

AIRLINES ASSOCIATION OF SOUTHERN AFRICA



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50th ANNUAL GENERAL MEETING

VIRTUAL ONLINE ZOOM PLATFORM

8 OCTOBER 2020

INDUSTRY ADDRESS

(Presentation on 8 October 2020)

***'AN EXTRAORDINARY YEAR FOR
THE SOUTHERN AFRICAN AVIATION INDUSTRY'***

**MR CHRIS ZWEIGENTHAL
CHIEF EXECUTIVE OFFICER**

- Acting Chairperson of the Airlines Association of Southern Africa, Ms Wrenelle Stander,
- Members of the Board and Executive Committee Members of AASA
- Secretary General of African Civil Aviation Commission, Mr Tefera Mekonnen
- Senior Vice President, Member and External Relations, IATA, Mr Sebastian Mikosz
- Regional Vice President, Africa and Middle East, IATA, Mr Muhammad Albakri
- Secretary General of African Airlines Association, Mr Abderahmane Berthe
- Chairpersons, Chief Executives, Board Members and Executives of our Member Airlines, Associate Members, Industry Associations and Guest organizations
- Chief Executives, Director Generals, Officials and members of all Government Departments represented
- Distinguished Guests, Ladies and Gentlemen

What a truly devastating year 2020 has turned out to be!

Before I address you on the state of our industry, please join me in a moment of silent reflection as we remember colleagues, friends and loved ones who have succumbed to COVID-19 or are grieving, and also to pray for full and speedy recoveries for those who are currently infected or who are suffering the physical effects and emotional distress brought on by COVID-19 and the crisis it has wrought upon our industry, our economies and our communities.

[pause briefly]

Thank you.

As many of you know, even in times of the worst crisis, the AASA Annual General Assembly has always been an occasion to look forward to, as an event where competitors and friends could travel away together to wrestle with the common issues of the day in a collegiate and collaborative spirit. Never in our most surreal imaginations did we foresee ourselves conducting our 50th Annual General Meeting on a ZOOM video call!

We were already at an advanced stage with arrangements to hold what would have been our 50th annual assembly at Skukuza in the Kruger Park, when the COVID-19 pandemic and lockdowns were declared. Given the financial impact of the pandemic on our members, our partners, stakeholders, the economy and our communities, I'm sure you all agree that cancelling those plans was both the appropriate and prudent thing to do. From a practical and logistical perspective, we had no certainty on when South Africa's borders would be re-opened or if actual, rather than virtual, conferences would be permitted. All being well, we will meet again in person next year, to celebrate AASA's half-century and, hopefully, a significant recovery of our industry.

COMMERCIAL IMPACT OF THE COVID-19 PANDEMIC

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Pre- COVID-19, Southern Africa’s airline industry was operating under increasingly challenging financial conditions. Only a few - mostly privately-owned - airlines in the region were profitable. Others relied on state support of some form or another. Two of our airline members, South African Airways and SA Express, were placed in business rescue last December and this February respectively. And in April, shortly after the lockdowns brought business to a virtual standstill, Comair voluntarily followed them.

The pandemic and lockdowns have been catastrophic for aviation. The health and safety of our customers and staff have always been our primary concern and so we supported the initial “hard” lockdowns. They were intended to flatten the infection curve and create the breathing space for public health services to roll-out testing, educate and change peoples’ social behaviour and to prepare facilities to cope with the rise in infections and deaths.

But the restrictions inflicted severe harm across many sectors of the economy, not least on aviation, travel and tourism. The numbers provide evidence of the impact and reflect the phased re-start of domestic, regional and international operations (statistics are 2020 vs 2019):

COMMERCIAL IMPACT	GLOBAL	AFRICA	SOUTH AFRICA
ECONOMIC CONTRIBUTION SUPPORTED	\$1.8 tn (51%)	\$37 bn (58%)	\$4.7 bn (51%)
JOBS AT RISK (AVIATION RELATED)	46 m (52%)	5.0 m (58%)	270000 (57%)
JOBS AT RISK (AVIATION DIRECT)	4.8 m (42%)	172,000 (39%)	40000 (57%)
AIRLINE PROFITABILITY	-\$85.3 bn vs +\$28.3 bn	-\$2 bn vs \$200 m	-\$1 bn vs \$200 m
PASSENGERS	-66%	-70%	-68%

[Reference : IATA Economics, ATAG]

EXTENT OF IMPACT OF COVID-19

Not a single aviation industry stakeholder has been spared from this pandemic’s impact. Airlines and any organizations relying on revenue from airline operations and passengers have been affected. This includes tax authorities, civil aviation authorities and other regulatory bodies, infrastructure service providers such as airports, air navigation and weather services, industry suppliers and partners in the travel, tourism and all other associated sectors.

