

SOUTH AFRICAN



The Economic Benefits of Aviation and Performance in the Travel and Tourism Industry

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Manager Trade Relations
Global, SA Tourism



AVIATION GROWTH INDUSTRY CONFERENCE

Presented by :Sadiq Dindar
Manager Trade Relations : Global
South African Tourism
Date: 11 October 2016



Inspiring new ways

Introduction

- It is evident that tourism and air transport are mutually dependent.
- Air transport affords travellers, who in the main are tourists travelling for different purposes within and across countries, and on the other hand tourism requires air transport to supply its products to consumers or travellers of all kinds.
- The expansion of air services is therefore a necessary condition for the expansion/growth of tourism.
- South Africa's aviation ranks among the best in Africa and globally. According to the Travel & Tourism Competitiveness Report 2011, which compares South Africa with 139 countries on the basis of 70 indicators, it was ranked 54th overall and remains the highest ranked country in sub Saharan Africa.

Introduction

The South African Government is investing to achieve significant growth in South Africa's international tourism arrivals and receipts through focused and targeted marketing



Air services, airlift capacity and pricing are proving to be a critical barrier to SA's ability to become competitive in the attractive segments of the global tourism market



Government, as regulator of the aviation sector, and as the shareholder in SAA, faces some key choices about the need to:

- Ensure sustainable air links to core focus markets for tourism and investment
- Ensure that SA has strong flag carrier/s who are investing in increasing capacity to meet future demand and growth
- Set the regulatory environment for competition that will pass on the benefits to consumers in the form of competitive fares and good service

Introduction

Access

- Are there appropriate and sustainable air links between our target markets and South Africa?
- Are there appropriate and sustainable air links in place to connect consumers to the product within South Africa?

Capacity

- Is there sufficient sustainable capacity available – at the right times – to support tourism growth from target markets now and in the future?
- Is there sufficient sustainable capacity available – at the right times – to connect tourists to the product within South Africa, both now and in the future?

Pricing

- Are seats on international and domestic flights available to consumers at prices which are appropriate to their key buying criteria, when they want to travel to and within SA?



The value of Aviation is well understood and its contribution to the Global Economy

- According to IATA, passenger growth expected to reach **7.3 billion by 2034** driving **4.1% average annual growth** in demand for air connectivity.
- According to the UNWTO Report, international tourist arrivals to reach 1.6 billion by 2020 driving an estimated annual growth of between 4% to 4.5%.
 - Despite the decline in long-haul travel as a result of the cautionary economic recovery, UNWTO is optimistic about **long-haul travel** – that it will grow faster at 5.4% p.a. compared to the 3.8% growth of inter-regional travel. However, **intra-regional (short-haul)** will account for 75% of the total international arrivals in absolute terms (i.e. 1.2 billion).
 - East Asia and the Pacific, the Middle East and Africa are **forecasted to grow** at over 5% (i.e. at 6.5%, 6.7% and 5.5% respectively) compared to the world average of 4.1%.
 - The **market share** of East Asia and the Pacific will almost double from 14.4% to 25.4% compared to the conservative growth from 18.1% to 19.3% in the US and a drop from 59.7% to 45.9% in Europe.

SA Tourism Markets

	Africa	AMERICAS	ASIA & AUSTRALASIA	EUROPE & the UK
CORE MARKETS	Angola Domestic Kenya Mozambique Nigeria Tanzania	Brazil USA	Australia China India	France Germany Netherlands UK
INVESTMENT MARKETS	Botswana DRC Ghana Lesotho Uganda Zimbabwe	Canada	Japan South Korea	Italy Russia
TACTICAL MARKETS	Namibia UAE Zambia		Singapore	Switzerland
WATCH-LIST MARKETS	Ethiopia Malawi Swaziland	Argentina	New Zealand	Austria Belgium Denmark Finland Norway Spain Sweden Turkey
STRATEGIC IMPORTANCE	Egypt, Israel, Morocco, Saudi Arabia, Tunisia,		Malaysia	

Performance of Regions within SAT portfolio : Jan – July 2016

- Europe 15%
- North America 19%
- Central South America 18%
- Asia 41%
- Middle East 37%
- Africa 13%
- **Call to Action for the Aviation industry – re: to adjust strategies and operating models to take advantage of growing markets within SAT portfolio**

SA Tourism identified aviation as a key converter to South Africa's marketing efforts globally.

- Some of the initiatives undertaken by SA Tourism include the following:
 - On the global front, the focus is negotiation of global MOUs with airlines and as a result we have successfully concluded MOUs with airlines and are open to enter into agreements with airlines that can support growth of arrivals into South Africa
 - At our Country levels our offices have strong relationships with airlines to support our trade activations like Media Trips, Fam Trips hosting of buyers at Indaba and Meetings Africa
 - SAT attends the Bi Lateral Air Services agreements set up by Department of Transport during this discussions we support increased air lift to South Africa
 - Air link hubs of strategic importance to tourism growth have been identified by SA Tourism which informs partnerships with key airlines.

Call to Action: Aviation to work closely with SA Tourism in order to support tourism growth.

Joint Collaboration opportunities that need to be maintained and further enhanced between the Aviation sector and SA Tourism .

- Promotion and hosting of key buyers for our trade shows Meetings Africa and Indaba.
- Marketing through the airline platforms at consumer touchpoints globally eg Airports, In Flight Magazines and Videos, Messaging to the airlines frequent flyer members etc..
- Sharing of passenger data and movements this would assist in seeking opportunities that may arise from new markets and to support the airlines in increasing passenger movements to South Africa.

SA Tourism identified aviation as a key converter to South Africa's marketing efforts globally.

- SAT would like to thank the members of Aviation Industry for the important role you play in supporting Tourism to South Africa
- It is also encouraging to see key airlines having more than one flight a day into South Africa as ease of connectivity for passengers make the country more marketable globally in turn increased arrivals .
- The aviation sector plays a key role in job creation within the Tourism sector

Thank You



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AUTHORITY*



Economic Impact of General Aviation

Mr Leon Dillman

CEO

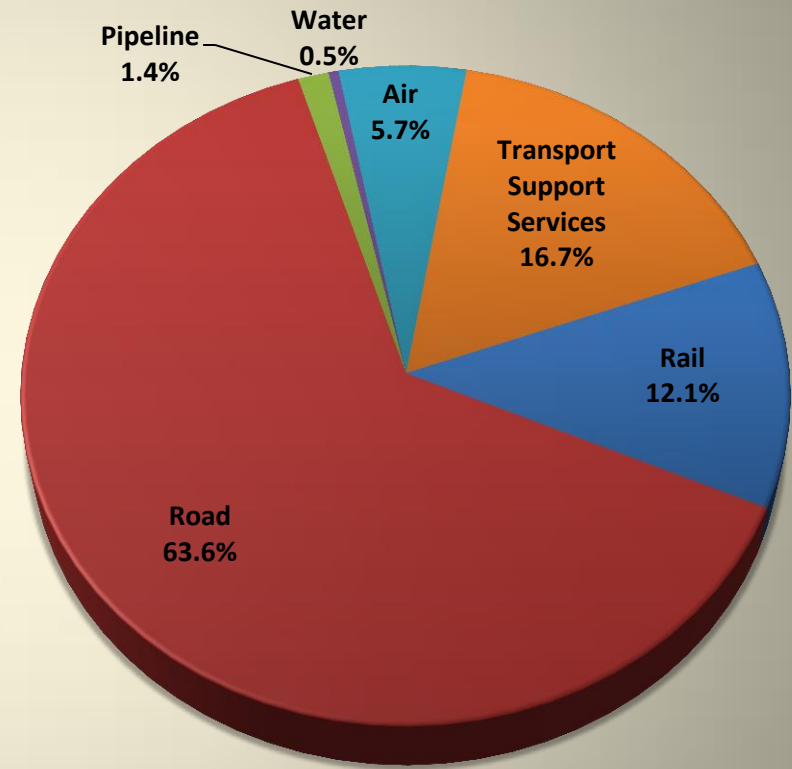
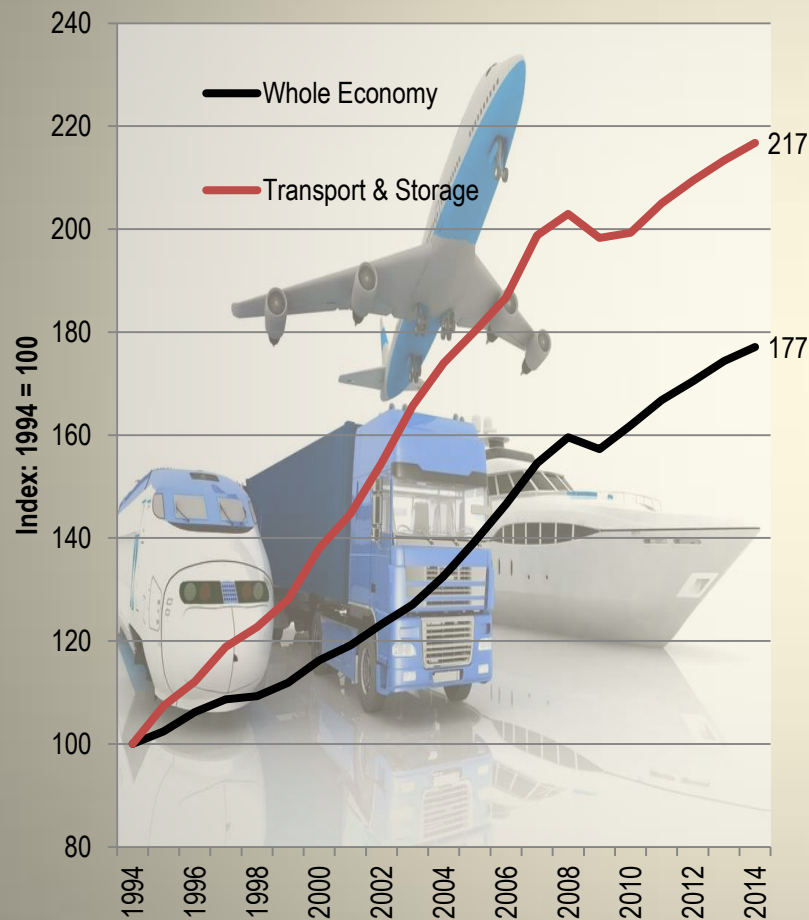
**Commercial Aviation Association of
Southern Africa**



