

AIRLINES ASSOCIATION OF SOUTHERN AFRICA



**AIRLINES ASSOCIATION OF SOUTHERN AFRICA**

**ANNUAL REPORT 2013 / 2014**

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## **1. INTRODUCTION**

It is my privilege and pleasure on behalf of the AASA team to present the 2013/14 Annual Report, which detail the activities and achievements of AASA for this period. With its extensive agenda and level of activity, AASA is recognized as the lead representative airline association within Southern Africa working together with the leaders of the Aviation Industry and senior public and Government officials on policy, regulatory, planning, operational, safety, security and financial matters affecting the overall profitability of the airlines and their continued sustainability. AASA has continued to lead, coordinate and put forward the airline industry position on airport, airspace and civil aviation issues, as well as consumer legislation, environmental, legislative, regulatory, tourism and other general matters and provides media response and feedback on important industry issues.

The global airline industry continued its recovery in 2013/14 with projections for a net profit of US\$ 18 billion in 2014 compared to a profit of US\$ 10,6 billion in 2013. Africa has also shown resilience in turning a US\$100 million loss in 2012 to a profit of US\$100 million in 2013 and a profit of between US\$100 million and US\$200 million is projected in 2014. Within Southern Africa, results are expected to mirror those from the rest of Africa. Global passenger growth projections worldwide are expected to be at between 4 and 5% per annum whilst in Africa the forecast is for a 6% growth. Within South Africa, the sluggish GDP growth projection of 1.4% per annum has constrained growth to an expected overall growth of 2.2% for 2014.

Within this framework, AASA has undertaken the following activities and projects as detailed below.

## **2. AASA'S CORPORATE DEVELOPMENTS**

### **2.1 AASA EXECUTIVE COMMITTEE**

The AASA Executive Committee (EXCO) during the year under review was as follows:

1. Dr Marlene Manave, Chairperson (resigned 4 August 2014)
2. Mr Erik Venter, Deputy Chairperson (acting Chairperson from 4 August 2014)
3. Mr Rodger Foster
4. Mr Inati Ntshanga
5. Mr. Monwabisi Kalawe
6. Mr. Chris Zweigenthal, Chief Executive Officer
7. Mr Vivendra Lochan, Chief Operating Officer

### **2.2 AASA STAFF**

The AASA Staff compliment during the year under review remained unchanged and was as follows:

Mr Chris Zweigenthal – Chief Executive Officer  
Mr Vivendra Lochan – Chief Operating Officer  
Ms Buhle Marais – Personal Assistant and Secretary to the Association  
Ms Pam Roux – Bookkeeper  
Ms Celeste Breedt – Office Administrator  
Ms Alice Saule – Office Assistant

## **2.3 MEMBERSHIP ISSUES**

During the year under review no new Airline members joined AASA. However, with the liquidation of Air Malawi, Air Malawi's membership is under review and the AASA Executive are currently in communication with the new Executive team of Malawi Airlines to encourage them to join AASA.

The Association currently has 20 Scheduled Airline Members and 31 Associate Members. The Membership list is attached as Annexure A.

AASA has been involved in a number of diverse projects over the past year. Many of these projects could not have been taken forward and yielded results without the support and participation of many Airline representatives in their areas of expertise. The AASA team records its great appreciation to its Members and these representatives for the great support and teamwork throughout the year.

## **2.4 BLACK ECONOMIC EMPOWERMENT ACCREDITATION**

AASA went through its annual accreditation and is pleased to advise that Level 3 contributor accreditation status was reconfirmed.

Mr. Vivendra Lochan, Chief Operating Officer of AASA, was nominated to the Department of Transport's BBBEE Council to represent South African Domestic Aviation. The members of this Council were never confirmed and it is understood that the Council will be reconstituted with a different external representation. Further information is awaited.

## **3. BUSINESS ACTIVITIES**

### **3.1 INFRASTRUCTURE SERVICE PROVIDERS**

#### **3.1.1 REGULATORY REVIEW PROCESS FOR AIRPORTS COMPANY SOUTH AFRICA (ACSA) AND AIR TRAFFIC AND NAVIGATION SERVICES (ATNS)**

A new Regulating Committee for ACSA and ATNS was appointed on 1 March 2014. With respect to the Regulatory Review process, their focus was to acquaint themselves with the work done to date in respect of the Funding Model (the report produced by Cambridge Economic Policy Associates Ltd (CEPA)) and by Senior Counsel to review the ACSA and ATNS Acts and make proposals for legislative or regulatory amendments. As leader of the process, the DOT prepared draft amendments to the ACSA and ATNS Acts in line with the recommendation from Senior Counsel. This work was done together with other members of the Steering Committee and Project team. Draft Amendment Bills have been prepared and following consensus reached by the Project Team, the drafts have been referred to the DOT Legal Team to prepare for publication. Member Airlines have had the opportunity to comment and these comments have been incorporated into the draft. Further opportunity to comment will be provided through the normal publication process. It is expected that this will take place in early 2015.

