

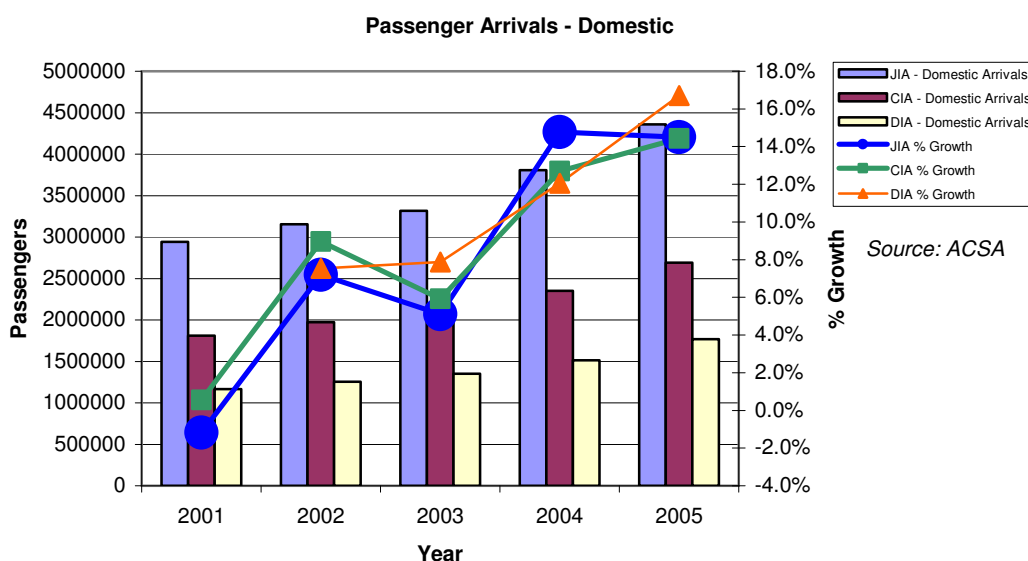
Airlines are a means to an end. Strong competitive national carriers (both government and privately owned) are good for tourism and trade. The trade and tourism industries, therefore, require partners in aviation that play for the long run, share responsibility for growing the overall industry, and whose behaviour is predictable and consistent.

Against this background, it is imperative that Government's strategy for SAA and SAX be clearly articulated.

3.6 Domestic Air Services:

Due to the economically deregulated nature of the domestic air transport market, the number of scheduled flights per destination is influenced directly by passenger and cargo demand.

The emergence of low-cost domestic airlines, Kulula.com and 1Time has further stimulated growth of the domestic market, increasing the routes served and reducing the cost of flights. The following graph reflects the growth of domestic arrival passengers at the three main airports in South Africa:



Domestic charter operations are characterised by a large number of small operators, flying to all accessible domestic and regional destinations on request. Statistics on load factors are, however, irrelevant due to their small impact on the domestic market.

3.7 International Air Services:

In the past 15 years, South Africa has seen significant tourism growth and is increasingly being viewed as a noteworthy player in the global tourism and aviation markets, increasing from approximately 1 million arrivals per year to more than 7 million arrivals at the end of 2005, as reflected below: