



# CORPORATE PLAN

## 2023/24 - 2025/26

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### Official Sign-off

I hereby confirm that the Air Traffic and Navigation Services (ATNS) Corporate Plan:

- Was developed by the management of ATNS under the guidance of the ATNS Board.
- Considers all the relevant policies, legislation and other mandates for which ATNS is responsible.
- Accurately reflects the strategic outcome-oriented goals, objectives, and performance targets that ATNS will endeavour to achieve over the 2023/24 – 2025/26 period.



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Mr Zola Majavu (CD) SA  
ATNS Board Chairman

2023 / 03 / 30

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Date:

## **Message from the Chairman**

The advent of Covid-19 brought a myriad of challenges for all industries across the globe. The aviation industry and ATNS were no exception. The direct and indirect impact of the pandemic came at a significant cost which led to loss of revenue and depletion of accumulated cash reserves. Inevitably, this resulted in cost containment measures and a dent in our intellectual capital. ATNS was compelled to review and reconsider several key decisions, which forced us to implement diversification and repositioning strategies for long-term sustainability and growth.

## **Building for a sustainable future**

During the pandemic, the world was faced with uncertainty. Prospects of recovery were at an all-time low. This uncertainty was exacerbated by universal restrictions that placed immense strain on our economies and communities. Small spaces in our homes were turned into dedicated office spaces as the conventional workplace was redefined. We adopted new working arrangements, aptly called the “new normal”, while managing the demands and expectations that are associated with our business operations.

These challenges, however, brought out the best in us. Challenges were turned into opportunities, and we “weathered the storm” as a resilient organisation. While we remained focused on long-term value creation, the lessons and disruptions brought about by the Covid-19 pandemic necessitated a recalibration of our strategies and business model. We had to adapt to ensure that we remain relevant given the changes that were taking place in continental and global markets.

This Corporate Plan shares insights into the critical path that we are embarking upon. Our course is informed by the lessons learned in the past two years and appreciates the value of embedding resilience in our planning and execution of various programmes. The unwavering demands of a recovering sector and industry leaves little to no error. For us, ‘building’ is seen in the context of putting in place the foundations to create and preserve value, while also mitigating any possible value erosion over the short, medium, and long term. To achieve this, we outline distinct focus areas in this Corporate Plan covering the next three years, namely:



- Improving business agility post-Covid-19;
- Redefining stakeholder management and strategic alliance initiatives across the continent and throughout the broader aviation sector;
- Immediate capability-building, focusing on the right people (with the right skills) both within the organisation and the sector; and
- Capacity-building and enhancement in the context of technology advancement and innovation.

In building the organisation for future sustainability, we not only need to get the basics right, but also need to make several difficult choices in the context of organisational structures and growth areas, a process that is currently underway within ATNS.

### **Adjusting to our external context**

Given the current positive outlook for the industry, ATNS Board and management will continue to scan the operating landscape to ensure that the organisation executes its mandate to the Shareholder's expectations. Innovative business strategies have enabled companies to re-emerge stronger from global disruptions. Our strategy and business model recalibration has highlighted the areas that the organisation needs to put more emphasis on in order to regain the losses suffered and be more adaptable to unforeseen changes. These areas include financial sustainability, business continuity, strategic partnerships, and the development of a sustainable, future-fit workforce.

### **Recalibrating our strategic response**

While our operating context may remain challenging for some time, our customers, business partners, and communities will continue to rely on the critical support we provide even if global travel continues to be somewhat limited. The services and solutions we offer facilitate the movement of basic necessities, goods, and people within and across borders. Air travel remains one of the safest modes of transport and our mission to keep the skies safe remains paramount.

Because of the challenging economic environment, we have revised our strategy. The Board and management are determined to ensure that ATNS remains a sustainable organisation. Having considered our operating environment, we have adjusted our strategy and identified strategic initiatives that are relevant to the context within which we and our stakeholders exist in. As a result, we have bolstered our strategic initiatives with operational and customer experience initiatives. These programmes are aimed at ensuring that we provide the highest quality services while considering what is affordable for our customers given the depressed economy.

The first two years of our strategy were termed the 'recovery phase' as a result of the effect of the pandemic. We are now in the 'sustain phase', where our focus has been on:

- Conducting financial remodelling,
- Resetting targets,
- Reassessing financial and operational risks,
- Implementing modernisation programmes,
- Diversifying our product line, and
- Building partnerships.

We anticipate that we will be entering the 'reposition phase' at the start of this new Corporate Plan period. In this phase, our focus will be building resilience and agility, creating long-term value, further diversifying our revenue streams, and strengthening partnerships.

### **Promoting ethical leadership**

To be successful and sustainable over the long term requires tough decision-making, uncomfortable trade-offs, and ethical leadership across our organisation.

To ensure that we have the right corporate culture in place, during the year under review and as part of the Board's ongoing commitment to continuous improvement, we initiated an organisational culture review programme to assess the current organisational culture and to determine the interventions required to establish a culture that will ensure a future-fit organisation committed to exemplary ethical conduct. In an effort to ensure and embed ethical culture within

ATNS and to obtain the current ethics opportunity and risk profile for ATNS, we conducted an ethics risk assessment exercise. This profile will inform contents of an ethics management strategy and determine the scope and contents of subsequent ethics management interventions, necessary for the organisation to implement to achieve and embed the desired culture of ethics within ATNS.

### **Appreciation**

A special word of appreciation to the former Board Chairman, Mr Simphiwe Thobela, and the Board whose term ended in January 2023 for having led the organisation through the turbulent economic times. As the new Board, we are grateful to be taking the baton from such talented predecessors. The Board and I remain immensely proud of our ATNS employees and the executive management team, who continue to rise to every challenge and remain committed and focused. The tenacity and can-do attitude of the whole ATNS team allow us to continue to support our customers, business partners, and various other stakeholders during times of crisis and to maintain our high service standards despite ongoing uncertainty.

We have noted the determined manner in which our Exco is executing the mandate as per the Key Performance Indicators set. We are grateful and thankful for their commitment in making sure that ATNS continues to provide safe and expeditious air traffic services to the flying public. The organisation's performance against the Safety KPIs is testament to this.

Allow me to also extend my sincere gratitude to my fellow Board members; together, I am confident that we will successfully steer the organisation.

Lastly, on behalf of the Board, I would like to thank our Shareholder, represented by the Minister of Transport, Mr Fikile Mbalula, the Deputy Minister, Ms Sindisiwe Chikunga, for their confidence and trust in us as the newly appointed Board to lead ATNS well into the future. We are committed to guiding ATNS towards its vision of to being the leading provider of air traffic management solutions in Africa.

## **Message from the Chief Executive Officer**

The past year has been about reprioritising our commitment to the industry in terms of our resource planning initiatives, and we believe that we are on course to creating an even more formidable organisation than before. The health, safety, and well-being of our ATNS team and stakeholders took centre-stage as we found our footing post the Covid-19 pandemic.

The far-reaching societal impacts of Covid-19 have accentuated pre-existing macroeconomic and geopolitical challenges and have heightened the importance of economic resilience, organisational agility, and human adaptability. What we had understood to be business-as-usual would no longer be possible as the unrelenting spread of the virus served as a catalyst that has forever changed the way we live, work and travel. The following are a few of the key statistics that shaped our performance in the previous year:

- According to ICAO, pre-Covid traffic levels are forecast to return to 2024.
- According to IATA in 2022, air passenger traffic gained momentum globally and recovered substantially from 41.7% of 2019.
- Domestic RPKs recovered to 79.6% of pre-pandemic passenger traffic in 2022 and grew 10.9% year-on-year (YoY).
- According to the IMF World Economic Outlook report, global growth is projected to decline from an estimated 3.4% in 2022, 2.9% in 2023 and a rise of 3.1% in 2024.

At ATNS, the crisis allowed us to recalibrate our strategy, and more particularly, our strategic focus areas and business delivery model as we came to grips with what is meant by the new normal for society, our sector, and our business.

In terms of our business model, we have two broad business divisions: our regulated business and our non-regulated business. While the key focus of our regulated business remains to provide efficient, safe, and reliable air traffic and navigational services, we have a unique opportunity to expand our non-regulated business through diversified air navigation services training and technical advisory services offering as a global (as opposed to a regional) player. However, to remain viable and relevant over the long term, we need to not only extend our geographic reach,

but we also need to adapt our portfolio of services to address changed societal and industry requirements. Instead of developing only tried and tested services and traditional training programmes, we are now obliged to proactively evaluate step-out digital product lines that are not currently part of our core business.

### **Building for a sustainable future**

Our ability to create long-term sustainable value is linked to the following:

- getting the basics right through effective cost containment and sustainable cost saving measures.
- prioritising key projects to the essential, the urgent and those that will enable us to compete in markets we are seeking to enter.
- extending the scope of our geographic reach and product offering outside of our regulated mandate.
- Organising ourselves for future success through an organisational redesign programme that looks not only at structures and headcount but that targets issues relating to capabilities, culture, and values.

Looking at the list above, it is clear that there is no quick fix, especially with our operating environment continuing to be challenging across the continent in the foreseeable future. That notwithstanding, we know that the work we do now and the people we invest in today will define our future.

### **Getting the basics right**

Given a subdued economic outlook and air travel being replaced by many local and international commuters working remotely and embracing technologies to e-meet and connect virtually, we expect air traffic movements to only reach 2019 levels again by 2024, compelling us to reduce discretionary spend and costs to the essentials only.

With reports of a third and subsequent waves of the virus, we took the decision to introduce a salary freeze across all organisational levels at the start of our 2022 calendar year and have

placed a moratorium on new appointments outside of the filling of critical positions. This position and approach was continued throughout the FY23.

### **Prioritising key projects**

While our aim is to continue to drive crucial digital and modernisation projects across the organisation, we have had to delay several of these to 2024. For the next three years, instead, we are prioritising what we refer to as the 'safety of life' projects under our innovation and sustainability strategic pillars, which include:

- advancing the Air Traffic Flow Management (ATFM) system replacement project, which will address the service delivery limitations experienced with our current system;
- modernising the Aviation Training Academy and its product offering;
- establishing a subsidiary to run and promote the non-regulated business;
- rearranging our technology offerings and expanding our broader product range;
- improving CNS availability to enable uninterrupted service provision as well as reporting within the organisation through WASI and RAM statistics; and
- progressing air traffic service digitisation projects (including EFS, digital towers, and integrated tower suite) to reduce air traffic controller workload and to improve efficiency.

### **Extending our product offering**

Our non-regulated business, which contributed 16% towards our overall revenue in FY21, has become increasingly critical for our company's growth and long-term positioning on the African continent and beyond. Driven through the ATNS Commercial Services business unit, we continue to maintain a focussed approach to capture new revenue opportunities in the non-regulated business market without subjecting the regulated business to undue risks. This is achieved by establishing and leveraging on strategic partnerships with global original equipment manufacturers (OEMs) and other air navigation services providers globally.

In line with our innovation and strategic pillars we have embarked on programmes to diversify and modernise our training product offerings and delivery at the Aviation Training Academy which will soon be on offer to our non-regulated business markets.

### **Organising ourselves for future success**

Our ability to secure continued success regardless of the external context is inextricably linked to our organisational structures, culture, and human capital capabilities. As an organisation, our growth is largely dependent on air traffic controller, technical, specialist, and engineering skills. Consistently over the years, approximately 60% of our staff costs have pertained to air traffic control-related expertise.

Taking account of digital and artificial intelligence advancement, through our strategic pillar of innovation, we are looking to balance a people-intensive business with increased technology utilisation in the global aviation sector. Our organisational redesign programme is in the process of identifying important opportunities in this area over a 15-year time horizon.

The 15-year timeline for our resource planning dovetails within the South African government's National Development Plan timeframe, which enables us to work alongside government to balance the developmental needs of our country with the growing infrastructure and efficiency requirements of our industry globally.

In parallel, and as part of ensuring a future-fit organisation, we have initiated a wide range of mechanisms to ensure that we have the right skills and competencies to support the 2025 strategy, while remaining financially sustainable.

We believe the well-being of our employees is key; as a result, we have implemented the following measures:

- Developing and implementing a change management programme;
- Providing ongoing wellness and support programmes to employees and management on mental health, financial health, etc.;
- Regular CEO and Leadership staff engagements;



- Ensuring transparency in the implementation of initiatives with critical stakeholders at all phases; and
- Implementing a communication and engagement plan with employees and Unions.

The Voluntary Severance Package (VSP) and Early Retirement (ER) process were a success when measured against the scenarios presented at the start of the process. In total, 93 applications were approved, resulting in a long-term saving of about R50 million. A total of 81 employees accepted the offers. Further, 49 applications were declined due to the critical nature of the roles, the capacity of departments, or the critical skills of the applicants. The Section 189 process was concluded at the beginning of April 2022, with the organisation reaching the intended long-term savings goals.

### **Ensuring financial resilience**

Our strong balance sheet at the start of the financial year with healthy cash reserves enabled us to meet our financial commitments and continued to enable us to do so for the 2022 financial year.

The entity has submitted a Permission Application for 2023/24 – 2027/28. It is envisaged that new tariffs will be promulgated during the course of 2023/24. A significant portion of capital expenditure program is reliant on ATNS being granted adequate tariffs in line with the Regulatory Framework.

Despite our best efforts in cost containment and organisation redesign work, we are at a point where injection of cash into the business is critical for the entity to render services in line with its mandate. To this end, engagements with the Shareholder are underway.

### **Appreciation**

The year under review has been one of introspection. As it has been mentioned, “What you put in, is what you get out”. We have demonstrated our ability to put in the hard work that is needed

to get out the results that are required. The entire staff complement emerged as a collective, destined to achieve unprecedented results. This is despite the cost-containment measures we have and are still going through. We remain standing.

We bravely took advantage of opportunities that were available, despite the volatile and unfavourable conditions we found ourselves in. That was enabled by courage and wisdom of a knowledgeable and insightful Board. As a consequence, and deservedly so, I would like to extend my sincere and heartfelt gratitude to our outgoing Chairman and Board members for the important and visionary role they have played. I would also like to congratulate our newly appointed board members, with whom we are eager to work closely alongside. I am also grateful to our Minister, Deputy Minister and the Director General, and their various teams at the National Department of Transport for their immeasurable support.

I would also like to thank my fellow Executives and our extended team of ATNS employees and business partners for their selfless commitment and indefatigability that enabled us to gain traction on our priority projects while safeguarding and protecting our core business. Although our successes were limited this past year, they were hard-earned through the commitment of each member of the ATNS team.

To our key stakeholders who include our customers, suppliers, and regulators, to mention but a few – thank you for your continued support. As we look ahead, we know that through collaboration, innovation, and foresight we can make a sustainable and meaningful difference to our sector and the continent.

## **1. About this Corporate Plan**

### **1.1 Scope and boundary**

The Corporate Plan is presented to comply with the requirements of Section 52 of the Public Finance Management Act (Act 1 of 1999), Treasury Regulation 29 and the King IV Report on Corporate Governance™ in South Africa 2016 (King IV™).

The plan outlines our three-year response plan of the organisation in line with the organisation's corporate strategy, as a result the plan outlines key priorities aligned to the shareholder outcome and the countries developmental agenda. In this regard, the Corporate Plan targets are aligned to the developmental agenda and key strategy priorities of South Africa. This Corporate Plan is forward looking for the period **2023/24 to 2025/26**.

This Corporate plan is informed by the ATNS Strategy 2025 and the Permission process which outline the respective modules serving as a basis for us to apply for the next five-year tariff.

### **1.2 Our Approach to responding to the Developmental Agenda**

The transport sector, particularly the aviation industry, is a critical component of the economy, impacting the development and welfare of the entire population – both as an enabler of economic wellbeing and its beneficiary. When transport systems are efficient, they provide economic and social opportunities that benefit the economy.

In the past ten years, the domestic macroeconomic variables have become more volatile, presenting major challenges for most industries, including the aviation sector. Over the years, ATNS has seen a decline in air traffic because of various factors, such as the domestic economic environment.

The impact of the Covid-19 pandemic has exacerbated the already declining air traffic movements, resulting in a significant decline in revenue movements. Significant uncertainty remains in the industry despite the easing of lockdowns globally. As a proactive measure, the

industry is continuously exploring measures to lessen the severity of the pandemic on the financial sustainability and social impact of the organisations and their employees.

This Corporate Plan takes into account the impact of the pandemic on the ATNS Strategic plans due to the shift in the operating environment, to enable the organisation to remain resilient and sustainable.

## **2. ATNS Business Overview**

### **2.1 Business Model**

ATNS is cognisant of the fact that the sustainability of the organisation is governed by the country's developmental outcome from the Shareholder which the entity is mandated to achieve. ATNS's mission is "To provide safe and efficient Air Traffic Management solutions". This goal is achieved by attracting and retaining our highly skilled Air Traffic Controllers (ATCs), engineering technicians and support staff, supported by world-class Communications, Navigation, and Surveillance (CNS) infrastructure.

The organisation's objective is to ensure that it delivers on the mandate while remaining financially sustainable in the long term. By meeting these key objectives, ATNS can make a significant contribution towards the development of South Africa, its people, and the aviation industry. Global and regional linkages propel the organisation to be a significant player in the industry.

As part of the organisational design process, we revised our business model to ensure relevance to the strategy. We are in the process of developing a new structure to ensure that the business model responds to our driving force of customer centricity. Our new business model is shown in Figure 1.

#### **2.1.1 Regulated Business**

As a state-owned company and monopoly service provider of air traffic and navigational services in South Africa, ATNS is governed by the ATNS Company Act as amended. Section 11 of the Act requires the organisation to apply to the Economic Regulator ("The Regulating Committee") for a Permission to levy charges.

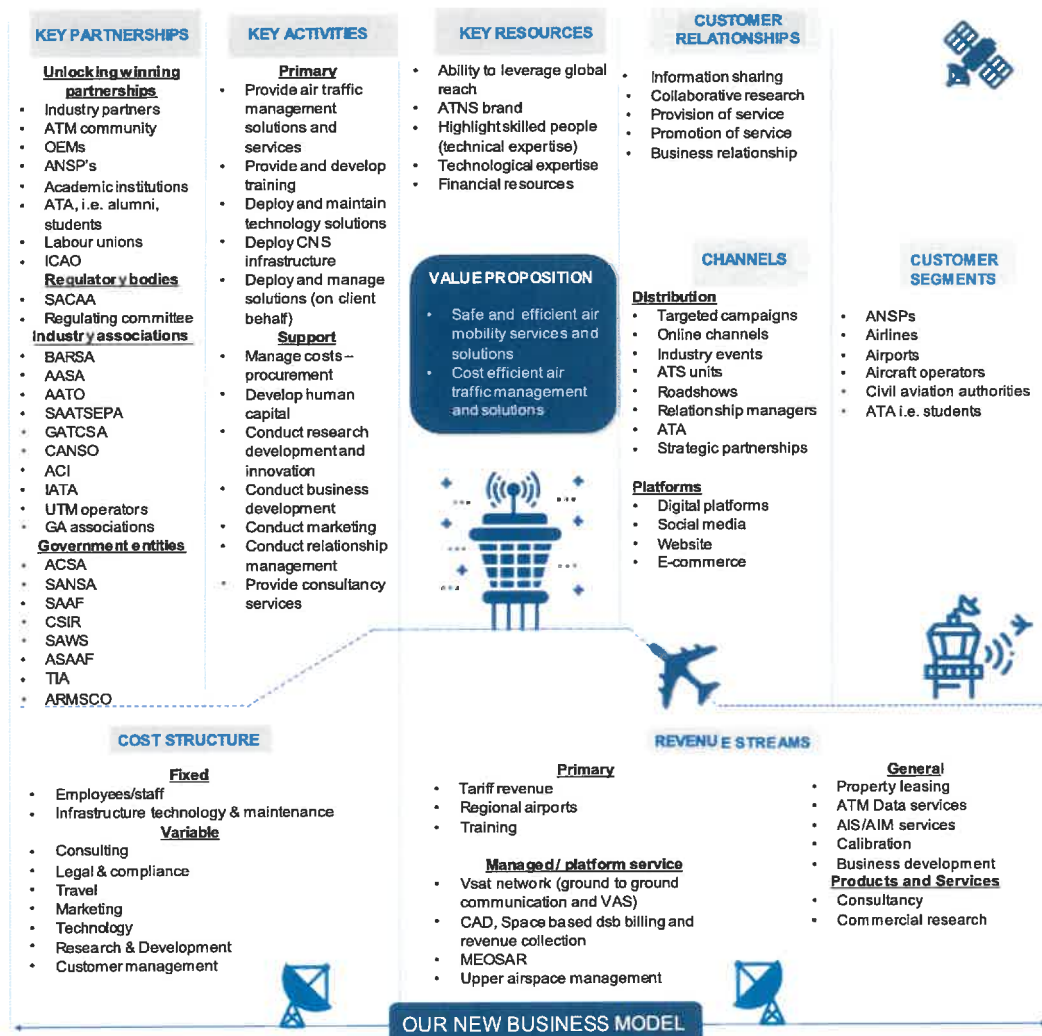


Figure 1: ATNS Business Model

At present, around 84% of ATNS's revenue is facilitated through our regulated business. During the reporting period, our non-regulated business contributed approximately 16% to the total turnover of the company. With a decrease in tariff-generating movements due to Covid-19-induced global travel restrictions, we saw a 67% decline in this revenue in FY21

from our previous financial year. This trend was reversed during the current reporting period, with an 86% increase in revenue compared to 2021.

Our regulated business continues to consist of three main components:

- Gate-to-gate air traffic services within South Africa;
- Air navigation infrastructure including communication, navigation, and surveillance (CNS) infrastructure;
- Training services, driven by our world-renowned Aviation Training Academy.

Through our regulated services, we are uniquely positioned to assist airline and airport customers to realise value.

We support seamless and efficient gate-to-gate air traffic management (ATM) operations, including the taxi-out, departure, climb out, cruise, descent, arrival, landing and taxi-in phases of a flight. This component of our services is enabled by an advanced ATM system deployed at the Johannesburg and Cape Town air traffic control centres and associated terminal control units using enabling technologies such as communications, navigation and surveillance systems. Value is created, for example, through techniques that ensure fuel-efficient flight profiles, approaches and departures, and through rigorous arrival and departure management to minimise delays.

