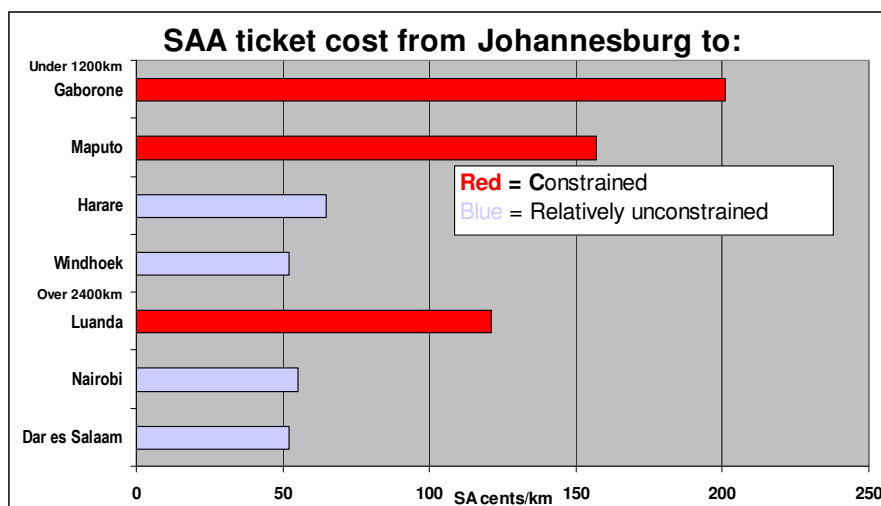


Currently, there are 11 scheduled and 68 non-scheduled licensed South African air service providers.

### 3.8 Airfares

Research conducted by the ComMark Trust<sup>8</sup> confirmed the direct link between constrained routes (lack of competition) and high tariffs, as indicated in the following graph:



Source: ComMark Trust

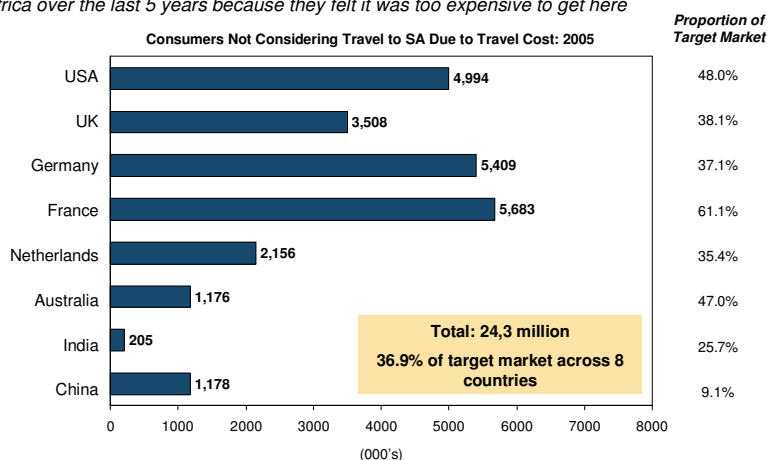
SA Tourism’s annual brand tracking research has shown that airfares are (together with broad perceptions on safety and security issues in South Africa) the single biggest barrier to consumers considering South Africa over its competitors. This represents a significant lost opportunity as shown in the graph below:

**Pricing: International**

Confidential

**A significant number of target consumers do not consider South Africa because of high airfare costs**

Across 8 key markets, 24,31 million potential travellers did not consider South Africa over the last 5 years because they felt it was too expensive to get here



Note: Of all who have not visited SA: Question from SAT Brand Tracker: "Why haven't you visited South Africa for leisure purposes in the past 5 years? (Select all that apply)"  
Source: SAT Market Segmentation Studies, 2005; SAT Brand Tracking, Monitor analysis  
Tourism Growth and Air Capacity

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<sup>8</sup> The Economic Benefits of Liberalising Regional Air Transport – A Review of Global Experience Headline Report, November 2005

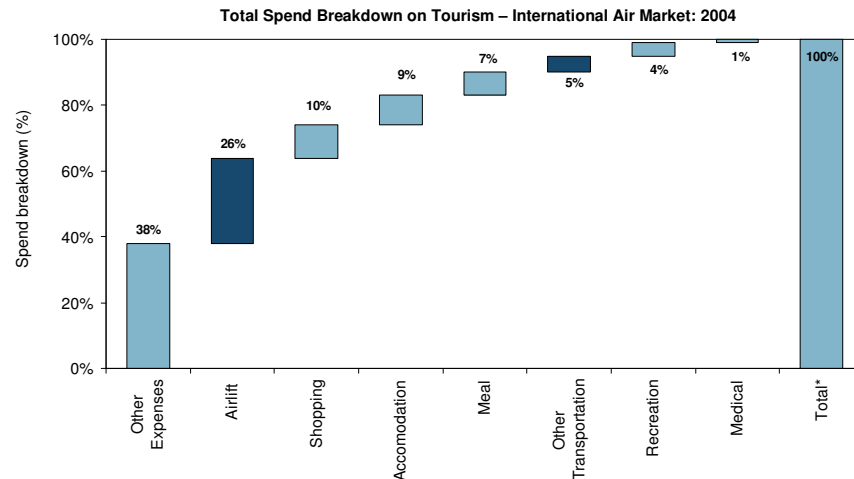
Research has also confirmed that on average, airfares represent one third of the total costs of visiting South Africa, as illustrated below:

*Pricing: International*

*Confidential*

**Transport, on average, represents one third of the cost of a trip to South Africa**

*The price of the flight is the largest expense for somebody who wishes to visit South Africa*



Note: Total spend by international travelers, holiday, business, and those visiting family and relatives, who arrived to South Africa by air. Airlift: Spending on air transport before arriving in SA (i.e. respondents were in country of residence). Other transportation: Spending on transport while in SA (i.e. domestic flights, rental cars, trains, etc...) \*Total of all prepaid and paid in South Africa expenses, less capital expenditures  
Source: SAT Departure Survey, 2004  
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**Two-Pronged approach to tariffs:**

In the light of the above, it is imperative that airfares should be as low as possible. To this end, the DOT has adopted a two-pronged approach to airline tariffs, namely:

- **Domestic air services** – economically deregulated. Airlines are free to set tariffs based on market demand, driven by competitors, subject to the general controls over economic activities applicable to all industries, and in particular, conduct regulation in terms of the Competition Act, 1998.
- **International air services** - Tariffs are generally deregulated as far as possible to allow airlines the freedom to set tariffs in response to demand, subject to the general controls over economic activities applicable to all industries. The liberal “double disapproval” tariff regime is normally incorporated into air services agreements, which allows for flexibility in filing of tariffs, when required, to address competition concerns.

Rigid tariff regulation is not considered to be a viable option to manage airfares due to highly sophisticated yield management systems employed and differences in products on offer by the various airlines.

Market forces within a pro-competitive environment should be able to ensure fair pricing of air services. It is recognised, however, that market failure may occur within a capacity constrained market, or due to anti-competitive behaviour of dominant airlines. In both cases the DOT, in partnership with the Competition Commission, will address these market distortions.

### 3.9 Current utilisation of Bilateral Air Services Agreements

Fifty-eight (58) of the 104 Air Services Agreements are active i.e. utilised by airlines (including code-share activity), whilst forty-six (46) are dormant i.e. not utilised.

The total capacity available to South African airlines on routes outside of Africa (i.e., excluding YD-States) in terms of the active agreements is three hundred and ten (310) passenger flights per week. South African airlines utilise 89 passenger services per week, whilst foreign airlines utilise 150 passenger services per week respectively. In total, 221 passenger services per week are unutilised by South African airlines. The total capacity unused by foreign airlines is 160 passenger services per week.

Due to liberalisation of certain key air services agreements and market demand; foreign airlines increased their seat capacity during 2005 by approximately 10% (total network) in comparison with 2004. In comparison, seat capacity offered by the South African airlines remained almost unchanged. Increases of note include additional capacity offered by British Airways and Air France, introduction of services by Qatar Airways and Etihad Airways.

Details of capacity availability (all current agreements) and capacity being utilised by South African and foreign airlines per region are reflected in the following table:

**Table 2: Capacity Utilisation – Bilateral Air Services Agreements**

REGION:	TOTAL CAPACITY ALLOCATED : (FLIGHTS PER WEEK)	CAPACITY UTILISED BY FOREIGN CARRIERS: (FLIGHTS PER WEEK)	% CAPACITY USED BY FOREIGN CARRIERS: (FLIGHTS PER WEEK)	CAPACITY USED BY SA CARRIERS (FLIGHTS PER WEEK)	% CAPACITY USED BY SA CARRIERS (FLIGHTS PER WEEK)
<b>1. AFRICA:</b>					
1.1 Northern Africa <sup>1</sup>	6	0	0%	0	0%
1.2 SADC <sup>2</sup>	238	49	20%	171	71%
1.3 East Africa <sup>3</sup>					
1.4 West Africa <sup>4</sup>	48	8	16%	14	29%
<b>2. EUROPE:</b>	162	96	59%	57	35%
<b>3. ASIA / PACIFIC</b>	62	24	38%	7	11%
<b>4. M. EAST</b>	42	30	71%	0	0%

5. N. AMERICA	23	0	0%	18	78%
6. L. AMERICA	21	0	0%	7	33%
<b>TOTAL (Excluding Africa – see notes below):</b>	<b>310</b>	<b>150</b>	<b>48%</b>	<b>89</b>	<b>29%</b>

1. Within North Africa region Egypt and Libya have unlimited capacity available
2. Within SADC region Botswana has unlimited capacity available
3. Within East Africa region Kenya, Ethiopia and Uganda have unlimited capacity available
4. Within West Africa region Gabon has unlimited capacity available

### 3.10 Unutilised Capacity – SA Carriers:

South African air carriers, and in particular SAA, are currently licensed to operate to various destinations around the world. In many instances, certain licensed routes are not operated or only a certain number of flights authorised are actually operated.

SAA utilises most of the licensed capacity to destinations within the African Continent, however, in the case of Europe, Australasian and the Middle East, 40, 15 and 9 flights per week respectively, are not operated. A schedule reflecting all the unused licensed capacity as well as the capacity that could be applied for in terms of the International Air Services Act, is attached as [Annexure A](#).

### 3.11 Yamoussoukro Decision:

#### 3.11.1 Background:

In the Yamoussoukro Decision, African countries have a formidable instrument for the development of the air transport industry including the improvement of the infrastructure and services as well as the removal of physical and non-physical barriers. This decision is also referred to as “Open-Skies for Africa”, i.e., intra-African air service liberalisation.

It is expected that liberalisation of air transport services and fair competition envisaged in the Yamoussoukro Decision would lead to the strengthening of African carriers, improve their capitalisation and minimise their operating costs.

#### Economic Integration

“Intra-Africa liberalisation would create the appropriate environment for the most proactive carriers of the continent to quickly extend their network and offer air services where they are now missing.”

“Free movement of people and goods would be enhanced. Travel time would be shortened, which would definitely accelerate economic integration.”

- African Airlines Association Secretary-General, Christian Folly-Kossi, May 2005

During May 2005, the African Ministers responsible for air transport met to consider ways of speeding up implementation of the Yamoussoukro Decision. A Resolution was adopted which calls on the African Union to implement the approved plan aimed

at expediting and monitoring the implementation of the Yamoussoukro Decision.

### **3.11.2 Yamoussoukro Decision: The South African Approach:**

To date, only seven African States have agreed to implement the key elements of the Yamoussoukro Decision with South Africa. These are Botswana, Kenya, Ethiopia, Uganda, Libya, Gabon and Egypt.

Various African destinations, such as Angola, Mozambique and Nigeria remain seriously capacity-constrained.

Therefore, the South African approach to the implementation of the Yamoussoukro Decision will be as follows:

- Prioritisation of negotiations with Angola, Mozambique and Nigeria to ease capacity constraints;
- Development of an approach aimed at accelerating the implementation of YD, including an econometric study to quantify the economic cost of regulatory constraints, including benefits that could be reaped as a direct result of the implementation of the Yamoussoukro Decision. This will guide South Africa's approach towards YD when engaging with the African Union, NEPAD and bilateral counterparts in Africa; and
- Addressing airline safety oversight capacity at an institutional level.

### **3.12 Airline Cooperation/ Global Alliances:**

The beginning of the nineties saw the global airline industry introducing more innovative arrangements such as franchising, code-sharing<sup>9</sup> and strategic alliances, to replace historical arrangements such as interlining and pool agreements. These arrangements allow airlines to serve markets indirectly, through the services of their partners. Currently only forty-two (42) agreements contain a framework for airline cooperation.

The industry is currently consolidating under three global airline alliances, namely One-world, Star and SkyTeam. The Qualiflyer and Wings alliances have since disintegrated. These alliances enjoy a combined market share of over 80% of the international air travel market. Of the seventy-five (75) airlines currently serving South Africa (passenger and all-cargo services), nine do so indirectly on code-share basis as marketing carrier on the services of existing airlines.

SAA joined the Star Alliance as the 18<sup>th</sup> member on 10 April 2006. It is significant to note that SAA is the 1<sup>st</sup> African airline to join the Star Alliance. Star Alliance Partners that will be

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<sup>9</sup> "Code-share" means the use of the flight designator code of one air carrier on a service performed by a second air carrier, which service is usually also identified as a service of and being performed by the second air carrier.

significant in respect to the various markets as defined by DEAT, include Air Canada, United Airlines, Lufthansa, Varig Brazil, Singapore Airlines and Swiss International.

The role of SAA in collaborative promotional and sales activity in line with the Tourism Growth Strategy has been selective, to ensure SAA supports initiatives that are in line with the network strategy. SAA together with its Star Alliance Partners will be launching numerous products, such as the Round the World Fare, Africa Pass and the Visit Southern Africa Campaign, which will be drawing tourists to South Africa and the rest of the region. It should also be noted that SAA will be collaborating with SA Tourism on the *Visit Southern Africa Campaign*.

SAA has also identified Canada, China and Japan as key markets for future network growth. These markets are currently served indirectly via other gateways with the support of feed from our Star Alliance partners. Canada is served via the US and European routes, in partnership with Air Canada. SAA is currently investigating the best aircraft to operate direct services to China and Japan, as part of the medium term network development plan.

The Star Alliance currently consists of a network of more than 15,500 daily flights serving 842 destinations in 152 countries. Through the Star Alliance, SAA would be able to extend its reach around the globe beyond Africa through partnerships and route expansion. Indeed, SAA, through its expanded footprint would be an increasingly important contributor to achieving the goals of this Strategy, not only in respect of availability of airlift capacity, but also being a promoter of African destinations, as aptly stated by SAA's CEO during the launch on 10 April 2006: "Proudly South African, our membership will allow us to show-off our African culture to the rest of the world."

### **3.13 Infrastructure:**

#### **3.13.1 Airports**

It is expected that the successful implementation of this Strategy in support of the Tourism Growth Strategy will result in a significant increase in the number of passengers moving through the main airports, notably Johannesburg International Airport (JIA), Cape Town International Airport (CIA) and Durban International Airport (DIA). Airports Company South Africa's (ACSA) current infrastructure expansion programme indicates that the major domestic and international airports will be able to cope with the projected increase in passenger demands. Current planning targets are reflected below:

**Table 3: Planned Airport Infrastructure upgrades**

	<b>INFRASTRUCTURE</b>	Current (million passengers per annum)	2009 (million passengers per annum)	Beyond 2009 (million passengers per annum)
<b>JIA</b>	Domestic	12	13	55
	International	8.5	11	
<b>CIA</b>	Domestic	5.5	11	45
	International	2.5	3	
<b>DIA</b>	Domestic	4	5.7	KSIA
	International	0.055	0.07	

In addition, passenger handling capacity of the following domestic airports will also increase by 2009:

- Port Elizabeth: Current 1.88 to 2.5 million passengers per annum, and
- East London: Current 0.7 to 1.2 million passengers per annum.

Infrastructure development in respect of all South African airports is linked with the National Airports Development Plan (NADP) and its implementation strategy, which is currently being developed. The NADP will form the blue print for all current and future airport developments in South Africa and will ensure integration of transport infrastructure within all spheres of government.

Additional information on ACSA airport infrastructure is attached as [Annexure B](#).

### 3.13.2 Airspace

The Air Traffic and Navigation Services Company Ltd (ATNS) is the primary provider of air traffic services in South Africa. Currently, ATNS provides services at 21 airports, controlling approximately 22 million square kilometres of airspace.