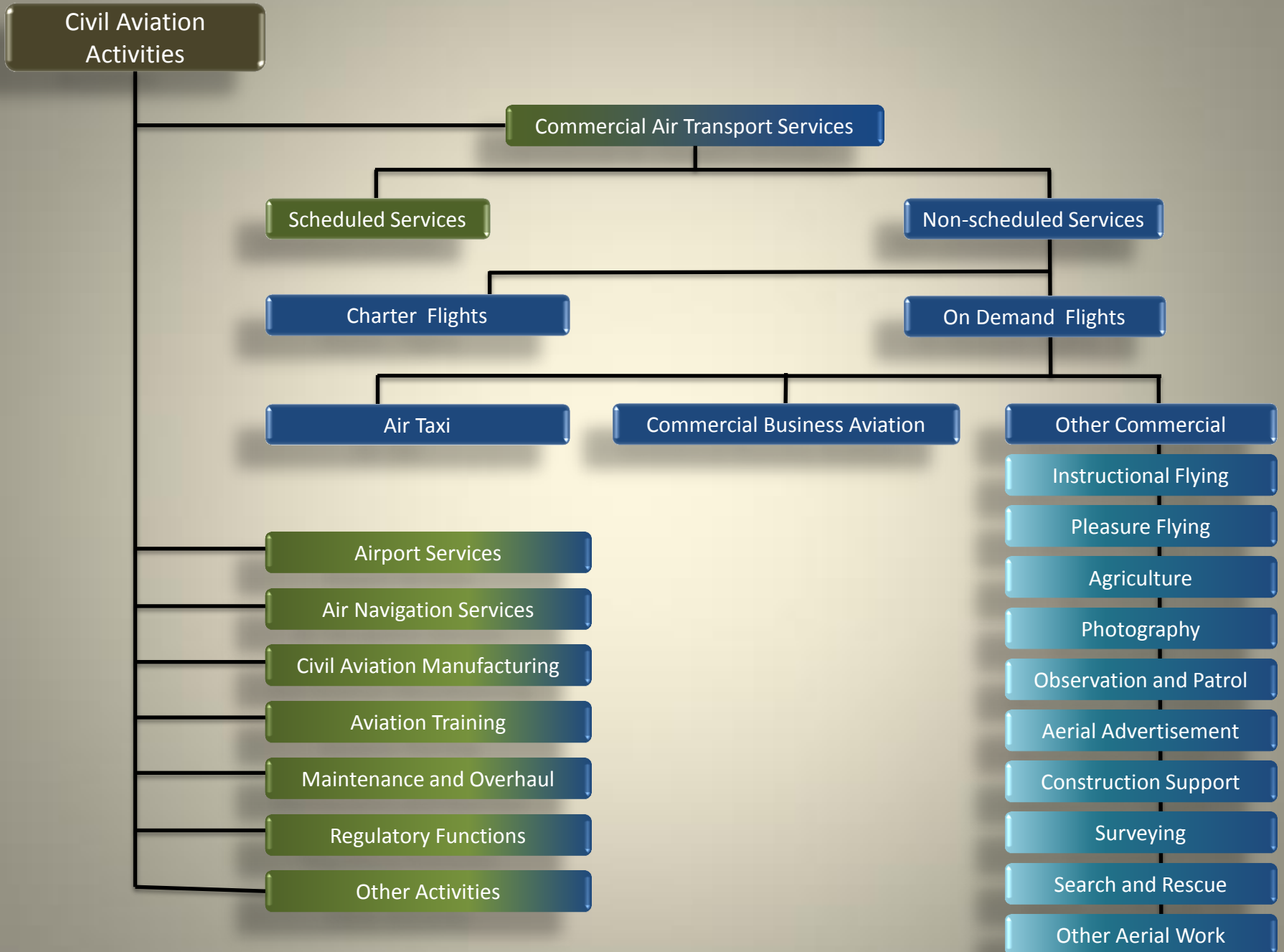


THE ROLE OF THE NON-SCHEDULED COMMERCIAL AVIATION SECTOR IN THE SOUTH AFRICAN ECONOMY

Transport's performance relative to the rest of the economy and share of different modes



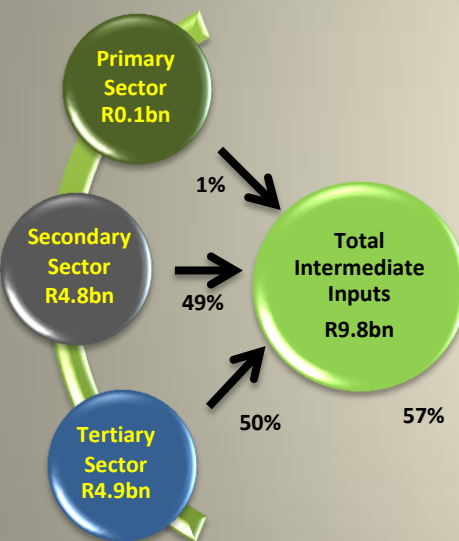
Share of Real Transport GVA in 2014



UPSTREAM SUPPLIERS

Includes:

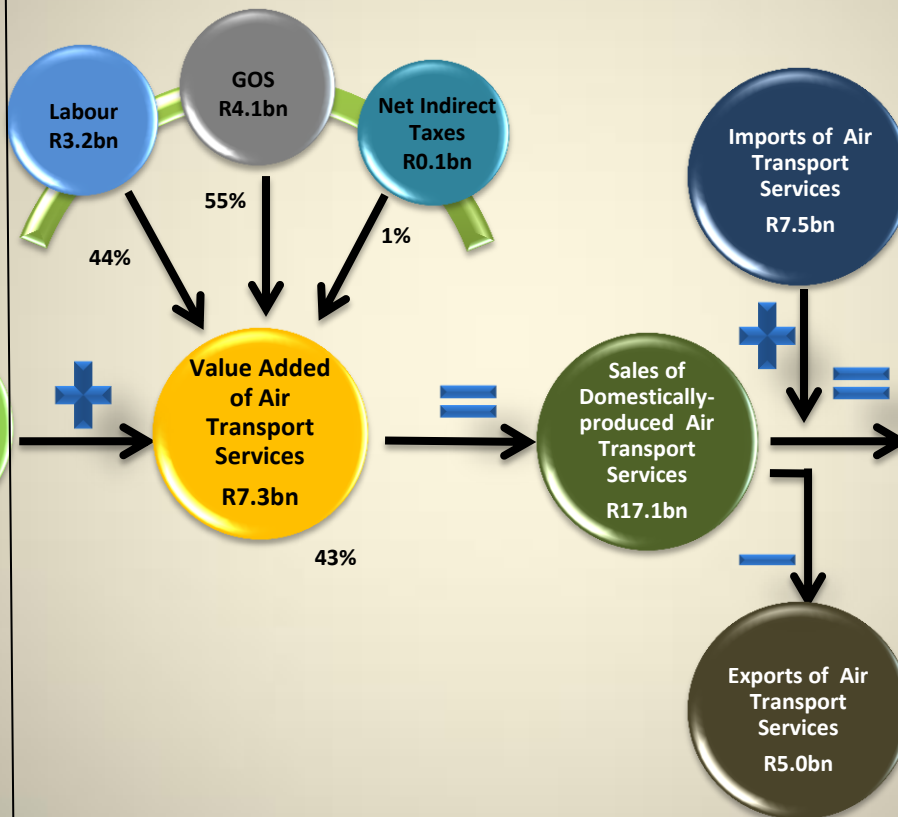
- Aircraft & parts manufacture
- Consumables (fuel, oils etc)
- Airport services
- Air navigation services
- Ground transport services (car hire, taxis etc)
- Outsourced maintenance
- Outsourced training
- Regulatory functions



COMMERCIAL NON-SCHEDULED AIR TRANSPORT

Includes value adding activities relating to commercially operated:

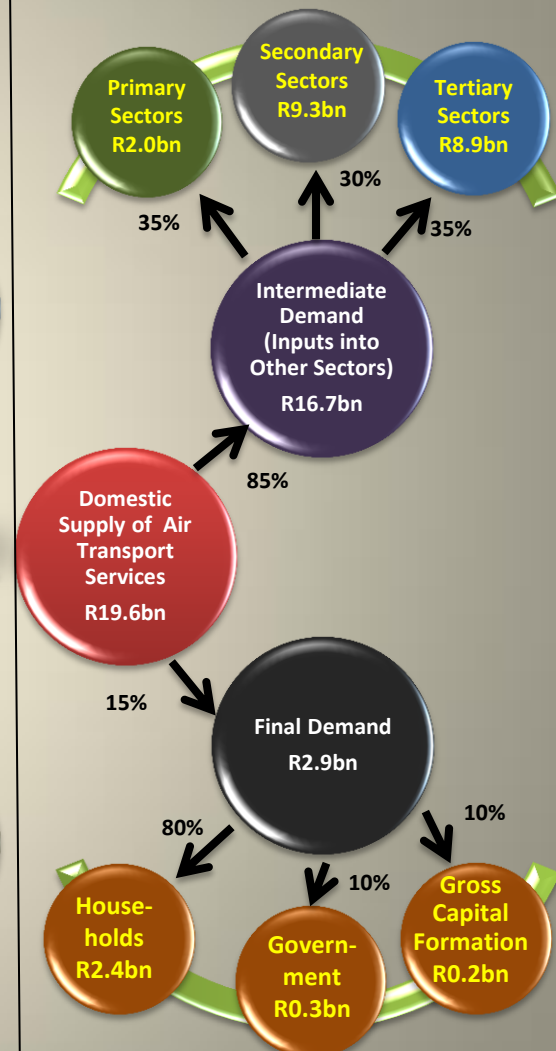
- Charters
- Air taxis
- Business aviation
- Aerial work
- Instructional flying
- Pleasure flying



DOWNSTREAM INTERMEDIATE CUSTOMERS

Includes:

- Aerial work (crop spraying, survey, construction)
- Executive transport



DOWNSTREAM FINAL CONSUMERS

Includes:

- Personal transport
- Pleasure flying

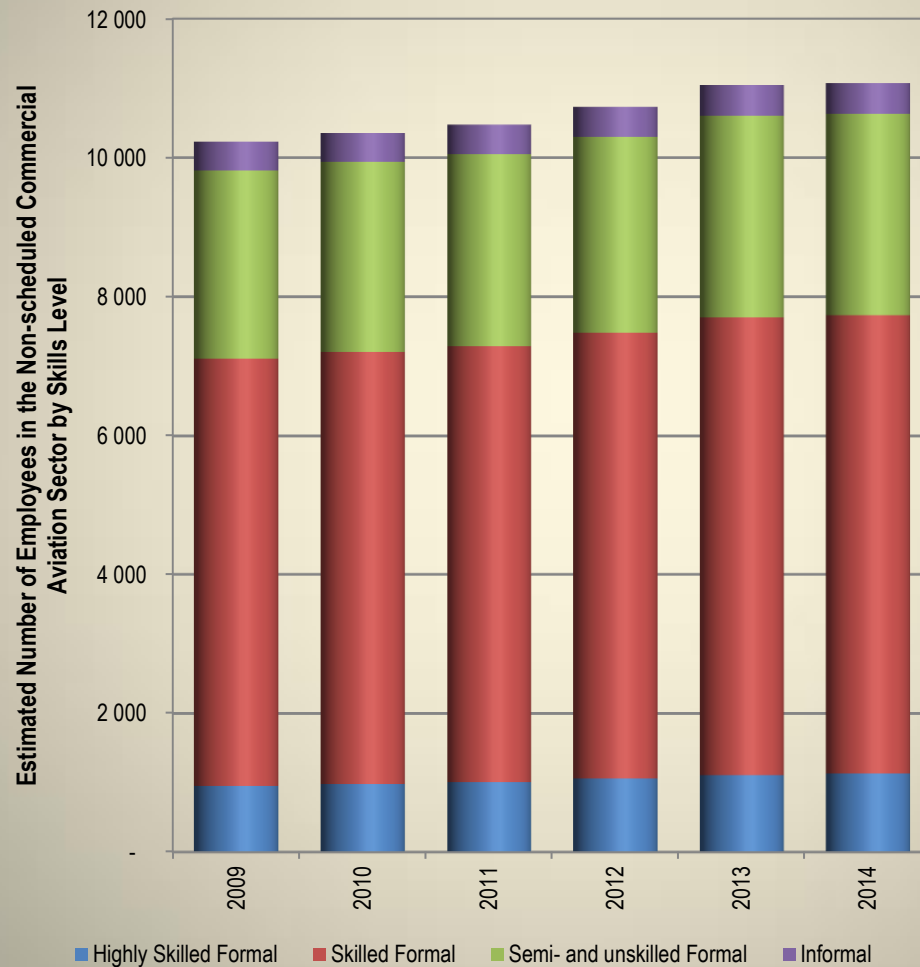
Estimated value chain of the “in-scope” activities