We also understand the complex interactions between airlines, airport operators, and navigation service providers at each phase; therefore, to ensure seamless traffic management, programmes such as air traffic flow management (ATFM) and collaborative decision-making (CDM) have been deployed. These types of value-creating approaches are a priority to implement and to support our airline stakeholders to enable safe and efficient operations.



ATNS's air navigation services and infrastructure consist of three main components:

- Communications, Navigation, and Surveillance infrastructure;
- Auxiliary aviation services, such as Aeronautical Information Management (AIM), flight procedure design, and aeronautical surveys; and
- Air Traffic Management (ATM).

In this current period, given the change in the operating landscape and volatility of the industry due to the pandemic, ATNS is in the process of reviewing the organisation's business model given the need to ensure that the organisation responds and adapts to the new dynamic operating environment.

### **Economic Regulation**

ATNS's economic regulation regime is stipulated in Section 11 of the ATNS Company Act (45 of 1993), which requires the company to apply to Regulating Committee for ACSA and ATNS for the Permission to levy air traffic charges. The Permission specifies tariffs ATNS can charge aircraft operators for air traffic services and use of air navigation infrastructure and further determines the minimum service standards for our regulated business. Each Permission has a five-year cycle with the fourth year used to prepare for the next Permission application. Additionally, the issued Permission sets out the minimum service standards for our regulated business.

In the 2022/23 financial year, ATNS submitted its application in respect of the 2023/24 – 2027/28 Permission cycle. This followed an extensive consultation process with the aviation industry represented by the Airlines Association of Southern Africa (AASA), Board of Airline Representative of South Africa (BARSA) and International Air Transport Association (IATA). Details on the Financial impact and Capital Expenditure are shared in Section 6 and Section 7 respectively.

### **2.1.2 Non-regulated Business**

The ATNS non-regulated business services, such as the Very Small Aperture Terminal (VSAT) communication network, technical services, consultation, and training services through the ATNS Aviation Training Academy, are delivered to more than 27 countries throughout the African continent annually. In FY21/22, this business contributed approximately 16% of the company's total revenue. The non-regulated business encompasses a long-term strategy geared towards facilitating the growth of the business into the African and Indian Ocean (AFI) region through the Commercial Services division.

The future of the business requires focused relationship building and the availability of relevant technical skills. ATNS continues to build on these key requirements by enhancing internal skills, partnering with experts who may have retired, and embarking in strategic partnerships. Our non-regulated business has become increasingly critical for our company's growth and long-term positioning on the African continent.

Through our Commercial Services division, guided by our service excellence and innovation strategic pillars, we are seeking to further leverage strategic joint venture opportunities on the African continent, further extending our service, product offering, and geographic reach. To support this ambition, formally and legislatively extending the scope of our geographic reach and product offering outside of our regulated areas has become more crucial.

## **2.2 ATNS Services**

ATNS services support seamless gate-to-gate ATM operations. This concept encompasses the taxi-out, departure, climb-out, cruise, descent, arrival, landing and taxi-in phases of a flight. The ATM service delivery component is enabled by an advanced ATM system deployed at the Johannesburg and Cape Town area control centres and airports where a terminal control service is provided, e.g. King Shaka (Durban), Bloemfontein, Kimberley, Gqeberha, George, Lanseria, and East London using enabling technologies, such as communications, navigation, and surveillance systems. Non-surveillance airports

feed into the advanced ATM system, e.g. Wonderboom (Pretoria), Upington, Polokwane, Kruger (Mbombela), Pilanesberg, Umtata, Pietermaritzburg and Virginia. Figure 2 illustrates the ATNS value chain, scalable across the total user-demand spectrum in the South African airspace.

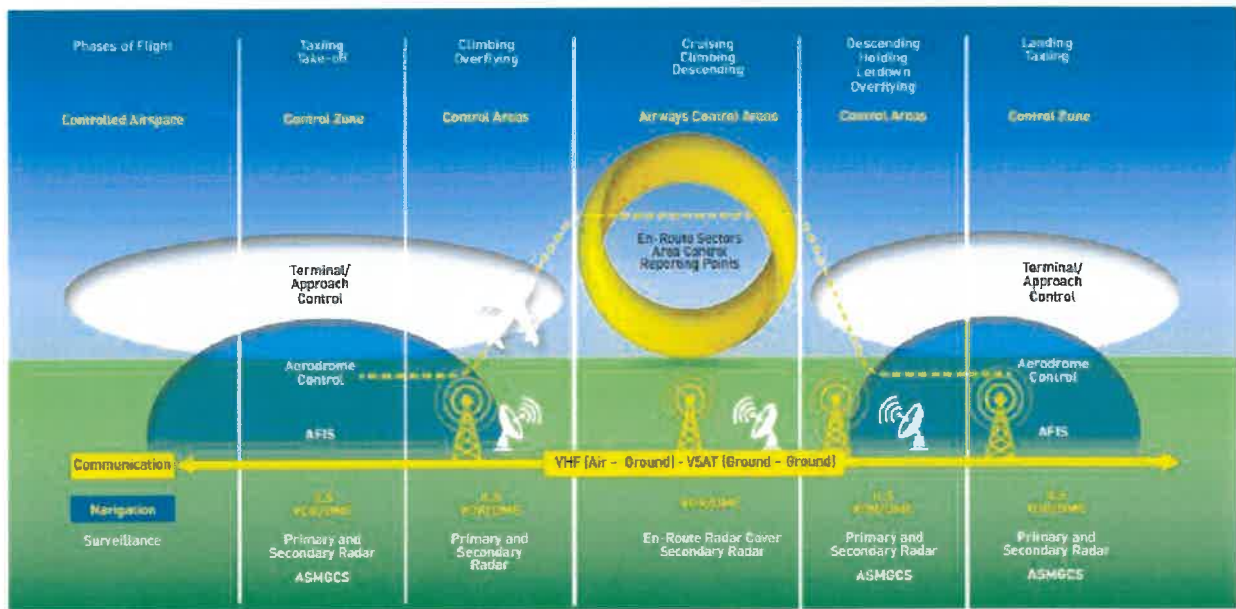


Figure 2: ATNS Core Services

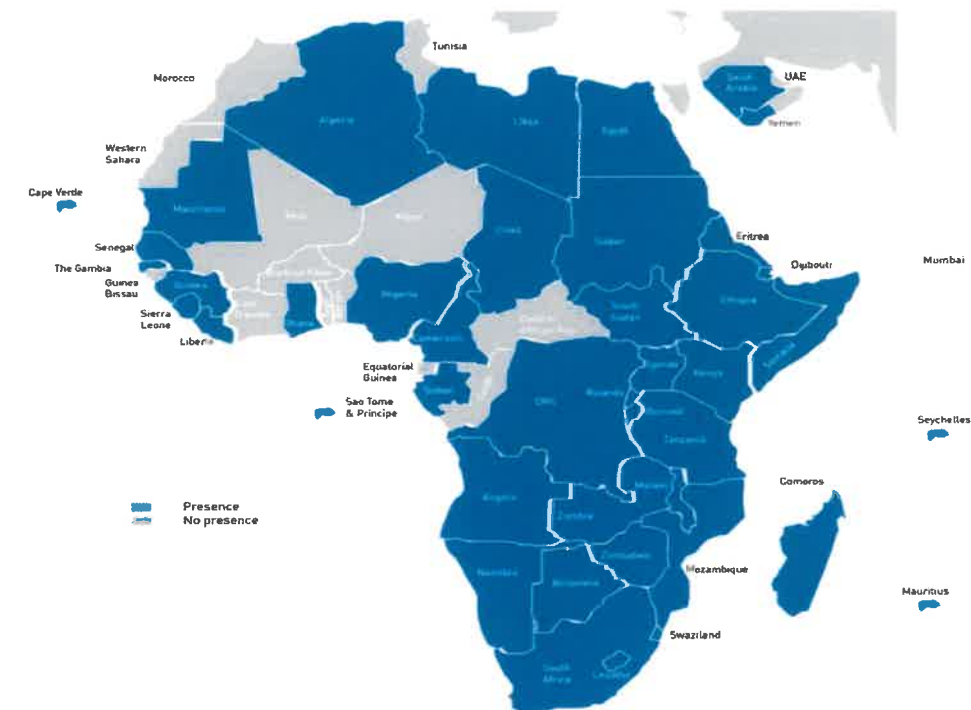
ATNS provides services that support the regulated and non-regulated business in line with the International Standards Organisation (ISO 9001:2015) standard. This is to ensure that the customer requirements are continuously being met and customer satisfaction enhanced. The organisation is committed to complying with the applicable statutory and regulatory requirements and maintaining an effective Quality Management System. Similarly, the organisation aims to continually improve its effectiveness, provide a consistent service that exceeds customer expectations, and regularly review the Quality Management System for continued suitability and adequacy. Figure 3, Figure 4, and Figure 5 showcase our services and products, as well as our market presence.

ATNS provides services to 10 South African statutory airports which are operated by Airports Company South Africa (ACSA) and 11 regional airports, as well as St Helena on a contractual basis. Apart from provision of air traffic services within the boundaries of South Africa's airspace, ATNS is mandated to provide these services in the oceanic area. ATNS is responsible for Air Traffic Management (ATM) service provision throughout South African Sovereign airspace, comprising approximately 6.1% of the world's airspace. This includes ICAO delegated airspace over high seas of the Indian and Atlantic Ocean regions.

The International Civil Aviation Organisation (ICAO) defines ATM as the safe, economic, efficient, dynamic, and integrated management of air traffic and airspace (including air traffic services, airspace management and air traffic flow management) through the provision of facilities and seamless services in collaboration with all parties, including airborne and ground-based functions.

Figure 3 captures our ATM product and service footprint. The ATM service provision footprint is made up various services such as Air Traffic Service (ATS), Aeronautical Information, Instrument Flight Procedure Design, Training, Communication, Navigation and Surveillance technologies throughout the African Continent and other parts of the Oceanic airspace.