Total aircraft movements for the last three years until March 2006 were 625 327, 640 118 and 677 891 respectively. According to the ATNS Annual Report for 2005, an annual average growth in total aircraft movement of 2.5% to 3.5% is expected until 2016/17. This projection was subsequently adjusted and it is now expected that the average annual growth rate will be 5.4% for the period 2006 to 2018.

Johannesburg International Airport, Cape Town International Airport and Durban International Airport are experiencing congestion and are therefore co-ordinated airports (i.e., where slot allocation procedures are in place). Various initiatives to increase availability of airspace and airport capacity are underway or are being planned. This include:

- *Reduced Final Approach Separation* which will reduce the separation on approach and increase capacity;

- *Reduced Separation: Terminal Control Area* which should increase air traffic movements in the terminal airspace;
- *Decreasing runway occupancy and pilot reaction times* which will enable the declaration of additional slots;
- *Standard instrument arrivals and departures* which should increase the rate of arrivals and departures; and
- *Fully capacitating the Central Airspace Management Unit.* This would lead to increased efficiency resulting in increased capacity.

Additional information on airspace infrastructure is attached as [Annexure C](#).

### **3.13.3 Air freight Logistics:**

The Department of Transport has completed a National Freight Logistics Strategy to improve efficiency and effectiveness of freight movement in the corridors and to address bottlenecks and provide operational solutions. This has led to adopting an approach of developing corridor strategies and to identify an action framework for interventions and solutions that will unlock bottlenecks in the supply chain.

The National Freight Logistics Strategy prescribes certain requirements for an integrated system that include:

- ◆ Visibility of the supply chain
- ◆ Low systems cost
- ◆ Being reliable with low transit times
- ◆ Providing customer choice through:
  - Differentiation and the provision of value added services
  - Creation of tailored made communication platform
  - Creativity and innovation in the long term

This will require greater uptake and interconnectivity of logistics and supply chain management technologies (open systems), greater inter-modal operations and an optimisation of key nodal locations. Private sector participation is also seen as critical for the success of this intervention.

Of particular importance is the new King Shaka International Airport (KSIA) at Dube Tradeport that will respond to the growing needs of passenger and freight traffic. The KSIA is scheduled for commissioning in September 2009 and represents the development of an integrated passenger and freight airport without the significant constraints associated with the current facilities at Durban International Airport. The fundamental project concept is to provide a “multi-nodal” infrastructure facility that provides businesses, which depend on efficient supply



chains or who are involved in supply chain management, with an enhanced operating environment that reduces their supply chain costs, and hence increases their competitiveness.

The Airlift Strategy aims at maximising the utilisation of current aviation infrastructure and activation of and expanding air service opportunities within the air services network. This *Airlift Strategy*, therefore, focuses mainly on passenger and freight air services whilst the *Airfreight Logistics Strategy* will in particular focus on infrastructure issues.

### 3.14 Non-Scheduled Air Services:

Scheduled international air services are regulated primarily on the basis of bilateral or multilateral agreements between countries. By contrast, the individual States generally regulate non-scheduled international air services based on their relevant national laws, in compliance with Article 5 of the Chicago Convention.

In South Africa, foreign non-scheduled air services are regulated through the issuance of Foreign Operators permits (FOP). The following table reflects the total number of FOP's issued since 2000:

**Table 4: Foreign Operators Permits issued: 2000 to 2005**

Year:	Total Issued:	Cargo:	Passengers:	Tourism: *
2000	204	166	38	20
2001	179	163	16	11
2002	189	175	14	10
2003	205	188	17	12
2004	184	174	10	10
2005	203	185	18	16

\*(Included under Passengers)

The abovementioned Foreign Operators permits issued during the period 2000 to 2005 enable the following number of flights:

**Table 5: Total number of flights authorised through Foreign Operators Permits issued: 2000 to 2005**

Year:	Total Flights:	Cargo flights:	Passenger flights:
2000	1064	948	116
2001	638	597	41
2002	587	549	38
2003	830	743	87
2004	775	709	66
2005	596	520	76

The high number of flights, both in respect of cargo and passenger services authorised during 2000, is mainly due to various reasons, including limited capacity offered by the scheduled airlines during 2000. Due to the expansion of services and increased capacity on the

scheduled network, passenger and cargo demands could be more readily met as from 2001 onwards.

