CHAPTER 4

THE RELATIONSHIP BETWEEN AVIATION POLICY AND AIR PASSENGER TRAFFIC FLOWS

4.1 INTRODUCTION

Chapter 3 focused on Africa's air transport liberalisation progress, highlighting the importance of the YD and discussed the conditions and requirements for the implementation of the Decision on a continent-wide basis, the progress achieved thus far, as well as the hindrances to the progress of implementing the complex intra-African liberalisation process. The chapter also provided a summarised overview of the various regional and sub-regional organisations and institutions that had been instrumental in moving the Decision forward.

It was previously remarked that South Africa's aviation policy in Africa is guided by its international aviation policy. Numerous studies (Inter*VISTAS*-ga[2] Consulting, Inc., 2006; Myburgh *et al.,* 2006; Warnock-Smith & Morrell, 2008; Piermartini & Rousova, 2008; Piermartini & Rousova, 2009; Rousova, 2009; Inter*VISTAS*-EU Consulting, Inc., 2009; Grosso, 2010) have emphasised and substantiated the point that civil aviation is vital to international trade and tourism[23]. Given this, it is therefore essential to promote an efficient, reliable and sustainable aviation industry and at the same time maintain control over international air transport services within a well-defined regulatory framework flexible enough to accommodate changing needs and circumstances (Department of Transport, 2008:1).

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[23] *Tourism*, according to the World Tourism Organisation's definition, encompasses the activities of persons travelling to and staying in places outside their usual environment for at least one night but not more than one consecutive year for leisure, business and other purposes. This excludes same day visitors (World Tourism Organisation, 2008).

The world's economic and aero-political environment has undergone fundamental changes since the last aviation policy review in South Africa during the early 1990s, ranging from gradual deregulation and liberalisation to multilateral intra-regional liberalisation. The major developments and dynamics that have been taking place around the world in the aviation market were covered in Chapter 2, with those pertinent to Africa being dealt with in Chapter 3.

Since the mid-1990s, the South African government has redefined its main goals and priorities, which have impacted on its civil aviation industry. These goals are designed for improving life for all, through, *inter alia*, economic growth, sustainable development, poverty and unemployment reduction, and are guided by the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA). In line with these, the South African civil aviation policy, among others, must promote tourism and trade, as well as job creation. It also has to take into account the continental integration initiatives, such as those embodied in the African Union and the objectives of the NEPAD (Department of Transport, 2008:1-2).

From an aviation perspective, the adoption and enforcement of the YD illustrate the importance accorded to the stimulation of trade and tourism on the African Continent through a more liberal approach to the regulation of air transport (Department of Transport, 2008:1-3).

In this chapter, the concepts of the civil aviation system and policy, with particular reference to South Africa, are explained by looking at the South African civil aviation policy developments since the deregulation of the country's domestic air transport market in 1990 to date. The chapter begins with a brief explanation of the components of the aviation system and their interrelation. This provides the context in relation to the role of the civil aviation policy, as well as stressing its intertwined relationships with the aviation system and the government's broad policy framework. The main aspects of the Airlift Strategy and the Airlift Implementation Plan which have been instrumental in driving liberalisation of air services between South Africa and like-minded bilateral air services counterparts have been highlighted. In addition to these, the Draft White Paper of 2008 is briefly discussed, and prominence is given to the main aspects directly related to international air transport. In 2006, the South African government adopted a strategic approach whereby the Airlift Strategy was introduced to effectively align the regulatory measures of air transport and those of the Tourism Growth Strategy (TGS). The chapter concludes with a review of the TGS's main areas of focus. This portion of the study will contribute to the body of knowledge of the academic literature on the civil aviation system and policy, and will also bridge a literature gap on the subject with reference to South Africa. To the knowledge of the researcher, no similar overview has been compiled in the context of South Africa.

The relationship between aviation policy, liberalisation and air passenger traffic flows will also be investigated and a brief summary of air transport in Africa, as well as air passenger traffic flow dynamics over the eleven year period, between South Africa and each of the five regional markets will be provided.

4.2 CIVIL AVIATION POLICY AS PART OF THE CIVIL AVIATION SYSTEM

The fundamental objective of civil aviation, as a system, is the safe and efficient conveyance of people and goods from one place to another. Figure 4.1 depicts the functions which together make up the air transport system. The fundamental and interrelated components of this system are: *aviation infrastructure*[24], *air transport services*[25] and *aircraft operations*[26] (Department of Transport, 2008:1-4 & 1-5).

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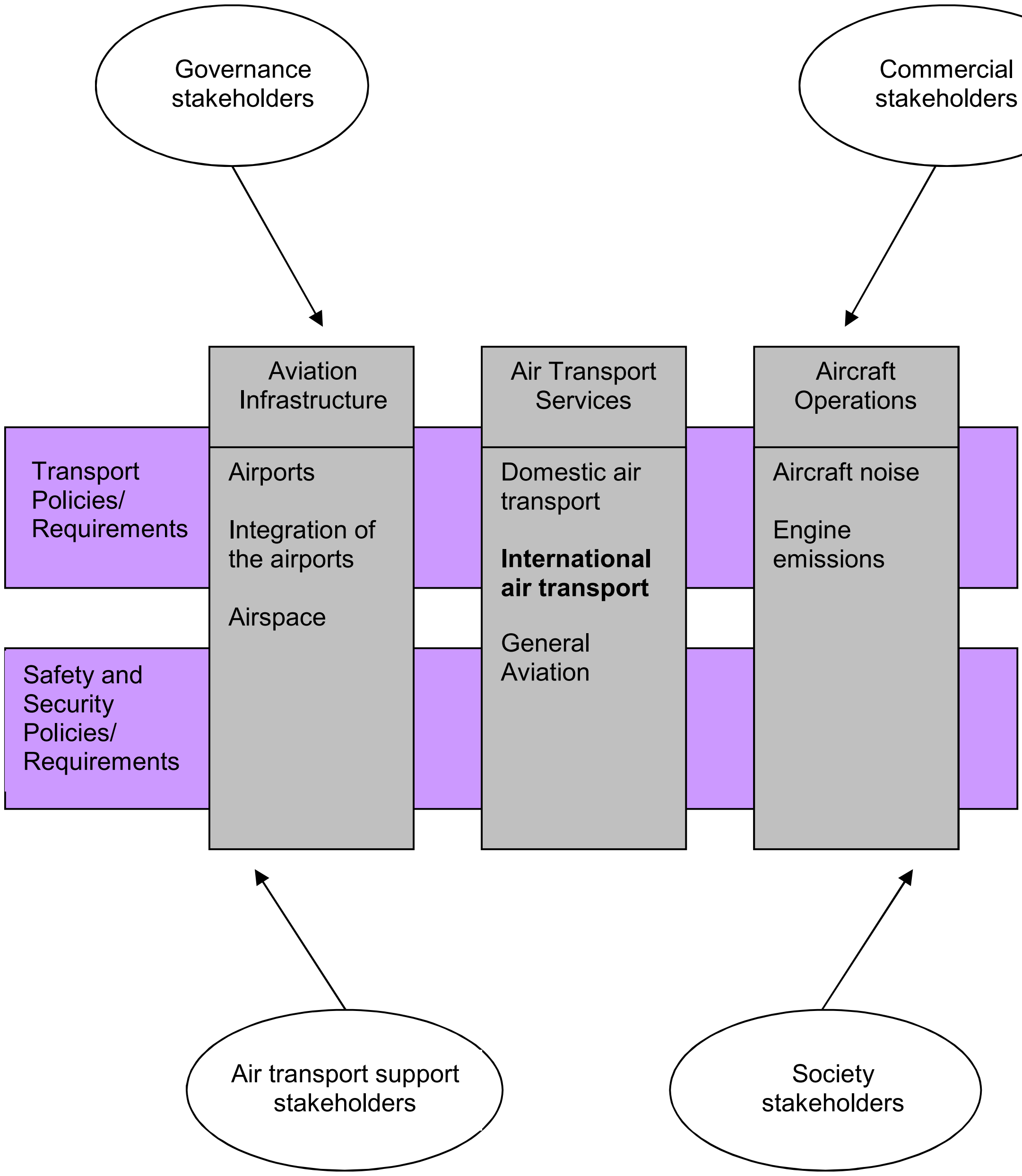
[24]*Aviation infrastructure* includes facilities for take-off and landing of aircraft, the loading and unloading of passengers and cargo, arranging sufficient space for aircraft movement, including required navigation, air traffic services and information services needed for completing flights safely (Department of Transport, 2008).

[25]*Air transport services* include the system for the conveyance of people and goods in an orderly, safe and effective manner both domestically and internationally while using the aviation infrastructure and aircraft provided for that purpose (Department of Transport, 2008).

[26]*Aircraft operations* include the provision and maintenance of aircraft, their operation and other support services (Department of Transport, 2008).

A well-established civil aviation regulatory system is fundamental to the formulation of a country's civil aviation policy. In essence, the regulatory system must govern these three components or subsystems and must be based on the standards and recommended practices of the ICAO, of which South Africa is a founding member (Department of Transport, 2008:1).

Figure 4.1: Civil aviation system



Source: Department of Transport (2008)

Enabling and regulating functions and requirements, *air transport*[27] as well as *safety and security*[28], affect and govern all three of these components. Additionally, as illustrated in figure 4.1, the air transport system is also influenced by four categories of stakeholders: *governance*[29], *commercial*[30], *air transport support*[31] *and society*[32] (Department of Transport, 2008:1-5).

The relationship between the South African aviation policy in Africa and air passenger traffic flows, its international air transport policy with particular reference to the intra-African market and the implementation of the YD forms the foundation of this chapter which exclusively examines passenger air services[33].

The above discussion has provided a summarised overview of the civil aviation system, the understanding of which is important as it directly impacts on the country's civil aviation policy. The latter, in turn, cannot be discussed in isolation and should be in examined in the context of government's broad policy framework (Department of Transport, 2008:2).

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[27] *Air transport regulatory function and requirements* comprise policies, legislation and requirements to enable air transport and to satisfy air transport needs, such as infrastructure planning, licensing of air services, allocation of traffic rights internationally, economic considerations and monitoring of financial performance of air carriers (Department of Transport, 2008).

[28] *Safety and security regulatory functions and requirements* are policies, legislation and requirements to achieve an appropriate level of safety and security in air transport systems, both on the ground and in flight (Department of Transport, 2008).

[29] *Governance stakeholders* are stakeholders, which are responsible for policy, enabling and regulatory legal instruments and carrying out the requirements of the Chicago Convention. In the South African context, these stakeholders are represented mostly by the Department of Transport, as well as the South African Civil Aviation Authority (SACAA), together with the provincial and the municipal government departments responsible for provincial and municipal airports (Department of Transport, 2008).

[30] *Commercial stakeholders*, stakeholders associated with buying goods and services, such as aircraft, maintenance and fuel among others. This group includes all air carriers, general aviation enterprises, airport, air traffic and navigational services, aviation training academies, aircraft maintenance organisations and aircraft manufacturers (Department of Transport, 2008).

[31] *Air transport support stakeholders* facilitate the operational aspects of the civil aviation system such as travel agents, insurance companies, banks and shippers of cargo (Department of Transport, 2008).

