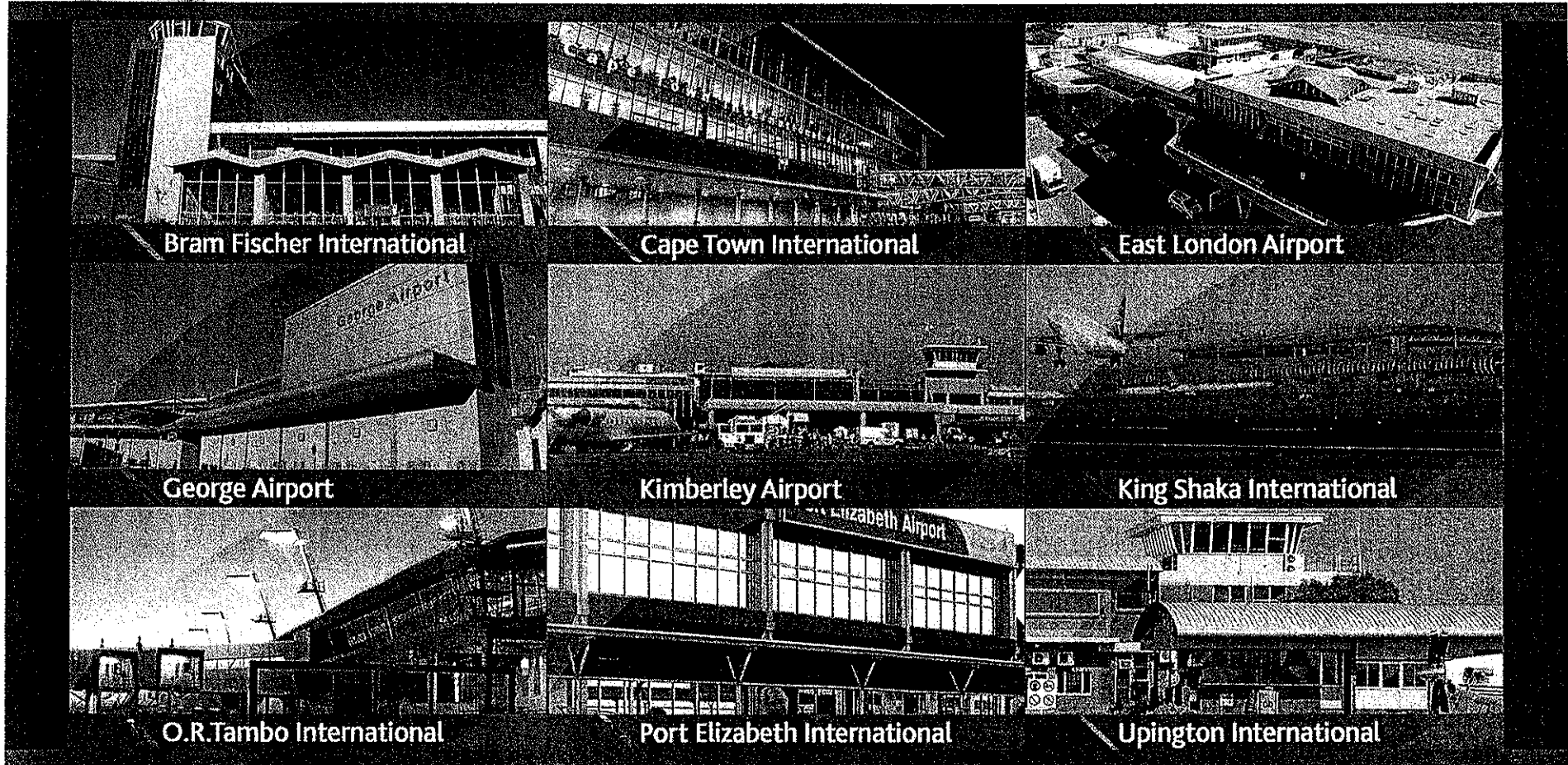




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# Current Aviation Issues Impacting on Tourism