With respect to the Funding Model, this was not considered a priority to finalize as the current Permission Process is underway using the existing model. However, following completion of the new ACSA and ATNS Permission Process, it is expected that this project will receive close attention.

### **3.1.2 PERMISSION PROGRAM**

The fifth and final year of the current Permission for ACSA and ATNS expires on 31 March 2015. This is the first time since 1994 that the Permission ran a full term of five years. This occurred primarily because the regulatory review process noted under 3.1.1 above was held up due to the delay in the appointment of the new Regulating Committee.

As not all preparatory work could be completed on time, it was necessary to review the Permission Program, to enable the new Regulating Committee to issue a new Permission by 1 April 2015. The following time lines were agreed to by the Regulating Committee, ACSA, ATNS and the airline industry:

- ACSA and ATNS would apply for an effective zero per cent Permission by 30 September 2014 for implementation on 1 April 2015.
- ACSA and ATNS would apply for an amendment to the existing Permission on 30 November 2014. This would effectively be their application based on their Business Plan and the guidelines as contained in the Regulating Committee's Approach Document.
- The Regulating Committee will follow the due process for issuing the final Permissions by 30 June 2015 for implementation on 1 October 2015 in accordance with the three month notice period required for gazetting of the new tariffs.

The above process is currently proceeding according to program.

### **3.1.3 AIRPORTS COMPANY SOUTH AFRICA (ACSA)**

#### ***Permission Process***

In line with the current Permission, ACSA took a CPI increase on 1 April 2014. The past year has seen extensive consultations between ACSA and the Industry represented by AASA, IATA, BARSa and several Airline representatives as ACSA prepares for submission of their Permission Application. Consultations have focused on reaching agreement on traffic forecasts, as well as Capital Expenditure programs for ACSA for the next five years. The major projects will include the commencement of the new re-aligned runway, Domestic and International Terminal upgrades at Cape Town International Airport, additional aprons at OR Tambo International Airport, and maintenance and refurbishment programs at all ACSA Airports. Although the specific tariff proposals have not been finalized, there is a general acceptance that there could potentially be marginal tariff adjustments over the next Permission period.

#### ***Business and Operations***

ACSA and AASA cooperation extends in all areas of the airport operations, notably in the development of solutions and processes to improve the safety and reliability of the passenger experience at airports. Projects include the implementation of a hand baggage policy in line with Civil Aviation Regulations, active participation in the ACSA National End-to-End Forum to promote on time performance, and all projects to promote safety and security of passengers throughout their travel experience.

In addition, AASA and ACSA are still actively engaging with Airlines and the Associations representing persons with disability to reach agreement on draft regulations, which will be submitted through the regulatory process for approval. It is expected that this process will be finalized during 2015.

### **3.1.4 AIR TRAFFIC & NAVIGATION SERVICES (ATNS)**

#### ***Permission Process***

In line with the current approved Permission, ATNS took a CPI increase on its tariffs effective 1 April 2014. Consultations between the airline industry and ATNS have continued over the past year to finalize ATNS plans for their Permission application by 30 November 2014 for the five year Permission period which commences on 1 April 2015. One task was to reach consensus on a Traffic Forecast for this period. Due to the use of different base months from which ATNS and ACSA determined their forecasts for the next five years, as well as there being additional elements included in ATNS movements (take-off, landing, and en route) as opposed to ACSA movements (landings only), the ATNS traffic forecast is different to the ACSA forecast. The industry was unable to reach total consensus on both forecasts and on submission to the Regulating Committee, they accepted the different forecasts as a basis for building the respective Permission plans. The ATNS Capital Expenditure Program was discussed extensively and agreement was reached substantively on the plan to be included in the Permission Application. Further financial consultation meetings have been held and although full agreement with industry on the tariffs to be submitted has not been reached, the airline industry will have the opportunity to put its case to the Regulator during the evaluation period.

#### ***Operations***

ATNS held its Annual Operations Committee meeting (OPSCOM) on 28 July 2014. This meeting focused on activities over the past year, which included the following:

**Slot Coordination:** Under the leadership of the Department of Transport, the Slot Coordination Committee meets on a monthly basis and has become very active in managing slot performance at ACSA coordinated airports. The performance of all operators is actively managed by ATNS, the Slot Coordinator, and feedback provided to airlines. This Committee will also continue to look for solutions to achieve improved utilization of slots and to identify potential efficiency improvements and derive increases in capacity.

**Performance Based Navigation:** ATNS continues to drive the process for the implementation of PBN and associated air traffic service improvements in South Africa. Work is ongoing with the cooperation of the airlines and it is important to obtain the full cooperation of all stakeholders to derive the full benefit.

**USTDA Capacity Study:** Action plans have been drawn up to implement solutions proposed by this study, and a workshop convened by ACSA and ATNS will be held to develop a program to implement solutions.

**Airport Hours of Service:** Following consultations between ACSA and ATNS and the operating departments of the airlines, consensus was reached to leave the operating hours largely unchanged.