[32] *Society stakeholders* comprise groups outside the civil aviation system, yet have a direct interest in what takes place inside the system and what the system produces. This group includes passengers, enterprises which use freight services, environmental groups and residents near airports, organised labour and the news media (Department of Transport, 2008).

[33] A *passenger air service* is an air service performed primarily for the transport of passengers (ICAO, 2004:5.3-1).

4.3 CIVIL AVIATION POLICY

4.3.1 Background

Any civil aviation policy can be divided into two distinct areas: domestic and international. "In formulating the South African aviation policy, this distinction has been adopted to emphasise the difference in the policy approach to air travel inside the borders of South Africa and to air travel to foreign destinations. In the case of domestic air transport, Government has the full power of decision over domestic policies, but has to consult or negotiate with other governments on the implementation of international policies" (Department of Transport, 2008:4-3).

The South African domestic civil aviation policy includes issues of transport, aviation safety, airports and airspace. International civil aviation policy focuses on international air transport and relationships with international organisations and other governments or groups of governments (Department of Transport, 1996:31). In dealing with international air transport from a South African point of view, the concept "of national interest" was identified as critical to formulating an international air transport policy that would best serve the people of South Africa. It is recognised that the "national interest" of the country may not necessarily be the same as, or could even be in conflict with, the interests of service providers, consumers, labour or the general public. In particular, the international air transport policy, according to the Department of Transport (2008:6), should provide a trade-off between these various interests:

- "International air transport should facilitate and enhance the expansion of international trade and tourism in general and exports and the tourism industry in particular;

- Economic decisions should, as far as possible, be left to the market to resolve;

- The state's strategic objective to develop an export-oriented sector, capable of competing in international markets should be pursued;

- An efficient, reliable and sustainable South African aviation industry should be developed and maintained;

- Control should be maintained over international air transport services within a well-defined regulatory framework that is flexible enough to cater to changing needs and circumstances".

As comprehensively discussed in Chapter 2, the past several decades have been marked by a global trend of moving to a less regulated air transport regime through gradual removal of regulatory restrictions, *inter alia,* covering market access features of BASAs. In line with this trend, the South African government's policy of protecting SAA's market share has been relaxed since 2006 as part of the Airlift Strategy in favour of encouraging more inbound tourists to the country. The dynamics in air passenger traffic flows among South Africa and its African bilateral air counterparts over the said time period will be examined in section 4.4.4. To provide a better understanding of the South African aviation policy, the subsequent section provides an overview of its institutional arrangements.

4.3.2 <u>Institutional arrangements of the South African aviation policy</u>

In terms of the Constitution of the Republic of South Africa the President assigns powers and functions to various Ministers. One of the powers vested in the Minister of Transport is the function of policy formulation, with the Department of Transport being responsible for developing and reviewing the national civil aviation policy.

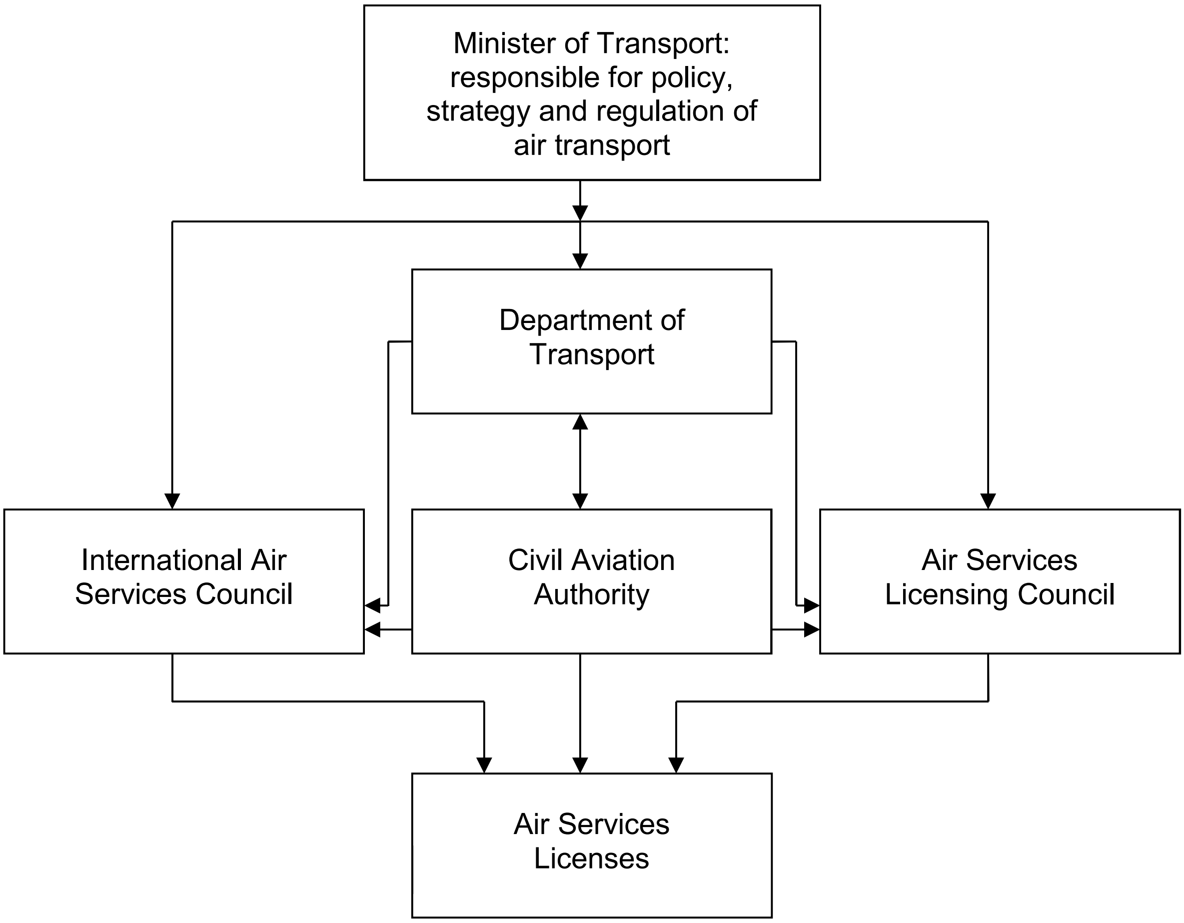
The Air Services Licensing Council (ASLC) and the International Air Services Council (IASC) are responsible for the adjudication of any application to offer air services and for issuing domestic and international air services licenses. Apart from the support that the

DOT provides to the two councils, it is also responsible for the negotiation of bilateral and multilateral air services agreements to enable international air transport services. The South African Civil Aviation Authority is responsible for the regulation of aviation safety and security (Department of Transport, 2008:4-4).

It is important to note that a policy of this nature will of necessity interface with other organs of the state, including areas of concern such as the environment, tourism, national security, the military, local government and regulation of competition (Department of Transport, 2008:1-4).

The relationship between the functional components in the South African context is shown in figure 4.2 below.

Figure 4.2: The functional components of air transport in the South African context



Source: Department of Transport (2008:4-4)

The above preamble provided a brief overview of the complex civil aviation system with its various interrelated and interlinked functional components, as well as highlighting its regulatory function, *inter alia*, in shaping the country's civil aviation policy. The links between civil aviation policy, air transport and tourism, as well as air passenger traffic flows are discussed below.

4.4 CIVIL AVIATION POLICY AND AIR PASSENGER TRAFFIC FLOWS

4.4.1 Introduction

It has long been recognised in the tourism and air transport literature that international air transportation in general, and international air passenger transport in particular, is an important facilitator of travel and tourism (Forsyth, 2008; Papatheodorou, 2008; Warnock-Smith & Morrell, 2008; Warnock-Smith & O'Connell, 2011). The links between tourism and aviation are clear. Many tourists, especially on long distance trips, make use of air transport to travel to and from their destination. By reducing the time required to reach a distant location, air transport is an important determinant of the overall transport cost. Time, on the other hand, is an important determinant of trade and it is a primary factor in determining the mode of transport to distant locations. For this reason, air passenger transport is essential to the development of the international tourism sector, especially to remote locations. At the same time, such transport is critical in setting up and maintaining business relationships between distant economies (Piermartini & Rousova, 2008:1).

The links between tourism and aviation are becoming more explicitly recognised and these influence governments' aviation policy formation, especially in international aviation, which in many countries remains a relatively tightly regulated industry (Forsyth, 2008:73). In South Africa, the government has recognised the importance of tourism and how it is linked to effective air transport development. One of the main objectives of the Airlift Strategy is to align air transport with other national strategies, one of which is the National Tourism Policy. The Airlift Strategy of 2006 will be discussed more comprehensively in section 4.5.2.

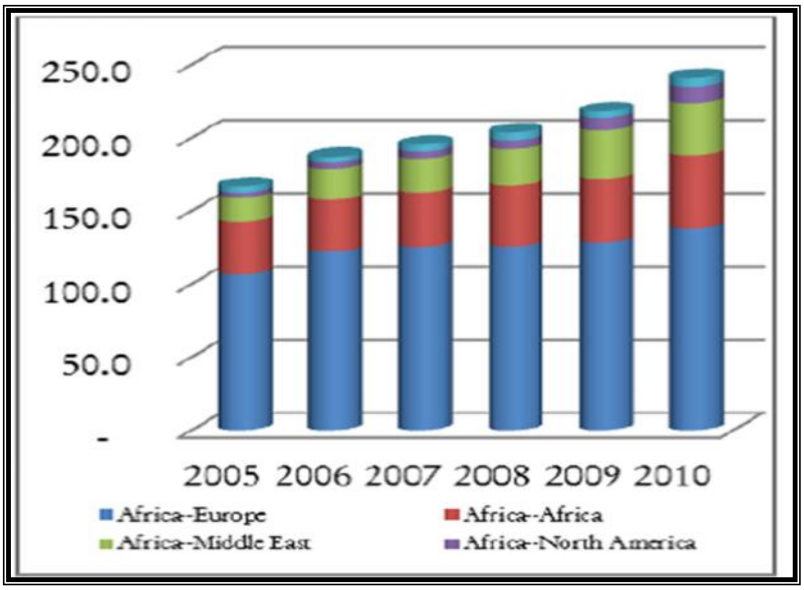
For most of its history, international aviation has been separated from other industries such as telecommunications, financial and maritime services[34]. International aviation agreements were negotiated between countries with no reference to any impact on other industries, especially tourism. However, cognisance is increasingly being given to the importance of international aviation for tourism, as well as the impact of restrictive aviation policies on air passenger traffic flows and tourism. Many countries are revising their international aviation policies to exploit the benefits of tourism (Forsyth, 2008:73).

4.4.2 Overview of the African air transport market

In Africa, air transport is a crucial mode of transport because of the underdeveloped land transport networks throughout the Continent, where in many instances air transport is the only viable alternative. However, Africa's air transport industry has always been a relatively small player compared to the global industry. In terms of RPKs flown, the intra-African market represents less than 1% of the global market, with the total African revenue passenger-kilometres (intra-African and intercontinental traffic) accounting for only 4.12% of the global RPKs (Schlumberger, 2010:1). Despite this, in 2010, Africa presented the second highest traffic growth region in the world at 12.9% as depicted in figure 4.3 below.