Demand for non-scheduled cargo services is market driven and remains high as cargo is mostly transported between destinations not served by scheduled airlines, such as conveyance of mining and telecommunications equipment into remote areas in Africa.

As reflected in the above table, the number of charter services for tourism purposes remains low. Reasons for this are complex, however, its important role in unlocking market potential for South Africa is recognised. To this end, the proposed policy framework provides for four (4) types of charters:

- **Charters (passenger and all-cargo) in respect of intra-African services:**

Allowed freely, subject only to safety and security regulation;

- **Charter flights (passenger and all-cargo) from destinations not served by scheduled air services:**

This type of charter is allowed freely, subject only to safety and security regulation, with a view of establishing new scheduled air routes;

- **Inclusive tour charters<sup>10</sup>:**

This type of charter includes all basic elements of a holiday package, including airfare, accommodation, and other land arrangements. It provides for seat-only sales only in respect of the empty legs prior to and at the end of a series of flights.

- **Charters which includes packages as well as seat-only sales on routes served by scheduled airlines:**

This type of charter arrangement could be in direct competition with existing scheduled air services. As scheduled operators are obliged to serve routes during high and low seasons, the granting of these rights on relatively low density routes normally considered after due consultation with all relevant stakeholders.

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<sup>10</sup> **“Inclusive Tour”** means a tour which is sold as a package consisting of –

- the transport of persons by air to and from any destination in the Republic of South Africa; and
- such fixed accommodation and other land arrangements for such persons for at least seven (7) days in the Republic of South Africa. (Source: Draft White Paper on National Civil Aviation Policy, 2006)

## 4. PROBLEM STATEMENT

In the light of the foregoing and with regard to the Tourism Growth Strategy, the following challenges emerge:

- 4.1.1 **Alignment with macro economic policies:** South Africa has since 1994 developed several policies and strategies defining new priorities of government at a macro level. These include the Growth Employment and Redistribution (GEAR) Strategy, the National Crime Prevention Strategy, the National Tourism Strategy, the Reconstruction and Development Programme and Accelerated Shared Growth Initiative for South Africa (ASGI-SA). The basis for bilateral air services negotiations has not always been clearly synchronised with these national strategies. The need for an integrated approach, ensuring improved coordination and alignment between relevant stakeholder institutions, is long overdue.
- 4.1.2 **National interest criteria:** “National interest” of the country and the interests of the suppliers and consumers respectively, seldom coincide. Current Strategy Planning Committee not effective in considering criteria for the “national interest” during the mandate-setting phase, due to a general lack of participation by key stakeholders (governmental in particular).
- 4.1.3 **Policy implementation:** The current Aviation Policy (1992 and 1996), and recommended revision as reflected in the draft White paper on National Civil Aviation Policy, provide broad guidelines for the conclusion of bilateral air services agreements. Specific guidelines are, nonetheless, required for various unique markets and to effectively respond to global/regional trends and challenges. To this end, a need for a real-time Aviation Information Management System has been identified.
- 4.1.4 **Aviation Safety and Security:** The relationship between the global trend towards rapid economic liberalisation and aviation safety and security regulation should be carefully balanced between costs and benefits to achieve an optimal level of safety. Measures aimed at strengthening of SA’s aviation safety and security regimes are critical to ensure actual and perceived safety and security status of the SA air transport market. Failure in this regard will impact negatively on trade and tourism, and may even lead to SA airlines being prevented from serving certain key tourism destinations. In this regard, the current trend towards EU blacklisting and US categorisation of states and airlines should be noted.

4.1.5 **Air Services Network Approach:** The current 104 bilateral air services agreements represent the backbone of the regulatory framework for scheduled air services to and from SA. Key stakeholders have not always recognised the fact that all agreements are interrelated. A network-approach to the revision of agreements is needed to ensure the integrity and stability of the air transport system.

4.1.6 **Competitiveness of the SA Tourism Market:** South Africa is in direct competition with many countries around the world as a preferred tourist destination. For instance only 3% of UK long-haul passengers travel to South Africa. Over-restrictive bilateral regimes, which provide for limited or no consumer choice, limited or no mechanisms for airlines to respond to market fluctuations and constrained capacity, no doubt have a negative impact on global tourism to South Africa.