The multiplier effects of sales by the non-scheduled commercial aviation sector

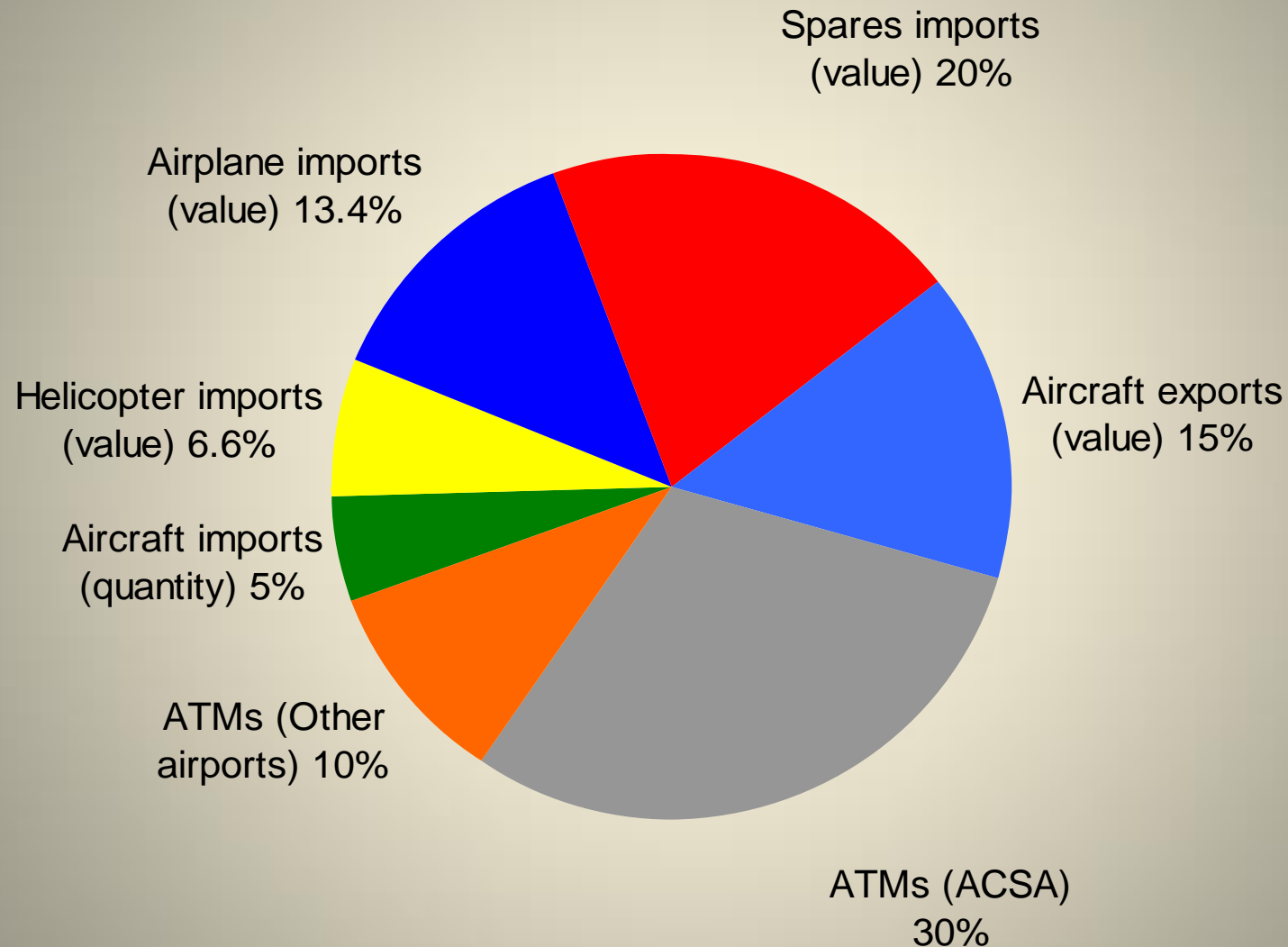
Initial impact	First round	Direct impact	Indirect effect	Direct & indirect impact	Induced impact	Economy-wide impact
R 17 122m	R 6 265m	R 23 388m	R 4 910m	R 28 298m	R 17 698m	R 45 996m

Source: Own estimates, using Quantec base data

Employment and remuneration trends

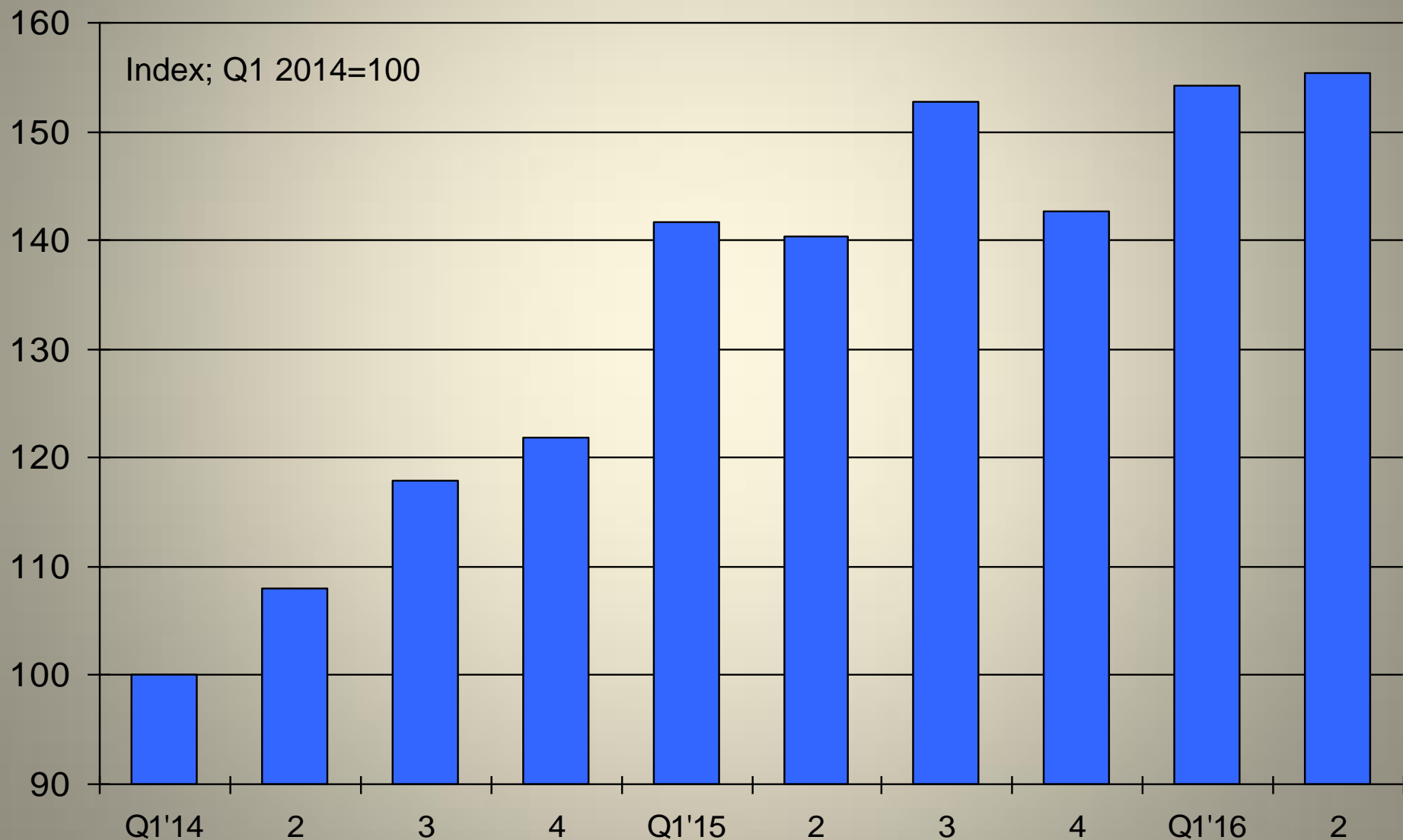


Composition of the groups of indicators included in the CAAI



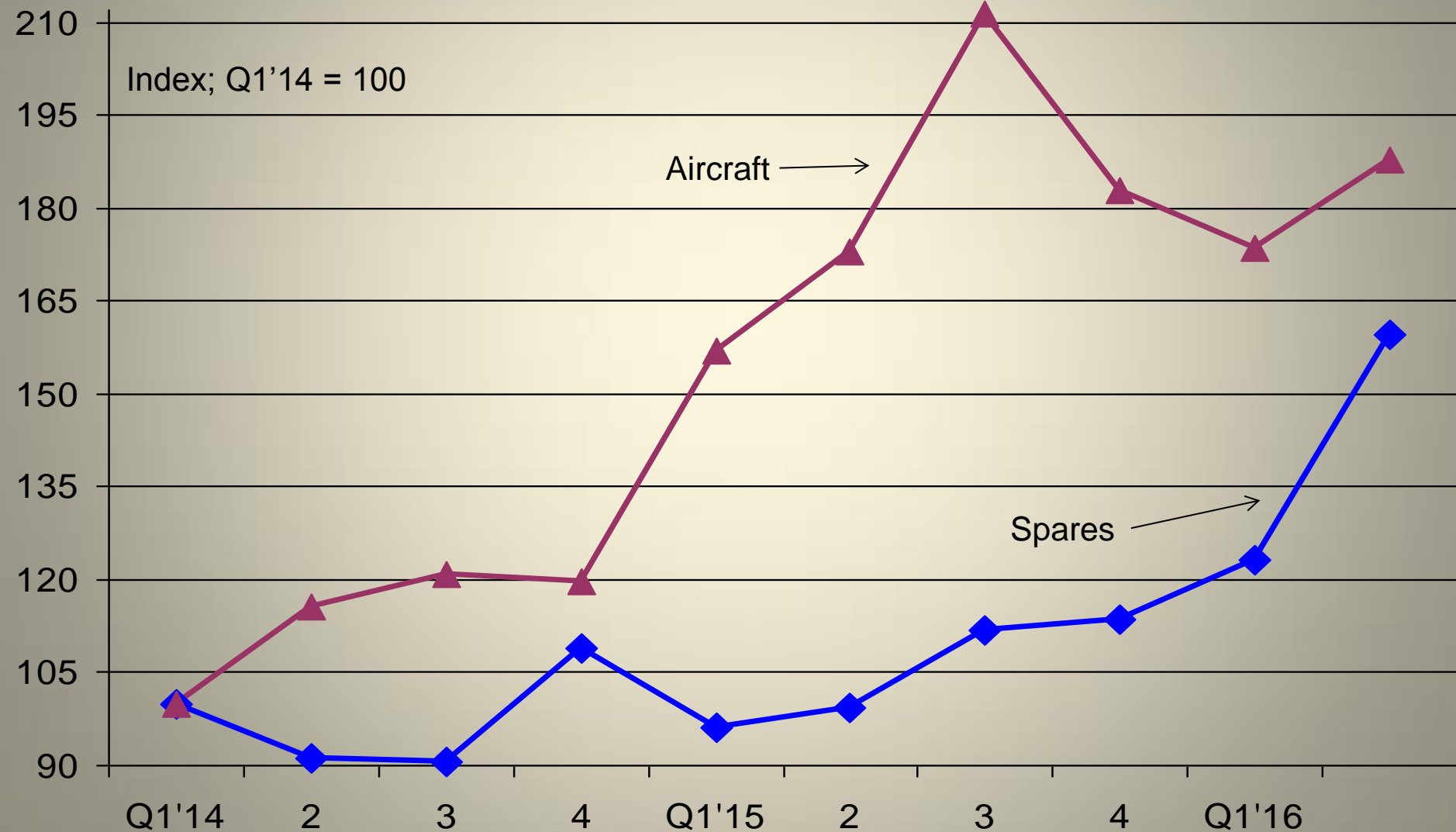
CAASA Aviation Activity Index (CAAI) for South Africa

(3-month moving average)