[34] Air transport services are excluded from the WTO General Agreement on Trade in Services (GATS). For a discussion on the regulatory environment of the aviation market see Hindley (2004).

Figure 4.3: African traffic growth by regional flow - RPKs (in billions)



Source: Chingosho (2011:8)

The forecast average traffic growth for Africa is projected at over 6% per annum over the next 20 years, with the fastest growth region for Africa projected to be Asia Pacific at 8.1% per annum, followed by North America and the Middle East at 6.4% each. Latin America and intra-Africa are estimated to grow at about 6.0% and 5.1% respectively. The projection indicates that Europe will probably be the slowest growth region at 4.6% (Chingosho, 2011:8).

4.4.3 The impact of air services liberalisation on air passenger traffic flows

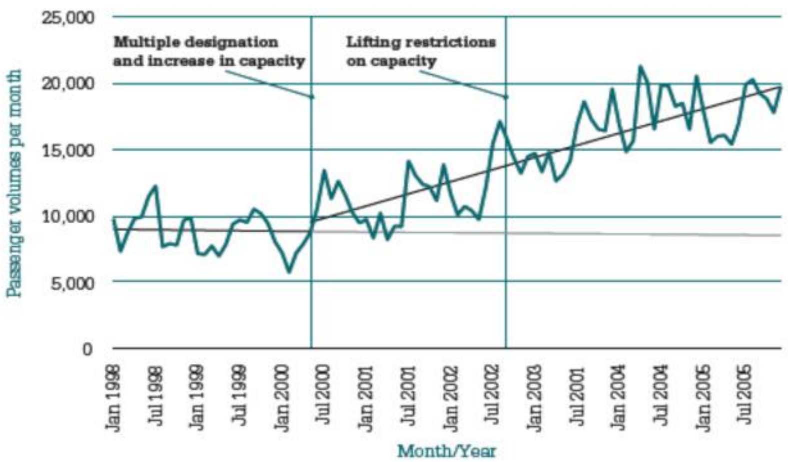
The liberalisation of air transport, which has taken place in many regions of the world has, according to numerous studies, demonstrably led to increased levels of air services and lower fares, which in turn stimulates additional traffic volumes and may well induce economic growth and employment (Inter*VISTAS*-ga[2] Consulting, Inc., 2006; Myburgh *et al.,* 2006; Piermartini & Rousova, 2008 and 2009; Warnock-Smith & Morrell, 2008; Inter*VISTAS*-EU Consulting, Inc., 2009; Warnock-Smith & O'Connell, 2011). This relationship, illustrated in figure 4.4, has been shown to be causal by a number of studies, described below.

Figure 4.4: Causal relationship between air services liberalisation and economic growth

Sources: InterVISTAS-ga[2] Consulting, Inc. (2006); InterVISTAS-EU Consulting, Inc. (2009)

Aviation policy is a key determinant of the price and availability of air travel, making it also a central determinant of the total level of tourism and of the patterns of the tourism flows of arrivals by air. Restrictive regulation of aviation has the effect of reducing competition, limiting the availability of seats, the number of routes flown and the scope for lower cost airlines to offer their services. This in turn increases the price of air travel and, since the demand for travel is quite price elastic, it consequently reduces the tourism flows (Forsyth, 2006:4). An example of the impact of liberalisation on air passenger traffic in the SADC is clearly demonstrated on the Nairobi-Johannesburg route, as depicted in figure 4.5. Figure 4.5 illustrates that after liberalisation, air passenger traffic increased by 69%. While this can probably be attributed to an increase in demand arising from accelerated economic growth in both countries and increased trade between them, it is clear that liberalisation contributed to a significant increase in air passenger volumes over the selected time period (Myburgh *et al.*, 2006:16).

Figure 4.5: Passenger volumes on the Nairobi-Johannesburg route, 1998 - 2005

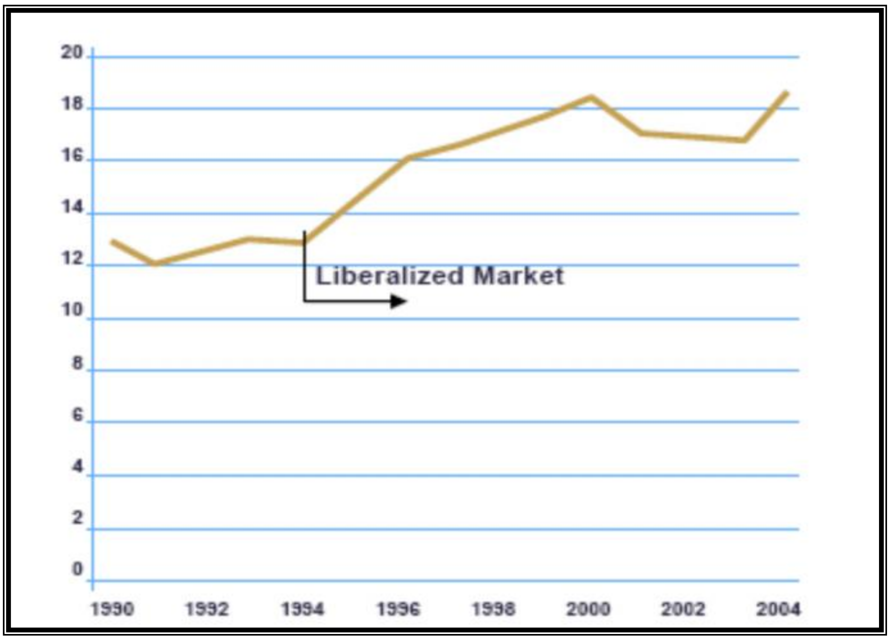


Source: Myburgh *et al.* (2006:16)

Empirical evidence suggests a positive and significant relationship between the volumes of air traffic and the degree of liberalisation of the aviation market (Inter*VISTAS*-ga[2] Consulting, Inc., 2006; Myburgh *et al*., 2006; Piermartini & Rousova, 2008 and 2009; Velia *et al*., 2008; Warnock-Smith & Morrell, 2008; Inter*VISTAS*-EU Consulting, Inc., 2009; Warnock-Smith & O'Connell, 2011).

Inter*VISTAS*-ga[2] Consulting, Inc. (2006), on behalf of IATA, carried out one of the most detailed research projects on the impact of liberalisation with respect to air services. They developed a mathematical model that dealt with a variety of regulatory changes affecting numerous nation-pairs and airlines. The model's overall objective was to estimate the effect of liberalising air services on passenger traffic, air freight movements, employment, GDP and tourism as well as the resulting catalyst effect for any country-pair. The study concluded that it was evident that restrictive bilateral air services agreements between countries stifle air travel, tourism and business and consequently economic growth and job creation. Figure 4.6 depicts the impact of liberalisation on the United States – Canada air passenger traffic.

Figure 4.6: Growth of the United States – Canada traffic, 1999 - 2004



Source: Inter*VISTAS*-ga[2] Consulting, Inc. (2006)

The specific findings of the research by Inter*VISTAS*-ga^2 Consulting, Inc. (2006) include:

- The traffic growth after liberalising air services agreements between countries typically averaged 12% to 35%, but in several cases has exceeded 50% and even 100%;

- A simulation run on 320 country-pairs that were not liberalised at the time of the study resulted in an estimated potential traffic growth of 63%, which was significantly higher than the typical world traffic growth of 6% to 8%;

- The growth rate in the EU nearly doubled, as depicted in figure 4.7, from the period 1990-94 to the period 1995-2000, following the creation of the Single European Aviation Market in 1993. This alone produced 1.4 million new jobs.

Figure 4.7: Capacity and traffic growth for Europe, 1990 - 2002

Market	Increase in ASKs			Increase in passengers carried			Increase in operational RPKs		
	1990-1994	1994-1998	1998-2002[33]	1990-1994	1994-1998	1998-2002[34]	1990-1994	1994-1998	1998-2002[35]
Total Europe	27.5%	34.9%	36.2%	20.4%	37.8%	40.9%	23.6%	42%	35.2%

Source: Inter*VISTAS*-ga^2 Consulting, Inc. (2006)

Piermartini and Rousova (2008) and (2009), on behalf of the WTO, conducted research to assess the impact of liberalising air transport services agreements on air passenger flows for a sample of 184 countries. The study found robust evidence of a positive and significant relationship between air passenger traffic and the degree of liberalisation of the aviation market. The results estimated that increasing the degree of liberalisation from the 25th to the 75th percentile would increase traffic by approximately 30%. The study also found that the removal of restrictions on the determination of prices and capacity, cabotage rights and the possibility for airlines, other than the flag carrier of the foreign country, to operate services were the most traffic-enhancing provisions of air services agreements.

A study by Warnock-Smith and Morrell (2008) examined the relationship between air traffic/capacity growth and policy reform pertaining to Caribbean member states. The hypothesis tested was that changes to regional air policy could facilitate traffic growth that might result in substantial tourism growth for the region. Case-history evidence indicated that there was a positive relationship between bilateral air policy reform and entry and traffic/capacity growth, suggesting a direct link between air policy and tourism coming into the region.

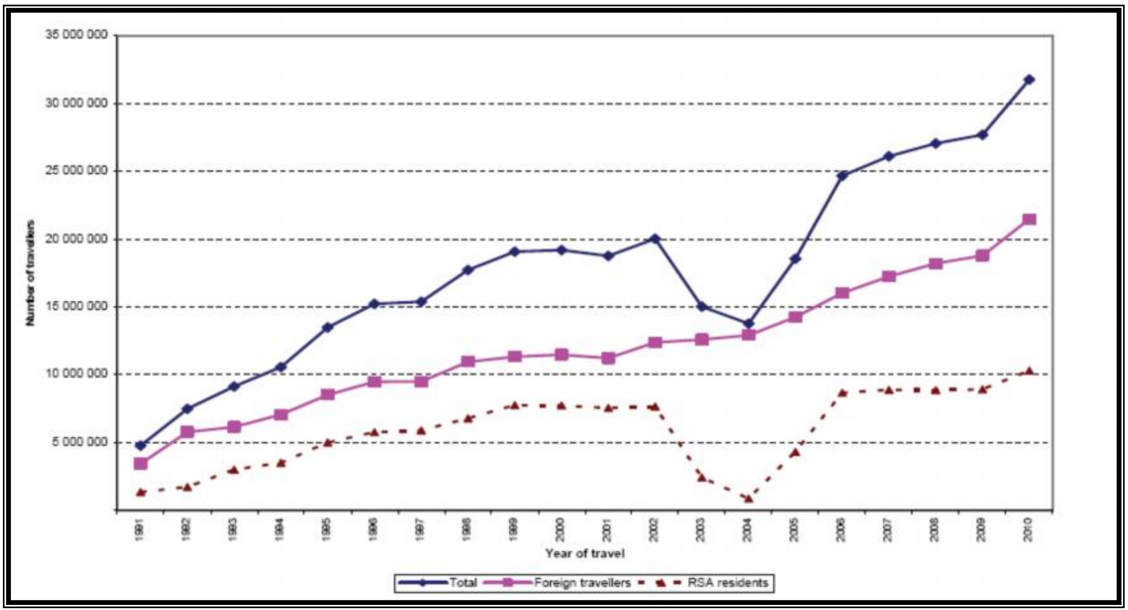
It is obvious from the above discussion and research-based evidence that there is a positive and substantial relationship between more liberal (less restrictive) aviation policies and air passenger traffic flows. The next section provides a concise overview of the air passenger traffic dynamics in the South African – intra-African context over the selected 11 year time period.