Deon Cloete, General Manager

18 September 2013



# General Overview

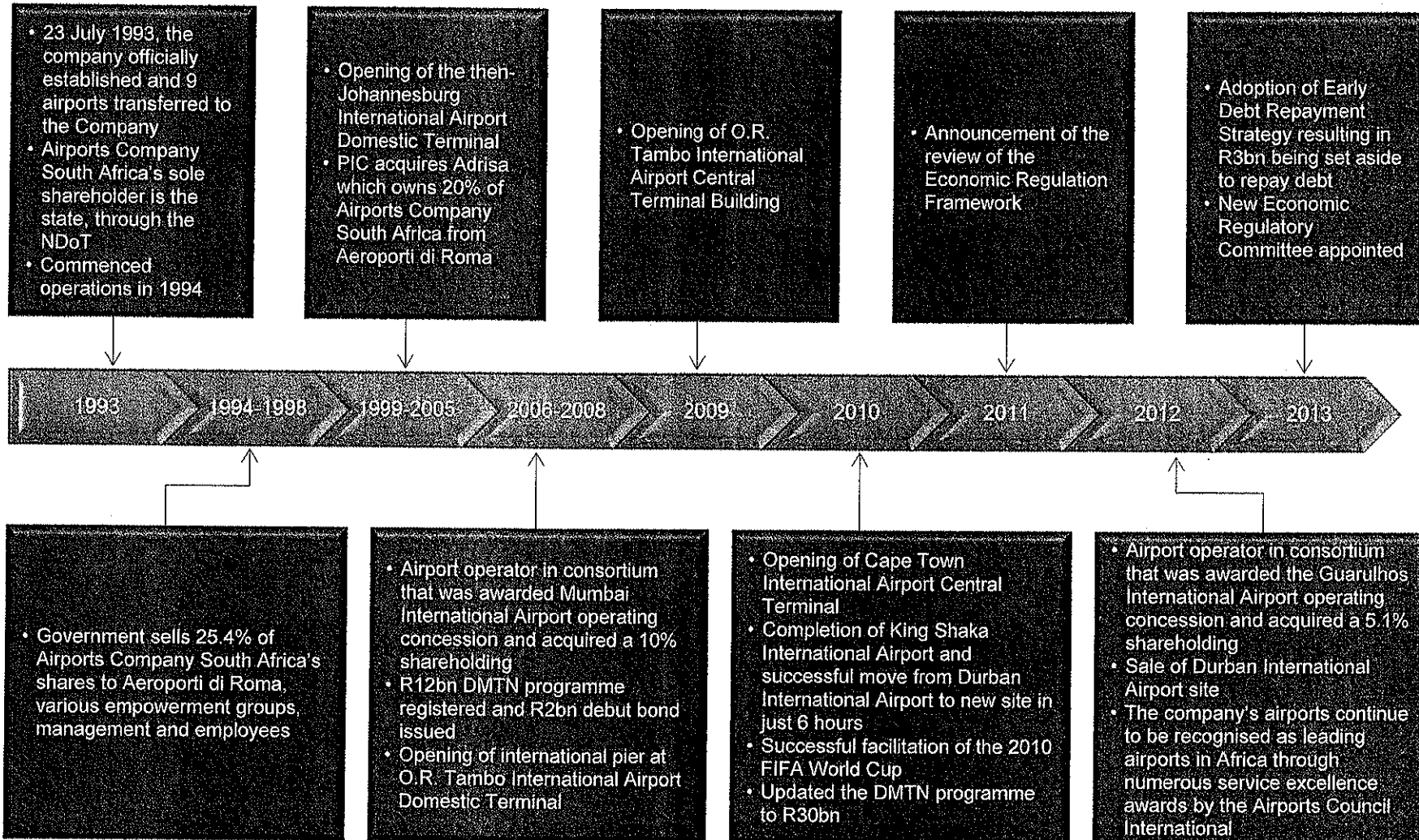


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# 20 Years of thinking forward and embracing change