The inability to trade and generate revenue while continuing to incur fixed costs, triggered an industry-wide liquidity crisis, forcing organisations to rapidly implement drastic cost saving measures. The social and financial distress has been particularly hard. Many employees have taken pay cuts, been placed on paid or unpaid leave,

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temporarily laid off and, in the worst-affected businesses, retrenched. These have been traumatic experiences especially where alternative employment is extremely limited.

AASA has been lobbying governments to provide financial relief for its member airlines. We supported the global call made by IATA and approached governments in our members' countries, requesting relief in the form of loans, loan guarantees, tax relief and cash injections - either as equity, or to assist with liquidity challenges, for example with subsidies for wages and other essential expenses.

Unfortunately, many governments have only provided limited direct support. Some have offered assistance in the form of debt, which becomes an additional and often, unbearable burden for airlines already borrowed to the hilt. We acknowledge governments' responsibilities to assist communities and small businesses that are desperate for financial relief. But they should not ignore the vital role that aviation, travel and tourism will play in driving the economic recovery through the jobs they create, both directly and indirectly, and the hundreds of thousands of livelihoods they support.

AASA, together with IATA and BARSAs, has also sought other opportunities for financial relief, including waivers, discounts, deferrals and suspension of user charges by our infrastructure service providers that derive revenue from user charges payable by airlines and passengers. It is not lost on our airline members that many of these entities are themselves feeling the crunch. Some have been open to finding mutually workable solutions and many of the proposals we have made are being considered – I shall deal with this later.

Considering the economic benefits airlines provide to the markets and communities they connect, it is important that where governments provide assistance to certain state-owned companies and agencies, they ensure some of these benefits are passed on to the airlines - both public and privately-owned - by way of reduced user charges. This will provide some much-needed relief to airlines.

This crisis is the most severe test for the aviation industry. In South Africa, aviation has worked through the Captains of Industry Forum - convened by the Director Civil Aviation of SA Civil Aviation Authority - to lobby the Government to enable the resumption of air services. We thank Ms Poppy Khoza and her team for their leadership in this area.

In all respects, we are all trying to navigate in uncharted territory. What we must take away from the experience over the past months, is the necessity for industry and governments to engage directly with each other openly in all appropriate departments at Director-General and Ministerial levels. This is essential if we are to address strategic, policy and practical issues that will ensure a safe and viable restart of airline operations so that aviation can support the region's economic recovery without compromising public health and safety.

TOWARDS RECOVERY OF THE INDUSTRY

The lockdowns provided governments with opportunities to better understand COVID-19 and arrest its spread. They also prompted the definition and implementation of risk and infection-mitigating biosecurity measures, protocols and procedures by airlines, airports, tourism businesses and other service providers, in accordance with guidelines and regulations formulated by Aviation, Health and Tourism authorities. This enabled the restart of domestic air services.

A set of guidelines for the safe resumption of air travel and tourism was developed jointly by the International Civil Aviation Organisation-led “Civil Aviation Recovery Taskforce” (CART), together with the UN World Health Organisation (WHO), the International Air Transport Association (IATA), the Airports Council International as well as public health and leading medical research institutions from around the world.

However, the move to allow intra-Africa and inter-continental travel has presented a big challenge. The CART’s guidelines require all states to harmonise their implementation without introducing arbitrary measures that would create inconsistencies, confusion and deter travel, similar to what happened after 9/11 with some authorities creating their own security standards and procedures. Unfortunately, despite the CART’s intentions, governments are developing their own standards for testing of passengers and crew, quarantining and determining principles for approving who may travel and between which countries. This does not bode well for the aviation, travel and tourism industry, potentially putting even more jobs at risk, creating hardship and delaying the economic recovery.

The opening of South Africa’s borders effective 1 October 2020 is welcomed, but there needs to be clarity on the risk classification of states, by which leisure travellers are either approved or denied entry. Government should take us into its confidence and explain why it has superimposed these additional restrictions on the set of risk-mitigating health and safety protocols it had already developed and approved for the safe reopening of the borders. We are also appealing to Government to explain its criteria for reducing or, better still, scrapping these lists, and opening the borders without restriction.