## ATNS PRODUCT / SERVICE FOOTPRINT



## ATNS PRODUCTS AND SERVICES

- ✈ Air traffic Flow Management (ATFM)
- ✈ Training:
  - ATS ab initio
  - ATS Aerodrome Control
  - Approach Procedural and Surveillance Control
  - Area Procedural and Surveillance Control
  - Human Factors and Safety Management System
  - ATSEP Initial Training (Basic and Qualification)
  - ATSEP Unit Training
- ✈ Assist AFI region member states to set up the Centralised Aeronautical Database
- ✈ African Centralised Aeronautical Database (A-CAD regional Solution)
- ✈ Engineering & Technical Support
- ✈ Aeronautical WGS-84 Survey (World Geodetic Reference System - 1984)
- ✈ Consultancy Services
- ✈ Airspace Management and Design
- ✈ Flight Procedure Design
- ✈ Dataset Management
- ✈ Aeronautical Billing & Collection services
- ✈ Communication, Navigation & Surveillance Turnkey projects (working with international partners)

## OUR MARKET REACH

- **RSA – Statutory and Contractual**
- **SADC (incl. Mauritius and Seychelles) and East Africa – Prioritised**
- **West Africa – Special Focus**
- **Rest of Africa and other surrounding Islands**

Figure 3: ATNS product and market footprint

## ATNS in South Africa



Figure 4: Our presence in South Africa

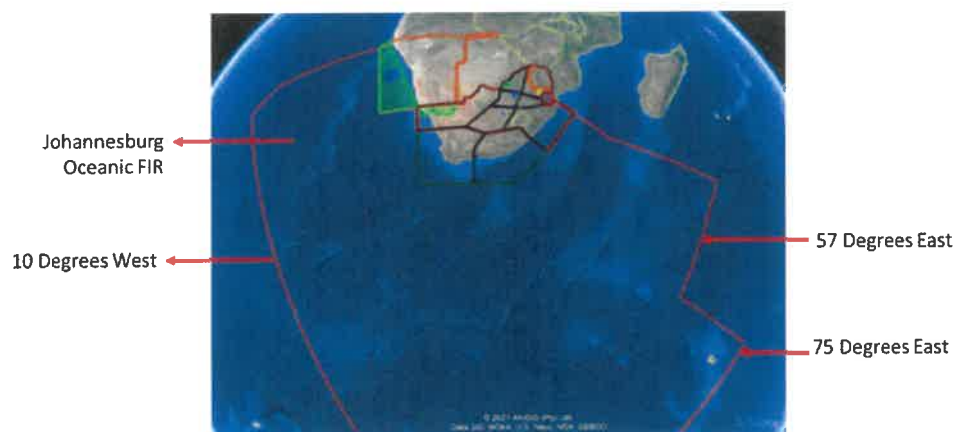


Figure 5: Our extended services on the African continent and beyond

### 2.2.1 Aviation Training Academy

The ATNS operates the Aviation Training Academy (ATA), a successful, world-class, and accredited (ISO-9001:2015) training institution offering a full range of Air Traffic Services (ATS) and Air Traffic Safety Electronic Personnel (ATSEP) training, management, and a wide range of aviation-related and safety-related courses, primarily throughout the African continent. ATA is committed to world-class practices, providing our partners with the skills and knowledge to successfully take on the challenges of Air Traffic Management and other aviation related services.

As an ICAO TRAINAIR Plus full Member and Regional Training Centre of Excellence, the management of the academy is uncompromising in delivering quality products and services in line with global best practice while adhering to the ISO 9001:2015 quality standards. A team of professional instructors and qualified personnel, coupled with state-of-the-art equipment and facilities, enhance the ATNS ATA's training value chain. As an International Air Transport Association (IATA) regional training partner, the ATA was awarded IATA's Worldwide Top Regional Training Partner for several years running. This partnership culminated in the ATNS ATA receiving recognition as a Premier Circle Member within IATA in 2016 and 2019. This is a demonstration of the commitment to continental and global safety.

The ATA has successfully served on the councils of the Association of African Aviation Training Organisations, the TRAINAIR Plus Steering Committee, and the International Federation of Air Traffic Safety Electronics Association (IFATSEA). Further to participating in such international forums, the ATA continuously pursues strategic partnerships with other global training partners to enhance its operations. These partnerships ensure that all training programmes are delivered in line with exemplary international training standards.

In addition to the multi-year academic accreditation project, the ATA has embarked on product diversification project which aims to expand the ATA product portfolio and provide



relevant products to an increasingly diverse market. This flagship project is designed to result in a quantum expansion of the value-add to the academy.

The ATA modernisation/digitisation project, which is designed to modernise and optimise the entire learning value chain to improve efficiency and customer experience, is currently in its implementation phase. All the activities entailed in the modernisation roadmap are being addressed through capex and in line with the permission.

The ATA will continue to leverage technology to enhance the learning experience through the expansion of the virtual delivery format and the development of e-learning content. These initiatives will enhance the ATA's capacity to be positioned as a premier aviation training institute on the continent.

### **2.3 Our skilled people for the future**

ATNS builds and preserves human capital value through the individual capabilities, knowledge, skills, and experience of the organisation's employees. Employees are a critical component of any organisation; therefore, leadership and employee motivation are two key drivers and influencers of organisational effectiveness. ATNS has seen it necessary to create an environment in which employees are motivated, committed and share the collective goals of the organisation.

The organisation strives to foster a culture driven by shared organisational values to enable a conducive working environment for optimum employee performance. Similarly, ATNS aims to create an organisation that reflects the diversity of our society, and this forms the backbone of the organisations' resourcing approach. Thus, ATNS endeavours to:

- Maintain a representative workforce;
- Prioritise human capital development;
- Embed a culture of sustainability; and
- Promote an organisational culture that entrenches safety values.

The realisation that organisational performance and sustainability require capable people at the helm of organisations propels us to invest in leadership capacity development. The organisation strives to build the capacity of leaders and managers at various levels of the organisation by availing and encouraging participation in education, and training and development programmes. The organisation firmly believes that employees who are involved and aware of significant organisational activities are highly engaged resulting in optimal performance. The organisation's change management approach is informed by the recently adopted framework which will enable structured and increased employee involvement and awareness.

The "Developing a Future-Fit Workforce (FFWF)" Programme was identified as key strategic project during the 2021/2022 financial year. The FFWF Programme aims to unlock one of the key drivers for ATNS Strategy 2025 implementation – the required skills, culture and appropriate organizational design that supports intended outcomes. It entails, among other projects, a review of the Organisational Design (OD), Culture and Values Review, as well as Change Management.

The review of the OD followed a milestone approach, in line with global best-practice when re-aligning an organisation. The following are the high-level milestones for the organisation re-design, which will be covered in detail hereunder:

- a. Develop the ATNS Organisation Design Framework.
- b. Conduct organisation-wide analysis using the proposed organisation design model.
- c. Benchmark with identified Global Air Navigation Service Providers and other identified organisations.
- d. Develop "To-Be" Organisation Design in line with the analysis and findings on the "As-Is" model and Desired Operating Model.
- e. Develop Strategic Workforce.
- f. Organisation Design Effectiveness.

The first milestone of the Organisational Design (OD) Project focused on developing a framework to redesign ATNS to align to Strategy 2025, with a focus on what ATNS should look like and what key business capabilities the organisation would require in addressing any weaknesses and in supporting the operating vision.

Milestones two and three focused on the “As-Is Analysis and Benchmarking”, and the departure points for the “As-Is Analysis” was analysing the impact of the external environment on the ATNS business and, in particular, the impact that Covid-19 had on the organisation.

Milestones four and five focus on the development of the To-Be Organisation Structure, as well as the development of a strategic workforce plan. The implementation of Milestone 4 to date, led to the approval by the Board of the Level 1 Organisational Structure in September 2022.

The implementation approach of the structure will be supported by the existing Culture and Values Review project. Change management is essential as migration from a functional structure to the proposed matrix structure is a significant change and will be an intricate and involved exercise.

### 2.3.1 Organisational Structure

The implementation of the Organisation Design led to the approval of the Level 1 Organisational Structure by the Board. The outcome led to the development of a hybrid structure, encompassing a matrix and functional approach. The design is developed on the following principles:

- The changing context in the environment that could impact strategy execution. Core competencies critical for the execution of the ATNS Growth Strategy, including innovation and entrepreneurship.
- The operating model that is customer centric.

- Figure 6 depicts the new ATNS Corporate structure.



3. Strategy

Our strategy is an essential plan that considers our mandate and long-term growth objectives. Within five-year cycles, our strategy and broader corporate plan are updated to proactively respond to the macro-environment. We defined our “Strategy 2025” in December 2019. The strategy formulation process involved various engagements with Industry players, such as International Air Transport Association (IATA), Civil Air Navigation Service Organisation (CANSO), South African Civil Aviation Authority (SACAA), Board of Airline Representatives of South Africa (BARSA), and Airlines Association of Southern Africa (AASA), the ATNS Board, management and staff.

As part of this process, we revised our vision and mission, as well as identified our strategic pillars. ATNS’s vision is **to be the leading provider of air traffic management solutions in Africa**, and our mission is **to provide safe and efficient air traffic management solutions**. The strategic pillars represented the major focus areas for ATNS over 5 year period in Strategy 2025, and were identified as (1) Service excellence, (2) Sustainability, and (3) Innovation. Continuous Improvement is inherent in all of these Strategic Pillars. Our vision, mission, and strategic pillars are shared in Figure 7.



Figure 7: Vision, Mission, and Strategic Pillars

In terms of our strategic pillars, Service Excellence refers to providing services that meet or exceed our customers' needs and expectations. Sustainability refers to creating a resilient and responsive organisation that is able to create long-term value. Innovation refers to creating an adaptive organisation that is at the next frontier of development.

In addition, we established the 8 strategic objectives of the organisation. These were identified to be:

- *Maintain financial sustainability:* Managing our profits and costs to enable a financially resilient ATNS;
- *Ensure safety and efficiency of operations:* Ensuring a safe and efficient operational environment for the benefit of our customers
- *Be the leading training academy on the continent:* Elevating the status and quality of our training programs offered throughout Africa;
- *Create an adaptive and innovative enterprise:* Creating an organization that innovates and adapts to the environment;
- *Develop a future-fit workforce:* Developing the relevant skills in the business to produce an agile and resilient ATNS whilst embedding a desirable culture aligned to Strategy 2025;
- *Improved stakeholder centric management:* Improving our customer experience and stakeholder collaboration with key industry players, such as airlines, other airspace users, and airports;
- *Increased business transformation:* Ensuring that ATNS plays a role in the transformation of the aviation industry;
- *Improved environmental stewardship:* Promoting, monitoring, and adopting sustainable practices so as to reduce our impact on the environment for the benefit of future generations.

These 8 strategic objectives aligned to the supporting capital are shown in Figure 8.



Figure 8: ATNS Strategy 2025 – Objectives

Post-Covid-19, we followed a rigorous process and extensive engagement to stress-test our Strategy 2025 against our current realities. Although our strategic pillars of service excellence, sustainability and innovation remain unchanged, we recalibrated the strategic focus areas that form part of each pillar. Similarly, given the extremely volatile and largely uncertain outlook, we formulated a three-phased strategy execution plan.

Considering the volatile macroeconomic landscape and developments within the organisation, we held a number of strategy review workshops and further adjusted our 2025 strategy. In the current financial year, the organisation is slowly moving from the recovery phase of the strategy into the sustain phase of the re-adjusted strategy. This progression is largely attributed to financial interventions on cost containment, cash preservation, capex and opex reprioritisation and digital transformation measures being implemented. Figure 9 outlines our strategy review process, as well as highlights what we have been able to achieve in this five-year strategy period.



