

Aviation Industry in South Africa



transport
Department:
Transport
REPUBLIC OF SOUTH AFRICA



Commission 2

**Summit on the Review of Civil Aviation Policy,
01 – 02 March 2021**

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Passenger traffic

An overall reduction of air passenger volumes (both international and domestic) is expected for 2020, ranging from 60%. The global air passenger market is expected to return to 2019 levels in 2024 (domestic 2023 and international 2024), however in the event of a structural break, a sluggish return would only be realised in two decades. The estimate of 2024, especially for the international segment, is optimistic given that European traffic is said to return only in 2026 to 2019 levels.

In 2021, demand in Africa is expected to strengthen to 38% of 2019 levels. However, from an ACSA perspective, these levels have been realised in December 2020 already, indicating that South African recovery may exceed expectations. The South African domestic traveller is the key driver thereof and has shown that in the absence of extreme waves and regulation, the segment may bounce back faster than expected. **This segment needs to be nurtured. Additionally, the stimulation of domestic tourism demand has the capacity to pull the SA tourism sector (supply side) out of its slump.** The vaccination program to ensure herd immunity is time sensitive to get the aviation sector out of the doldrums.

Interventions:

- Furthermore, traffic and route development initiatives must make a point of focusing on the domestic market.
 - Capacity needs to deal with demand as restrictions ease and Covid-19 cases decrease. Aviation system needs to be agile to adjust to improving market conditions.
- Marketing assistance/subsidies

Passenger traffic

The international market recovery will take a bit longer, and the markets that are showing interest in terms of capacity to South Africa is Africa and Asia. Africa has accounted for approximately 50% of the tourists visiting South Africa after the lockdown. **This the SA-SADC link must also be nurtured in order to continue this trend post-Covid. Intra-regional travel should be high on the route development agenda.** This is beneficial for airlines as the yields are higher within Africa than long-haul. Furthermore, fast turnaround markets must be targeted to further develop the SA international segment and tourism sector. As historical key international markets may take longer to recover. But keep in mind that there is significant pent-up demand as key markets have been closed to SA travellers, which may boost international travel to historical key markets.

Interventions:

- Route development focus on SADC and Africa, as well as quick turnaround markets such as Asia.
- Marketing assistance/subsidies
- Review of bilateral
 - Operations within Africa (SATAAM)
 - Continental operations (strict bilateral; not more than one entry point; reset some of bilateral regimes)
 - Capacity needs to deal with demand as restrictions ease and Covid-19 cases decrease. Aviation system needs to be agile to adjust to improving market conditions.

Passenger traffic – charter segment

Charter aviation sector indicates that the South African environment is not enabling for this segment. It was a key sector during various level restrictions in South African aviation and has contributed significantly to number of flights, passengers as well as cargo. **This sector is becoming more attractive due to safety in terms of passenger travel.**

Interventions:

- Operational legislation is problematic, may take up to a year, resulting in aircraft registered abroad.
- Ensure safety oversight applicable to those aircraft (unique and dissimilar to large airlines)
- Adjust regulation to suit the SA aviation environment.

Passenger traffic – general aviation

The importance of the smaller airports is oftentimes excluded from discussions. But these smaller airports play a large role of connecting rural and smaller towns. Furthermore, it is a segment in aviation that stimulated the charter segment and enables training. It also plays a large role in transformation. **Specific policy relating to it, its operators, e.g. maintenance operators should be included in the overall aviation policy.** The sustainability and revival of the general aviation sector is key to economic development. **The maintenance organisations, many of which closed down during Covid-19 needs to be part of the policy discussion.**

Interventions:

- Support to maintenance and training organisations needs to enable the revival of general aviation.
- Policy that protects existing airstrips and aerodromes across the country.

Cargo modal shift

The role of air cargo became crucial and positively viewed by the global world. Air freighters have made the delivery of humanitarian, medical or PPE equipment, and vaccines, efficient, due to decreased waiting times. Freighter cargo throughput in South Africa has increased in the past year. The question is how to maintain this momentum? The answer is simple: A modal shift is required. But how to do this?

Products for air cargo have been identified. Linkages to industry needs to be made to realise the use of air cargo. The key question is: What are the barriers to this potential modal shift?

- Could it be normal tariff and non-tariff barriers? Non-tariff barriers to trade include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, antidumping measures, violations of intellectual property rights (IPR), an inefficient bureaucracy, and excessive regulation.
- Could it be the absence of a strong internal body governing technology and regulation on cargo? Specifically looking at end-to-end digitization of the supply chain.
- Higher levels of safety and security?
- Infrastructure issues? Congested and old airports and cargo facilities?
- Move away from old ways and be more customer centric?
- Lack of investment in cargo aircraft?

Cargo modal shift

Interventions:

- Policy intervention required in terms of cost implications.
- Integration across all modes of transport for a seamless freight movement experience.
- **Drones** may be used to move cargo up to 500kg, and plans are already in the pipeline to use these drones in Mozambique and Kenya. **South Africa has some prohibitive legislation that need to be changed.** Drones can be used in conjunction with air freighters as well as other transport modes for seamless movement of goods. Underutilised infrastructure that for example was used for rail stations may be used as hubs, outside of the airport space (maximum utilization of older infrastructure). Furthermore, drones are a key transformation area, in terms of drone licences.
 - Dependency in ICASA requirements and ATM integration is critical.
- Airlines needs to invest in dedicated air freighters to boost cargo throughput.
 - *Options such as combi-aircraft may be used to boost cargo. However, this option may be costly for airlines, as dual certification is required.*
- Assessment on barriers of entry.
- The bulk of the African Free Trade agreement opportunity resides in the Southern African region, aviation policy should take advantage of the first mover advantage.

National carrier sustainability

- There are various views on the national carriers. One of these raised was the point was raised that a flag carrier is required to enable trade and connect South Africa to the world.
- In the absence thereof South Africa would be cut from trade partners and potential trade partners, if dependent on non-flag (foreign) carriers, as the direct links would be destroyed.
- Furthermore, foreign carriers may increase prices outside of affordability ranges for most South Africans.
- The need for a flag carrier is real and many countries have thriving state-owned airlines that is profitable and enhances connectivity.
- **But the discussion on national carrier is a socio-economic discussion and key to the development of South Africa.**

Other issues

- Survival of smaller municipal airports as a broader response to Covid-19
- *Interventions:*
 - Partnerships between government and private sector.
 - Partnerships between municipalities, provincial governments and ACSA.
 - Future legislation to deal with events such as Covid-1.
 - E.g. delivery of pharmaceuticals excluded from smaller airports
 - Use of drones may be an option to revive smaller airports and become an enabler of e-commerce.

Industry and government need to work together
to overcome the hurdles placed by Covid-19