4.4.4 Air passenger traffic flows in the South African – intra-African context

As discussed in Chapter 3, the expansion of the airline services in the African region is uneven. This section, *inter alia,* attempts to outline the dynamics of air passenger traffic flows in the South African – intra-African context. Statistics South Africa, the official statistical platform of South Africa, was the only consistent data source available, covering the relevant time period with regard to South Africa and each of the five air transport markets, namely the intra-African, the SADC, West, East and North African regional markets. However, the data are limited to statistics on foreign air tourist arrivals, which in essence excludes same day visitors, but does however include all other passengers who have arrived by air. Another limitation from a bilateral point of view is that the data on the country of final destination of South African residents flying from the country are not available.

Figure 4.8 indicates a positive growth trend, both in the number of total foreign travellers,[35] as well as in the number of South African residents (with the exception of 2003 – 2005[36]), travelling to and from South Africa.

Figure 4.8: Number of foreign and South African travellers by year, 1991 - 2010



Source: Statistics South Africa (2011:8)

4.4.5 South African – intra-African air passenger traffic flows

Figure 4.9 provides an overview of the South African – intra-African air passenger traffic flow dynamics over the selected period, taking into account the data limitations discussed above. The compound growth annual rate from 2000 to 2010 for the South African – intra-African market was 9.7%.

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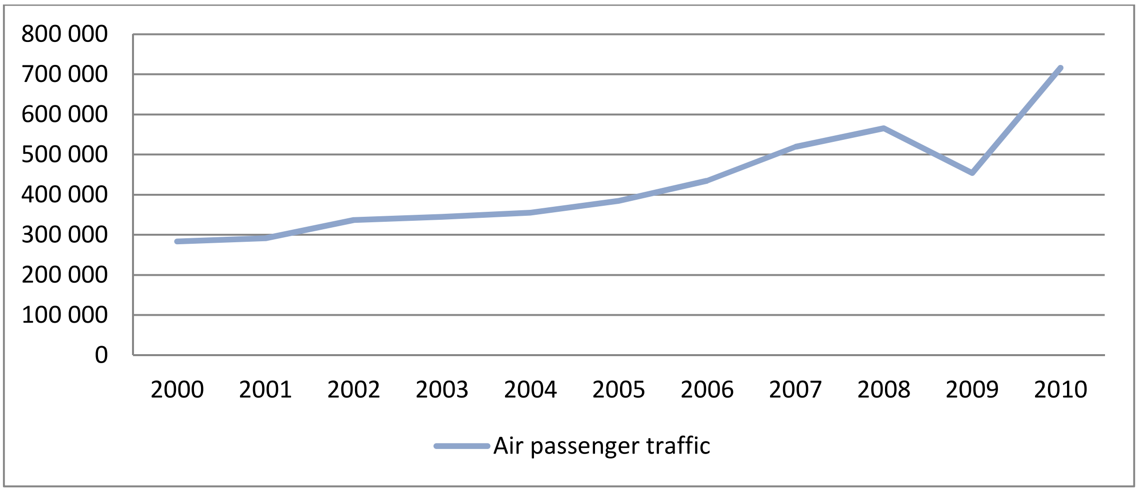
[35] A *traveller* is somebody who moves between different geographic locations for any purpose and any duration (Statistics South Africa, 2011:3).

[36] The volume of South African travellers was greatly affected between 2003 and 2005 due to changes in the data collection system (Statistics South Africa, 2011:5).

Figure 4.9: South African – intra-African air passenger traffic flows, 2000 - 2010[37]



Source: Statistics South Africa (2001 – 2011)

It is evident from table 4.1 that the compound annual growth rate ($CAGR_{00-10}$) from 2000 to 2010 in foreign air tourist arrivals to South Africa has been high in all five markets, especially in the West and North African regional ones, reaching 11.1% and 12.8% growth rates respectively. The scores for these two regions were followed by the intra-African market, the SADC and the East African regional markets, achieving 9.7%, 9.6% and 8.7% growth rates respectively.

[37] Notes: The data are based on annual foreign air tourist arrivals to South Africa from Africa.

Table 4.1: Annual foreign air tourist arrivals to South Africa, 2000 - 2010

	Intra-African market	SADC regional market	West African regional market	East African regional market	North African regional market
2000	283 135	227 882	29 895	21 465	3 893
2001	291 328	225 625	36 856	23 753	5 094
2002	336 791	252 649	47 721	29 614	6 807
2003	344 881	256 239	49 641	33 436	5 565
2004	355 378	263 879	49 373	35 825	6 301
2005	384 546	284 593	55 593	37 695	6 665
2006	434 574	322 154	64 331	40 981	7 108
2007	519 187	395 426	71 169	44 633	7 959
2008	565 715	430 776	76 637	49 080	9 222
2009	454 114	328 584	72 130	44 865	8 535
2010	715 862	567 636	86 029	49 219	12 978
$CAGR_{00-10}$	**9.7%**	**9.6%**	**11.1%**	**8.7%**	**12.8%**

Source: Statistics South Africa (2001 – 2011)

It is clear from the discussion that a positive relationship does exist between a “more” liberal (or “less” restrictive) aviation policy and air passenger traffic flows. One must take into account that this relationship is also affected by numerous non-aviation policy related factors, such as the GDP, population size, trade levels, *inter alia*. The purpose of the qualitative phase of the study (described in Chapter 5) is to identify and confirm, from expert sources, the policy and non-policy factors that impact on air traffic flows, many of which have already been identified in the literature phase. The next section discusses the important milestones that have been instrumental in shaping the current South African civil aviation policy.

4.5 SOUTH AFRICAN CIVIL AVIATION POLICY DEVELOPMENT SINCE 1990

This policy has gradually developed since 1990 under the guidance of the DOT. The following milestone events exerted a profound influence in shaping the South African government’s current position on international air transport (Department of Transport, 2008:1-9):

- The domestic air transport policy, resulting in the deregulation of the domestic air transport in South Africa in May 1990;

- The international aviation policy of South Africa, enabling liberalisation in international air transport for South Africa, effective from March 1992;

- The South African state airports policy review, confirming the wisdom of the commercialisation process for the two service functions in March 1995;

- The White Paper on National Transport Policy, reiterating the policy positions contained in the domestic and international aviation policy with minor adjustments in 1996;

- Various studies on airline cooperation, air cargo operations and aircraft noise and engine emissions during 1998;

- The restructuring of the Civil Aviation Authority for South Africa into an independent government-owned agency responsible for the regulation of aviation safety and security in South Africa in 1998;

- The White Paper on National Policy on Airports and Airspace Management, 1998;

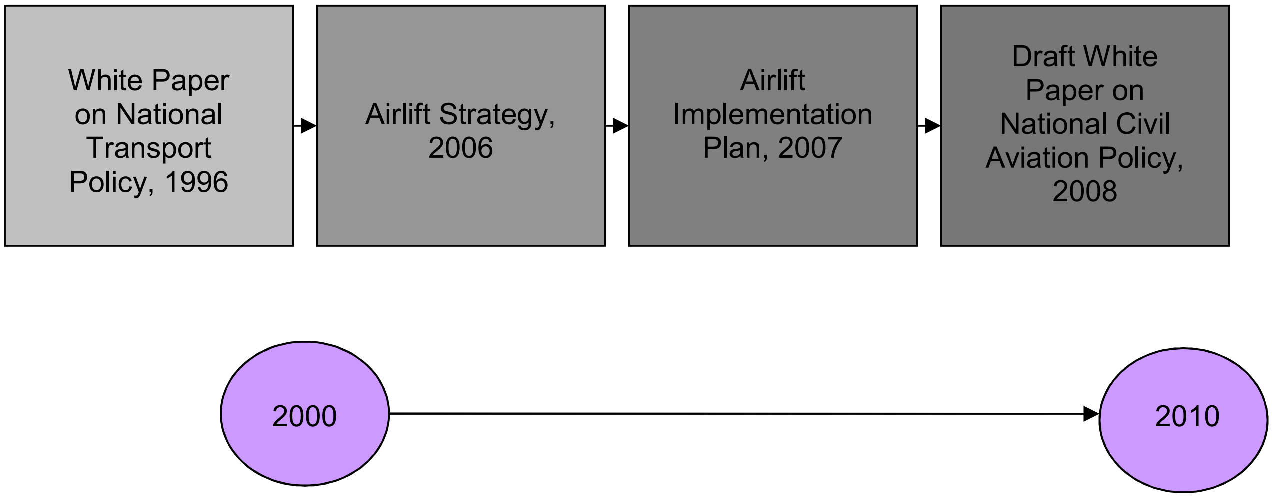
- Airlift Strategy, 2006;

- Airlift Implementation Plan, 2007;

- Draft White Paper on National Civil Aviation Policy, 2008.

Figure 4.10 illustrates the key milestones achieved in the development of the South African civil aviation policy that have impacted on the selected research period, 2000 to 2010.

Figure 4.10: Key milestones in the South African civil aviation policy development



Sources: Department of Transport (1996); Department of Transport (2006); Department of Transport (2007); Department of Transport (2008)

In line with the structural changes brought about by the implementation of deregulation, liberalisation, globalisation, consolidation and technological advances in the civil aviation system over the past decade, South Africa has opted to align its aviation policy with the following fundamental principles (Department of Transport, 2008:1-2):

- "Liberalisation in the provision of air transport services, in particular to the approach adopted in relation to the Yamoussoukro Decision implementation;
- Coordination of airport development;
- The airspace and airport slot allocation system;
- Participation in global satellite-based air navigation;
- Phasing out of noisy, old generation aircraft".

The following sections deal with an overview of the development of the South African aviation policy.

4.5.1 White Paper on National Transport Policy

The South African civil aviation policy forms part of the White Paper on National Transport Policy of 1996, which was extensively reviewed and revised over nearly six years (Department of Transport, 1996:31). For the purpose of this research, sections 4.5.1 to 4.5.4 will be focusing exclusively on the South African international civil aviation policy in relation to passenger air services. Table 4.2 summarises the international civil aviation policy of 1996.