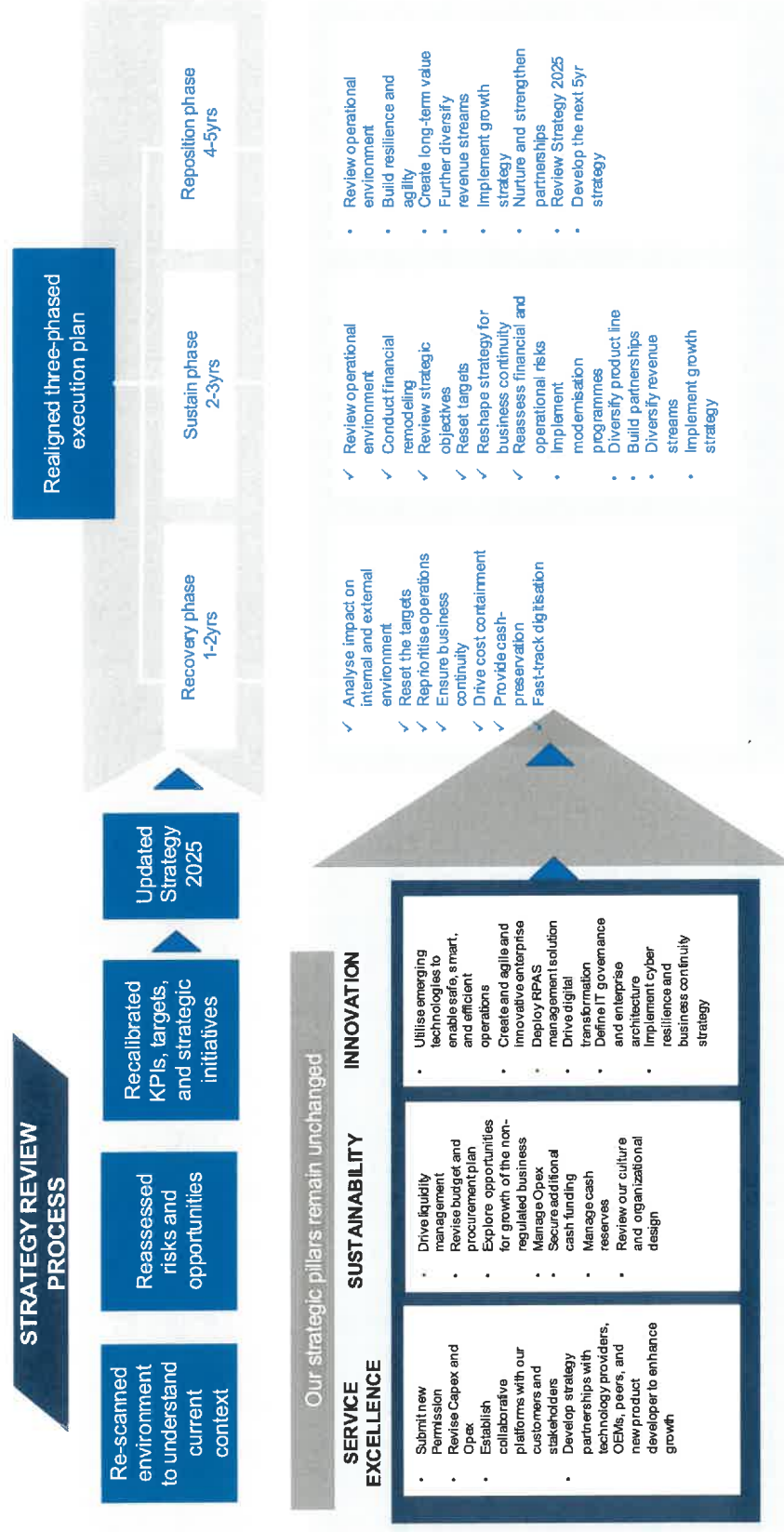


Figure 9: Strategy 2025 – ATNS Review post-Covid

### 3.1 The Impact of Covid-19

The Covid-19 virus impacted all industries, all sectors, and all aspects of our lives, with devastating economic and financial losses and significant uncertainties. Almost three years since the start of lockdown restrictions and state of disaster, the outbreak of Covid-19 continues to present challenges to the aviation sector, with ANSPs experiencing a lag in pre-pandemic levels of air traffic movements. Currently, ATNS is handling approximately 85% of pre-Covid-19 traffic levels. ATNS has had to be cognisant of the significant drop in revenues across the aviation industry, resulting in many organisations incurring substantial debt (including ATNS), and we have factored this into our updated strategy.



### 3.2 Environmental Scanning

The strategy review process required us to conduct a periodic environmental scan to better understand how the operating landscape has changed and impacts our ability to remain agile. The subsections below discuss the outcomes of the environmental analysis.

#### 3.2.1 SWOT Analysis

Table 1 captures the SWOT analysis looking at the strengths, weaknesses, opportunities, and threats uncovered post the pandemic. In the SWOT analysis, we identified the top 5 strengths, weaknesses, opportunities, and threats which the organisation needs to strategically respond to.

Table 1: SWOT Analysis

	Identified Factor	ATNS Response
<b>Strengths</b>  	Highly qualified and experienced staff	We need to ensure we retain our staff. The <b>Future Fit Workforce Programme*</b> aims to achieve this
	High quality training technology	We need to increase our training products and revenue. The <b>ATA Strategy*</b> aims to achieve this
	Established brand	We need to leverage our brand to increase our non-aeronautical revenue. The <b>Growth Strategy*</b> aims to achieve this
	Safety record	We need to maintain our world-class safety standards. The <b>Safety Strategy*</b> aims to achieve this
	Balance sheet	We need to maintain a strong balance sheet.
<b>Weaknesses</b>  	Undefined organisational culture	We need to address our undefined culture. The <b>Future Fit Workforce Programme*</b> aims to achieve this
	Silo performance	We need to address our structure. The <b>Future Fit Workforce Programme*</b> aims to achieve this
	Poor performance against strategy	We have updated our strategic initiatives and identified the key KPIs which will help us measure our strategy performance, as discussed in Section 3.3
	High employee turnover, including leadership changes	We need to address the high staff turnover. The <b>Future Fit Workforce Programme*</b> aims to achieve this
	Depleting cash reserves	We need to ensure we maintain healthy cash balances. Beyond the cost optimisation programme which has successfully resulted in lessening operational expenditure, we have will seek to raise <b>Additional Funding*</b>
<b>Opportunities</b>  	Emerging technologies	The <b>RDI Strategy*</b> and <b>IT Strategy*</b> ensures that we are on the pulse of emerging technologies
	New product development	The <b>RDI Strategy*</b> , <b>IT Strategy*</b> , and <b>ATA Strategy</b> aim to identify products we can commercialise
	Billing and revenue opportunities	The <b>Growth Strategy*</b> aims to highlight possible revenue opportunities we can take advantage of
	Partnerships	Our new structure will be underpinned by a philosophy of maximising partnership opportunities
	Growth of the training academy	The <b>ATA Strategy*</b> identifies possible growth paths
<b>Threats</b>  	Emerging competitors	All our strategic initiatives are aimed at improving the competitiveness of ATNS
	• Oil prices	Alongside our own financial sustainability, the financial wellbeing of our customers and key stakeholders is a concern for ATNS. Beyond our other initiatives, ATNS needs to ensure we focus on an <b>Operational Efficiency Programme*</b> and <b>Customer Enhancement Programme*</b> .
	• Low economic growth	This is being managed as a strategic risk
	• Liquidity issues of clients	
	Non-approval of applied tariff by regulator	

\* These are our updated strategic initiatives, which will be discussed in Section 3.3.2.

### 3.2.2 PESTLE Analysis

Figure 10 provides the analysis of the political, economic, social, technological, legal, and environmental (PESTLE) factors that have come to the forefront in the last year.

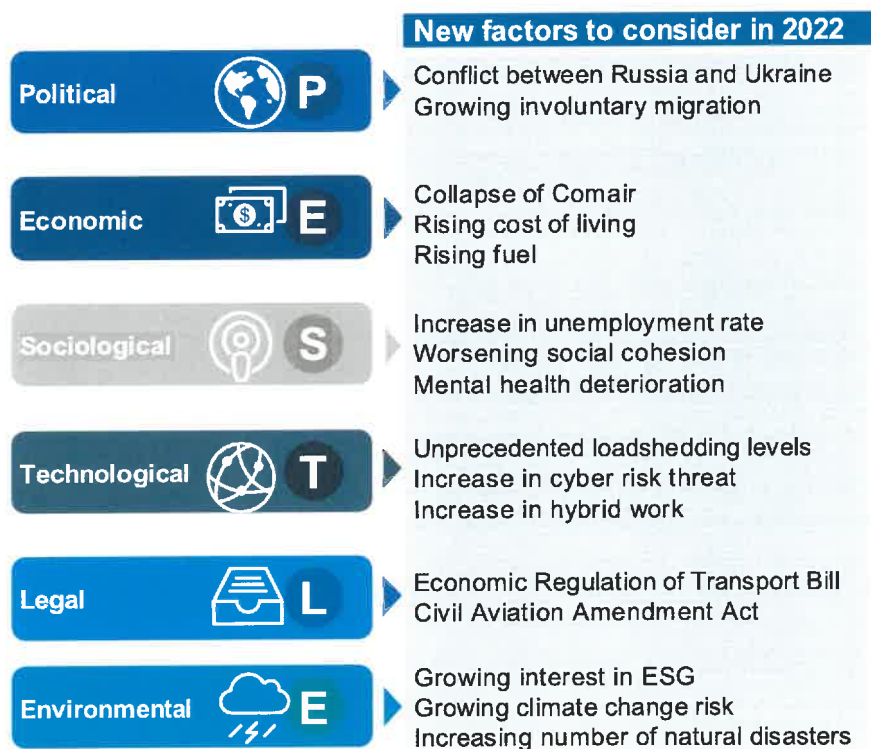


Figure 10: PESTLE Analysis

The world is in a volatile period. Economic, geopolitical, and ecological changes all impact the global outlook which impacts aviation outlook. The current volatile global economic context negatively affects decent work and economic growth goals, particularly in development countries like South Africa. There is also trained collaboration on global priorities spurred by divergent economic recovery from the pandemic, as well as a growing number of political conflicts. With involuntary migration on the rise, measures to constrain mobility may result in further global tensions and insecurity.

Global inflation has risen sharply as a result of supply chain shortages exacerbated by the Russia-Ukraine war. The sharp appreciation of the US dollar adds significantly to domestic price pressures and to the cost-of-living crisis for developing countries. SA 's real GDP growth is expected to reach 1,9% this year and 1,4% in 2023, while inflation will drop from a significant high of 6,7% to 5,1% in 2023. The medium-term economic growth for the country remains low and insufficient to tackle high poverty and unemployment.

Global air traffic is on a steady recovery, with global figures indicating that we over 60% of pre-pandemic April 2019 levels. Market recovery has, however, been fraught with obstacles. It is estimated that between 2019 and 2040 air passenger numbers will increase at an average annual rate of 3.3%, rising to 7.8 billion passenger journeys per year by 2040. The estimated demand for new passenger and freighter aircraft over the next 20 years is approximately 40 000 and assumes 3,6 and 3,8% CAGR in passengers up to 2041. The global market for Air Traffic Control Equipment is projected to reach US\$6.7 Billion by 2026, growing at a CAGR of 5.2%.

Air cargo has benefited from a rare and significant relative price advantage over maritime cargo since 2021, and we are also seeing a growth in low-cost market share globally. Other aviation trends include the anticipation of narrow-body aircraft surpassing wide-bodies on many transatlantic routes and fleet management evolving further as airlines aim towards being "asset lite". It also anticipated that smart airports will be facilitated through increased digitalisation, and energy efficiency and sustainability concerns will result in some degree of dehubbing.

Climate action, sustainable consumption and waste disposal are an increasing priority considering the climate crises we face. A significant risk is seen in worsening inequalities due to disorderly climate change. Global citizens must, therefore, support de-carbonisation efforts and off-the grid initiatives with renewed fervour. Businesses are also urged to adopt ESG (Environment, Social, Governance) Frameworks to support their sustainability initiatives.

However, the industry's commitment to net-zero CO2 emissions in 2050 means will also impact airlines' near-term profitability, aviation infrastructure, and global connectivity. The building blocks to reducing emissions include fleet renewal, improvements in operational efficiency, technological innovation, sustainable aviation fuels (SAF) and, in the near term, carbon offsetting.

