and exacerbate existing challenges for operators.

14. IAG believe airlines should be free to operate routes according to market demand and viability, ensuring open, transparent, and non-discriminatory competition. The objectives often cited for TDRs are better achieved through the Slot Regulation, the IATA Worldwide Airport Slot Guidelines (WASG) and, in extremis, local rules agreed between airports, airlines and slot coordinators. These mechanisms provide the most appropriate framework for transparency, fairness, and global compatibility without mandating the use of specific airports. Effective implementation of the Slot

[1] *Economic Impact of IAG in the UK*, PWC report 2023

Regulation and WASG is preferable to restrictive regulations and is the best way to meet demand while delivering efficient, consumer-friendly, and environmentally responsible outcomes.

15. Turning to a different consideration, it is important that any review of the 1991 TDRs recognises the hierarchy of economic and social benefits that passenger services, whole-plane cargo operations, and general or business aviation provide to consumers, airlines, and the UK.

16. IAG supports maintaining the efficient use of Heathrow and Gatwick and opposes measures that could dilute capacity or diminish consumer benefits. Any removal or amendment of the 1991 TDRs should therefore be carefully assessed to avoid unintended impacts on airport efficiency or market access, both under today's capacity constraints and in the context of understanding what future airport capacity for an expanded Heathrow and Gatwick could look like.

17. Consequently, in the context of enabling future delivery of significant new capacity at congested airports, IAG believes that the CAA's review of the 1991 TDRs cannot be conducted wholly independently of wider slot and economic regulatory reforms being contemplated by the DfT and CAA respectively. This leads IAG to question the timing of this review while infrastructure is at capacity and the scope/timeline for expansion is still under discussion. Amendments now could complicate matters with both slot allocation and pre-mature investment decisions.

18. The 1991 TDRs were established to prevent whole-plane cargo and business/general aviation operations at Heathrow and Gatwick during declared periods of peak congestion. The 1991 TDRs were introduced at a time when the periods of peak congestion were arguably less pronounced and when more surplus capacity existed. Indeed, they predate the introduction of a 480,000 Air Traffic Movement (ATM) cap at Heathrow by some 10 years.

19. Moving to current day operations, specifically at Heathrow, IAG does not believe that the removal of the 1991 TDRs would create material new access because the airport is now fully allocated and structurally constrained by the 480,000 ATM cap. This may not be so true for Gatwick, which does still have surplus capacity at certain times of the day, particularly in winter seasons.

20. While the 1991 TDRs do not materially constrain IAG operations directly, any relaxation could undermine operational resilience, especially in the case of Light/Small aircraft categories typically used by general and business aviation. In practice, the rules today do still protect runway efficiency, ensuring scarce movements are not displaced by low-capacity aircraft types that would reduce throughput.

21. The increased separation minima required to take account of wake vortices when Light/Small aircraft follow Medium/Heavy aircraft, have significant impacts. Aircraft that have to delay landing or take off, to ensure the necessary gaps between movements, threaten the punctuality and resilience of the airport and exaggerate the impact of disruption, due to weather for example. Furthermore, it is not clear how general aviation (non-customer) service providers would interact with the airport and the wider airline community in a capacity reduction scenario under Local Rule 4. Greater delays can of course lead to greater environmental impacts. This has been observed in the past at Heathrow, where a large range of aircraft types do not make the best use of available capacity at the airport. We note that the capacity declaration processes for Heathrow and Gatwick are based on the current mix of aircraft. Significant numbers of general aviation operations could

also have a negative impact on the runway capacity practically available. An increase in small aircraft also need somewhere to park and Heathrow is already heavily gate constrained.

22. Besides the operational impacts, the idea of small business jets gaining historic rights at hubs, where seasonal demand for slots exceeds supply, would not be a positive step in terms of the efficient use of scarce airport capacity at Heathrow or Gatwick. This would not be the most economically efficient use of slots, especially where business aviation can opt for alternative smaller airfields nearby, including Farnborough, Luton and London City, which meet the demands of this sector more efficiently.

23. Arguments for having a binding constraint to entry and expansion is far less compelling in the case of whole-plane cargo services. In the first instance, it is fair to say that the aircraft types typically used by freighter operators do not have a significant operational impact on the airport, apart from potential stand and parking challenges. Furthermore, as Heathrow is the largest UK port by value, it could be said that there may be some merit in allowing freighters to connect to other airlines' services.