Government must therefore, within the framework of national policies, continually strive to ensure an enabling framework, which allows both consumers and service providers reasonable flexibility. In particular, sustainable air services that connect to strategic tourism and trade markets with sufficient capacity to serve demand at competitive prices are required.

4.1.7 **Competitiveness of SA Airline Industry:** SA airlines are often not competitive in various markets, leading to a loss in market share. Traditional insistence on governmental protection through capacity limitation in terms of air services agreement(s) may impact negatively on the availability of capacity to meet the requirements of the trade and tourism industries.

4.1.8 **Role of Government:** Role of Government in respect of policy, regulation and operations not always clearly defined and implemented. Of particular importance is the role of Government in respect of policy and regulatory functions performed through the DOT, and shareholding of SAA through DPE.

4.1.9 **Actual / perceived unfair competition:** Unfair competition may due to various reasons, including differences in aviation safety and security oversight standards, notably in respect of non-scheduled cargo and passengers services, leading to creation of “flag of convenience” states<sup>11</sup> and through the “skewing” of market forces through the activities of dominant air carriers and certain interventions by certain states, Government should retain the ability to intervene if and when necessary, to ensure that the South African national interest is served at all times.

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<sup>11</sup> Addressed during ICAO Conference on Global Strategy for Aviation Safety, 20 – 22 March 2006 : ICAO’s air safety assessments to be public in two years.

## 5. STRATEGY

***The Airlift Strategy will support national economic growth through greater alignment with the tourism strategy and industry, prioritising tourism and trade markets and unblocking obstacles to growth through regulatory mechanisms, bi-lateral and multi lateral negotiations within the African Union and internationally.***

***The strategy allows for greater market access to support growth and competition in the air services industry. This is achieved through the creation of an enabling regulatory framework, which allows for capacity to be negotiated ahead of demand and unlocks capacity by introducing mechanisms such as the use-it-or-loose-it principle.***

***The strategy supports the Millennium Goals and the objectives of NePAD to increase African connectivity and access.***

### 5.1 Core Principles

The Strategy acknowledges the role of transport in general as a catalyst for economic development and identifies air transport and tourism as the twin pillars for sustainable socio-economic transformation. The core principles defining the strategy are:

- Promotion of a sustainable aviation industry
- Promotion of tourism and trade
- Enhancing fair competition and customer choice
- Regional and international cooperation

### 5.2 Objectives

The overall objective of the Strategy is to:

- Increase the air transport sector's contribution towards sustainable economic growth and job creation;
- Create and maintain an enabling framework within which both suppliers and consumers of air transport services may exercise reasonable flexibility and choice;
- Critically assess weaknesses of the current regulatory framework and to propose tactical approaches aimed at overcoming such weaknesses;
- Enhance the prospects for South Africa as a preferred air travel destination and contribute to the attainment of specific Tourism Growth Strategy objectives;
- Synchronise the basis for bilateral air services negotiations with other national priorities;
- Develop specific guidelines for various unique markets with emphasis on the needs of intra-African air service;

- Encourage a common sense of purpose amongst stakeholders; and
- Improve the regulation of particularly the supply-side of air transport services.

### 5.3 STRATEGY – KEY INTERVENTIONS:

The following strategic interventions are required to address the issues potentially impeding economic growth and job creation as identified in paragraph 4 above:

#### 5.3.1 National Interest considerations:

To ensure greater alignment with government policies and strategies, in particular with the *Tourism Growth Strategy*, mandates for air services negotiations must be aligned with the National Interest of South Africa. This will be ensured through structured engagement with all stakeholders through the Implementation Mechanism as set out in paragraph 6.3.

The concept of “National Interest” is a fundamental element in determining negotiating mandates, and for purposes of this Strategy, consists of national policies and strategies, including, but not limited to, the following:

- Constitution of the Republic of South Africa;
- Goals of the Reconstruction and Development Programme (RDP);
- Macro economic strategy as embodied by the Growth, Employment and Redistribution Strategy (GEAR);
- Accelerated Shared Growth Initiative for South Africa (ASGI-SA);
- National Civil Aviation Policy;
- National Foreign Policy;
- National Trade and Industry Policy;
- National Crime Prevention Strategy; and
- National Tourism Policy and Strategies.