From this assessment, it is clear that financial resilience is a key factor that must considered, particularly in light of the long duration of the Covid-19 pandemic. The global uncertainty and

a depressed South African economy means that ATNS needs to ensure it remains agile and resilient in its strategic plans. The ability to quickly and easily scale operational costs while ensuring appropriate financial support allows for a flexible response to changing demand in either direction.

Efforts to find ways to strengthen the ATNS's ability to scale with traffic, even if only in part, are worthwhile. Therefore, our strategic focus needs to be on adjusting our organisational design, shifting priorities, and increase digitalisation. The promotion of capacity building and enhancing industry education and skills remains a priority. Building scalability and agility into our business model has become a pressing requirement.

### 3.3 Updated Strategy 2025

Based on the current environment, our strategy has been reviewed. The areas that have remained the same are:

- The vision and mission;
- Our strategic pillars;
- Our strategic objectives.

The components that have been updated are:

- Our values;
- Our strategic initiatives;
- Our key performance indicators (KPIs).

#### 3.3.1 Updated Values

Milestone 1 of the Culture and Values Review Project (Assessment of the As-Is Culture) was concluded in the beginning of the 2021/22 financial year. The process of assessment included the following initiatives: (a) Document review/desktop analysis; (b) One-on-one engagement sessions with Exco; (c) Focus group sessions with unit management; and (d) a Culture and Engagement Survey.

A concurrent process was followed to establish the new ATNS Values. A section of the survey focused on the perception of employees of the organisational values, as well as the selection of common values, both on an individual and an organisational level. In addition, a values

development session was conducted with the Board, and the inputs incorporated into the list of proposed values.

The workshops to give feedback to the employees on the results of the survey were concluded in the first quarter of 2022/23 financial year, and this was another opportunity to gather any additional input. During the second quarter the new values were developed, finalised and a leadership behaviour charter designed. The final values to be approved by the Board. The realigned values are captured in Figure 11.

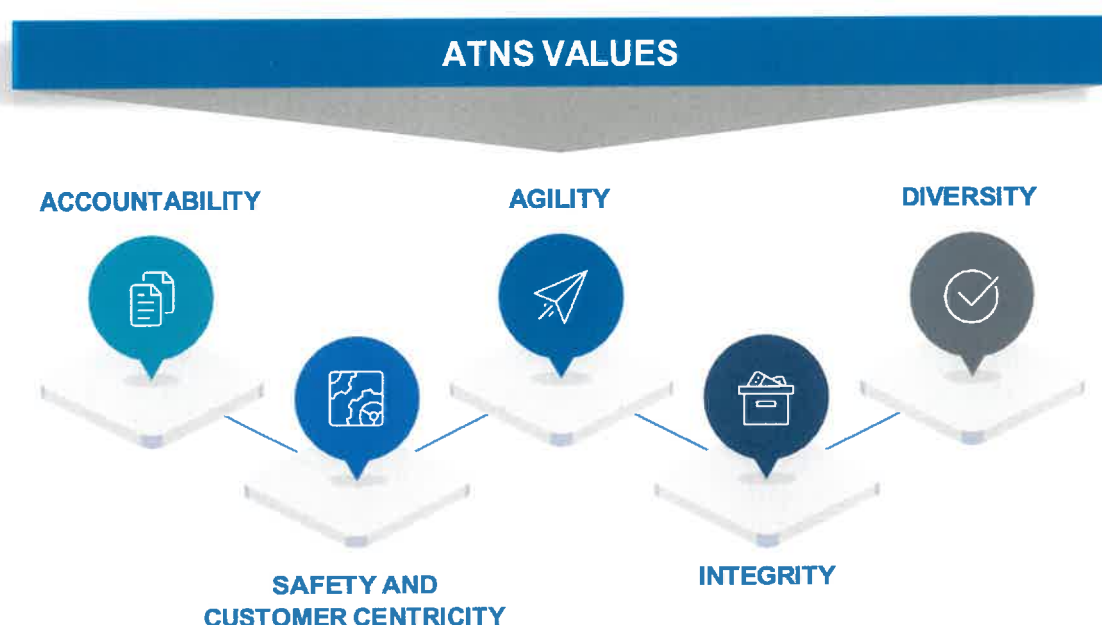


Figure 11: ATNS's values

### 3.3.2 Updated Strategic Initiatives

It is important that our strategic initiatives respond to our context. Our strategic initiatives have been updated based on where we are and what we believe we need to do to get to our desired outcome. The identification of these initiatives was grounded in what exists in the organisation and what gaps still need to be addressed. These updated strategic initiatives, shown in Table 2, will be the focus for the balance of the 2 years remaining in Strategy 2025.









### Icon Legend

Strategic objectives	Maintain financial sustainability	Ensure safety and efficiency of operation	Be the leading training academy on the continent	Create an adaptive and innovative enterprise	Develop a future-fit workforce	Improved stakeholder centric	Increased business transformation	Improved environmental stewardship
Icon								

Table 2: ATNS Strategic Initiatives - Updated

Strategic Objectives	Updated Strategic Initiative	Description
	<b>1. Safety Strategy</b>	The Safety Strategy drives systematic and organisation-wide safety performance improvement by addressing the following themes: 1. Safety performance 2. People 3. Enabling fabric (Technology, Airspace and Procedures) 4. Work and business environment 5. Safety Governance and safety culture.
	<b>2. IT Strategy</b>	The Modernisation of the ATNS enterprise through superior IT Governance; well-defined Enterprise Architecture; efficient and integrated business processes; enhanced decision making and performance management; optimised service platforms; cyber resilience and business continuity at both strategic and operational level.
	<b>3. Additional Funding Sourcing Programme</b>	Sourcing additional funding (and effectively managing it thereafter) to ensure that the organisation remains financial sustainability.
	<b>4. Growth Strategy</b>	The Growth Strategy is a Board-approved strategy focused on identifying additional revenue streams as well as growth opportunities on the continent
	<b>5. RDI Strategy</b>	Utilising the emerging technologies to enable a safe, efficient and smart Single African Air Transport Market (SAATM).



Strategic Objectives	Updated Strategic Initiative	Description
	<b>6. Operational Efficiency Programme</b>	Improving our operational efficiency by undertaking the following key strategic programmes, amongst others: <ul style="list-style-type: none"> <li>• CNS measurability programme</li> <li>• Delay rate programme</li> <li>• Uninterrupted service provision</li> </ul>
	<b>7. Customer Experience Programme</b>	Improving our customer experience by further attuning to the needs of our customers through customer journey mapping and developing focused customer actions plans.
	<b>8. Future-fit workforce programme</b>	Review the organisational structure to enable implementation of Strategy 2025. Additionally, define the desired culture to enable strategy implementation.
	<b>9. Aviation Training Academy Strategy</b>	The modernisation and digitisation of the Academy operations, together with a diverse product portfolio, will improve efficiencies and provide exceptional customer experience, to retain and expand market share.
	<b>10. Aviation Transformation Strategy</b>	Economic upliftment of the broader society through developing skills and expertise in the aviation sector to increase the broader participation of black suppliers in the aviation value chain and support the job creation imperative of South Africa.
	<b>11. Environmental Sustainability Strategy</b>	Improved environmental performance through implementing processes and policies to minimise impacts on the environment and creation of collaborative platforms to collectively drive aviation environmental agenda.

The main difference in our strategic initiatives is heightening our focus on operational and customer outputs. Because of the financial strain faced by customers, it is important that we ensure our operations are efficient as possible, while maintaining desirable customer experience. Securing additional funding has also been necessitated in our updated strategy. Based on all these revisions, our updated Strategy 2025 is summarised in Figure 12.



Figure 12: Updated Strategy 2025

### 3.3.3 Updated KPIs

We review our KPIs and targets based on our priorities and performance annually. The KPIs for this corporate plan are provided in Appendix B. A conscious decision of the organisation was to reduce the number of KPIs. This is to allow the organisation to strategically focus on the outcomes it believes to be most strategic for this corporate plan period, as well as accounting for the SMART (i.e. Specific, Measurable, Achievable, Relevant, Time-based) framework for KPIs.

## 3.4 Our Stakeholders

ATNS recognises the importance of securing stakeholder support for our long-term success by enhancing transparency, sharing knowledge, and generating innovative solutions. And one of the most important objectives of ATNS's stakeholder engagement is developing long and lasting relationships with strategic partners, suppliers, clients, the ATM Community, governments, and our people.

ATNS views the organisation's long-term commercial wellbeing and its stakeholders' interests as mutually inclusive. ATNS recognises that long-term sustainability of the business requires continuous dialogue and common ground with stakeholder groups to assess the impact of its operations on the wider stakeholder community. Accordingly, ATNS continues to review its business practices and impacts to better align with stakeholder priorities. As a result, the organisation was nominated as runner-up in the SACAA Awards' 'Customer Satisfaction' category.

ATNS has diverse stakeholders, not only in the aviation space, but also governments and nongovernmental institutions. Our stakeholders are categorised as Internal or External. Furthermore, Regular interaction with stakeholders provides ATNS with clear understanding of the stakeholders and what is expected from ATNS to meet the needs of its stakeholders.

ATNS conducts stakeholder surveys not only to listen, but to also evaluate how far the needs of the stakeholders are being met. It is important to understand that the survey will unpack gaps, which the business would need to address and demonstrate progress in elevating stakeholder engagements and meeting the demand that has been articulated by the stakeholders.

### 3.4.1 Internal Stakeholders

Our Internal stakeholders can be considered as people or groups that are directly involved in the operations and strategy of the organisation. Our internal stakeholders include our shareholder (Department of Transport), Board of Directors, employees as well as the labour unions.

Our employees are the primary internal stakeholders. Employees have significant financial and time investment in the organisation, and play a defining role in the strategy, tactics, and operations of the organisation. The organisation takes into account employee opinions, concerns, and values in shaping the strategy, vision, and mission of the company. The employees were engaged on several issues including the impact of Covid-19, the Section 189 process, as well organisational design. Their inputs on these matters were considered and, consequently, one of the key decisions taken by management was on cost containment.

The Board of Directors has an important role to play in development and progress of the organisation on behalf of the shareholder. The Board carries ultimate responsibility for the company's performance. In this capacity, the Board acts essentially as an intermediary between the shareholder, the company, and its executive management. By approving Quarterly reports, the Board exercise regular oversight and engagement with management. During the period under review, the Board managed to decide on the additional funding requirements and the Capex Plan.

As the Executive Authority (Responsible Minister), the Shareholder is concerned with returns on investment (ROI) and other imperatives. The role of a Shareholder also entails reviewing, monitoring, and overseeing that the company's strategic and business plans are met, as well as ensuring that agreed levels of return on investment and/or return on assets are achieved. In addition, the DoT is also the policymaker, concerned with policy implementation of service delivery and acting as the regulator. Annually, the Shareholder holds the Annual General Meeting (AGM) to approve the Annual Reports and monitor performance through its compliance office. ATNS meet the Shareholder every Quarter to assess the level of performance as per the Shareholder Compact and projects assigned by the Shareholder.