24. At highly slot-constrained airports like Heathrow, using the bellyhold capacity of large passenger aircraft is generally the most efficient way to meet cargo demand, though it cannot serve all markets or specialised needs. While most UK cargo flows are supported by bellyhold capacity, certain routes and requirements still exceed what this capacity can provide, creating demand for dedicated cargo solutions.

25. Existing Heathrow infrastructure is built and designed around passenger aircraft in a relatively compact footprint, where more cargo operations could result in a grossly inefficient airport with greater attendant costs as a result of Regulated Asset Base based incentives to build the infrastructure required to support more whole-plane cargo services. Other UK airports such as Stansted and East Midlands are better equipped for accommodating freighter services. On the flip side, such arguments do not remove the case for limited freighter activity at Heathrow where proximity, connectivity, or cargo characteristics make alternative airports materially less efficient (see Market Conditions and Substitutability section).

26. In terms of slot allocation, general aviation and whole-plane cargo services can tend to value the commercial and operational flexibility of being able to secure last-minute adhoc slots on individual days or on a part-season basis, rather than full season historic rights. This can make the coordination of congested hubs more problematic, as the distribution of capacity becomes uneven across the scheduling period and results in the inefficient use of slots.

27. IAG would highlight that there are already sufficient measures in place for reserving appropriate levels of capacity for irregular types of traffic at Heathrow and Gatwick.

28. At the airports managed by ACL, a number of local guidelines have been developed in accordance with Article 8 (5) of the Slot Regulation and agreed by the Coordination Committees to deal with specific scheduling issues. At Heathrow, Local Rule 2 governs Ad Hoc (short-term, non-seasonal) procedures as agreed by an Ad Hoc Working Group. The rule makes runway capacity available for ad hoc operations, including business aviation and whole-plane cargo services, consisting of Pool Slots and Tactical Availability. Similar local rules exist at Gatwick.

29. Arguably, such Local Rules are better at serving and balancing the needs of general/business aviation and whole-plane cargo services against scheduled flying, rather than relying solely on the removal of the 1991 TDRs or changing the Slot Regulation, i.e. in the absence of the 1991 TDR, the existing adhoc local guidelines should remain.

30. The only barrier to this is the UK coordinator (ACL) removing preseason handback mechanism outlined in WASG section 8.7.2[2]. Where WASG 8.7.2 was recognised by slot coordinators, carriers could return a proportion of slots early without slot retention consequences (for instance, where a holiday reduced public demand for air travel). This incentivised air carriers to return individual slots to the slot pool in a timely manner, so that they could be reallocated on an adhoc basis.

31. The CAA (and DfT) should be aware that this block to the flexibility air carriers once had to match schedules to demand, effectively forces carriers to now operate some flights, for short periods across a given season, that are commercially weak. With operators of scheduled flying actively disincentivised to return slots early, the once effective reallocation to others (including general/business aviation and whole-plane cargo services) is now hampered. This is contrary to the objective of ensuring the most efficient use of available capacity.

Market Conditions and Substitutability

32. Heathrow is the UK's primary hub airport and largest port by value. Over 95% of its cargo is carried in the bellyhold of long-haul passenger aircraft. Bellyhold cargo provides significant network breadth and supports both exports and imports.

33. In some markets, however, bellyhold options do not fully meet cargo needs. IAG highlights the following key points:

    - At slot-constrained airports such as Heathrow, bellyhold cargo on large scheduled passenger aircraft is generally the most efficient default use of runway capacity. However, bellyhold capacity does not meet all cargo needs in every market or circumstance.
    - While the UK cargo market is largely served by passenger bellyhold capacity, this does not fully address demand for certain flows where bellyhold capacity is unavailable or insufficient.
    - Freighter operations and bellyhold cargo should be viewed as complementary rather than substitutive. In cases where no effective bellyhold alternative exists, targeted freighter access can deliver clear economic and consumer benefits.
    - Airports such as Stansted are generally well suited to accommodate freighters, but this does not remove the case for limited freighter activity at Heathrow where proximity, connectivity, or cargo characteristics make alternative airports materially less efficient.
    - Any expansion of freighter activity at Heathrow should be carefully calibrated, recognising potential impacts on runway capacity and infrastructure efficiency, but an approach that

[2] Worldwide Airport Slot Guidelines, Section 8.7.2 – Cancellations before the Historic Baseline Date

effectively excludes freighters could limit the ability to accommodate legitimate, high-value cargo use cases.

- Given Heathrow's role as the UK's largest port by value, there is a rationale for allowing freighter operations where they address demonstrable gaps in bellyhold provision, rather than relying exclusively on passenger aircraft to meet all cargo demand.