#### 5.3.2 Identify and prioritise markets:

The important markets in respect of tourism and trade to be identified, monitored and prioritised. Status of such markets to be updated at least twice per year within the following categories:

##### 5.3.2.1 Primary Markets / Strategic Hubs:

As point of departure, these routes will include the ***Core Markets*** as currently defined by South African Tourism, namely: ***Kenya, Nigeria, USA, United Kingdom, Australia, France, Germany and the Netherlands.***

In addition, **Strategic Hubs** have been identified as: **Egypt, Senegal, UAE, Malaysia and Singapore.**

#### 5.3.2.2 Secondary Markets / Potential Growth Markets:

As point of departure, these routes will include the **Tactical and Investment Markets** as defined by South African Tourism, namely: **Botswana, Lesotho, Swaziland, Tanzania, India, Angola, Mauritius, Mozambique, Zambia, Zimbabwe, Canada, China, Hong Kong and Japan.**

In addition, **Brazil** has been included in this group due its important role in the India-Brazil-South Africa (IBSA) Dialogue Forum.

#### 5.3.2.3 Tertiary Markets:

As point of departure, these routes will include the **Watch-List** as defined by South African Tourism, namely: **Ghana, Senegal, New Zealand, Belgium, Ireland, Italy, Sweden and Switzerland.**

In giving effect to the abovementioned Strategy, the following tactical approach should be adopted:

##### Tactical Approach – Key tourism / trade markets:

- *An effective real-time monitoring system for the tracking of capacity uptake, load-factors, competitive behaviour of service providers and comparative pricing to be introduced.*
- *Data to be obtained from all operators (local and foreign) as well as Airports Company South Africa for purposes of monitoring of activity. Such data to be provided on the basis of confidentiality that protects the commercially sensitive nature of individual airline data.*
- *Constrained routes and extent of actual and projected lack of capacity to be identified through research.*
- *DOT to secure additional capacity (HR + financial) to implement above-mentioned monitoring system.*

#### 5.3.3 Modernisation of Air Services Framework:

##### 5.3.3.1 Capacity determination:

- **Capacity ahead of demand:** In order to ensure forward planning of sufficient capacity to cater for demand, capacity should be granted based on the principle of providing capacity ahead of demand.

With the exception of routes governed by the Yamoussoukro Decision (where unlimited capacity will be allowed), the following rules should be applied:

- **Primary Markets:** In determining capacity needs, a planning passenger load-factor<sup>12</sup> of 70% to be applied in respect of *Primary Markets*. This will provide for capacity ahead of demand of approximately 10% to 15%, ensuring availability of adequate capacity and thereby enabling airlines to rapidly respond to market demand.
- **Secondary / Tertiary Markets:** A planning passenger load-factor of 75% to be applied in respect of *Secondary* and *Tertiary Markets*.

### 5.3.3.2 Setting of Liberalisation Targets:

Setting of targets in respect of liberalising key elements of bilateral air services agreements, e.g., multiple designation of airlines, tariff regimes, code-share frameworks and implementation of the Yamoussoukro Decision are considered essential. To this end, the current framework of bilateral air services agreements should be liberalised in accordance with the targets as set out in [Annexure D](#).

### 5.3.3.3 Tactical Approach to Key Elements relating to the Modernisation of the Air Services Framework:

In meeting the liberalisation targets as set out above, various key elements of the air services framework will require attention, such as:

#### Tactical Approach - YD Implementation:

- *Implementation of the spirit of YD on bilateral level with willing partners to be accelerated as an interim measure, pending full implementation of the Yamoussoukro Decision across Africa.*
- *In particular, the following approach to the implementation of the YD to be implemented:*
  - *Prioritisation of negotiations with Angola, Mozambique and Nigeria to ease capacity constraints;*
  - *Development of an approach aimed at accelerating the implementation of YD, including an econometric study to quantify the economic cost of regulatory constraints, including benefits that could be reaped as a direct result of the implementation of the Yamoussoukro Decision. This will guide South Africa's approach towards YD when engaging with the African Union, NEPAD and bilateral counterparts in Africa.*
  - *Addressing airline safety oversight capacity at an institutional level.*