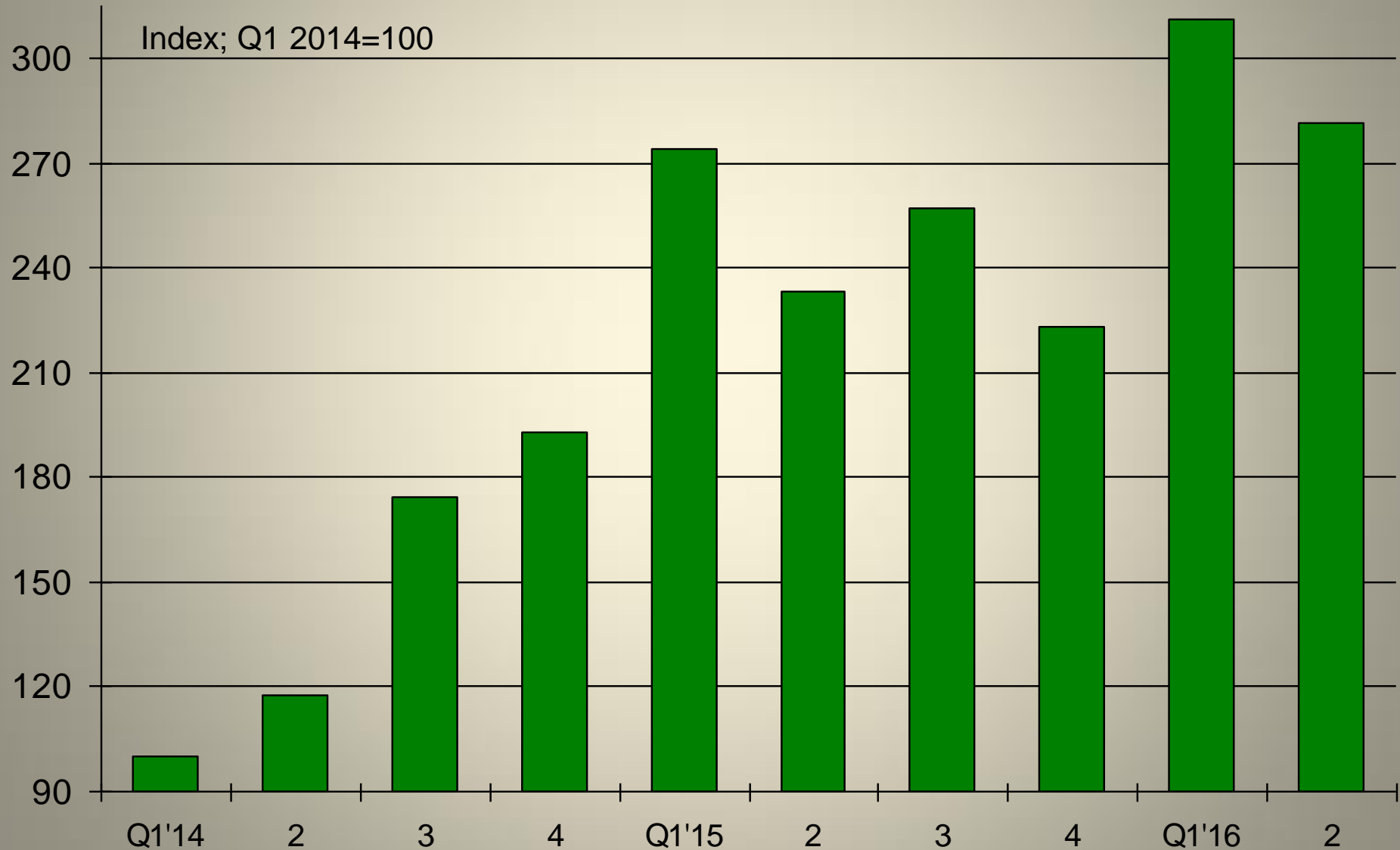
CAAI group indices for value of imports of aircraft & spares

(3-month moving average)



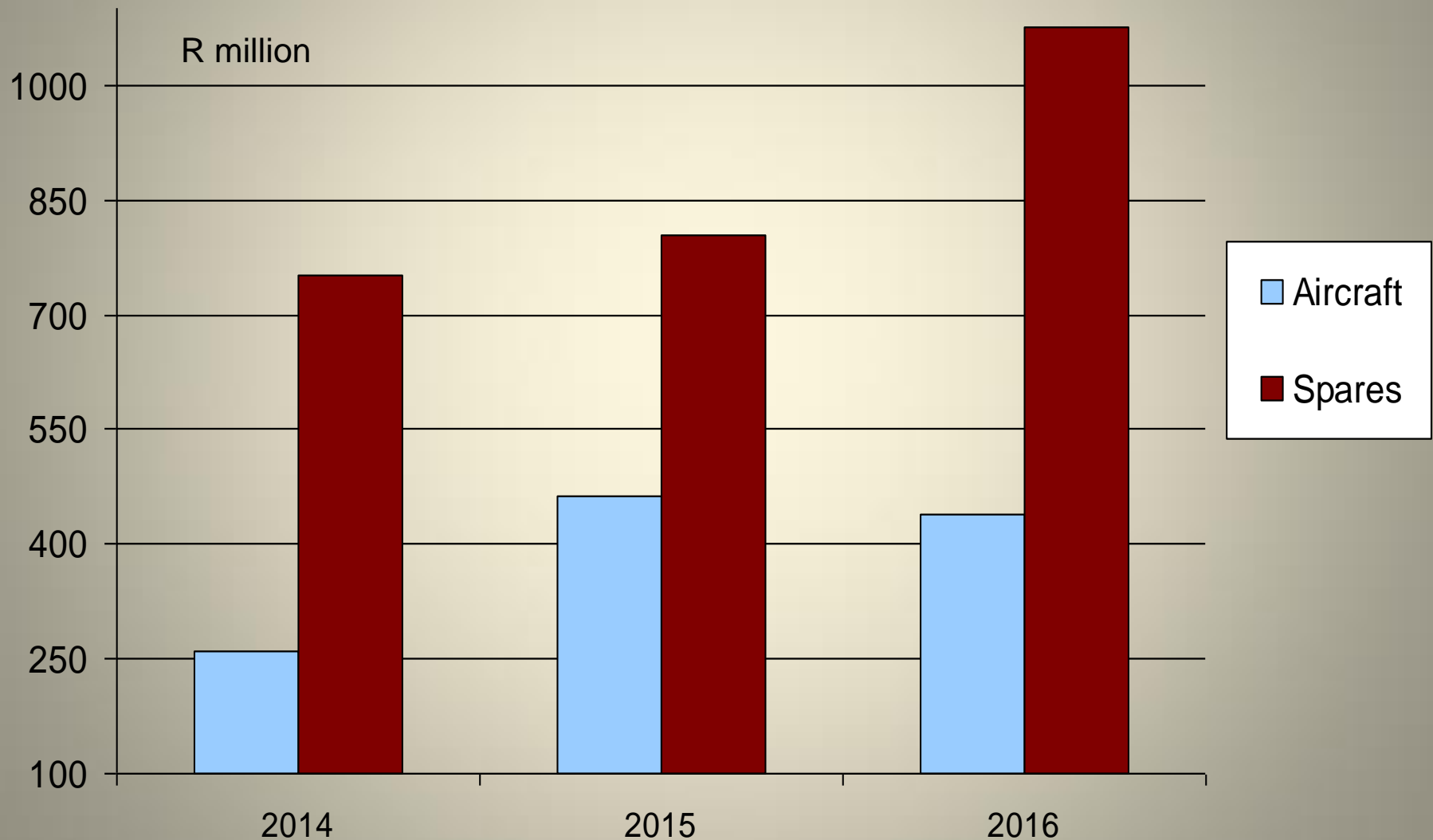
CAAI group index for the value of aircraft exports

(3-month moving average)



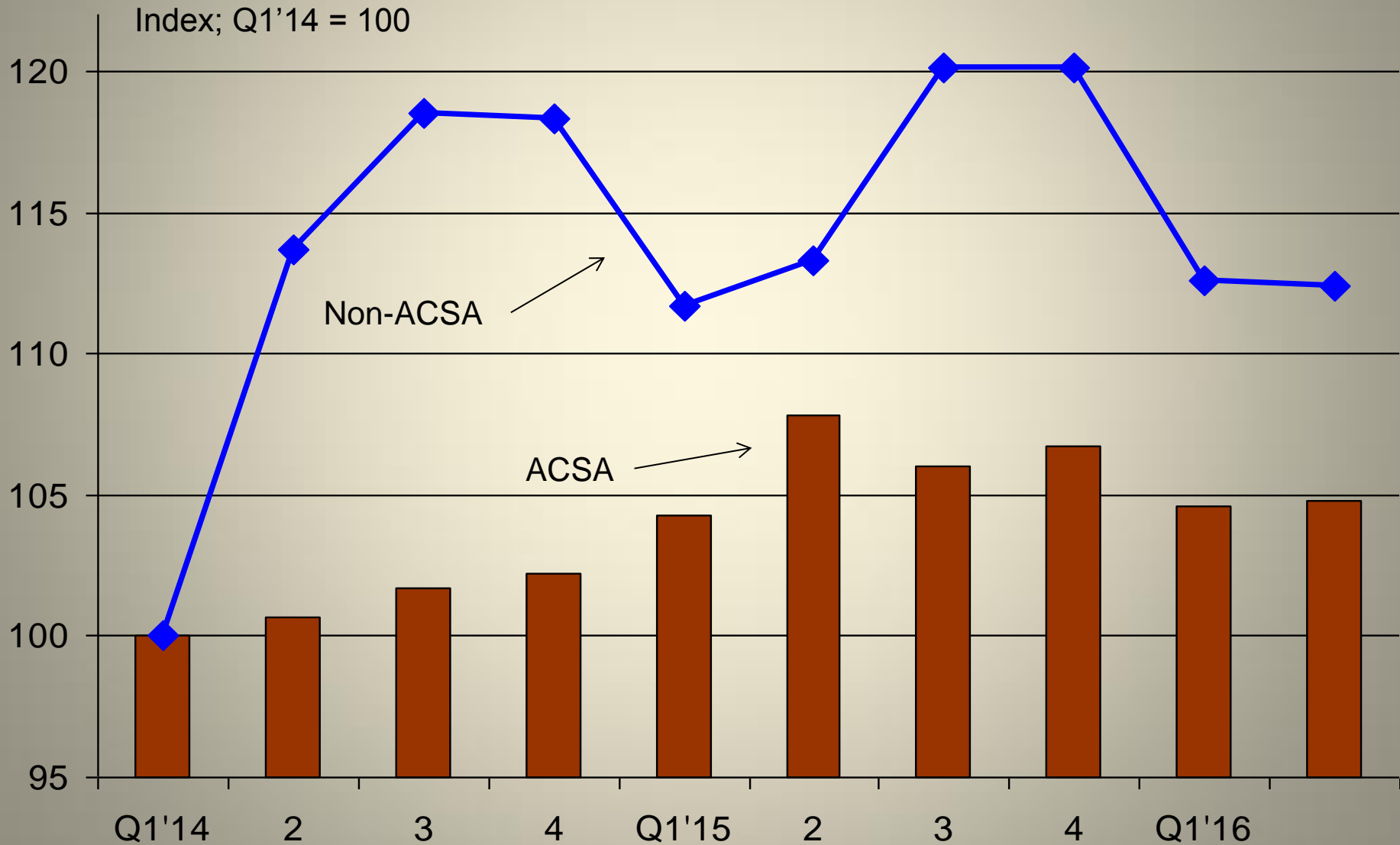
Average quarterly value of imports of aircraft & spares

(Source: SARS)



CAAI Group indices for air traffic movements at airports

(Sources: ACSA; CAASA)





SINCE 1944

THANK YOU

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National Airports Development Plan: Does the Infrastructure cater for low-cost airlines?

Ms Janine Prins

Department of Transport

NATIONAL AIRPORTS DEVELOPMENT PLAN:

**Does the infrastructure cater for Low
Cost Carriers (Airlines)**

11 October 2016



Table of Contents

- Introduction, Purpose, Background, and Vision of the NADP
- NADP context
- Requirement: Low Cost Carriers
- Challenges
- Guiding Principles
 - - Airport Network Planning
- Good practise in Airport Planning: Individual Airports
- Conclusion

Introduction and Background

- Need for a national airport development plan for South Africa was first raised in the White Paper on the National Policy on Airports and Airspace Management of 1997 – confirmed during current policy review process
- The (draft) White Paper on the National Civil Aviation Policy (NCAP) acknowledges that the present airport infrastructure is an integral part of the South African transport system and contributes to the socio-economic development of the country by facilitating domestic- and international tourism and trade.
- The NCAP also acknowledges that these airports are currently not integrated into a meaningful airport network and that an integrated planning system involving all spheres of government should be introduced.