Table 4.2: South African international civil aviation policy of 1996

	International air transport		**International relations**	
Mission (South African civil aviation policy as a whole)	**Issues**	**Policy**	**Issues**	**Policy**
"To maintain a competitive civil aviation environment which ensures safety in accordance with international standards and enables provision of services in a reliable and efficient manner at improving levels of service and cost while contributing to the social and economic development of South Africa and the region."	Continued appropriateness of the policy aiming at liberalisation of the international air transport market which was implemented in 1992.	Main objectives: a) To encourage competition in the market place; b) To safeguard, where necessary, national interests; c) To encourage South African participation in the market;	South Africa is and will become a member of various international organisations or groupings of countries, such as the Yamoussoukro Declaration.	Government will support international cooperation in principle within the framework of the strategic objectives of the international air transport policy.
	The provision of non-scheduled air transport services on scheduled routes. This mainly entails the criteria that should apply for allowing these services.	The DOT will evaluate its current policy in respect of non-scheduled services and the implementation thereof, with a view to ensuring its full compatibility with the broad policy framework.		
	World trends in airline cooperation (alliances, equity exchanges, code-sharing,	The DOT will formulate a policy on airline cooperation in general and code-sharing in particular within a		

	International air transport		International relations	
Mission (South African civil aviation policy as a whole)	**Issues**	**Policy**	**Issues**	**Policy**
	franchising and many others) and their effect on South Africa's policies.	framework of promoting competition and cooperation.		

Source: Department of Transport (1996:35-36)

The White Paper on the National Transport Policy of 1996 reinforced the government's commitment to facilitating South Africa's participation in the international air transport market, while encouraging fair competition and safeguarding the country's national interests.

4.5.2 The Airlift Strategy

The DOT developed the five-year South African Airlift Strategy which was approved by Cabinet in July 2006. The Airlift Strategy was devised in order to introduce effectively structured regulatory measures of air transport in support of the TGS, which is covered in section 4.6.

The Strategy is based on aviation policy directives and contributes to the ASGI-SA by:

- "Aligning with the Tourism Growth Strategy and industry;
- Prioritising tourism and trade markets;
- Unblocking obstacles to growth through regulatory mechanisms and bilateral and multilateral air services negotiations".

In particular, the Strategy supports the Millennium Development Goals and the objectives of NEPAD to increase African connectivity and access through accelerated implementation of the YD. The overall objective of the Strategy is to increase aviation's contribution towards sustainable economic growth and job creation. It also provides specific guidelines for various unique markets, with the emphasis falling on the needs of intra-African air services, and aims to improve regulation of the supply-side of air transport services particularly (Department of Transport, 2007:1). The focus of this section will only be placed on those parts of the Airlift Strategy which pertain to the intra-African market.

The mission of the White Paper on National Transport of 1996 was reconfirmed by the Airlift Strategy; therefore the mission of air transport, with regard to the TGS in particular, is to ensure an enabling environment, which responds effectively to the needs of domestic and international users and service providers (Department of Transport, 2006:1-2). The Strategy thus concentrates on:

- "Locating the South African civil aviation industry's growth within the government's overall policy framework with specific focus on government initiatives, such as the ASGI-SA;

- Contributing towards sustainable economic growth and job creation, with the emphasis falling on the ASGI-SA initiative;

- Ensuring the sustainable growth of the South African civil aviation industry, with the emphasis on introduction of new entrants to the market and expansion of existing markets;

- Creating an enabling framework which allows both consumers and service providers reasonable flexibility and choice;

- Enhancing the prospects for South Africa as a preferred air travel destination;

- Aligning air transport with other national strategies through the common criteria of the "national interest" through interdepartmental participation with specific reference to the National Foreign Policy, National Tourism Strategy, National Trade and Industry Strategy, as well as general infrastructure requirements of South Africa;

- Improving institutional coordination and alignment between all relevant stakeholders as per the Tourism Sector Plan;

- Addressing airline competition and pricing to reduce total costs to travel to South Africa".

In table 4.3 major legal mandates for the regulation of international air transport services are summarised.

Table 4.3: Legal mandates for the regulation of air transport services

Legal Mandate	Description
The Convention on International Civil Aviation (Chicago Convention), 1944	Chicago Convention regulates civil aviation worldwide.
Aviation Act, No 74 of 1962	The Act gave the effect to South Africa's legal adoption of the Chicago Convention.
Civil Aviation Policy	The Policy guides South Africa's participation in the rapidly changing aviation market. The International Civil Aviation Policy of 1992 was developed with the primary purpose of guiding South Africa's participation in the international aviation market. Domestic and international policies were revisited in 1996 and reconfirmed with minor additions, through the White Paper on National Transport Policy, 1996. The Airlift Strategy's main principles are to encourage effective competition, to safeguard national interests and to encourage South African participation in the market. The Strategy of 2006 is aimed at encouraging competition through the implementation of the YD, multiple designation of airlines, double disapproval tariff system, liberal capacity and frequency regime, promotion of all international airports as entry points in South Africa and providing that third and fourth freedom rights (direct services) will form the basis for negotiating the exchange of traffic rights.
International Air Services Act (Act No. 60 of 1993)	The fundamental objectives of the Strategy were embodied in the Act. The latter empowers the Minister to enter into air services agreements with other states, subject to the approval of the President.
Bilateral Air Services Agreements	Since 1992, South Africa has embarked on the review and modernisation of all bilateral air services agreements in terms of the International Aviation

Legal Mandate	Description
	Policy. This was accelerated after 1994, with the establishment of a democratic government and subsequent worldwide support for the country's transformation agenda. By the end of 2010, South Africa had revised BASAs in line with the YD with 17 like-minded states.
Multilateral and Regional Agreements	1) **WTO**: since the 1990s, regional air transport liberalisation initiatives have enjoyed preference over the World Trade Organisation's multilateral approach. 2) **Yamoussoukro Decision**: in 2000, African States formally adopted the YD for the liberalisation of intra-African air transport services. South Africa has opted to implement the spirit of the YD on a bilateral level with willing partners as an interim measure, pending full implementation of the YD across Africa. The DOT has also embarked on the development of an approach aimed at accelerating the implementation of YD. 3) **South African Development Community**: the SADC member states signed the Protocol on Transport, Communication and Meteorology in 1996. The Protocol's sub-regional initiatives on the liberalisation of intra-African air transport services are aligned with the principles of YD.

Source: Department of Transport (2006:2-5)

The Airlift Strategy has identified several challenges potentially impeding economic growth and job creation, which are summarised in table 4.4.

Table 4.4: Challenges identified by the Airlift Strategy of 2006

Challenge	Description
Alignment with macro-economic policies	South Africa has developed several macro policies since 1994: the Growth Employment and Redistribution (GEAR) Strategy, the National Crime Prevention Strategy, the National Tourism Strategy, the Reconstruction and Development Programme (RDP) and the ASGI-SA. The basis for bilateral air services negotiations has not always been clearly synchronised with these national strategies.
National interest criteria	The "national interest" of the country and the interests of the suppliers and consumers seldom coincide.
Policy implementation	The Aviation Policy (1992 and 1996) provides broad guidelines for the conclusion of bilateral air services agreements. Specific guidelines are required for unique markets to effectively respond to global/regional trends and challenges.
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 in order 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.
Air services network approach	The current BASAs represent the backbone of the regulatory framework for scheduled air services to and from South Africa. Key stakeholders have not always recognised that all agreements are interrelated.

Challenge	Description
Competitiveness of the SA tourism market	SA is in direct competition with many countries around the world as a preferred tourist destination. Over-restrictive bilateral regimes that provide limited or no consumer choice, few or no mechanisms for airlines to respond to market fluctuations and constrained capacity have a negative impact on tourism to South Africa.
Competitiveness of SA airline industry	SA airlines are often not competitive in various markets, leading to a loss in market share. Traditional governmental protection through capacity limitation may impact negatively on the availability of capacity to meet the requirements of trade and tourism industries.
Role of Government	The role of Government in respect of policy, regulation and operations is not always clearly defined.
Actual or perceived unfair competition	This may be due to various reasons, such as differences in aviation safety and security standards. Government should retain the ability to intervene if and when necessary to ensure that the SA national interest is served at all times.

Source: Department of Transport (2006:26-27)

The Airlift Strategy has identified certain strategic interventions, summarised in table 4.5, required to address the above challenges that are potentially impeding economic growth and job creation.

Table 4.5: Strategic interventions

Strategic Intervention	Description
National interest considerations	To ensure greater alignment with government policies and strategies, in particular with the Tourism Growth Strategy, air services negotiations must be aligned with the "national interest" of South Africa.
Identify and prioritise markets	The important markets in terms of tourism and trade to be identified, monitored and prioritised and their status updated at least twice a year: • **Primary markets/strategic hubs** as defined by South African Tourism: a) *core markets*[38]: Kenya, Nigeria, the USA, the UK, Australia, France and the Netherlands; and b) *strategic hubs*: Egypt, Senegal, the UAE, Malaysia and Singapore. The African countries that have been clustered into this market are: *Kenya, Nigeria, Egypt* and *Senegal*. According to the DOT's regional categorisation of BASAs, Kenya represents the East African regional market, Nigeria and Senegal represent the West African one and Egypt represents the North African one; • **Secondary markets/potential growth markets**, which include the *tactical*[39] and *investment*[40] markets: Botswana, Lesotho, Swaziland, Tanzania, India,

[38] *Core markets* are those markets which present the greatest opportunity (South African Tourism, 2008).
[39] *Tactical markets* are those markets which should be considered for specific, tactical opportunities (South African Tourism, 2008).

Strategic Intervention	Description
	Angola, Mauritius, Mozambique, Zambia, Zimbabwe, Canada, China, Hong Kong, Brazil and Japan. The African countries relevant to the research in this category are *Botswana, Lesotho, Tanzania, Angola, Mauritius, Mozambique, Zambia* and *Zimbabwe*. All of them represent the SADC region according to the DOT's regional categorisation of the BASAs; • **Tertiary markets**, which include the watch-list[41]: Ghana, Senegal, New Zealand, Belgium, Ireland, Italy, Sweden and Switzerland. Both *Ghana* and *Senegal* represent the West African regional market. It is interesting to note that Senegal has been prioritised in both the primary and tertiary market.
Modernisation of air services framework	a) **Capacity determination**: 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. On routes governed by the YD, unlimited capacity to be allowed; **b) Setting of liberalisation targets**: the framework of BASAs is to be liberalised in accordance with the targets as per Appendix G. Chapter 6 will analyse the liberalisation progress that has been achieved in the South African – intra-African market, as well as in each of the four regions; **c) Tactical approach to key elements, relating to the modernisation of the air services framework *(*intra-African liberalisation*)*:** • Measures aimed at accelerating implementation of the YD to be implemented (implementation of the YD on a bilateral level with willing partners as an interim measure, pending full implementation of the YD across Africa). In particular, prioritisation of negotiations with Angola, Mozambique and Nigeria to ease capacity constraints. The most restrictive capacity clause, that of predetermination, prevailed in the BASAs between South Africa and the three countries over the eleven year time period; • *Tariff regulation*: tariff control only in respect of tariff increases, subject to regional/continental competition rules, in line with the YD; • *Pricing and competition*: excessively high/low tariffs will be referred to the Competition Commission for further consideration. Capacity to be increased on constrained routes to ensure provision of adequate number of seats at reasonable prices. In the case of high fares charged by SA airlines on capacity constrained routes, such tariffs to be subjected to a competitive pricing comparison process by the Competition Commission; • *Fifth freedom traffic rights*: free exchange for 5th freedom traffic rights with due consideration of reciprocity[42] concerns during the period leading up to full implementation of the YD[43];

[40] *Investment markets* are those markets where some investment is made for returns in future (South African Tourism, 2008).
[41] *Watch-list markets* are those markets that need to be watched for value segments (South African Tourism, 2008).
[42] *Reciprocity* is the granting of a right or a benefit by a state to a foreign entity such as an air carrier when it has no international obligation to do so, on the condition that the same treatment will be accorded to its comparable entity (entities) by the home state of that foreign entity (ICAO, 2004:1.1-3).