### **3.1.5 SOUTH AFRICAN WEATHER SERVICE (SAWS)**

During the past year, it was agreed to delay further work on the Service Level Agreement between SAWS and the industry. There is currently no agreement on which organizations will be party to the agreement – namely, the Industry Associations or the Airlines and Operators directly with SAWS? AASA also attends the regular Liaison Meetings (the Advisory Committee for Aeronautical Meteorological Services – ACAMS) with aviation stakeholders under the leadership of SAWS where technical and operational matters are discussed. Airline

representatives are invited to attend these meetings, which is where proposals for the acquisition and implementation of new technology are discussed with industry.

On an annual basis, AASA meets with SAWS and the SAWS Regulating Committee to agree on the determination of annual tariffs for SAWS. Effective 1 April 2014, the Regulating Committee published a 24% increase in charges, which although much higher than what was motivated by the airline industry, was a reduction from the 32% increase proposed by SAWS. Consultations have commenced for the determination of a new tariff for the year commencing 1 April 2015 and are expected to be completed by December 2014.

### **3.2 AFRICAN AEROPOLITICAL ISSUES**

The SADC Civil Aviation Committee meets annually and the 17<sup>th</sup> annual meeting was held in Gaborone from 5 to 6 May 2014. Due to conflicting commitments, AASA was unable to attend the meeting, but provided comment on matters relevant to the airline industry in preparatory meetings and in follow up discussions.

#### **3.2.1 SADC CIVIL AVIATION COMMITTEE ISSUES**

AASA is the consultative member on the Civil Aviation Committee, representing all SADC based airlines on this Committee. The projects receiving attention at this forum are:

- Implementation of the Yamoussoukro Decision – Little progress has been made over the past year. The African Civil Aviation Commission (AFCAC), the AU appointed Executing Agency needs to resource itself adequately to fulfill this role and there is little progress on this at present. The Joint Competition Authority including SADC, COMESA and EAC is being set up, but this is also expected to take some time to resource and constitute based on a proposal put forward by Consultants. In the interim, States with a desire and a common interest continue to liberalize on a bilateral basis, thereby enabling their airlines to expand their operations.
- The COSCAP program within SADC is beginning to see substantive progress with the formation of the SADC Aviation Safety Organization (SASO), which would provide improved safety oversight to the region. During the past year, it has been agreed that SASO will be hosted by Swaziland. Workshops are now being held to determine a long term resourcing and funding program for SASO. AASA is involved in this consultation process. For the initial two years, SASO should be funded through Member State contributions in the same way that SADC is currently funded and an interim Directorate and Secretariat has been set up.
- Further programs which are expected to receive attention as part of COSCAP is the harmonization of Civil Aviation Regulations where possible.
- Work is still being undertaken on the development of the Upper Airspace Control Centre (UACC), now renamed the Upper Airspace Management Centre (UAMC). At this stage the military have become involved in this discussion to ensure there is alignment between civil and military airspace control issues.

#### **3.2.2 EU OPERATING BAN ON SEVERAL AFRICAN AIRLINES**

During the past year, within the SADC region, Swaziland was removed from the EU banned list. However, the other States (e.g. Mozambique, DRC, Zambia) still appearing on the list continue to work with their airlines and with ICAO to ensure the findings are remedied to enable them to be removed from the banned list.

### **3.3 DEPARTMENT OF TRANSPORT (DOT)**

AASA appreciates the excellent working relationship with the Department of Transport. As the lead department for aviation in South Africa, it is imperative that AASA works very closely with the Department particularly with respect to the implementation of policy matters. The following matters have received attention over the past year:

- AASA is an active member of the Slot Coordination Committee (ref. 3.1.4 above) under the leadership of the DOT.
- AASA is the channel through which ICAO State letters receive attention from the South African airline industry, and following consultation with airlines, AASA provides feedback to the DOT and attends meetings to deal with important matters requiring attention.
- The draft revised Airlift Strategy has been the subject of consultation between the airline industry, the DOT, the CAA and several Government Departments (including Tourism, Public Enterprises). A new draft was prepared and this is currently under review by the DOT. The revised National Civil Aviation Policy is also under discussion. Both documents should be finalized during 2015. Further consultation with industry on both documents will take place prior to finalization.
- National Facilitation Committee. This Committee was convened during the past year and has met twice. A Terms of Reference has been finalized. This Committee is formed under the auspices of Annex 9 of the Chicago Convention and will deal with all national facilitation matters.
- AASA is coordinating the South African airline discussions with the DOT to finalize a B-BBEE scorecard for the industry in accordance with the requirements of the new DTI Codes of Good Practice. Refer item 3.11 below.
- The Department of Transport is the Secretariat to the Regulating Committee of ACSA and ATNS. AASA liaises with the Regulating Committee through the DOT.
- The Department of Transport plays the coordinating role with all other Departments in respect of the work being undertaken to implement the Cape Town Convention and ensure South Africa's placement on the Cape Town list. AASA has forwarded documentation to regional airline members and has offered to assist members and their States where possible to ensure implementation of the Convention throughout SADC.