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# Strategic Framework



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## Mission

To develop and manage world-class airports for the benefit of all stakeholders

## Values

### Passion

...living our values & pursuing our goals

### Results

...being customer orientated – and partner focussed

### Integrity

...enabling trust and respect in all our actions

### Diversity

...promoting our African heritage in a global context

### Excellence

...continuously improving and innovating our business

## Vision

To be a World Leading Airport Business

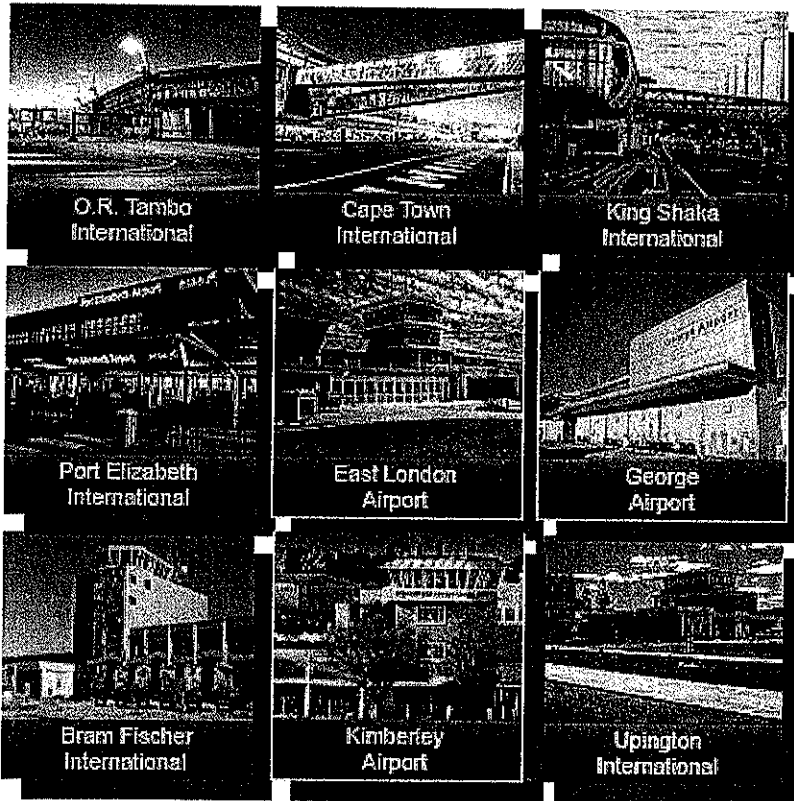
## Strategy

Towards an efficient and customer focused business

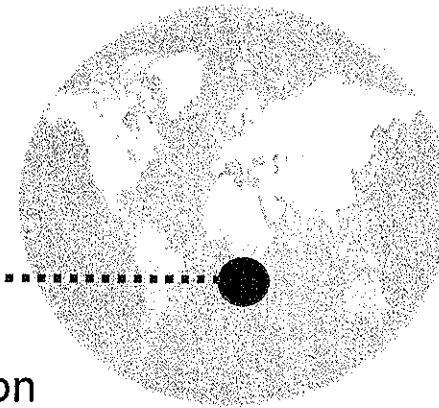
# Network of Airports



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**36million**  
(passengers pa)