The labour unions act as an intermediary between their members and the business. The main purpose of labour unions is to give workers the power to negotiate for more favourable working

conditions and other benefits through collective bargaining. Employee engagements are performed directly through Executive interaction platforms. However, ATNS is a unionised employer with employees affiliated to two unions (SATAWU and Solidarity). The Employer managed to seal the wage negotiations with the unions which includes other conditions of employment requested by the employees.

3.4.2 External Stakeholders

ATNS continuously identifies external stakeholders in line with the organisation’s stakeholder management policy and annual plan. Our external stakeholders, shown in Figure 13, are those who have a direct and indirect interest in the company. Table 3 provides a stakeholder analysis, capturing the main areas of interest for key stakeholders, coupled with our response.

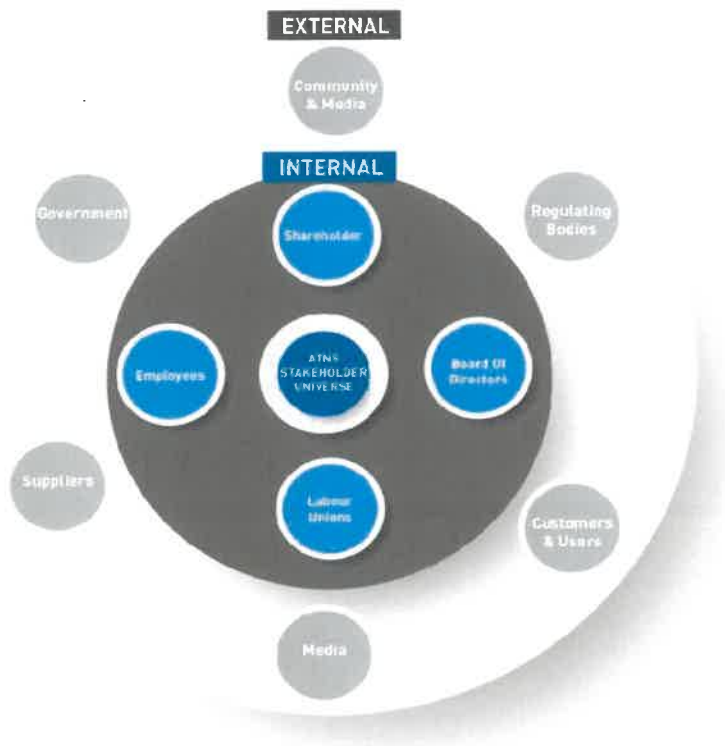


Figure 13: ATNS Stakeholder Mapping

Table 3: ATNS key Stakeholder concerns and responses

Main areas of interest/concern	ATNS's Stakeholder response
<ul style="list-style-type: none"> <li>• Airspace Security</li> <li>• Compliance with legislation and Government Policies</li> <li>• Governance</li> <li>• Financial sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Provide access to surveillance and radio communication data</li> <li>• Permanent liaison in the operating environment</li> <li>• Achievement of DoT Key Performance Indicators</li> <li>• Continue with the growth strategy and cost containment measures</li> </ul>
<ul style="list-style-type: none"> <li>• Compliance with Standard and Regulations</li> <li>• Permission Application</li> </ul>	<ul style="list-style-type: none"> <li>• Annual internal and external audits and maintenance of SACAA issued operating licenses</li> <li>• Permission management plan and processes to enable approval</li> </ul>
<ul style="list-style-type: none"> <li>• Consolidation of airspace</li> <li>• Safety of airspace - Africa</li> <li>• Quality and Cost Efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Upper Airspace Control Centre (UACC)</li> <li>• Bilateral</li> <li>• Implementation of communication networks (SADC VSAT II and NAFISAT) and Training</li> <li>• Permission stakeholder consultations</li> <li>• Continuous monitoring of service and efficiency performance in line with agreed SLAs</li> </ul>
<ul style="list-style-type: none"> <li>• Voice of ANSPs</li> <li>• Benchmarking</li> <li>• Peer-review mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Participating in relevant working commissions (local, regional and global) through attending meetings, submitting and commenting on working papers</li> </ul>

ATNS continues to engage its stakeholders to find sustainable solutions and mechanisms to deal with the effects of the pandemic and to craft a sustainable future. Ways in which ATNS has engaged our external stakeholders post the onset of Covid-19 are:

- **Economic Regulator:** In terms of Section 11 of the ATNS Act (45 of 1993), ATNS and ACSA are required to submit a request for permission to levy regulated charges to the Regulating Committee (Regulator). Accordingly, the Act prohibits ATNS from levying any air traffic charges unless it is in possession of a valid permission thereto.
- **Industry:** The Industry is represented by airline associations, namely International Air Transport Association (IATA), Board of Airline Representatives of South Africa (BARSA), and Airlines Association of Southern Africa (AASA). ATNS engaged with the industry through various forums, which include the ATNS Operations Committee (Opscom) and ATNS Financial Committee (Fincom). During the Permission Application process, ATNS conducts Industry Consultation meetings which are aimed at fulfilling the requirement for Constructive Engagements between ourselves and the Industry. The Industry was successfully engaged on matters relating to the organisational performance, which include financial performance.

- ATNS is a full member of CANSO and continues to take its position at this global institution which enables the company to improve on its standards of service. ATNS leads key work-groups that are aimed at achieving safety standards in the Region. ATNS continues to take a leading role in the Working Groups of CANSO Africa, such as the Operations Work Group which we chair.

The onset of the Covid-19 pandemic and the subsequent lockdown had a devastating impact on the aviation industry, with some of our stakeholders facing crippling financial pressures. As a means of alleviating the pressure, ATNS has made certain financial concessions which are aimed at assisting the airlines given the prolonged effect of the pandemic.



## 4. ATNS Safety Management

ATNS's focus is to deliver safe and efficient air traffic control services to the aviation community. While both safety and efficiency are crucial in our service offering, safety takes precedence. It is our primary goal to ensure the safety of people and property. Figure 14 depicts the safety principles that guide the organisation.

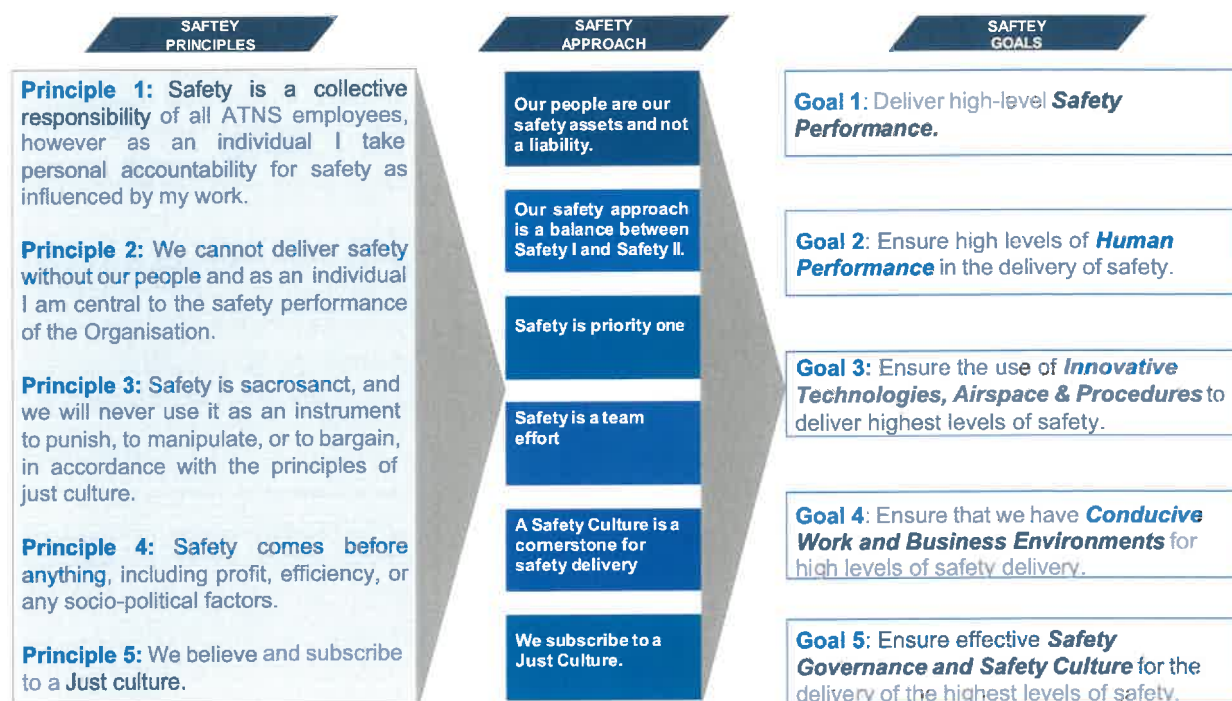


Figure 14: ATNS Safety Philosophy and Safety Goals

ATNS is committed to implementing and developing appropriate strategies to ensure that all activities uphold the highest level of safety performance and meet both national and international standards. The key safety deliverables for the next three years are shared in Table 4 below.



Table 4: Key Safety Deliverables

Safety Targets				
	Previous Year	MTEF		
Metric	2022/23	2023/24	2024/25	2025/26
<b>Accident Rate</b>	Zero ATS related accidents per 100 000 flights.	Zero ATS related accidents per 100 000 flights.	Zero ATS related accidents per 100 000 flight hours.	Zero ATS related accidents per 100 000 flight hours.
<b>Safety Rate</b>	Safety Rate of 7 or less safety events per 100 000 flights.	Safety Rate of 7 or less safety events per 100 000 flight hours.	Safety Rate of 7 or less safety events per 100 000 flight hours.	Safety Rate of 7 or less safety events per 100 000 flight hours.
<b>Serious Incident Rate</b>	Serious incident rate of 5 or less of serious (Cat A & B) safety incidents per 100 000 flights.	Serious Incident Rate of 3 or less of serious (Cat A & B) safety incidents per 100 000 flights.	Serious Incident Rate of 4 or less of serious (Cat A & B) safety incidents per 100 000 flight hours.	Serious Incident Rate of 4 or less of serious (Cat A & B) safety incidents per 100 000 flight hours.
<b>Safety Management System (SMS) Maturity</b>	Safety Management System (SMS) maturity Level C	Safety Management System (SMS) maturity Level C	Safety Management System (SMS) maturity Level C	Safety Management System (SMS) maturity Level C

The safety strategy implementation is done through the Corporate Annual Safety Plan (CASP) which details the activities from the different areas in the business geared towards supporting and contributing to safety. The organisation-wide approach is to ensure that each department is aware of their contribution to safety and to approach safety management and improvement from an organisation-wide point of view.

Safety is paramount in all ATNS activities. ATNS is committed to implementing, developing and improving appropriate strategies, management systems, processes and procedures to ensure that all activities uphold the highest level of safety performance and meet national and international standards.

To this end, ATNS has implemented a Safety Management System (SMS). ICAO defines an SMS as a systematic approach to managing safety, including the necessary Organisational structures, accountabilities, policies and procedures. An SMS is a system to assure safe operations through effective management of safety risk. This system is designed to continuously improve safety by identifying hazards, collecting and analysing data, and assessing safety risks. The SMS seeks to proactively contain or mitigate risks before they result in aviation accidents and incidents.

The application of an effective SMS is integral to all ATNS activities, with the objective of achieving the highest level of safety standards and expected performance.

The ATNS SMS framework, as illustrated in Figure 15, consists of four components, namely the Safety Policy and Objectives, Safety Risk Management, Safety Assurance, and Safety Promotion.