### **3.4 SOUTH AFRICAN CIVIL AVIATION AUTHORITY (SACAA)**

AASA works closely with CAA in the following areas:

- Civil Aviation Regulations Committee (CARCOM): As a member of CARCOM, AASA attends the both the CARCOM meetings as well as sub-committee meetings of CARCOM established to look at specialist areas.
- National Airspace Committee (NASCOM): AASA is a member of the NASCOM and attends its quarterly meetings, representing airlines and consulting with them as required on proposed reviews and approval of airspace design.
- FINANCE: AASA works closely with the CAA to reach consensus on proposed tariff increases. During the past year it was expected that the Passenger Safety Charge would increase from R16.00 to R18.00 per passenger. However, largely with the involvement and support of AASA, the CAA delayed the increase to take account of the over-collection of charges resulting from an increase of R12.00 to R16.00 per passenger from 2012 to 2013 implemented without authority from the Minister of Finance. During September 2014, the Minister of Finance approved the return of this over-collection to the passenger and an increase of R0.39 cents will be implemented on 1 November 2014. The CAA increased the fuel levy for non-scheduled operations from 12.2 cents per litre to 13.0 cents per litre on 1 April 2014.
- SECURITY: AASA is a member of the Aviation Security Manager's Forum together with Security Managers from the airlines. In addition, AASA is represented on the ACSA Local Airport Security Committee at OR Tambo International Airport.



- CIVIL AVIATION AUTHORITY LIAISON COMMITTEE: AASA attends this Committee meeting which is held on a quarterly basis representing the scheduled commercial airline industry. It is chaired by the Director of Civil Aviation and is the forum in which members across the aviation industry spectrum can interact and discuss issues of concern with the Director.

### **3.5 AVIATION JET FUEL**

ACSA convenes and chairs the Jet Fuel Forum, which brings together the Associations, Airlines, ACSA, and Oil Industry on a quarterly basis. On an annual basis, the Department of Energy, Transnet (Freight Rail and Pipelines) are invited to join the meeting where issues of a strategic nature are discussed. The following issues are to be noted:

- During the past year, the supply of jet fuel to OR Tambo International Airport has proceeded well with no interruptions. A strategic fuel meeting was held on 21 July 2014. Security of supply was discussed in detail including the necessity of retaining both Pipeline and Rail supply to the Gauteng region. At present the new Multi Product pipeline is not being used for the transport of jet, but it will be necessary to review the transport of jet to Gauteng from 2017. Further detailed consultations will take place on this matter.
- At Cape Town International Airport, there was a supply shortage in March 2014 due to a refinery shutdown and insufficient product arranged to bridge the supply requirement. Additional product was arranged and with cooperation of the airlines to tanker jet into Cape Town, a crisis was averted. Measures have been put in place between the refinery and ACSA for a more effective early warning of an impending shortage.
- As discussed during consultations for the next Permission, ACSA is planning to construct an additional two fuel tanks at Cape Town International Airport at the existing Fuel Farm. The next step is to initiate an investigation into the possible provision of a pipeline to Cape Town International Airport to replace road bridging in the future.
- Pricing of jet fuel is not for discussion, but the known disparity between the pipeline tariff, which is regulated, and the commercial rail tariff is a cause of concern for the industry, especially since the rail levy was removed by the Minister of Energy effective 1 May 2014. Throughput levies have also been regulated by NERSA for operators at all airports.

### **3.6 DEPARTMENT OF HOME AFFAIRS**

On 12 February 2014, the Department of Home Affairs published new Immigration Regulations for comment. These included amongst other provisions, the necessity for all children under the age of 18 years, irrespective of nationality to carry an unabridged birth certificate as well as certified proof of authorization from an un-accompanying parent, where applicable, that the child is able to travel with the other parent or a guardian. Further there is a requirement that visitors requiring a visa to visit South Africa must appear in person at an authorized South African visa issuing centre to apply for this visa. The entire travel, tourism and aviation industry missed this publication, which required comment to the Department of Home Affairs by 26 February 2014.

On 22 May 2014, the President of South Africa proclaimed the new Regulations to come into effect on 26 May 2014. With ostensibly the first knowledge of these Regulations, the entire travel, tourism and aviation industry raised the flag on the implementation of these regulations contending that they would be extremely difficult to implement and enforce and would be very detrimental to the country's tourism industry in particular. Industry requested a twelve month postponement, and the Minister agreed to a postponement to 1 October 2014.

Under the auspices of the Tourism Business Council of South Africa (TBCSA), all Associations worked together with consultants who produced a report on the potential impact of the Regulations. There was a need for the industry to meet with the Minister of Home Affairs, and through IATA and AASA's approach, this meeting was held on 12 September 2014. The Minister soon thereafter agreed to postpone the implementation of the unabridged birth certificates and established a task team to consider the appropriate means to implement this provision by 1 May 2015.