Alternative Mechanisms for Efficient Use of Airport Capacity

34. IAG believes that effective implementation of the existing Slot Regulation and WASG, together with local rules established by agreement between the relevant parties are more effective and non-discriminatory tools compared to TDRs. These mechanisms should, in the medium term, enable the complete revocation of TDRs as part of broader reform.

35. IAG recommends that the UK maintains the current approach to slot allocation, but should the government explore reform, it should focus on enhancing the Slot Regulation by aligning with international best practices and rules for slot allocation, rather than isolating UK airports, airlines and other aviation stakeholders with novel and radical allocation methods and detrimental slot retention conditions.

36. We caution against radical change in a global industry. The current Slot Regulation is generally working well and has proven to facilitate the entry, growth and competitive aviation sector we see in the UK despite insufficient airport capacity to meet all demand. It is not an instrument of competition policy and should not be reshaped as a tool to manipulate downstream competition. This would crudely undermine the importance of upholding non-discriminatory principles.

37. Adherence to the World Airport Slot Guidelines (WASG) has delivered and promoted more efficient use of capacity, whereas divergence from global norms could undermine effective competition, contrary to government intentions, if airlines are unable to plan effectively at each end of any route.

38. In the context of the WASG, it is IAG's view that further developments concerning slot allocation criteria should be discussed and developed by the industry and incorporated dynamically or periodically into the Slot Regulation. To avoid the rule of 'unintended consequences', it is imperative that the recently formed Worldwide Airport Slot Board (WASB) of airlines, airports and coordinators, is given the latitude to continue using their experience and take the lead in guiding global slot regulatory frameworks.

39. IAG does support the view that certain changes to the Slot Regulations are warranted to spell out how the slot allocation system should be interpreted in the UK to meet slot allocation objectives, foster resilient operations and avoid legal uncertainty.

40. UK airports are subject to varying degrees of congestion, but the Slot Regulations do need to work for all airports that are subject to slot coordination or facilitation. IAG would contest that TDRs are not the answer to addressing this. Instead, non-discriminatory local rules or guidelines can be developed where the Slot Regulations do not cover particular circumstances or specific airport characteristics in sufficient detail, provided they do not affect the independence of the

coordinator, comply with Community law and aim at improving the efficient use of airport capacity. For example, the Airports Commission recognised that an effective hub requires an effective hub airline and yet the processes for declaring capacity and allocating slots is dictated by various regulations, rules and guidelines which are not specifically intended to influence connectivity outcomes.

41. For a hub airport, local guidelines are an option to ensure the coordinator can justify allocation decisions based on criteria for preserving or improving the primary function of the airport, i.e. an optimal mixture of long, medium and short haul routes at hub airports. The equivalent could be developed for airports that predominantly serve point-to-point or cargo markets. Likewise, criteria that enables a coordinator to justify decisions based on social welfare criteria, such as safeguarding public transport interests and jobs could also be included. Such guidelines would be in line with the uncontested precedent set for the Frankfurt hub, which were brought in to protect the interests of the German aviation market. However, it's essential such criteria are not prioritised or overly prescribed to the point of being discriminatory.

Wider Slot and Economic Regulatory Reforms in the Context of Airport Expansion

42. IAG is concerned that there may be a clash between potential economic regulatory reforms and slot allocation processes or – more likely – opportunity for confusion and altered incentives in some cases.

43. Under current regulatory structures HAL has an incentive to add to its Regulated Asset Base (RAB) in the interests of driving additional returns. For example, HAL have proposed a project called Cargo Southside at a significant price tag to support bellyhold cargo operations should there be no additional slots for cargo-only services (assuming two runways at Heathrow). Airlines have challenged the business case, and so the project is currently on hold.

44. There is a real risk that the complete revocation of the 1991 TDRs could provide HAL with an incentive to grow its dedicated cargo operations to support cargo-only aircraft, while no capacity is available in a two-runway capacity constrained environment. We do not see this as an argument for opening TDRs today since our concern would be the same as with the overall cost of expansion: we cannot support such costly investments blindly which would have to be recovered from users either through the RAB or a future economic regulatory framework that the CAA is currently considering. While related to the discussion of TDRs this issue is, in fact, part of the regulatory reform discussion and the H8 price control review (including the capacity assessment) and should be treated as such.

45. Future capacity expansion or movement cap reforms will fundamentally change the relevance of the 1991 TDRs.

46. Once additional capacity exists, there will be a strong case to phase out the 1991 TDRs entirely and rely on standard slot allocation approaches for new capacity, but IAG is of the opinion that now is probably not the right time for this.