Purpose of the NADP

The NADP is a guidance document which seeks to address:

- the gaps between the current airport network and the future desired state; and to
- provide guidance and support for both overall network planning and the development of individual airports integrated within their broader spatial- and transport contexts.

Vision for the South African airport network

The SA Airport Network:

- ▶ Should have sufficient capacity to handle air traffic-, passenger-, freight- and general aviation volumes;
- ▶ Be integrated into the strategic transport network, spatial development and land use planning;
- ▶ Must be able to balance and meet the needs of airport users;
- ▶ Should be financially sustainable,
- ▶ Must comply with safety-, security- and environmental regulation, including noise and emissions;
- ▶ Should optimise its contribution to socio-economic development and meeting government's wider objectives, both directly and indirectly through airport precinct development; and
- ▶ Must be responsive to changing technologies

The individual Airport

The previous slide would also apply to the individual Airports.

NADP Context – South Africa's existing airport network

The NADP assesses the gaps between the desired state of South Africa's airport network and policy principles, international trends and current capacity of the airport network.

All airports servicing scheduled air traffic are required to comply with South African policy, legislation and regulation.

South Africa's airports, international and domestic, already service both Legacy- and Low Cost Carriers.

It was noted in the NADP that the growth in passenger traffic from 2000 to 2007 was unprecedented and was above levels predicted by most in the industry. Linked to that was the growth of the Low Cost Carrier (LCC) sector, which brought fares within reach of more South Africans and stimulated much of the growth in demand. In only a few years, LCCs have grown to take 30-40% of the domestic market.

NADP Context – Global Trends

Research conducted on global trends found that:

- Internationally Low Cost Carriers are increasingly offering long-haul flights and using secondary destination airports.
- This phenomenon informed global trends in shaping airport infrastructure, facilities, and systems
- This trend is not yet strongly featured in South Africa, although there have been some developments around use of Lanseria International Airport for domestic low cost carriers, this has not extended to long-haul to date.
- Secondary airports in destination markets may need to align the type of facilities offered to Low Cost Carrier requirements e.g. infrastructure and systems that allow for high speed turnaround.

Requirement: Low Cost Carriers (LCC)

- Growth of Low Cost Carriers synonymous with market liberalisation
- Need to achieve competitive advantage by:
 - Cutting operating costs;
 - Expansion of revenue;
 - Maximisation of Efficiency
- Different business models:
 - Identifying what the Passenger will value;
 - Subject to meeting demand

NADP Context

- A fundamental principal of the NADP is that Airports should be sustainable. This may be a challenge w.r.t the concept of a dedicated low cost airport in that airport owners would also wish to maximise revenue.
- With the rise of private sector involvement in financing airports, financing is increasingly being integrated into every step of the planning- and design process.
 - A more iterative planning- and design process may be required to respond to commercial viability assessments (including airline- and passenger requirements)
 - Increased emphasis will need to be placed on optimisation of design to maximise returns, including non-aeronautical revenue and airport precinct development

Challenges

Insufficient resources

- ▶ Challenges - airports to be commercially **viable** on a “**user pays**” basis:
 - Some attempts made to increase viability of publicly-owned airports by exploring non-aeronautical revenue through e.g. precinct development
 - No agreed system in place to determine whether airports’ socio-economic contribution merits continued investment from public resources
- ▶ **Public funding priorities** on *basic needs* related infrastructure development and maintenance – airports normally a low priority
- ▶ **Constraints to increasing private sector participation, notably:**
 - Long pay-back periods;
 - High cost, administrative burden and political sensitivity of PPPs; and
 - For smaller/lower activity publicly-owned airports: Low returns, lack of credit worthiness of some municipalities, lack of borrowing rights of many public entities
- ▶ **Airport planning capacity and support gaps: All spheres of Government**

Guiding principles: Airport Network planning

Addressing capacity constraints

- ▶ Prioritise **alternative approaches to addressing capacity pressures** rather than major infrastructure expansions or green-field investments
- ▶ Encourage **proactive identification of capacity gaps**
- ▶ Promote use of **Planning Activity Levels**
- ▶ **Coordinated airspace management**

Good practice in airport planning

- This would entail the balancing of many complex factors, including:
 - Volume and nature of forecast demand, including phasing based on Planning Activity Levels;
 - Optimising the economic impact, including contributing to enhanced competitiveness of key sectors in the vicinity through improved movement of people and goods;
 - Requirements of key partners and user groups, including both direct and indirect users, potentially including use of co-design methods;
 - Compliance with the relevant regulation and licencing/registration or designation requirements, including both airport-specific and wider regulations.

Good practice in airport planning (cont...)

- Technology trends impacting on facility design, including layout, flow and systems integration;
- Minimising of environmental impacts, including the carbon footprint, noise, emissions and water use;
- Integration with the transport network at the airport and the vicinity; including public transport, private vehicle access, freight transport and fuel pipelines;
- Selecting the appropriate management, operation and funding model;
- Optimising both aeronautical- and non-aeronautical revenues, including integration of the wider precinct.
- Minimising on-going facilities management and maintenance costs;
- Integrating requirements of financiers.

CONCLUSION

Looking forward, the two biggest considerations regarding the future growth of the aviation sector in South Africa (over and above GDP trends) are the levels of market penetration and the degree to which low cost carriers can continue to grow. Over the medium term, as long as the macro economy supports continued widespread growth in income levels and as long as the economics of the sector do not shift dramatically (e.g. with rising fuel prices), the LCC sector should be able to continue to grow by opening up access to flying, to more and more South Africans.



CONCLUSION

Thank you

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Aviation Infrastructure Opportunities in Africa

Dr Sandile Malinga

**Chief Operator Officer
ATNS**



Aviation infrastructure opportunities in Africa

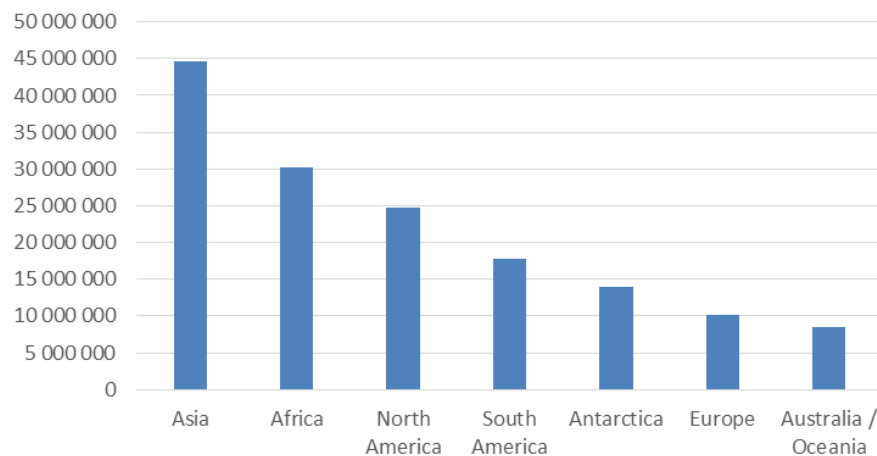
Sandile Malinga
COO ATNS

ICAO – Global Air Navigation Plan & ASBUs

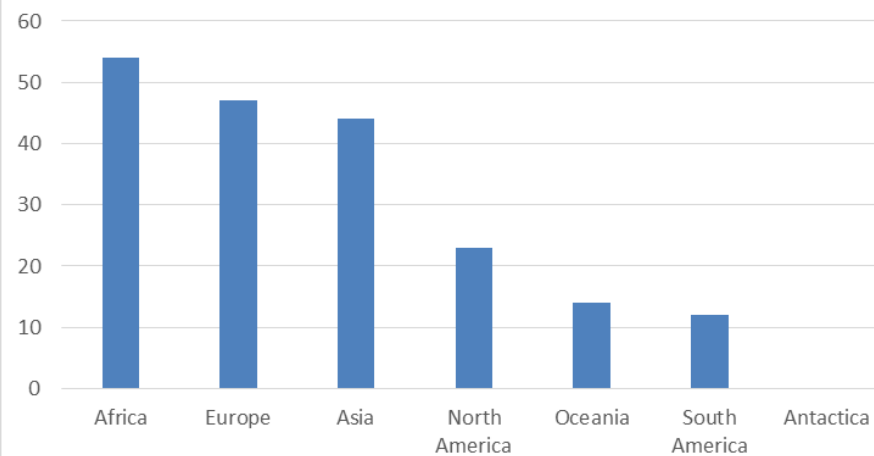
- Uniform level of safety across regions, sub-regions & states
- Optimisation of traffic flows across regions, sub-regions & states
- Physical system-to-system connectedness & data cross-sharing between regions & systems
- Common performance requirements, standards & operating procedures
- Common aeronautical information exchange
- Meeting environmental objectives & targets
- Meeting minimum and common security objectives

Continental Challenges & Enablers

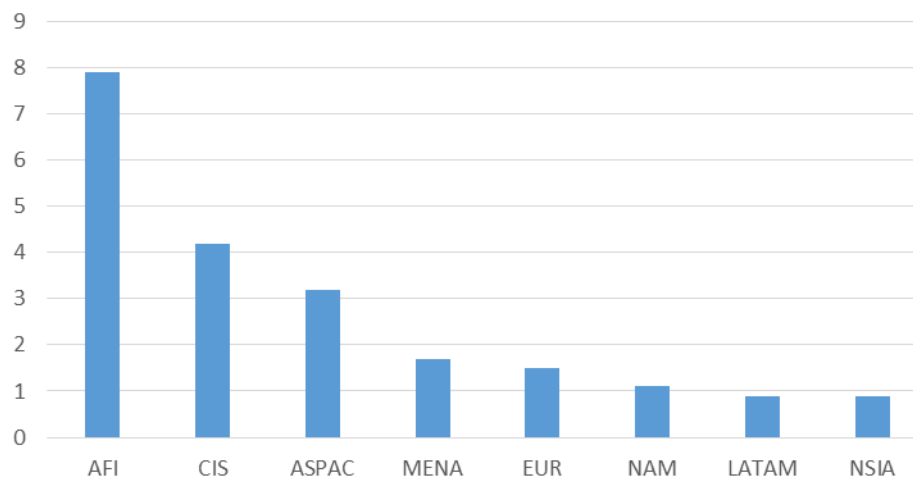
Continental Size (sq km)



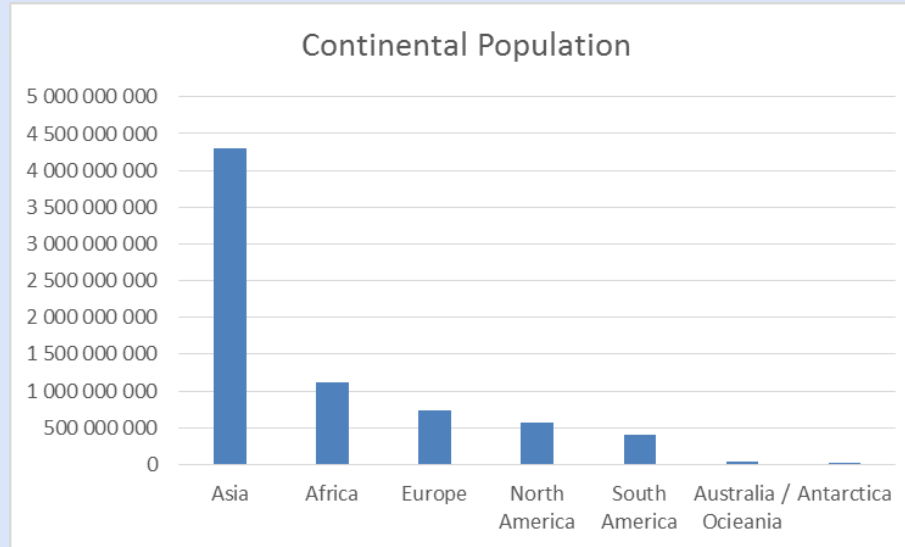
Number of Countries



Accidents/Million Sectors



Continental Challenges & Enablers



- Growing economies
- Growing passenger numbers (73 million passengers in 2013 & 77 million in 2014)
- Geopolitical stability
- African strategies – Agenda 63

Market Analysis

Air Traffic and Navigation Services Company Limited (ATNS) developed a corporate strategy in which one of the key elements is to expand its business further into markets around the globe.