AASA will be directly involved in this consultation process with the DHA and the first meeting was held on 16 October 2014.

### **3.7 THE ENVIRONMENTAL CHALLENGE**

#### **3.7.1 GLOBAL INITIATIVES**

Following the 38<sup>th</sup> ICAO Assembly, IATA has led the airline industry in the work mandated by the ICAO Assembly to deliver a global Market Based Measures solution framework for consideration by the 2016 ICAO Assembly. AASA attended the Air Transport Action Group conference in which took place in Geneva In April 2014 and AASA continues to receive updates from IATA on progress being made with the global solution.

#### **3.7.2 SOUTH AFRICA ISSUES**

Following the decision at the ICAO Assembly to develop a global Market Based Measures solution, South Africa has revised its position on the implementation of carbon taxes on international flights. It appears that South Africa will await the results of the ICAO initiatives before deciding on the way forward for international flights. However, with respect to domestic flights, South Africa remains intent on implementing a carbon tax. The Minister of Finance has announced a delay in the implementation of carbon taxes from 2015 to 2016. AASA remains opposed to the introduction of Carbon Taxes, advocating for the alignment of an international and domestic solution. AASA has participated actively in South African Environmental forums arranged by the Department of Environmental Affairs. Currently mitigation measures are being designed and developed across all sectors of the economy and AASA is the voice for the airline industry in these forums. Airlines have cooperated for provision of base data to create an inventory for Greenhouse Gas Emissions for South Africa. Follow up actions and initiatives will be coordinated through the AASA Environmental Committee during 2015.

#### **3.7.3 NOISE POLLUTION**

AASA has participated as an interested stakeholder in the Environmental Impact Assessment for the construction of the re-aligned runway at Cape Town International Airport. Considerations of noise mitigation measures will form part of the Record of Decision.

### **3.8 HUMAN RESOURCES, LABOUR RELATIONS AND TRAINING**

The Association is also involved in a number of projects as follows:

**The Management Committee of the Aerospace Chamber of TETA:** The Committee meets on average twice per annum. The aviation business, including disbursement of grants in terms of submitted Workplace Skills Plans and Discretionary Grants is controlled centrally through the TETA. This is the case for all the sub-sectors reporting through to the TETA. The Aerospace Chamber is able to provide input and guidance on the aviation sector to TETA.

Comair is the AASA representative and SAA is the alternate representative on the Management Committee.

**AASA Skills Development Training Program:** During the year 2013/14, following its launch in September 2013, AASA actively commenced a training and development program, which was directed to benefit the employees of its member airlines and also to contribute to transformation imperatives for South Africa. This programme has enjoyed tremendous success and has added immense value to our members. Through this program, AASA has facilitated the training of 216 staff members from its Airline membership during the financial year 2013/2014. The training extends into the disciplines of Customer Care Training and Commercial Aviation Management. The programme will continue in the current financial year until such time our members advise of other skill requirements.

### **3.9 LEGAL MATTERS**

#### **3.9.1 CONVENTION ON INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT AND ASSOCIATED INSTRUMENTS (CAPE TOWN CONVENTION)**

At the end of 2012, the AASA commissioned report was published and provided recommendations on legislative amendments that are required to enable the Cape Town Convention to be fully implemented in South Africa and for South Africa to be considered for inclusion on the Cape Town list. The DOT convened internal Government Departmental meetings to assess these proposals and make further recommendations towards amendment of the legislation. In June 2014, AASA convened a meeting between the DOT, the SACAA and member airline representatives to determine the way forward. Following this meeting, AASA commissioned ENS Attorneys to draft proposed amendments to the various elements of legislation where this is deemed necessary. In addition, draft regulations have also been prepared for consideration to underpin the legislation. ENS has prepared draft amendments and draft regulations and these are being considered for submission to the DOT and CAA and further consideration by the Government Departments. This process is unfortunately lengthy and expected to continue well into 2015.

#### **3.9.2 IMPLEMENTATION OF 3D SECURE FOR MERCHANTS**

During this past year, AASA has convened a workshop and further meetings with the domestic airline representatives with direct responsibility for this function and worked with the airlines to determine their respective readiness to implement 3D Secure. AASA has continued to liaise with the Payments Association of South Africa (PASA), who has pushed to implement 3D Secure for the airline industry as from 01 July 2014. This was not realized as members raised issues that impeded the 3D Secure implementation. PASA has advised Airlines to work with acquiring Banks to resolve any outstanding issues. Members are in different stages of readiness and a phased approach of implementation will be required so as to minimize the risk of lost revenue.