Strategic Intervention	Description
	• *Ownership and control of all airlines*: Ownership of airlines could represent a barrier to entry into the market, impeding Government's policy of broad-based black economic empowerment (BEE). In the interim, South Africa not to agree to the EU ownership clause.
Use-it-or-lose-it principle	This is aimed at preventing one airline blocking another from introducing new air services/expanding current services through retention of unused traffic rights.
Stability and sustainability of network of air services serving South Africa	Air services agreements and routes are interdependent and should not be considered in isolation. The African Union Common External Air Transport Policy in respect of "open skies" arrangements and the EU-Ownership clause are to provide guidance towards enhancing stability of intra-African air services: a) *Anti-competitive behaviour/market dominance*: threat of capacity "dumping" and predatory pricing to be managed in collaboration with Competition Commission. DOT to actively participate in development of regional and AU-based competition rules and arbitration in terms of the YD; b) *Reciprocity and market share issues*: reciprocity in terms of air services agreements may not always be based on the exchange of exactly the same rights. It will be possible to exchange different traffic rights based on the principle of "balance of benefits"; c) *Airline alliances/code-sharing activities*: the YD supports the concept of airline cooperation as a means towards maximising economic benefits for the participating airlines; d) *Seasonality and capacity demands due to special events*: need for provision of adequate capacity to meet seasonal demand through bilateral frameworks and interface with current SA airlines on the particular route(s) is acknowledged.
The role of Government	Government should at all times ensure that the roles of its various executing arms are clearly defined and executed accordingly.
Aviation infrastructure	Efficient airports and effective airspace management are critical to future development of air transport. Three projects are linked to addressing aviation infrastructure: Air Freight Logistics Project, National Development Plan and project aimed at the establishment of an independent slot-coordinator. The principle of "fair and equal opportunity" enshrined in BASAs to be applied in cases of slot-constrained airports to achieve maximum economic benefits within a pro-competitive environment.
Strategic approach to the "open skies" model for liberalisation	Seventeen African States have concluded "open skies" agreements with the US. Strategic approach to "open skies": • *"Open skies" intra-Africa*: accelerated implementation of the YD through modernisation of BASAs with all like-minded African states; • *African Union approach*: SA to actively participate in the activities of AU towards the creation of a Common External Air Transport Policy for Africa.

Source: Department of Transport (2006:29-40; 2006:60-68)

[43] Granting should be on a reciprocal basis: only where scheduled 3rd and 4th freedom services are not available and only if these services will be phased out over a period of six months if a 3rd and 4th freedom service is introduced in exceptional cases (Department of Transport, 2006:33).

It is quite evident from the above discussion that South Africa's approach to bilateral negotiations in the intra-African context is directly linked to the key principles of the YD. However, as discussed in Chapter 3, no action has been taken by the SADC towards the implementation of the YD within the region that can be seen as binding for its members.

Despite this, South Africa's position in relation to the speeding up of the YD implementation has been very clear, and has been supported by the Airlift Strategy, the Airlift Implementation Plan, as well as the government's pro-YD position at the numerous assemblies. For example, at the 37th Assembly of the Economic Commission, South Africa once again reconfirmed its initial Airlift goals (ICAO, 2010:4).

4.5.3 <u>The Airlift Implementation Plan</u>

While the Airlift Strategy contains guidelines aimed at maximising benefits for South Africa, as well as limiting possible negative effects on other regions, the Strategy requires a tool in the format of an implementation plan, which will guide and give effect to significantly enhanced bilateral air services agreements entered into between South Africa and other states. The Airlift Implementation Plan of 2007 is a particular tool that has adopted an air transport policy clarifying South Africa's position in terms of regional bargaining blocks, as well as South Africa's approach to bilateral negotiations (Department of Transport, 2007:6).

In essence, the said Plan is derived from the Airlift Strategy of 2006 and seeks to achieve the following objectives in relation to international air services, while ensuring that the South African "national interest" is being promoted (Department of Transport, 2007:11):

- "Liberalising international air services agreements;
- Allocating capacity available under existing BASAs in relation to airline business plans;
- Liberalising international aviation multilaterally".

To encourage and allow for future air transportation growth and development, South Africa's international air transport policy has been driven by the key objectives and principles as set out within the *Vula Sky* document, which is part of the Airlift Implementation Plan (Department of Transport, 2007:7).

Table 4.6 highlights the *Vula Sky's* main objectives, principles and terms towards ensuring an effective bilateral air transportation negotiation framework for international passenger air services. The *Vula Sky* framework reconfirms South Africa's recognition of air transportation as a significant facilitator of exchange between countries and continents, because it serves as a catalyst of trade and tourism exchange (Department of Transport, 2007:63).

Table 4.6: Summary of Vula Sky - South Africa's international air services framework

Objectives	Principles	Terms for BASAs	Comment
1. Encourage, enhance and support SA's tourism growth; 2. Provide opportunities for SA registered airlines to grow and compete; 3. Provide a framework that stimulates competition and the development of new international air services agreements; 4. BASAs are agreed upon in a manner which enables airports to develop in a managed process; 5. Support and facilitate SA's trade objectives; 6. Support a safe, secure and economically viable South African aviation industry.	1. Tourism growth and trade development are directly influenced by effective and efficient air transportation system; 2. Allow for a free market; 3. SA registered airlines are afforded the opportunity to compete in international markets on equal terms; 4. Air liberalisation will be guided by economic benefits; 5. Safety and security standards are not negotiable.	1. BASAs based on 3rd and 4th freedom rights; 2. 5^{th} freedom may be awarded, provided there is a significant contribution towards achieving an increase in airlift; 3. Multiple designation for airlines to operate; 4. Market-based tariff/pricing regime.	1. SA will pursue BASA negotiations on the principle of reciprocity. A secondary position adopted by SA will be to seek the most beneficial agreement, which will be in the overall interest of SA; 2. Considerations that could influence SA's position towards BASAs negotiations: good trading relations; the "willing and able" attitude towards airlift; accelerated economic growth within a region; political stability.

Source: Department of Transport (2007:62-67)

Over the last couple of years, regional air traffic growth has been relatively stable; nonetheless, African countries currently continue to artificially restrict international travel, by limiting the number of flights to their cities, as well as the number of airlines that can fly to them. These restrictions make it more expensive to travel by air to SADC and therefore reduce the number of tourists who visit this region. Focusing on these impediments, the Airlift Implementation Plan incorporates an aggressive format to address the SADC region with a view to enhancing traffic amongst the states (Department of Transport, 2007:47).

Other African states, whilst adopting the YD, have been fairly reluctant to engage South Africa on a full-scale “open skies” arrangement. The Airlift Implementation Plan contains a framework detailing an action plan for engagement with the African states regarding a more liberal air transport agreement between each state and South Africa. The core purpose of the Airlift Plan as set out by the DOT (Department of Transport, 2007:47-49) is:

- “To provide a roadmap for airlift growth for the next five years;
- To provide a framework for aviation capacity development;
- To set out a plan of action for engagement with the SADC, intra-African states and other international regions;
- To provide an understanding of the Airlift Strategy, allowing a range of stakeholders and other interested parties to make well-informed investment decisions”.

The Airlift Implementation Plan for SADC and intra-Africa is summarised in table 4.7 below.

Table 4.7: Airlift Implementation Plan for SADC and intra-Africa

Region	Objective	Hindrances	Plan
SADC	SA's objectives in enhancing growth are purely based on trade, investment and tourism; All negotiations will proceed from an understanding that there will be no limitations to either seating capacity or flight frequencies.	Reluctance from some SADC states based on the premise that liberalisation and increased competitive pressures will undermine the viability of their national carriers.	The plan for increasing airlift capacity within the SADC is to: • Engage Angola and Mozambique in 2007 on further bilateral discussions to remove capped passenger seating capacity; • Agree with Angola and Mozambique on an increase in flight frequency between the countries, as well as on the introduction of the principle of multiple designation of airlines. Multiple designation was introduced in 2009 between South Africa and Angola and in 2003 between South Africa and Mozambique; • Engage with the remainder of all SADC states on further bilateral discussions in fourth quarter of 2007; • Engage with the DOT to ensure that YD is fully implemented within SADC region before the end of 2010. Gradual liberalisation progress has been achieved across SADC, although not YD compliant for all member states. Chapter 6 discusses this in more detail.
Intra-Africa	Achieve full-scale "open skies" agreement based on the YD.	Reluctance on the full engagement of the YD within Africa, which is due to the fear factor regarding the viability of the national carrier in the face of increased competitive pressure. Some states have adopted full "open skies" with the USA, but there is still strong reluctance towards engaging with SA. By the end of 2010, only 17 African states had revised their BASAs with SA in line with the key principles of the YD.	The plan for increasing airlift capacity within intra-Africa is: • The DOT is to engage with Nigeria on further liberalisation in 2007; full YD with Nigeria by 2009. This has not been achieved by the end of 2010; • The DOT to undertake a full econometric study which quantifies costs of regulatory constraints of air transportation by end of 2007; • Communication campaign with other states on benefits of the YD; • The department to expedite from 2007 the implementation of the YD with like-minded African states; • The DOT to engage with AFCAC, the AU and safety oversight bodies on increased efforts

Region	Objective	Hindrances	Plan
			needed to provide safety related infrastructure and skills with the objective of ensuring that safety is met on the African Continent; • To include within the negotiation framework a "strict enforcement of the competition rules", the same should apply to anti-competitive behaviour; • To expedite the implementation of the YD through the modernisation of BASAs with like-minded states.

Source: Department of Transport (2007:50-52)

In essence, the Airlift Strategy has one clear objective, which is to ensure that the number of passengers entering South Africa is increased. The decisions that airlines make in terms of which routes they fly remain purely commercial ones, in which the government will not interfere. However, as defined by the Strategy, the South African government has a responsibility to ensure that air traffic movements into the country are increased, clearly illustrating the pressing need to increase capacity in existing BASAs, especially where there is demand and there are requests from other nations (Department of Transport, 2007:29).

Whilst the Airlift Strategy focuses on the effort to enhance the growth of tourist numbers, the Airlift Implementation Plan extends this Strategy and sets out an implementation framework to increase domestic, regional and international air traffic (Department of Transport, 2007:55). Given that international air transport between South Africa and its African counterparts is governed by a bilateral regulatory framework, ability and success in removing restrictions in line with the key YD principles are based on the mutual understanding and willingness of the respective states.

4.5.4 Draft White Paper on National Civil Aviation Policy of 2008

The need for a civil aviation policy review arose mainly from changes in globalisation, the changes in South Africa, particularly in relation to civil aviation and the necessity to incorporate and formalise the researched policy issues into a consolidated White Paper.

All of these have been incorporated into the Draft White Paper on National Civil Aviation Policy, 2008, which is consistent with and complements government's broad strategic, economic and social objectives (Department of Transport, 2008:1-9).