If these latest leisure travel restrictions are maintained, our industry and the entire economy will face a much slower and arduous recovery

PART 2

AASA ANNUAL REPORT 2019/20 – THE BUSINESS AND THE COVID-19 INFLUENCE

During the 2019/20 year (1 July 2019 to 30 June 2020) and for the period leading up to this AGM), the AASA team has undertaken business on behalf of its members,

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unfortunately disrupted by the COVID-19 pandemic. This is detailed in the Annual Report which has been circulated to all members and guests.

Since the onset of COVID-19, AASA has kept its members informed on relevant aviation issues, regulations and directions, liaising with officials of Government, primarily at the SACAA, Transport and Tourism departments.

AASA made a number of submissions to the President and various Ministers in the South African government to highlight our industry's dire circumstances and predicament, advocating for relief and a structured, consultative approach to restarting the industry. Whilst understanding that our submissions were received, Government made their decisions.

GOVERNANCE, CORPORATE AND MEMBERSHIP ISSUES

During the year changes were made to our Board and Executive Committee. Our Deputy Chairperson, Ms Wrenelle Stander, took over as Acting Chairperson after the resignation of our previous Chairperson, Ms Zuks Ramasia. We also welcomed Mr Joao Jorge of LAM Mozambique Airlines to our EXCO following the departure of Mr Nico Bezuidenhout from Mango Airlines.

AASA's operational team was unchanged over this past year.

During this period, we welcomed Congo Airways as a new airline member, and five new associate members, namely, De Havilland Aircraft Canada, Investec, Nacelle, South African Tourism and Royal Eswatini National Airways Corporation. We extend a very warm welcome to them all, who I believe are joining us today. Two associate members, HiFly Marketing and Nordic Aviation Capital regrettably resigned their membership.

INFRASTRUCTURE SERVICE PROVIDERS

Our work in this area involves extensive consultation with ACSA, ATNS and SA Weather Service. Under normal circumstances 2020 would have seen consultation and preparation for the next tariff permission periods for ACSA and ATNS due to commence on 1 April 2021. Due to the COVID-19 crisis, industry, ACSA and ATNS jointly agreed to recommend postponement the commencement date by one year, to 1 April 2022. This was approved by the Minister of Transport.

The crisis also led ACSA and ATNS to review their respective corporate, CAPEX, OPEX and financial plans. Consultation has commenced on their new plans and we look forward to working with the CEO of ACSA, and her team in the year ahead. We also acknowledge the concession currently before the Regulating Committee regarding deferral of ATNS charge increases for 2020/21 and we thank the, Chairman, the ATNS Board, interim CEO, and their teams for this response.

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Similarly, consultations on the SA Weather Service's new tariffs, which were meant to have become effective on 1 April 2020, were concluded. However, with the onset of COVID-19, I want to express our appreciation to the Minister for Environment, Forestry and Fisheries - on the recommendation of the Regulating Committee for Meteorological Services - and SA Weather Service for concessions currently pending sign-off by the Minister and significantly benefitting industry, namely, a decision to suspend payment of SAWS charges for the year 1 April 2020 to 31 March 2021.

Within the region, AASA joined IATA on consultations with the Namibia Civil Aviation Authority (NCAA). This occurred just prior to COVID-19, but in acknowledging the impact of the crisis on the airline industry, we appreciate the responsiveness of the NCAA to proposals on the tariff structure and retaining current tariff levels. These have been referred to the Namibian government for consideration.

AEROPOLITICAL ISSUES

Unfortunately due to COVID-19, the SADC Civil Aviation Committee, on which AASA is a consultative member representing the SADC airlines, did not meet during 2020. It is anticipated that once the pandemic subsides, the work to establish the SADC Aviation Safety Organization (SASO), and the Single African Air Transport Market (SAATM) will gain impetus under the leadership of AFCAC, together with IATA, AFRAA, AASA and the African Aviation Industry Group.

POLICY AND REGULATORY ISSUES

AASA represents its members on many South African Department of Transport (DOT) forums and Committees including:

- Slot Coordination and Slot Performance Committees. During the COVID-19 period, the DOT and the Slot Coordinator agreed to suspend the slot rules for the Northern Summer 2020 and Winter 20/21 timetable period.
- ICAO – active participation at the 2019 ICAO Assembly work.
- National Facilitation Committee – with focus on facilitation procedures during the COVID-19 pandemic.
- Consultation on new or proposed legislation impacting the airline industry – Civil Aviation Amendment Bill, Air Services Bill (combining the Domestic and International Licensing legislation), proposals to incorporate the Cape Town Convention into South African domestic legislation.
- Representation on the South African Search and Rescue Board and Aeronautical Sub-Committee.