**32million**  
(passengers pa)



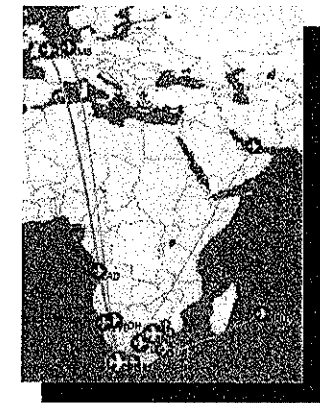
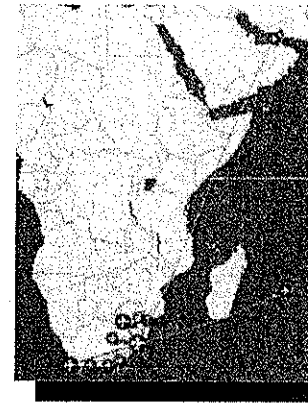
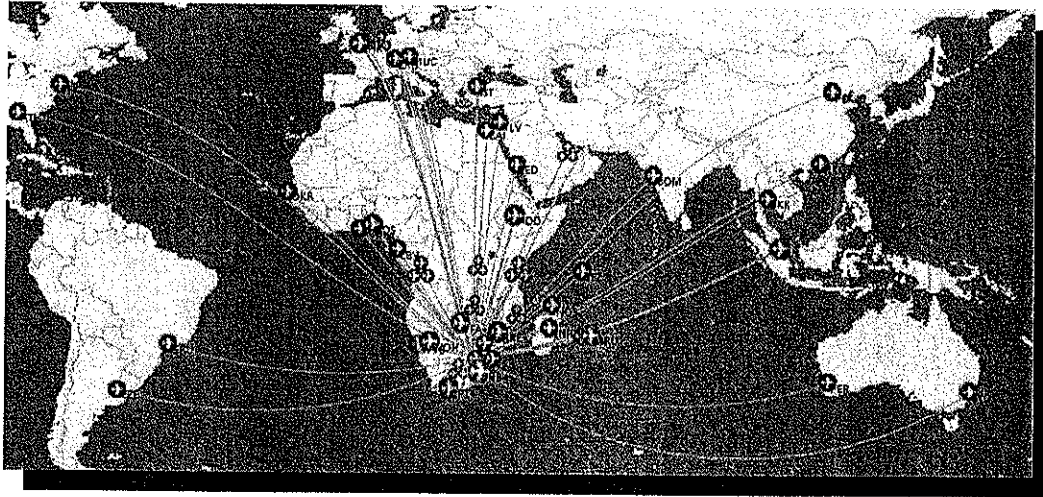
**Brazil, Sao Paulo**  
(Guarulhos International Airport)



**India, Mumbai**  
(Chhatrapati Shivaji International Airport)

**29million**  
(passengers pa)

## South Africa – Hub Status



- South African Airways has its home base and hub in Johannesburg, O.R. Tambo International Airport.
- Together with Cape Town, King Shaka and ACSA's regional airports it provides the gateway for air travel into Africa and beyond.
- South-South linkages are real opportunity
- Transit Visa's and costs thereof are not supportive of Hub Strategy.