This is aligned to its clear vision to become the preferred supplier of air traffic, navigation, training and associated services to the African continent and surrounding regions.



For ATNS to grow its business into the African continent there was need to conduct research in order to understand the size of the African market.



Market size knowledge will be a key input to investment decisions going forward.

Establish the existing gaps

Understanding of the
African Market

Grow its market

The main objectives of this study were to:

- Quantify the size of the current market on the African continent; and
- Project the growth in the next 10 years including probable innovations.

The research also helped to:

- Identify an opportunity for growth for ATNS in Africa;
- Assess the competing environment on the African continent;
- Establish the current needs and future requirements;
- Establish existing gaps in the industry;
- Establish the profile of customers to improve targeting;
- Establish if there is anticipated growth and the extent of the growth; and
- Establish the current suppliers (competitor analysis).

Areas of Focus

- Communication systems & services
- Navigation systems & services
- Surveillance systems & services
- Other infrastructure/services
- People and Skills

1. Communication: VHF Systems





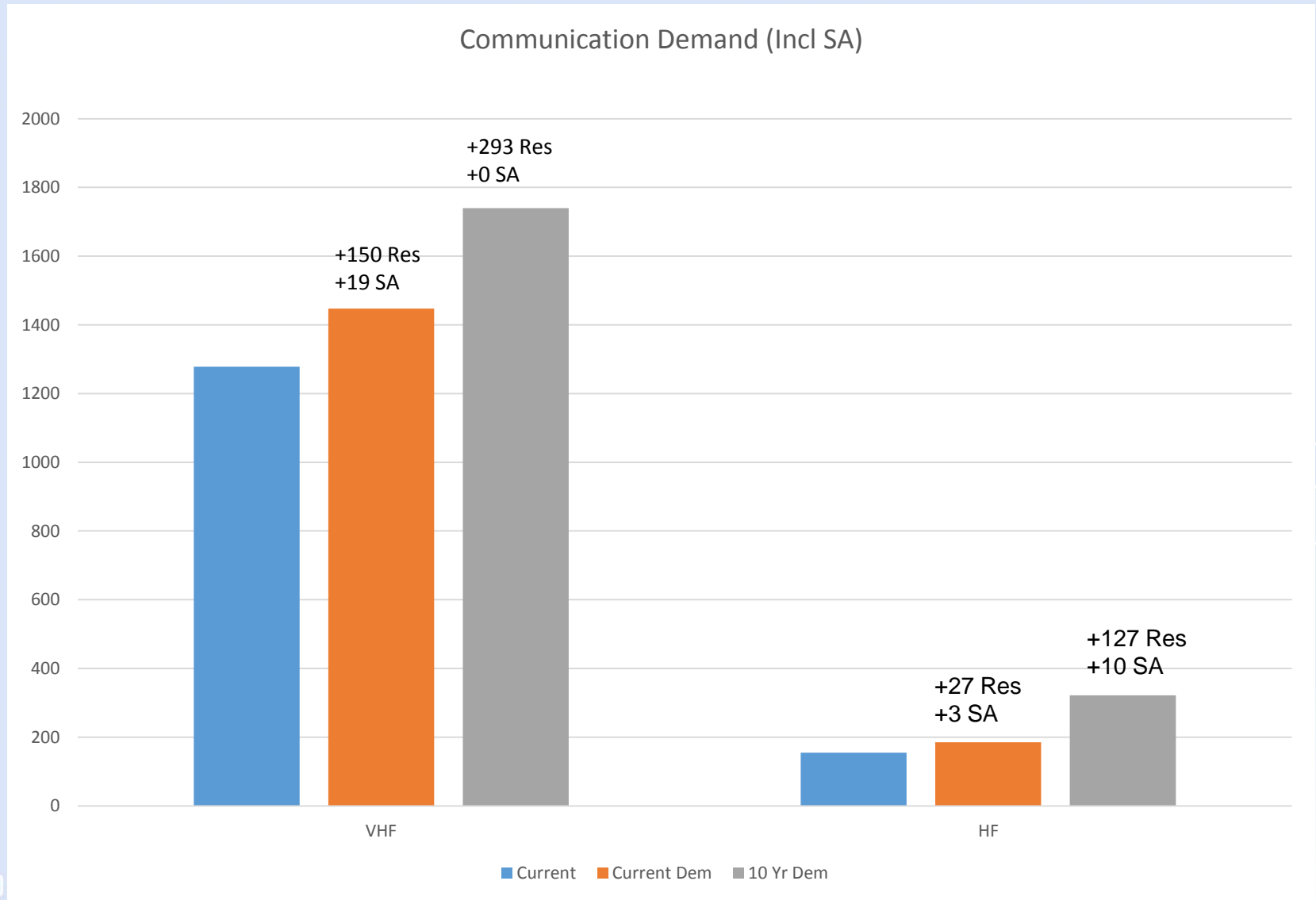
IVSAT dish at BL radar site.
The link will provide
redundancy to the
telecommunications data
link.