#### **3.9.3 CONSUMER PROTECTION ACT**

From all reports received, the individual airlines have satisfactorily been dealing with complaints and claims received from their customers. AASA together with BARSA and with the assistance of the attorneys Cliffe Decker Hofmeyr, have submitted a draft Industry Code to the National Consumer Commission (NCC). On request of the NCC, AASA and BARSA have met twice with the NCC to discuss the airline industry position and the handling of claims. The NCC proposed that AASA and BARSA be appointed as Alternate Dispute

Resolution bodies, being effective intermediaries between the NCC and the customer submitting claims or complaints. This has subsequently been amended to AASA and BARSA being the liaison between the NCC and their customers, where the NCC would forward complaints received and not being adequately dealt with, for onward transmission to senior executives within the airline for resolution. During discussions, it has become apparent that the NCC, in reviewing the number of complaints, does not consider it necessary for the airline industry to appoint its own Ombud, and consideration could be given to using the services of another industry Ombud. The process of completing the Industry Code will now proceed and further consultations with the airline industry will proceed during early 2015.

### **3.10 DEPARTMENT OF TOURISM AND TBCSA BUSINESS**

Mr. Zweigenthal is a member of the Board of Directors of the Tourism Business Council of South Africa (TBCSA) representing AASA. AASA continues to represent the industry at the meetings when they are held between the Travel and Tourism sectors and the Minister of Tourism. AASA also represents the TBCSA and the airline industry in the National Tourism Sector Strategy sessions where reports on progress to deliver on the goals and objectives of the National Tourism Strategy are presented. The state of the Airline industry both in South Africa and the region is an important element of this discussion.

### **3.11 TRANSFORMATION OF THE INDUSTRY**

AASA is actively committed to the transformation of the airline industry in South Africa and in the region. Through its transformation program noted in item 3.7 of this report, AASA has invested in training programs targeted at assisting airlines in some way to provide training and development of previously disadvantaged individuals / employees.

AASA is, together with the Domestic airlines, in consultation with the DOT, coordinating the development of a new B-BBEE Scorecard in alignment with the new Codes of Good Practice as set out by the Minister of Trade and Industry in October 2013. All sectors of the economy are required to have new scorecards and charters in place by end April 2015. AASA and a team of airline representatives representing all South African airlines have met with the Department of Transport on three occasions since July 2014 and progress is being made towards reaching agreement with the Department of Transport on a new Domestic Aviation scorecard. The scorecard for our regional Airline Members is being dealt with by BARSA primarily as the ownership element cannot be applied to foreign owned airlines. One of the important elements being developed by the airline team is a coordinated training and development plan for black pilots. This concept is in the early stages but is considered an important program to focus the commitment of the industry to transform in this critical area.

AASA has further participated in the Letsema Roundtable convened by the Deputy Minister of Transport following the Department of Transport's First Transformation Letsema in August 2013. AASA will continue to participate and support the initiatives in this area.

### **3.12 AVIATION CO-ORDINATION SERVICES (ACS)**

#### **3.12.1 General**

ACS, a Company owned 50% by AASA and 50% by the Board of Airline Representatives of South Africa (BARSA), is mandated by the Airlines serving South Africa to provide services on behalf of the Airlines at South African airports which would otherwise have had to be provided at great cost by Airlines themselves. ACS manages its costs effectively to ensure charges are only increased where absolutely necessary. Following no increase in tariffs since 2011, ACS increased its charges during 2014 due to rising costs and the need to replace

screening equipment. Notwithstanding these increases, the average increase in charges remains on average well below the CPI rate. Mr. Zweigenthal is a Director of ACS and Mr Lochan is his Alternate Director. Both Executives continue to maintain a direct involvement in ACS activities through their roles on the respective ACS Board Committees. The working relationship between ACS, AASA and BARSA, ACSA and the SA Civil Aviation Authority is highly valued in enabling the provision of this important service.

ACS has provided ACSA with a new draft of a proposed agreement between ACS and ACSA and it is hoped that both parties can reach agreement on a new agreement as soon as possible.

### **3.12.2 Hold Baggage Screening**

ACS has continued to provide 100% Hold Baggage Screening (HBS) at all ACSA Airports as well as four non ACSA Airports, namely, Hoedspruit, Margate, Phalaborwa and Richards Bay. ACS has commenced the project together with ACSA and the CAA whereby new equipment will be required at all airports to ensure compliance with new increased HBS standards. It is anticipated that this project will result in new equipment being installed at airports from around 2020.

### **3.12.3 Baggage Reconciliation Services**

ACS continues to provide Baggage Reconciliation System (BRS) at OR Tambo, Cape Town, Durban, Port Elizabeth, Bloemfontein, East London and George Airports.

### **3.12.4 CUTE and CUSS**

ACS is responsible for the management, operation and maintenance of the Common Use Terminal Equipment (CUTE) and the Common Use Self Service (CUSS) kiosks.

The CUSS operations continue to receive increasing support from airlines and passengers with a total of fourteen international airlines and six South African based airlines offering services on CUSS.

During August to October 2014, ACS and ACSA put out a joint Request for Proposal for the CUTE and CUSS infrastructure, equipment and systems. This new equipment and technology will enable the South African aviation community to actively support the IATA Fast Travel project and implement processes and procedures which will facilitate passenger service into the future in line with international best practice.