The SA Civil Aviation Authority has played an important leadership role in the industry during the COVID-19 pandemic as Convenor of the Captains of Industry Forum where AASA assisted in coordinating the aviation industry's proposals to the Director General and Minister on the phased restart of air services.

AASA is a member of the Civil Aviation Regulations Committee, National Airspace Committee and the Industry Liaison Forum dealing with regulations, financial and general matters.

THE ENVIRONMENT AND WILDLIFE AWARENESS

Climate Change and environmental sustainability challenges remain a priority issue for our industry and many other sectors in Southern Africa.

Seventeen African States including six SADC States have volunteered for the pilot phase for CORSIA commencing in January 2021.

South Africa introduced a Carbon Tax on domestic aviation in June 2019. Considering the financial impact of COVID-19, in a proposal to the Finance minister, AASA has called for the carbon tax to be suspended for aviation until October 2021 and we await his response.

Poaching and illicit trade in wildlife and wildlife products remains a scourge and requires continual vigilance by airlines, airports, shippers and law enforcement agencies. AASA remains committed to raising awareness on this issue and is supporting the work of the Southern African Taskforce under United for Wildlife.

TRAINING AND DEVELOPMENT

AASA is committed to training and development initiatives for both airline employees through its Skills Development programme and the Wonders of Aviation (WOA) youth outreach initiative. WOA is led by a dedicated team of industry representatives with our colleague Vees Lochan very active in this area, and intends to educate and inspire young people from disadvantaged communities to consider a future in aviation.

AVIATION COORDINATION SERVICES (ACS)

ACS continues to provide common-use services at airports on behalf of the airline industry, in what we consider to be an important working relationship with ACSA. The company is committed to continuing with the provision of 100% Hold Baggage Screening, Common User Terminal and Self Service facilities, and Baggage Reconciliation services at ACSA airports.

STANDING COMMITTEES

AASA's standing Committees on Safety, Human Resources, Environment and Flight Operations, are important fora, led by airline industry experts, where industry stakeholders work together to address important issues facing the industry. AASA appreciates the commitment of airline representatives who lead and participate in these committees.

INDUSTRY PARTNERSHIP

As we reflect on an extraordinary year, I want to acknowledge the importance of collaboration in achieving our respective mandates and agendas. This is a business of partnerships and I wish to acknowledge all Government and public and private stakeholders, some of whom I have acknowledged earlier.

I also acknowledge IATA (Sebastian Mikosz, Muhammad Albakri and the IATA South Africa team), AFRAA (Abderahmane Berthe and his team), and my Regional Airline Association colleagues around the world, whose agendas we support and with whom we work.

Closer to home, I wish to acknowledge the Board of Airline Representatives of South Africa, with which we share an interest in ACS and work together on so many industry issues. In particular, a big vote of thanks to Ms June Crawford, who retired as CEO of BARSА after many years of service to the industry and to Chairperson, Carla da Silva. We welcome Ms Zuks Ramasia, AASA's former Chairperson, as BARSА's new CEO. Our thanks also to the Commercial Aviation Association of South Africa, the Aero Club of South Africa, and the Tourism Business Council of South Africa and also the many travel and tourism organizations on the TBCSA, with whom we work to advance the agenda of our respective industries.

And finally, my thanks to the AASA Board and Executive Committee, Ms Wrenelle Stander, acting Chairperson, Miles van der Molen, Elmar Conradie, Rodger Foster, Thandeka Mgoduso, Joao Jorge and Vivendra Lochan, for their support and guidance throughout the past year and for challenging the AASA team to stretch itself in attending to stakeholder expectations. And lastly, to my AASA team, Vivendra Lochan, our COO, Tatum Kok, Aviation Analyst, Charles Simelane, Financial Controller, Celeste Breedt, PA and Secretary of the Association, and Alice Saule our Office Assistant, for their loyalty and commitment to our Association. Certainly a great team, that has also tackled the challenges we are facing as an industry.

In conclusion - our industry is in crisis and while we have achieved much, we must do more. Going forward, our work is cut out for us in removing obstacles in our way, re-building our industry and enabling the recovery of the economies we serve and connect through the vital connections we provide for trade, commerce and tourism. We must foster trust between governments and our industry and engage more directly with each other. We cannot exist without each other and must work together to strategise, plan and set about repairing the damage that has been done and preparing for a stronger, healthier and better future.

THANK YOU!!

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