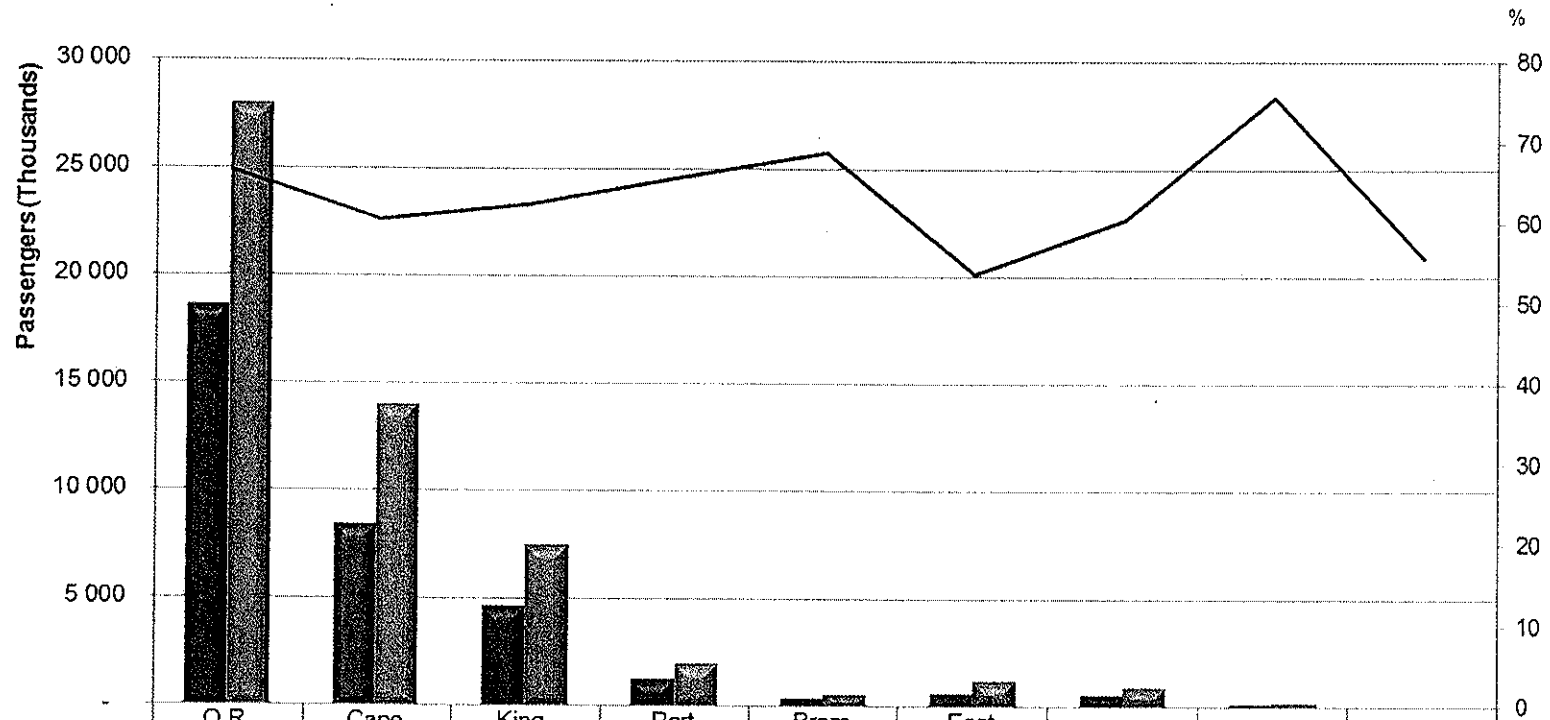
Source: Open Flights



# Airports' Capability

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## Passenger Throughput Versus Potential Annual Passenger Handling Capacity



|  |            |            |           |           |         |           |         |         |         |
|--|------------|------------|-----------|-----------|---------|-----------|---------|---------|---------|
| Passenger throughput 2012/13                 | 18 621 259 | 8 434 799  | 4 668 467 | 1 311 553 | 411 655 | 644 520   | 544 306 | 151 405 | 55 726  |
| Potential annual passenger handling capacity | 28 000 000 | 14 000 000 | 7 500 000 | 2 000 000 | 600 000 | 1 200 000 | 900 000 | 200 000 | 100 000 |
| % utilisation (RHS)                          | 67         | 60         | 62        | 66        | 69      | 54        | 60      | 76      | 56      |



# Macro Economic Impact

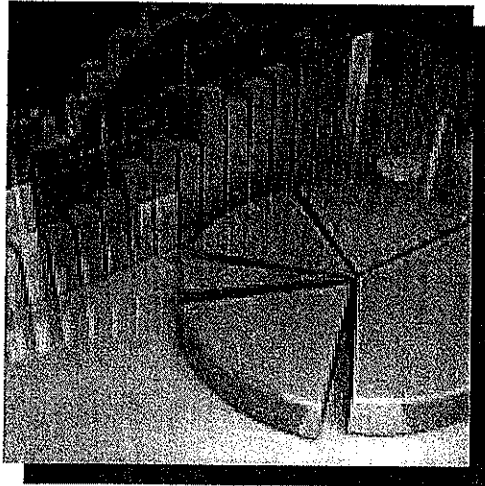


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## Historical Impact 2007/8 – 2010/11