The next section focuses on the international transport policy of the Draft White Paper. It is important to note that the said policy is divided into two sections: scheduled and non-scheduled international transport services. Table 4.8 summarises the main aspects of each as related to the YD agreement.

Table 4.8: International transport policy

Scheduled international air transport services			**Non-scheduled international air transport services[44]**	
Objectives	***Policy Statement***	***Description***	***Scenario***	***Description***
International air transport should facilitate and enhance the expansion of international trade and tourism in general and exports and the tourism industry in particular. The development and maintenance of regular international air transport services should be promoted; Economic decisions should be as far as possible left to the market to resolve the strategic objective of the	*Designation of airlines*	Multiple designation of licensed airlines to provide such services to and from South Africa should be promoted. This is in line with the principles of the YD.	Non-scheduled combination to and from countries bound by the YD	Such services should be allowed freely and would only be subject to safety and security regulation;
	Nature and extent of services	Air services operated in terms of YD will be allowed freely, subject to compliance with the conditions of the YD and applicable competition rules. The granting of capacity and/or flight frequencies in respect of air services not bound by the YD should be considered on the basis of managed	Charters stimulating tourism to SA	Charter flights for the purposes of conveying tourists to SA should be allowed in a controlled manner consistent with the national interest. Charter flights must be part of an inclusive tour into SA and would be subject to special conditions.

[44] A *non-scheduled international air service* is a transport service other than a scheduled service which is normally associated with a specific flight or series of flights. Such flights are not listed in a published timetable and passenger and cargo capacity may only be offered and sold to a charterer in respect of services on routes currently serviced by scheduled services or directly to the public or through a third party under a series of prescribed conditions (Department of Transport, 2008:4-34).

Scheduled international air transport services			Non-scheduled international air transport services[44]	
Objectives	***Policy Statement***	***Description***	***Scenario***	***Description***
state to develop an export-oriented sector, capable of competing on international markets, should be pursued by SA aviation; An efficient, productive and sustainable SA aviation industry should be developed; Control over international air transport services should be maintained within a well-defined regulatory framework that is flexible enough to cater for changing needs and circumstances and to ensure orderly, safe and reliable international air transport services to and from SA.		liberalisation with a view to promoting the national interest.		
	Routes and airports	All designated airports with the necessary and appropriate facilities to accommodate international flights should be promoted as gateways to South Africa. Foreign airlines should be permitted to use the designated airport(s) of their choice, subject to obtaining reciprocal or comparable rights or benefits from SA carriers.		
	Traffic rights	The granting of seat capacity and/or flight frequencies should continue to be based on 3rd and 4th freedom traffic demands. Countries bound by the YD will not be restricted by these limitations.	Non-scheduled international services for developing new air links	Where there is no scheduled air transport service between South Africa and another country, non-scheduled services should be allowed with a view to stimulating the development of new air links and the promotion of tourism to SA.
	Tariff control	Tariffs should be deregulated as far as possible to allow airlines the freedom to set tariffs in response to demand, subject to general control over economic activities which applies to all industries.	Other non-scheduled services	Other services, for which no provision has been made, should be allowed on a selective basis, on scheduled routes, but only when such services would complement the existing

Scheduled international air transport services			**Non-scheduled international air transport services[44]**	
Objectives	***Policy Statement***	***Description***	***Scenario***	***Description***
				scheduled air services.
	Airline commercial cooperative arrangements	SA and foreign airlines should be allowed to enter into cooperative agreements involving different kinds of code-sharing, franchising and wet-lease agreements, subject to the applicable law governing competition.		
	Predatory pricing	Provision should be made in the bilateral air services agreements prohibiting anti-competitive/ predatory practices by airlines.		

Source: Department of Transport (2008:4-35; 2008:4-49-4-73)

4.5.5 The Airlift Strategy progress overview

As mentioned above, in July 2006, Cabinet approved the Airlift Strategy which sets out to enhance the air transport sector's contribution to sustainable growth and development with the aim of achieving an increase in air traffic frequencies ahead of demand. It is also important to note that whilst the capacity may be increased between the relevant countries, the activation and utilisation of these frequencies remain primarily an airline decision and such a decision to utilise available frequencies is normally dictated by the commercial and strategic considerations of the respective airline (Department of Transport, 2010:1). Table 4.9 summarises the changes in the number of total BASAs since the launch of the Strategy.

Table 4.9: Summarised total of the bilateral air services agreements, 2006 to 2010

Year	Total BASAs	Active BASAs	Dormant BASAs	Source
2006	104	58	46	DOT (2006)
2007	106	43	73	DOT (2007)
2008	107	43	64	IASC (2008)
2010	110	58	52	DOT (2010)

By the end of 2010, the Department of Transport had entered 45 BASAs with other African states, of which 17 were in line with the key YD principles. Table 4.10 provides an overview of the changes to the bilateral regulation that has taken place from 1992 to the end of 2010. The bilaterals of the countries highlighted in yellow are all in line with the key principles of the YD.

Table 4.10: Summary changes to the African bilaterals

Country	Regional classification DOT	Initial BASA	MOU	MOU	MOU	MOU	Comments
Algeria	North African region	17/11/1995	-	-	-	-	
Angola	SADC	19/01/1995	19/07/1997	09/04/2009	-	-	
Benin	West African region	30/06/1993	19/10/2010	-	-	-	
Botswana	SADC	23/07/1991	07/05/2004*	12/02/2010	06/07/2010	-	* exchanged and reached consensus on draft BASA and MOU
Burkina Faso	West African region	30/06/1993	-	-	-	-	
Burundi	East African region	06/02/1992	-	-	-	-	
Cameroon	West African region	24/01/1992	07/02/1994	07/02/1994	28/10/2008	-	
CAR	West African region	12/04/1994	-	-	-		
Chad	West African region	12/04/1994	-	-	-	-	
Comoros	East African region	17/01/1992	-	-	-		
Congo	West African region	15/02/1995	-	-	-	-	
DRC	SADC	20/04/1989	01/09/1992	07/02/1994	24/06/2004	25/06/2009	
Côte d'Ivoire	West African region	30/06/1993	-	-	-	-	
Egypt	North African region	27/01/1994	12/06/1996	26/08/1997	27/10/1998	-	

Country	Regional classification DOT	Initial BASA	MOU	MOU	MOU	MOU	Comments
Ethiopia	East African region	14/05/1997	17/09/2001	16/10/2002	-	-	
Gabon	West African region	27/02/1995	08/07/1993	30/03/2004	-	-	
Gambia	West African region	09/05/2008	-	-	-	-	
Ghana	West African region	02/06/1994	11/08/2000	30/04/2009	-	-	
Kenya	East African region	30/09/1993	29/07/1999	09/05/2000	15/10/2008	-	
Lesotho	SADC	02/11/1990	15/09/1993	26/11/2010*	-	-	* parties adopted draft BASA
Liberia	West African region	30/06/2010	-	-	-	-	
Libya	North African region	31/08/2002	09/03/2005	-	-	-	
Madagascar	SADC	14/09/1990	24/03/2005	-	-	-	
Malawi	SADC	24/07/1992	08/09/1999	20/08/2010	-	-	
Mali	West African region	12/04/1994	-	-	-	-	
Mauritania	West African region	12/04/1994	-	-	-	-	
Mauritius	SADC	08/09/1993	15/11/2005	06/01/2010*	-	-	* signed both the MOU & new BASA
Morocco	North African region	18/02/1994	20/07/1994	-	-	-	
Mozambique	SADC	10/06/1993	16/02/1994	07/03/1996	27/08/1996	01/10/1997	
Mozambique (cont.)	SADC	-	12/01/2001	17/01/2002	10/05/2002	29/08/2003	
Mozambique (cont.)	SADC	-	29/09/2006	02/07/2009	-	-	
Namibia	SADC	25/06/1993	31/08/1993	03/11/1993	12/10/1994	02/02/1995	
Namibia (cont.)	SADC	-	20/03/1998	12/05/1999	28/06/1999	13/03/2009	
Niger	West African region	12/04/1994	-	-	-		
Nigeria	West African region	09/06/1994	30/07/2004	19/11/2008	-	-	
Rwanda	East African region	04/09/1992	11/11/1997	23/07/1998	29/06/2010	-	
Senegal	West African Region	30/07/1996	05/08/2008*	-	-	-	* parties adopted draft BASA
Seychelles	SADC	24/01/1996	-	-	-	-	
Sierra Leone	West African Region	20/06/2006	-	-	-	-	
Somalia	East African region	18/03/1990	-	-	-		
Sudan	East African region	20/04/1994	-	-	-	-	
Swaziland	SADC	18/01/1993	18/06/1998	-	-	-	
Tanzania	SADC	09/03/1993	19/09/1996	11/03/2003	15/10/2009	-	
Togo	West African	30/06/1993	22/04/2010*	-	-	-	* signed new

Country	Regional classification DOT	Initial BASA	MOU	MOU	MOU	MOU	Comments
	region						BASA
Tunisia	North African region	02/07/1997	09/02/1994	-	-	-	
Uganda	East African region	16/02/1994	23/07/1998	23/09/2003	-	-	
Zambia	SADC	30/10/1992	08/04/1994	26/05/1995	02/07/1999	21/09/2001	
Zimbabwe	SADC	08/05/1992	13/11/1992	15/09/1995	26/11/1997	05/09/2000	
Zimbabwe (cont.)	SADC	-	25/01/2002	-	-	-	

Source: Department of Transport BASAs and MOUs (1992 – 2010)

Note: This table is based on written bilaterals and MOUs only; verbal changes are not incorporated as these were not available to the researcher.

According to the Airlift Strategy liberalisation targets for intra-Africa, as summarised in Appendix G, the target that was planned to be achieved in terms of revising BASAs in line with the YD was set at 65%, representing 34 African states. It is evident from table 4.10 that this was not achieved. The remaining liberalisation targets: multiple designation, tariff liberalisation and code-sharing will be looked at in detail in Chapter 6.

As mentioned above, tourism has been identified as one of the priority sectors for focused intervention by the South African government in line with the ASGI-SA initiative and the Airlift Strategy. It has embarked on the modernisation of BASAs to accelerate the YD implementation with like-minded states, pending full implementation across Africa while at the same time accounting for and focusing on key trade and tourism markets, identified and prioritised in the TGS. Given its importance to the country's socio-economic growth, the next section therefore focuses on the TGS from 2002 to 2010, in line with the selected research period.