31 9:10

SAAATS – ATM SYSTEMS



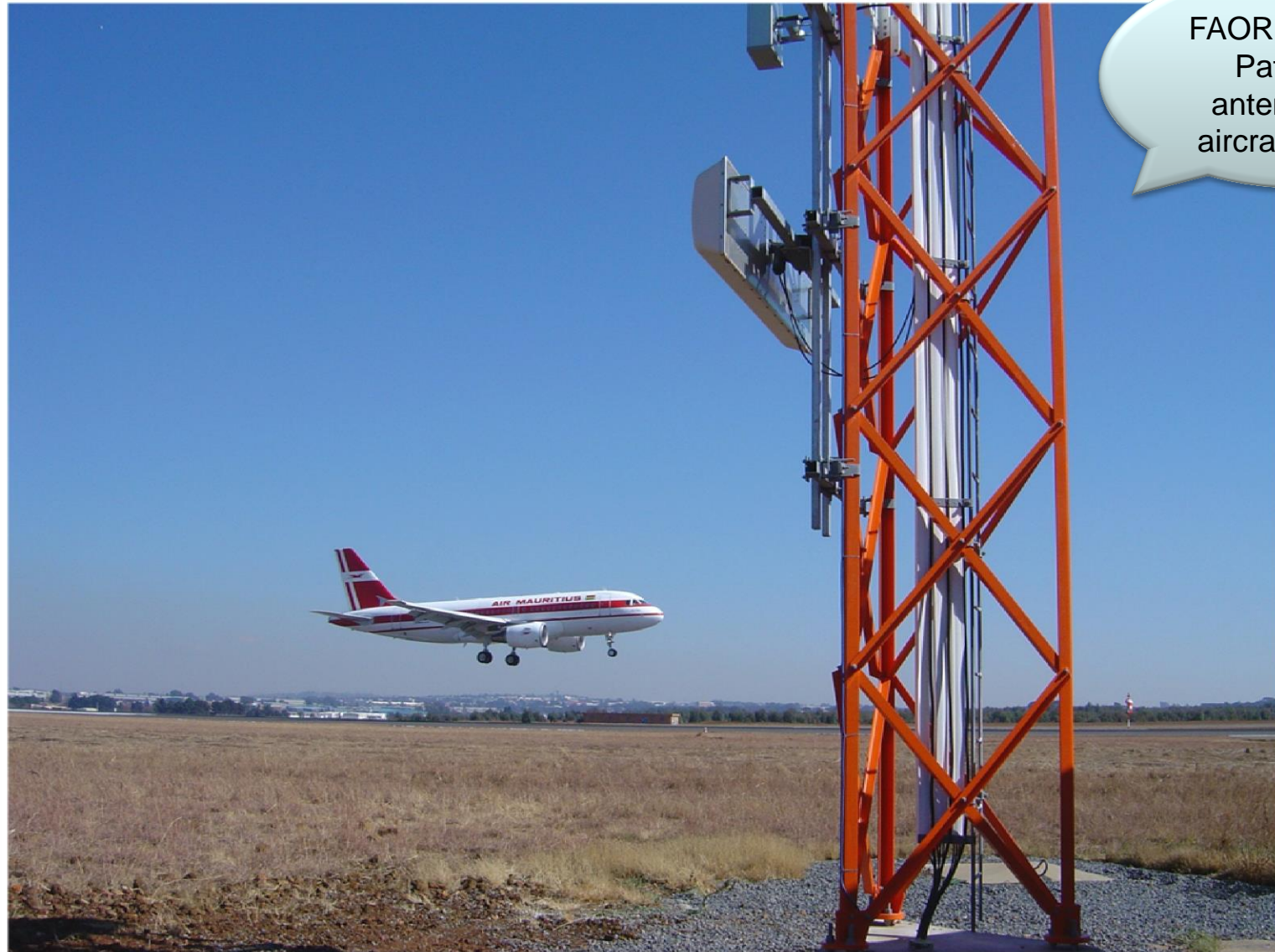
Communication Demand



2. Navigation Systems



Instrument Landing System (ILS) – OR Tambo



FAOR ILS Glide
Path 03R
antenna with
aircraft landing



Instrument Landing System (ILS) – OR Tambo

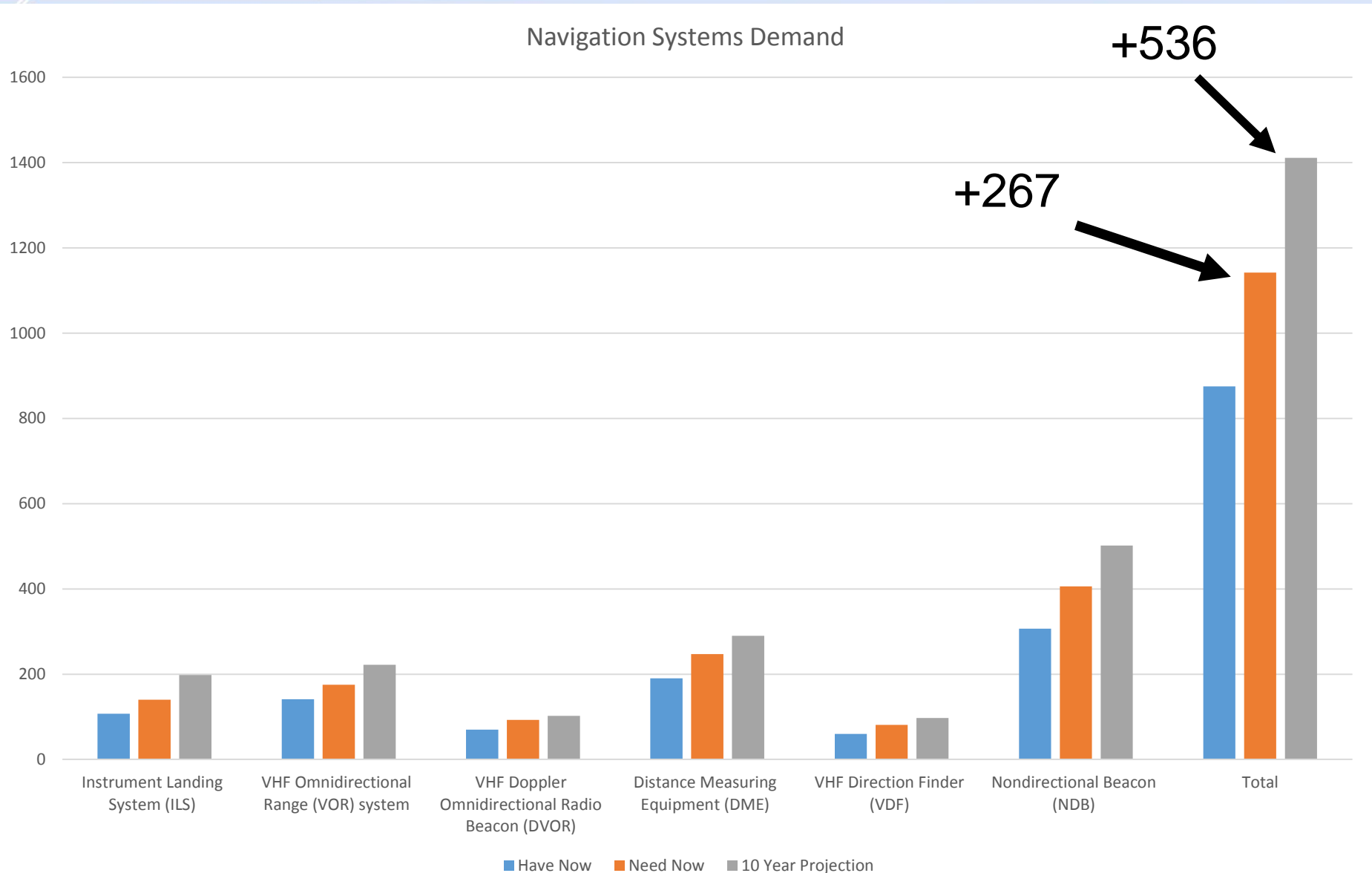


FAOR ILS
Localizer 21L
antenna
installation

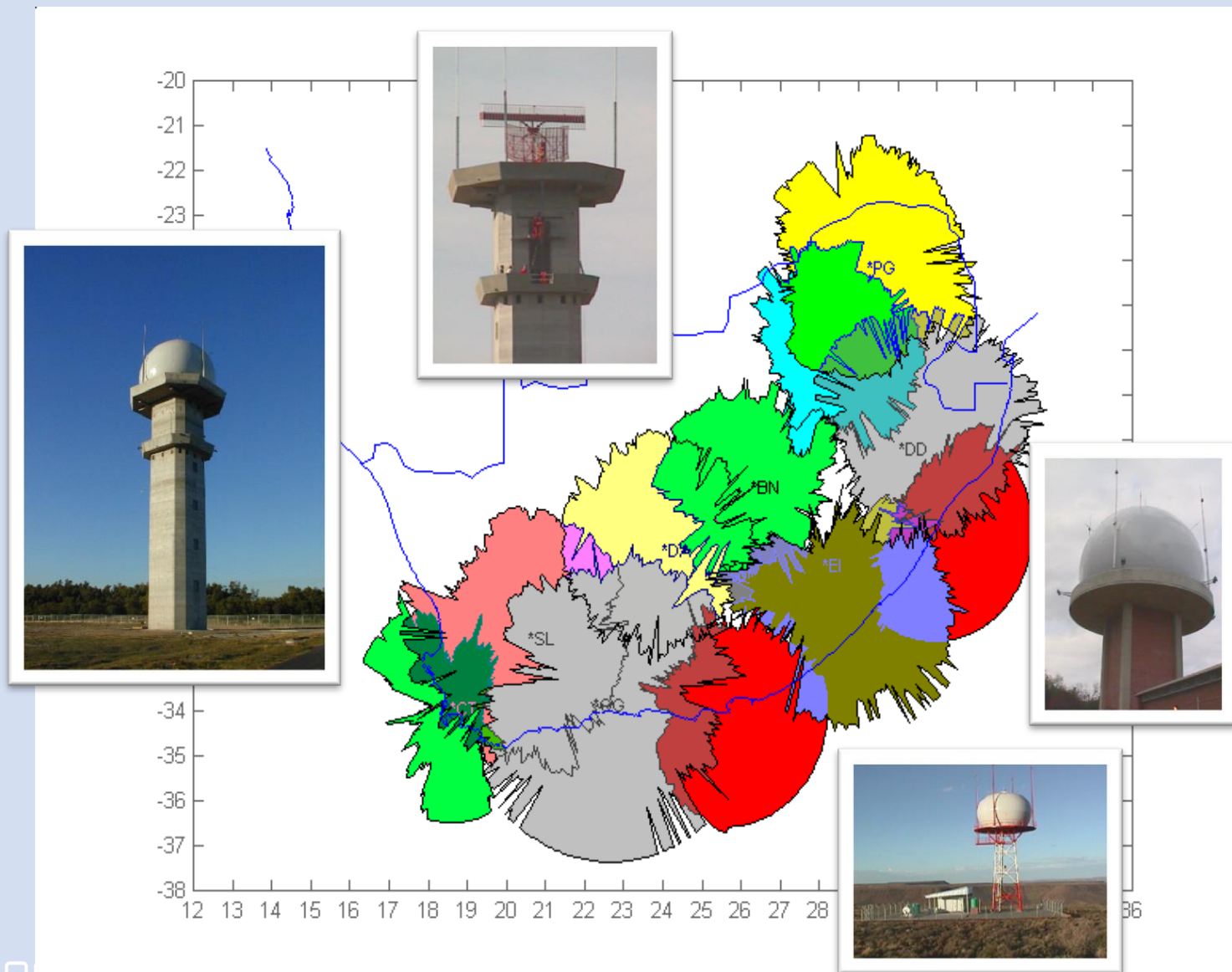
FAOR ILS
Localizer 03R
antenna



Navigation Systems Demand



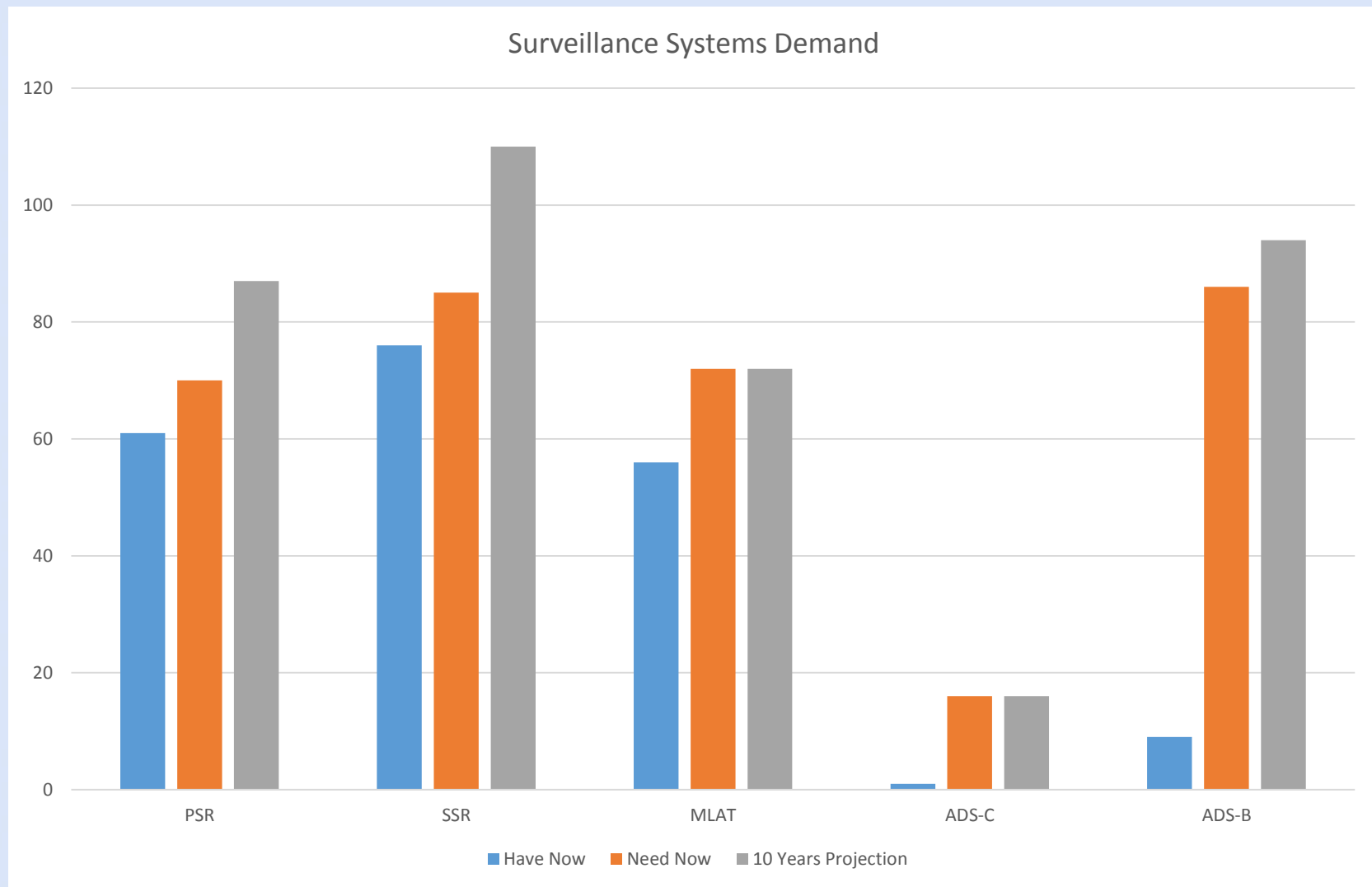
3. Surveillance Systems



ADVANCED SURFACE MOVEMENT, GUIDANCE AND CONTROL SYSTEM (A-SMGCS)



Surveillance Systems Demand

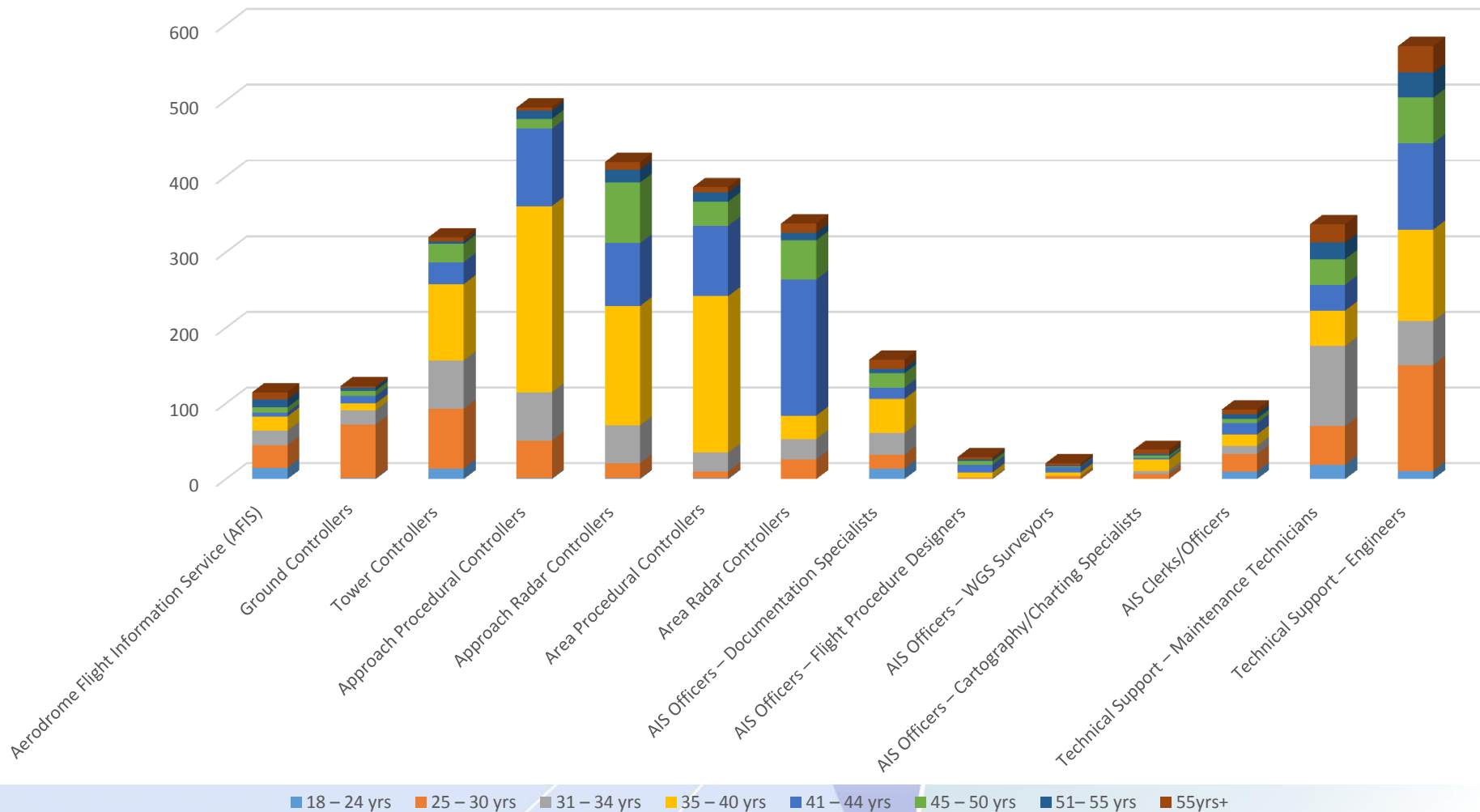


Other Opportunities

- Air Traffic Management Procedures
 - Performance Based Navigation (PBN) Procedure
 - Area Navigation (RNAV) Procedure
 - Required Navigation Performance (RNP) Procedure
- Aeronautical Information Services
 - Flight Procedure Design
 - Cartography & Charting
- Infrastructure Maintenance