- ACSA managed airports contributed an estimated **75,000 jobs** to the South African Economy
  - 23,000 direct in nature
  - 52,000 indirect due to multiplier effects of linkages with other sectors



- An estimated **0.13 percentage points** to the South African **GDP** on an average annual basis
- Expansion operations and traffic growth contributed an estimated **R7.8bn** in **tax revenue** to the South African Economy through company, personal and Value Added Tax

Source: Economic Impact Study of all the airports managed by ACSA, KPMG, September 2012



# Traffic Volume Growth

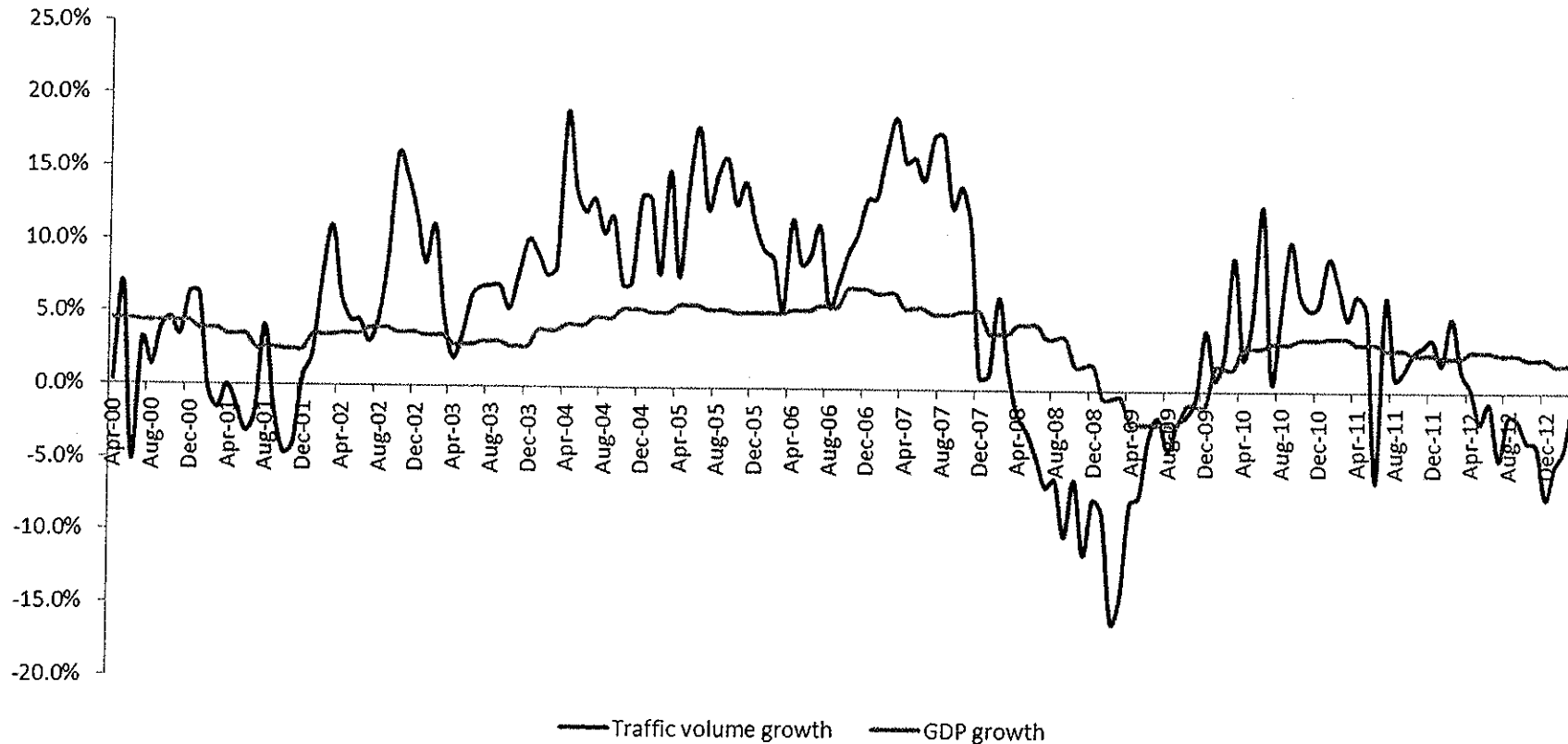


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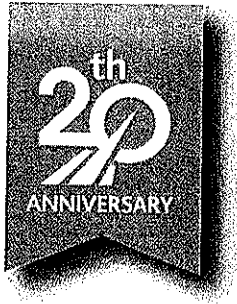
# The Real Driver of Traffic Volume Growth



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**GDP growth is a key driver for traffic volume growth**



# Airport Charges



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# Airport Taxes



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National Treasury requires the following breakdown on air tickets:

| Description           | Example  |
|-----------------------|--|
| Taxes                 | <ul style="list-style-type: none"><li>• Value Added Tax (VAT)</li><li>• International departure tax on regional and international departures</li></ul>                         |
| Regulated charges     | <ul style="list-style-type: none"><li>• <b>ACSA passenger service charge</b><br/>Domestic: R120, Regional: R249, International: R328</li><li>• SACAA security charge</li></ul> |
| Non-regulated charges | <ul style="list-style-type: none"><li>• ACS passenger charge<br/>(ACS is a company owned by the airlines associations)</li></ul>   |
| Airline costs         | <ul style="list-style-type: none"><li>• Fuel surcharges</li><li>• Insurance</li></ul>  |

The term airport taxes are incorrectly used for taxes, charges and other costs recovered by way of the air ticket



# Economic Regulation



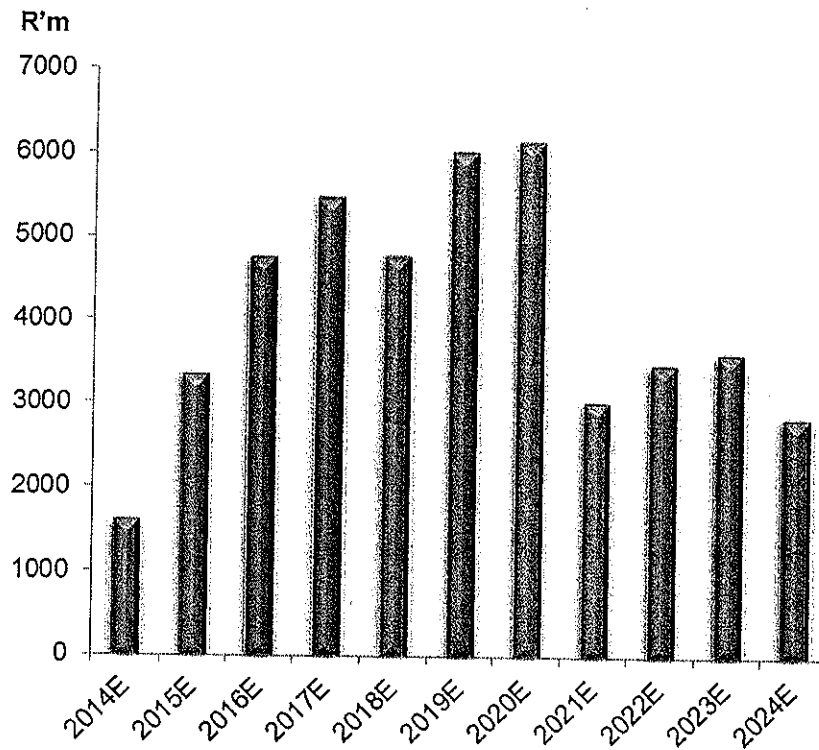
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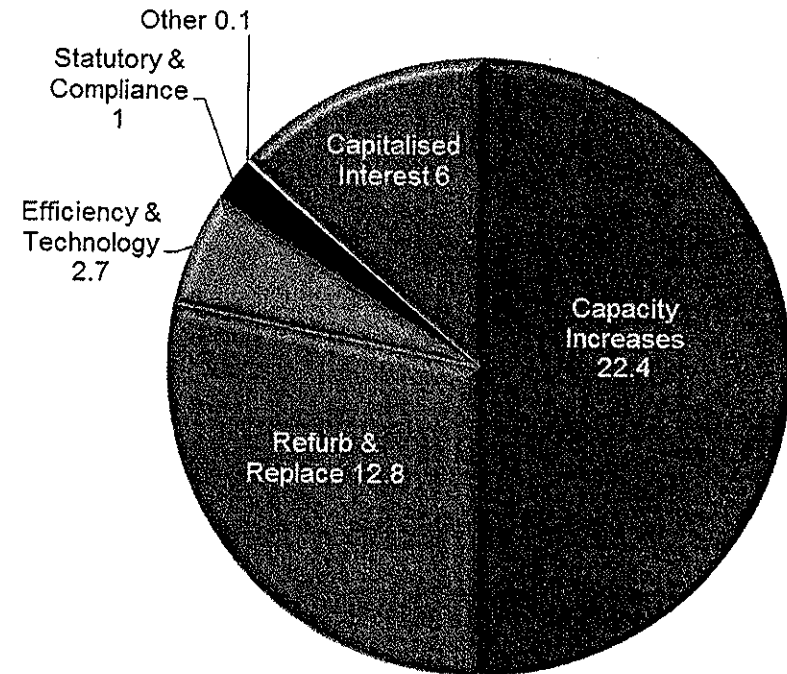
# Ten Year Capital Investment Plan