### **3.12.5 Cargo Screening**

ACS performs Cargo Screening at OR Tambo and Cape Town Airports for Africa Freight Services (AFS) and is in a position to offer this service to the wider community as necessary. At the same time, ACS continues to keep abreast of new developments and requirements in respect of determining uniform cargo screening standards worldwide, particularly monitoring developments in the USA and EU, which tend to lead the benchmark in new standards and regulations.

## **3.13 MEDICAL MATTERS**

Over the past months, the epidemic of the Ebola virus which has become a crisis in Liberia, Guinea and Sierra Leone, has dominated the news and the world at large as solutions to cure those affected as well as means to eradicate the virus are urgently sought. The World Health

Organization is leading initiatives on trying to contain and eradicate the virus. Using these guidelines, every State is determining the appropriate response to the threat and managing the risk of the disease spreading to their State. AASA continues to pass on all appropriate information related to the disease and new means of response as put forward either by the World Health Organization or by the appropriate authorities in the States.

### **3.14 AASA STANDING COMMITTEES**

AASA has a number of standing committees, which are regarded as important forums for the exchange of views amongst industry and airline representatives dealing with matters in the mutual best interests of members. These include:

- **STANDING COMMITTEE ON SAFETY:** This Committee meets on a quarterly basis and is currently under the Chair of Comair. This is a very successful forum, attracting representatives of most organizations with an interest in sharing safety information, learning from each other's experiences and creating a greater awareness of safety requirements and standards.
- **HUMAN RESOURCE TRAINING;** This Committee meets as and when required to provide input to the AASA representative on the TETA Aerospace Chamber Management Committee
- **ENVIRONMENTAL COMMITTEE:** This Committee is still to be convened but will deal with issues of mutual interest to members in considering initiatives to reduce greenhouse gas emissions and to put programs in place to support the goals of the to be agreed international solution on MBM's.

## **4. OTHER INDUSTRY INVOLVEMENT**

### **4.1 IATA AND REGIONAL AIRLINE ASSOCIATIONS**

AASA is one of nine Regional Airline Associations recognized by IATA. AASA continues to support common positions taken on industry issues, which are applicable worldwide. AASA attended the ATAG (Aviation Transport Action Group) Global Sustainable Aviation Summit in Geneva from 29 to 30 April 2014 as well as the IATA Annual General Meeting held in Doha, Qatar from 1 to 3 June 2014. AASA liaises directly with IATA on many industry issues requiring attention in the region and appreciates the support and assistance received from the IATA team. In addition, AASA liaises with the Regional Airline Associations (African Airlines Association, Arab Air Carrier Organisation, Airlines for America, Association for Asia and Pacific Airlines, Association of European Airlines, European Regional Airline Association, Latin American Airline Association), whose support and willingness to engage and share information is greatly appreciated.

### **4.2 SOUTH AFRICAN INDUSTRY ASSOCIATION INVOLVEMENT**

AASA has continued to work closely with the Board of Airline Representatives of South Africa (BARSA), which represents the International Airlines flying to South Africa. There is a shared interest in the business of ACS. Where the international and domestic agendas are aligned, the combined voice of both Associations works towards achieving the mandate from their respective airline members. I wish to acknowledge the excellent working relationship that we have with BARSA and in particular Mrs. June Crawford, the Chief Executive of BARSA.

AASA acknowledges the excellent and complimentary role played by other Aviation, Travel and Tourism Associations including the Commercial Aviation Association of Southern Africa under the leadership of Mr Leon Dillman and Mr JP Truter, the Aero Club of South Africa led by Mr Kevin Storie, Recreation Association of South Africa led by Mr Neil de Lange, and other organizations in this sector. In addition, through AASA's direct involvement on the Board of the Tourism Business Council of South Africa and the close working relationship with the Chief Executive Ms. Mmatsatsi Ramawela, we work with the Association of South African Travel Agents (ASATA), the South African Tourism Services Association (SATSA), Federation of Hotel Associations of South Africa (FEDHASA), the South African Vehicle Rental and Leasing Association (SAVRALA) and many of the main Corporate organizations who are leaders in their fields. AASA plays a major role in promoting the airline industry interests in this forum.

## **5. MEDIA AND CONFERENCE**

AASA maintains a pragmatic and proactive role in its interaction with the media, respecting the integrity and reputation of the individual and the organizations they represent. AASA ensures that the airline industry position is correctly and appropriately reflected in the media space, being a respected voice of the airline industry in South Africa. AASA is regularly contacted by the media (daily newspapers, industry publications, magazines, radio and television) for comment on industry developments and current matters. Acknowledging the importance of a good working relationship with the media, AASA is receptive to responding to these requests and has developed a reputation for cooperation and assistance when requested to provide information and clarifying many issues.

In addition to the IATA AGM, the ATAG Summit and other conferences mentioned, AASA attends important aviation conferences and is asked to speak or participate in panel discussions at such conferences. Examples where this has taken place during the past year are:

- Routes Africa Conference in Victoria Falls
- Aviation Outlook Conference in Sandton
- African Aviation : Air Finance for Africa – Addis Ababa (AASA was not able to attend)
- African Aviation : MRO Conference - Sandton
- African Airline Association Annual General Assembly 2013 – Mombasa.
- IATA Aviation Day – Sandton

AASA appreciates the invitations and opportunities to participate in these Forums.