4.6 THE TOURISM GROWTH STRATEGY

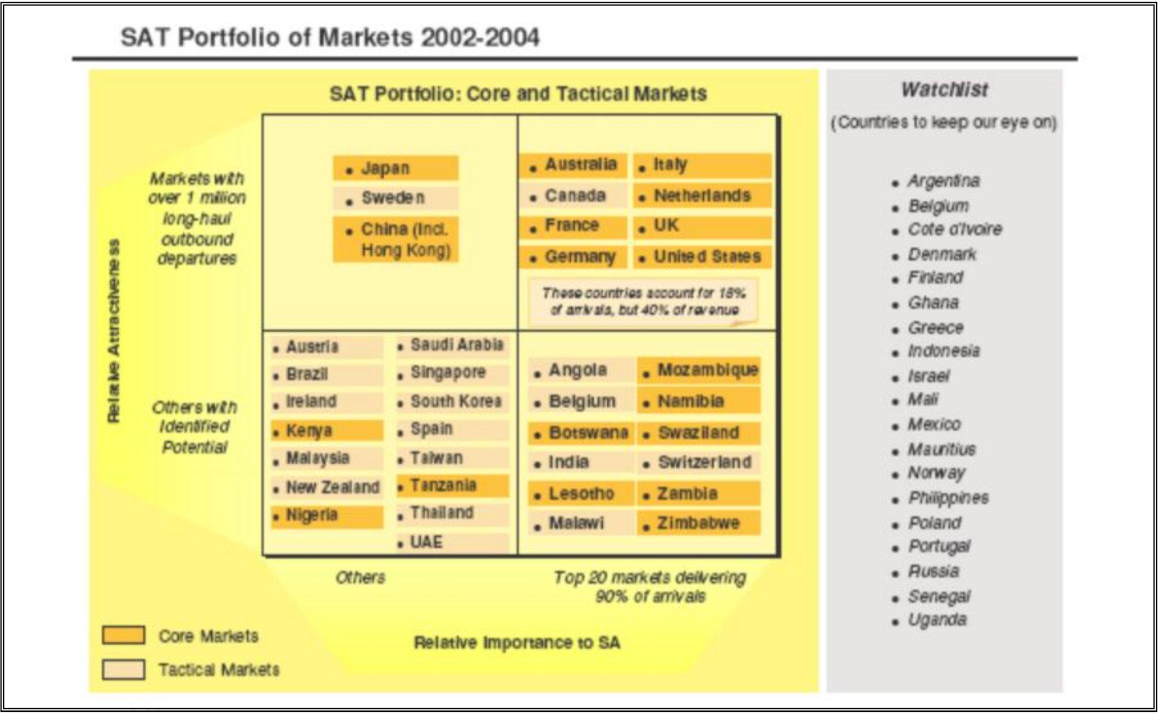
The TGS was launched in 2002 by South African Tourism (SAT) to market South Africa more effectively in increasingly competitive global tourism and travel markets. SAT has since then updated the 2002 TGS to the 2005 – 2007 Tourism Growth Strategy and thereafter to the 2008 – 2010 TGS. The country's tourism vision did not change in the updated versions of the TGS. The Strategy was merely updated and consolidated by means of the knowledge and experience gained over the previous years.

The SAT mandate under the Tourism Act No 72 of 1993 is to increase the contribution of tourism towards GDP growth and job creation as well as to improve the redistribution and transformation of the South African economy. In order to do this, SAT needs to contribute towards attaining six key objectives of the TGS, namely (South African Tourism, 2003:9):

- “Increase tourist volume;
- Improve geographic spread;
- Increase tourist spend;
- Improve seasonality patterns;
- Increase length of stay;
- Promote transformation”.

In order to achieve these goals, the TGS divided the focus markets into portfolios based on their tourism potential for South Africa. Below is a summary of these portfolios as per the TGS 2002 - 2004, 2005 - 2007 and 2008 - 2010. The countries in each of the portfolios are revised every three years by SAT.

Figure 4.11: Country portfolios as per the TGS 2002 - 2004



Source: South African Tourism (2008:103)

SAT's first portfolio review of 2000 – 2002 categorised the countries into a list of core and tactical markets, as well as into a "watchlist" group of countries. As evident in figure 4.11 Kenya, Nigeria, Tanzania, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zimbabwe and Zambia were all categorised by the SAT as the *core markets* while Angola and Malawi were identified as the *tactical markets*. Ivory Coast, Ghana, Mali, Mauritius, Senegal and Uganda were all categorised by the SAT as the *watchlist markets*.

In the second SAT portfolio review of 2005 – 2007, the core and investment markets were separated, strategic hubs (air links) were introduced and domestic tourism was included for the first time (South African Tourism, 2008).

Figure 4.12: The South African Tourism portfolio countries, 2005 to 2007

SA Tourism Portfolio 2005 – 2007:

	AFRICA & MIDDLE EAST	UK and AMERICAS	ASIA & AUSTRALASIA	EUROPE
CORE MARKETS	Kenya Nigeria Domestic	USA UK	Australia	France Germany Netherlands
TACTICAL MARKETS	Tanzania Botswana Lesotho Swaziland		India	
INVESTMENT MARKETS	Angola Mauritius Mozambique Zambia Zimbabwe	Canada	China (including Hong Kong) Japan	
WATCH-LIST MARKETS	Ghana Senegal	Brazil	Malaysia New Zealand Singapore	Belgium Ireland Italy Sweden Switzerland
STRATEGIC HUBS	Egypt Senegal UAE		Malaysia Singapore	

Source: South African Tourism (2008:104)

Figure 4.12 illustrates that Kenya and Nigeria were once again identified as the *core markets*. In this review, Tanzania, Botswana, Lesotho and Swaziland were categorised as the *tactical markets*, differing in their categorisation from the first portfolio review. Angola, Mauritius, Mozambique, Zambia and Zimbabwe were all identified as the *investment markets*. Here too, it is interesting to note the change in categorisation of a country when compared to the first SAT portfolio review. The categorisation of Mozambique, Zambia and Zimbabwe alters from *core markets* to *investment markets*. Angola was moved from the *tactical market* to the *investment market* category. Mauritius, which was identified as a *watchlist country* with tourism potential in 2002 – 2004, was grouped in the *investment market* in the 2005 – 2007 TGS. Ivory Coast, Mali, Malawi and Uganda did not appear in any of the categories in this review. Ghana and Senegal remained as *watchlist markets*. Senegal and Egypt were also identified as *strategic hubs* in terms of their importance as air links.

Given that 60% of all tourist arrivals to South Africa came from five neighbouring states, and that South Africa enjoyed a dominant share in these markets, the 2008 – 2010 Strategy for SADC was primarily a defensive one: the retaining of existing tourists and extracting additional value from them (as opposed to expanding, through acquiring new business). Outside of SADC, the focus was to attract smaller high-end leisure volumes which, in the long term, would provide opportunities for growth, especially from East and West Africa (South African Tourism, 2008:55).

The third portfolio review separated out the markets of strategic importance, as well as the strategic hubs, and included business tourism focus markets for the first time (South African Tourism, 2008). Figure 4.13 indicates that Kenya and Nigeria, once again, were identified as *core markets.* In addition, Botswana was also categorised as a *core market*. Angola, Mozambique and Zimbabwe were again identified as *investment markets*. DRC was also categorised as an *investment market*. Ghana moved from the *watchlist market* to the *tactical market*. Lesotho, Swaziland and Tanzania were again, categorised as *tactical markets*. Egypt remained in the *watchlist market* and Namibia was identified as a new *watchlist* country. Senegal remained in the *strategic hubs market* category. Two new countries that were flagged as *strategic hubs markets* were Ethiopia and Zambia.

Figure 4.13: The South African Tourism portfolio countries, 2008 to 2010

Responsibility		AFRICA	AMERICAS & the UK	ASIA & AUSTRALASIA	EUROPE
Portfolio Manager; Country Manager	CORE MARKETS	Botswana Domestic Kenya Nigeria	USA UK	Australia India	France Germany Netherlands
Portfolio Manager; Country Manager	INVESTMENT MARKETS	Angola DRC Mozambique Zimbabwe	Canada	China (incl. Hong Kong) Japan	Italy Sweden
Portfolio Manager	TACTICAL MARKETS	Ghana Lesotho Swaziland Tanzania	Ireland	Singapore	Switzerland
Stakeholder Manager	WATCH-LIST MARKETS	Egypt Namibia UAE	Brazil	Malaysia New Zealand Rep of Korea	Austria Belgium Denmark Norway Spain
Global Channel Manager	STRATEGIC IMPORTANCE	Bahrain, Oman, Qatar, Saudi Arabia			
Global Channel Manager	STRATEGIC LINKS/HUBS	Ethiopia, Zambia, Senegal	Argentina	Thailand	Greece

<u>Source</u>: South African Tourism (2008:59)

4.7 CONCLUSION

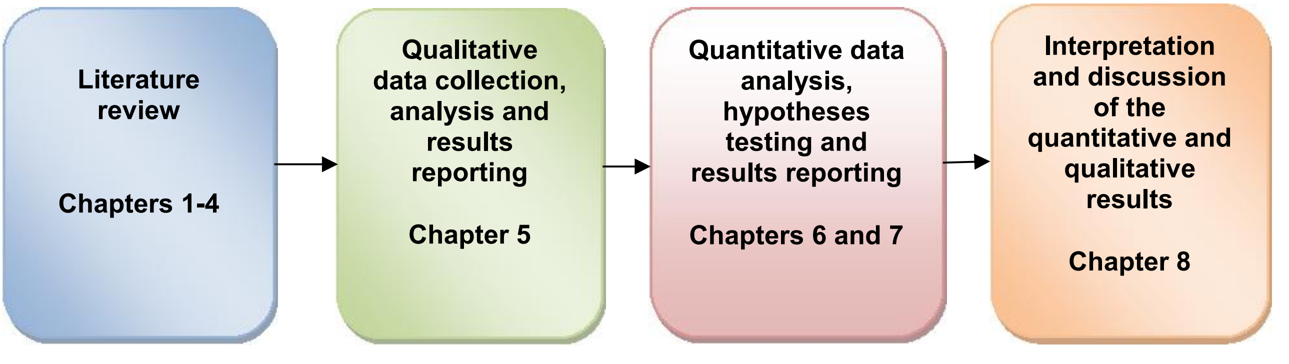
This chapter concentrated on the important milestones in the development of the South African aviation policy, emphasising a number of significant documents that played a role in the formulation and the development of the Airlift Strategy. The importance of air transport to the South African government, as well as its impact on the country's economy, trade and tourism, became evident through an exhaustive analysis of the official documents and policies.

The intertwined relationship of aviation policy, tourism and air passenger traffic flows was discussed. The chapter provided a concise overview of the dynamics of air passenger traffic flows between South Africa and each of the five key markets.

Key focus areas of South Africa's international air transport policy in relation to passenger air services were identified, together with hindrances and the strategies of overcoming these to achieve the main goal, which is increasing tourist numbers into the country by providing capacity ahead of demand.

This chapter also furnished a summary of the changes in African bilaterals, which were an indication of the uneven liberalisation dynamics that have been taking place in the South African – intra-African air transport market. Chapter 4 comprised the final literature review. Figure 4.14 presents an outline of the subsequent chapters.

Figure 4.14: An outline of the subsequent chapters



The next chapter discusses the qualitative methodology in the form of the Delphi technique, the main purpose of which is to identify and confirm, from expert sources, features of BASAs, as well as factors not related to these agreements that impact on air traffic flows, many of which have already been identified in the literature phase. The results of the Delphi will then be viewed against the factors derived from the literature survey in order to produce an exhaustive list of factors that could impact air passenger traffic flows between two countries. These data will form the foundation of the independent variables to be included in the empirical model. The findings stemming from the application of the Delphi technique will also be used as supporting evidence for the quantitative results.