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### Capital Expenditure Profile



### Capital Expenditure by Category (R'bn)



Airports Company South Africa plans to invest R45bn in capital over the next 10 years in the form of new capacity infrastructure and maintenance and refurbishment projects

# Economic Regulation



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|  | May 2011 amended permission |         |         | Current 10 year investment plan<br>Tariff smoothing applied – assumed charges |         |         |         |         |
|--|-----------------------------|---------|---------|---|---------|---------|---------|---------|
|  | 2012/13                     | 2013/14 | 2014/15 | 2015/16   | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| Promulgated tariff increase                          | 30.6%                       | 5.5%    | 5.6%    |   |         |         |         |         |
| Indicative tariff increase based on current approach |                             |         |         | 3.0%  | 0%      | 0%      | 0%      | 0%      |

## Steering Committee of the Economic Regulatory Review

- In April 2012 agreed to allow the current Permission to run until 31 March 2015
- Draft amendment bill being prepared
- Following appointment of Regulating Committee, the proposals w.r.t the funding model can now be considered

## Permission Application 2016 – 2020

- Regulating Committee appointed in March 2013
- Amendments to primary legislation (Airports Company Act) not foreseen to be finalised in time
  - No appeals mechanism
  - No regulations (pricing policy) by the Minister
- Minor revision to the funding model
  - Capacity of the Regulating Committee as part-time body to adopt proposals
- Constructive engagement with the industry





# Our Future



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# Strategic Imperatives: Going Forward



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- **Sustainability** – Transformation in every form;
- **Growth** - Growing the existing business and identifying and securing new business opportunities and economic spin-offs for regional economies around the company's airports;
- **Efficiency and Cost Management** – Improving airline punctuality, providing faster connections, energy efficiency and generally doing more, with less, without compromising safety, security or service;
- **Relevance** – creating long-term value for all stakeholders; and
- **Business Performance Excellence** – growth of the organisation's people.

# Strategic Thrusts: Going Forward



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- Managing and developing a **high performance** and **engaging** team
- Finalisation of economic regulation legislation and **funding framework**
- Acceleration of **sustainability** and **transformation** programs
- Strengthen **business excellence**
- Identifying and securing **new business**
- Build win-win **partnerships** with all **stakeholders**
- Deliver **shareholder value**



Thank You



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