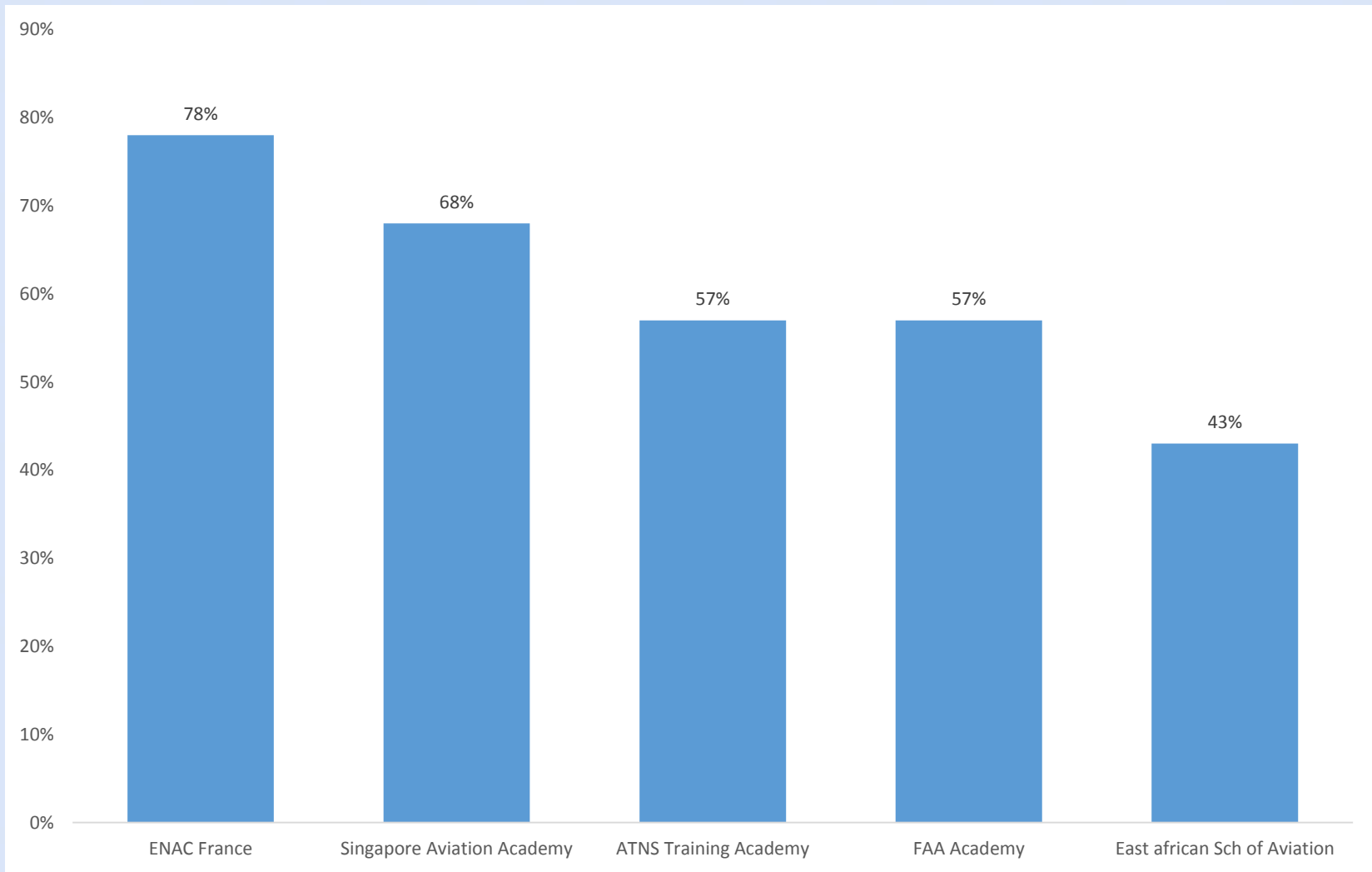
Personnel & Skills

Air Traffic Management Personnel



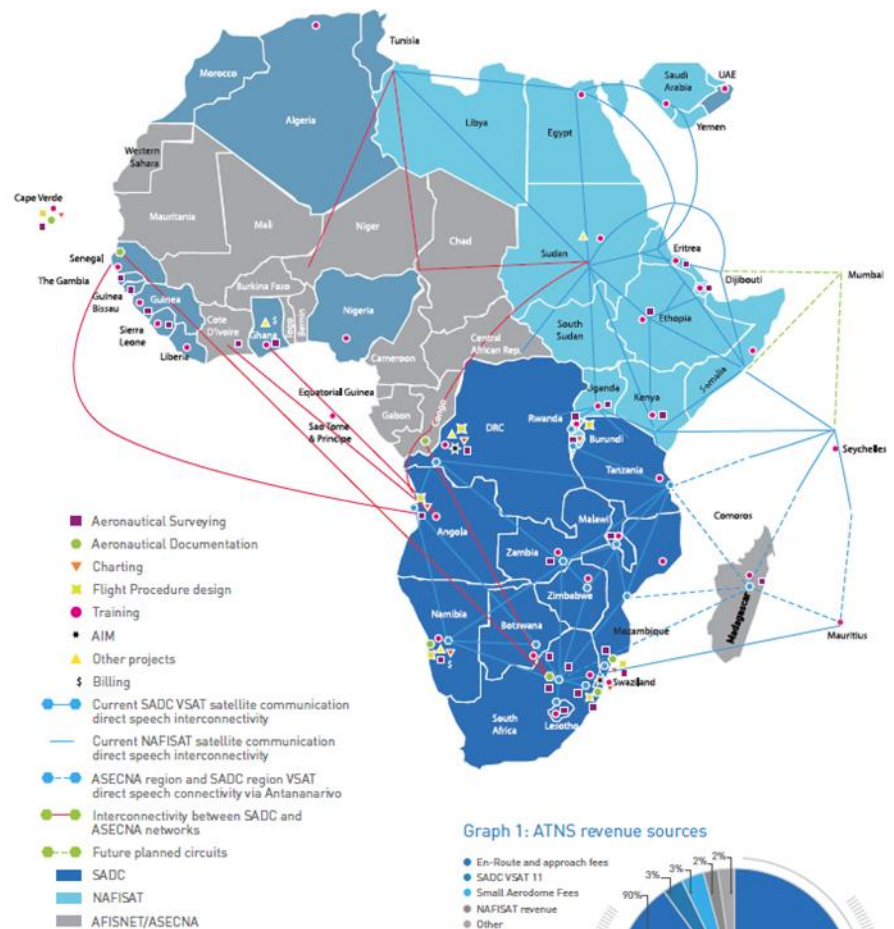
Total = 3440

Aviation Academy Usage



ATNS African Activities

FIGURE 4: ATNS'S EXTENDED SERVICES ON THE AFRICAN CONTINENT AND BEYOND





Contact us

ATNS HEAD OFFICE

Postal address

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Kempton Park
1620

Street address

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South Boulevard Road
Bruma 2198
Gauteng
Republic of South Africa

Contact details

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Fax: +27 11 607 1570

Website: www.atns.com

Email: marketing@atns.co.za

THE AVIATION TRAINING ACADEMY

Postal address

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Bonaero Park
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Contact details

Tel: +27 11 570 0400

Fax: +27 11 395 3347

Thank you

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**Financing Aviation
Operations
– What you need to know?
Ms Claire Van Zylun
Board Chairperson
SACAA**

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Keeping you safe in the sky

Aviation Industry Growth Conference

11-12 October 2016

FINANCING AVIATION OPERATIONS

PRESENTED BY: CLAIRE VAN ZUYLEN
PARTNER, BOWMAN GILFILLAN



AIRLINES – PASSENGER OR FREIGHT – REGULATORY CONSTRAINTS

- Air Operator's Certificate (technical competence to operate aircraft)
- Air Services License (domestic or international) (financial ability to run airline)
 - Domestic **Air Services Licensing Act 115 of 1990 (ASLA)**
 - “75% of voting interest” held by local residents (section 16 (4) (c) (ii) of ASLA).
 - “Active and effective control” of air service by local airline (section 16 (4) (d) of ASLA).

AIRLINES – PASSENGER OR FREIGHT – REGULATORY CONSTRAINTS

- “75% of voting interest” held by local residents
 - Difficulty in matching financial investment with equity holdings
 - Loan funding return (interest & coupon) may not represent equity upswing if airline succeeds
 - “voting interest” – non-voting preference shares? Redeemable bonds on debt capital markets.

- “Active and effective control” of air service by local airline
 - Minority foreign shareholder cannot protect financial investment via “reserved matters” (eg choice of directors or executive employees) or “super majorities” in MOI or shareholders’ agreement.
 - What of: service agreements between foreign shareholder and local airline? Onerous debt arrangements?

FUNDING FLEET

- Leasing (financial lease or capital lease).
- Finance facility or term loan by a bank or lender, backed by a mortgage bond over the aircraft.
- Vendor financing by manufacturer (such as Boeing or Airbus) backed by a mortgage bond over the aircraft.
- Increasing aircraft purchases financed by:
 - Export Credit Agencies
 - Capital markets (with Exim Bank input)

State-owned airlines generally prefer to raise unsecured funding backed by government guarantees and use proceeds to lease aircraft per short term operating leases, rather than buy the aircraft (and hypothecate aircraft as security) as enforcement concerns with state assets used in service delivery.

FUNDING FLEET – LEASING

Types of leases (aside from a pure charter)

- Financial or capital leases
- Operating leases

- **Financial or capital lease**
 - At least 90% of value of aircraft paid as rent for aircraft
 - Lease lasts for at least 75% of life of aircraft (20 + years)
 - Option to buy aircraft at end of lease for agreed sum
 - Done on a “dry” basis (see next slide)
 - NB: difficult to get PFMA approval for a financial or capital lease

FUNDING FLEET – LEASING

- **Operating lease** (usually shorter than life of aircraft, 2 – 7 years)
 - **Dry lease**

Lease of just the aircraft without crew, fuel etc.
The lessee puts aircraft on its own Air Operators Certificate, supplies its own crew, own insurance, pays for maintenance programme and fuel.
 - **Wet lease** (also termed an ACMI lease)

Lessee leases aircraft and just pays rent and fuel
lessor supplies the crew, pays the insurance, pays maintenance – built into rent
 - **Damp or Soggy leases**

THANK YOU

QUESTIONS?

Claire Van Zuylen



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