## **6. REGIONAL ISSUES**

AASA is a SADC based organization, representing the interests of all SADC airlines. AASA is available to deal with any regional issues, which are referred to it by its Regional Member Airlines. AASA would effectively be ready to respond to all matters similar to those dealt with on behalf of the airlines of South Africa. However, it is accepted that AASA's involvement and direct access to regional Government departments and officials would need to take place with the support and involvement of the regional airlines. In the interim, AASA represents its member airlines in the business of their States and is further available to become more involved in the following projects:

- SADC Civil Aviation Committee business – refer item 3.2.1 above.
- Environmental Issues – involvement in consultations related to the implementation of international Market Based Measures (MBM's) and their impact on airlines and States in the Region.
- Assistance and advice as appropriate regarding solutions to consumer protection matters.

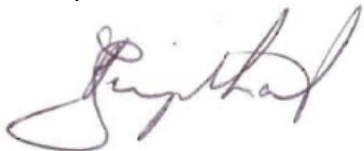
## 7. CONCLUSION

The past year has once again been very active for AASA. Members will be aware of the very diverse nature of the work that AASA is involved in across the full spectrum of the aviation industry. In particular, it is important to acknowledge the very supportive and active role provided by many airline representatives on whose expert advice we often rely and on whom we call to assist in attending meetings and making important contributions and decisions.

It has been a great pleasure to work with a committed team who have provided excellent support to me throughout the past year, and who have also taken the arrangement of the AASA Annual General Assembly 2014 on their shoulders together with the excellent assistance of our host Air Mauritius. In particular, I wish to recognize the great contribution of Vivendra Lochan, Chief Operating Officer, to the business of AASA and taking on lead role as overall Coordinator of the planning for the 2014 Annual General Assembly. In addition, I extend my sincere appreciation to the AASA Secretariat and Office support team, our ladies, Buhle Marais, Pam Roux, Celeste Breedt and Alice Saule, who have worked as a team and supported the business effort over the past year.

I also wish to thank the Executive Committee of AASA who has been so supportive of the AASA team during the past year. In particular, I wish to thank our former Chairperson, Dr Marlene Manave, who led us so ably as Chairperson and resigned on 4 August 2014. My sincere thanks go also to Mr. Erik Venter, our Deputy Chairperson, who willingly stepped into the role of Acting Chairperson on Dr Manave's resignation, together with the rest of the EXCO team, Mr Rodger Foster, Mr Inati Ntshanga, Mr Monwabisi Kalawe and Mr Vivendra Lochan for their great support, assistance and guidance to enable us to carry out the AASA business.

In conclusion, I thank all the AASA Members, Partners, Stakeholders, Government Departments and Industry Colleagues for the opportunity of working with so many knowledgeable, cooperative and passionate people in this industry. The next year will be as challenging if not more so than 2014, and the necessity of maintaining excellent working relationships, and a constructive working environment with all stakeholders remains a core priority.



**Chris Zweigenthal**  
**Chief Executive**

**22 October 2014**



## **ANNEXURE A**

### **LIST OF MEMBERS – AS AT 30 OCTOBER 2014**

#### **AIRLINE MEMBERS**

|                       |                         |
|-----------------------|-------------------------|
| Air Austral           | Air Botswana            |
| Air Mauritius         | Air Namibia             |
| Air Zimbabwe          | Airlink                 |
| Cemair                | Comair                  |
| Kulula                | Federal Air             |
| Interair              | LAM Mozambique Airlines |
| Mango Airlines        | Mozambique Express      |
| Safair                | South African Airways   |
| South African Express | Swaziland Airlink       |
| Taag, Angola Airlines | (Air Malawi)            |

#### **ASSOCIATE MEMBERS**

|  |   |
|--|---|
| Air Cargo Operators Committee                      | Air BP                                  |
| Air Traffic and Navigation Services (ATNS)         | Airbus                                  |
| Airports Company South Africa (ACSA)               | AWAS                                    |
| Association of South African Travel Agents (ASATA) | Aviation Coordination Services<br>(ACS) |
| Bidair Services                                    | Boeing                                  |
| Blake Emergency Services                           | CFM International                       |
| Bombardier Aerospace                               | Civair                                  |
| CIT Aerospace                                      | Engen                                   |
| Embraer  | GE Aviation                             |
| Flight Safety International                        | Falko Regional Aircraft                 |
| Kenyon International Emergency Services            | Lanseria International Airport          |
| Kruger Mpumalanga International Airport            | Puma Energy                             |
| Polokwane International Airport                    | SA Weather Service                      |
| Rolls-Royce PLC                                    | Sabre Airline Solutions                 |
| SA Tourism   | SITA                                    |
| Shell Aviation                                     |   |