Figure 15: SMS Framework

ATNS’s Safety Policy is the foundation of the SMS and defines the organisation’s approach to achieve acceptable levels of safety. Safety Risk Management is the continuous identification, analysis and mitigation of hazards, as well as subsequent risks, that threaten safety. Safety Assurance shows whether an organisation is safe through monitoring the identified risk and measuring safety performance. Safety Promotion includes training, education, and communication to support a positive safety culture.

Effective safety management component requires a genuine commitment to safety from everyone in the organisation. CANSO describes safety culture as an enabler that integrates the various SMS elements into a coherent system.

Safety culture is influenced from the top through the actions and behaviours of the senior management team, which permeate through to the bottom. In simple terms, safety culture is how people behave towards safety when no one is watching. Safety culture has various elements and ‘Just Culture’ is one which enables reporting. A positive safety culture is essential to an effective SMS. It creates a transparent environment that encourages people to

report safety issues. The reporting of occurrences is the backbone of the SMS as this enables people at the top of the organisation to make informed decisions informed by reliable and available information.

## 5. Operational Efficiency

ATNS manages around 650 000 IFR flights yearly which operate between more than 25 city pairs domestically and regionally. One of ATNS's strategic objectives is to improve operational efficiency and cost effectiveness of air traffic services. Air Navigation Service Providers (ANSPs) globally are continuously pressured to provide services that maximise the efficient use of airspace and airport capacity and, therefore, facilitate the efficient flight concept for the benefit of the airspace users, thereby assisting airlines in managing their operating costs. Operational efficiency is a service standard that measures the capability of ATNS's service delivery to the ATM Community in a cost-effective manner while still ensuring a high-quality service and support.

### 5.1 On-Time Performance

As part of continuous improvement, ATNS strives to measure the operational efficiency of its services, such as reducing the overall traffic delays at airports and in the airspace. The term 'delay' is generally applied when an event occurs later than it was planned. ATNS routinely measures Instrument Flight Rules (IFR) departure delays arising from any operational disruption. On-Time Performance is measured on IFR departures that are on time; it is calculated from the departure delays arising under the control of ATM (Air Traffic Management).

Departure delay is the difference between the actual off-block time and expected off-block time (EOBT); this would be the difference in the time when start is requested and approved. Flight plan EOBT is the metric that is used in relation to the requested start and approved start to measure departure delays. The main cause of departure delays relevant to Air Traffic Management are air traffic control flow restriction (ATFM) and those related to ground Air Traffic Control (approval delay). Within this context, the indicator measures the on-time performance which calculates the percentage of flights that were on time against the number of delayed IFR departure flights for the financial year.

On-Time Performance is a metric that measures the system performance, namely how well the system has performed against flights that are delayed. The delay trends and delay causes are used to assess and measure the effectiveness of mitigations and operational improvements. IFR departures delays are measured when then the requested started time versus approved started exceeds 360 seconds (6 minutes). The On-Time Performance target will be 98% which will be implemented in 2023/2024 FY due to changes from input data in the formula. This was

calculated based on historical information using mean and median values and taking the complexity of traffic volume for each unit into consideration.

In addition, ATNS monitors the following to enhance operational efficiency:

- Reducing taxi holding times
- Increased runway throughput utilisation
- Improved Air Traffic Flow Management
- Continuous Descent & Continuous Climb Operations
- Reducing enroute holding times

Improving flight efficiency in our service delivery is critical in line with environmental objectives and to support the airline cost reduction and their environmental efficiency programs. At a global level, air traffic management is continuously identified as one of the major drivers of fuel efficiency in flight operations. While this objective is an ANSP function, the airport owners are impacted directly and, therefore, inefficiencies at airports should be considered as a business risk for ANSPs, with airports owners trying to find solutions for such inefficiencies.

Operational efficiency in air traffic management is aimed at achieving or supporting the Ideal/Efficient Flight concept.

## **5.2 Communication, Navigation and Surveillance (CNS) Measurability**

The CNS system availability is a calculated average of all the grouped systems nationally as per the specific CNS discipline of systems and is indicated as a percentage. The achieved availability (Aa) is the indicator used to express system effectiveness. The availability percentage is an indicator of the failures experienced by the relevant systems during that period, i.e. the more failures that are experienced, the lower the availability average will be. The indicator is used to measure the performance of the operational infrastructure against agreed service delivery targets and inform mitigations that would ensure maintained continuity of service. The primary objective of tracking system availability is to ensure that service availability is maintained for a safe and efficient airspace and for the benefit of airspace users (system unavailability does not necessarily result in service unavailability).

ATNS has initiated the process to replace the Management System that is used to capture and monitor system outages and support. A new framework will be established to measure and

report on Uninterrupted Service Delivery into the future. Once the framework and targets have been finalised, it will be monitored for a period prior to the full implementation of this measure.

5.3 Air Traffic Movements

Covid-19 continues to have an impact on air traffic movement. Figure 16 provides a view of domestic, international, and regional air traffic movement since 2017.

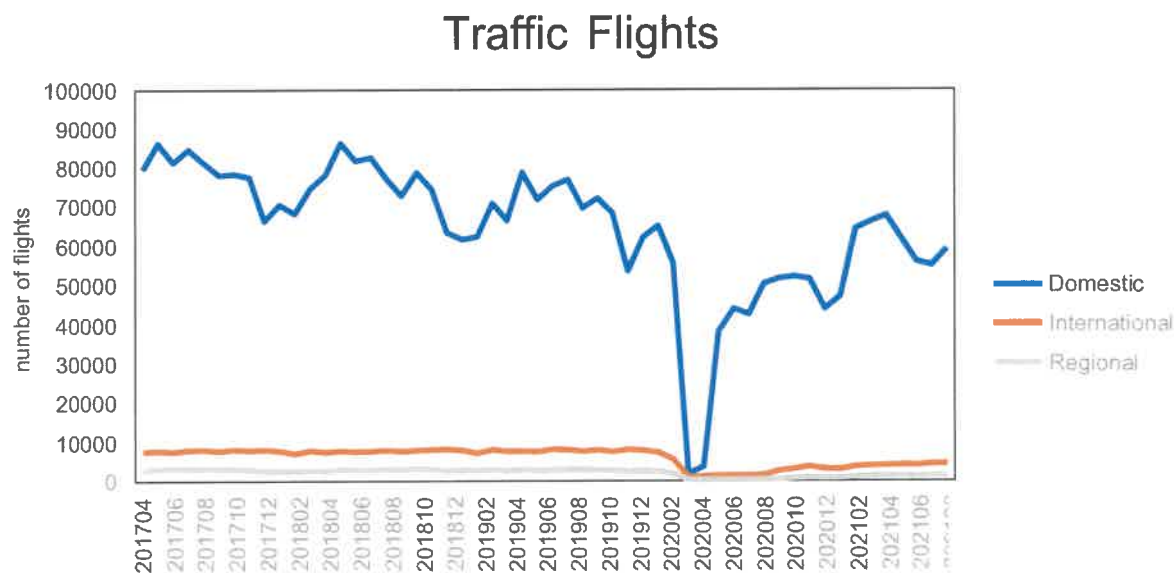


Figure 16: Air Traffic Movements

Our total air traffic movements incorporate arrivals, departures, overflights, and training circuits within 21 ATNS manned airports (10 being ACSA airports and the remaining 11 other airports). Air travel is driven by various micro- and macro-environmental factors. Total traffic movements have been on a decline since 2008/09 financial year, exacerbated by the implementation of national lockdown due to Covid-19 in 2020. As indicated in Figure 17, total traffic movements were significantly affected in April and May 2020 due to hard lockdown. Ever since the end of hard lockdown, movements have been showing a positive recovery.

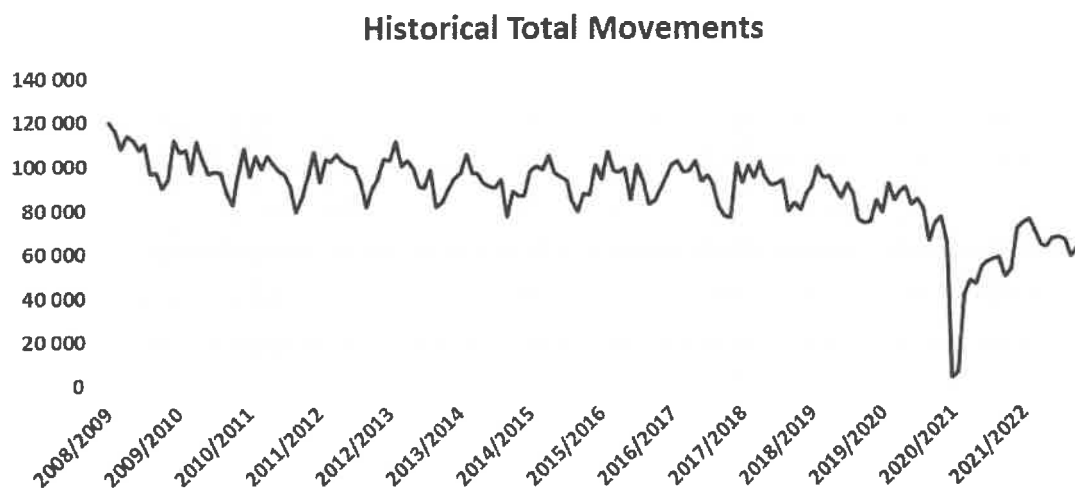


Figure 17: Historic Total Movements

In terms of total air traffic movements, circuits are dominating the movements, and their recovery was quick compared to other segments. This shows that the negative impact of Covid-19 on training flights was not as significant as the commercial flights. The total traffic movements over the past five financial years using the 2018/19-2022/23 Permission as a baseline is illustrated below.

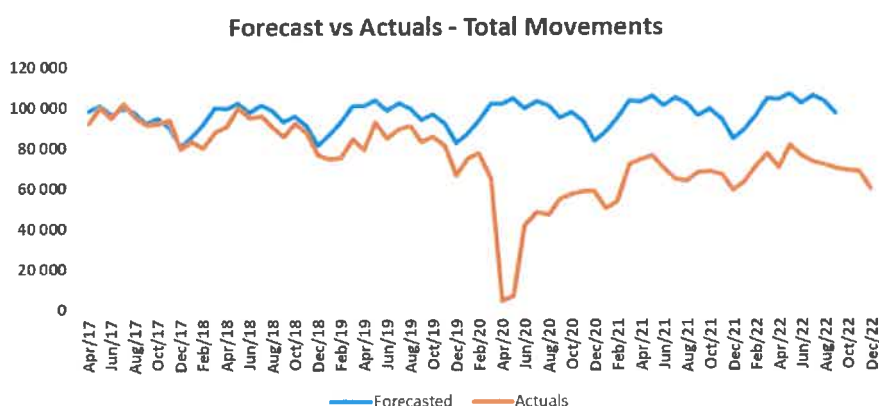


Figure 18: Total Air Traffic Movements vs Permission Forecast



Domestic traffic had a quick recovery compared to International and Regional traffic. Data as at 31 December of the 2022/23 FY saw an improvement in air traffic movements. There was an increase of 2.18% in the 3<sup>rd</sup> quarter compared to the 2<sup>nd</sup> quarter for domestic movements (departure + arrival) excluding circuits and overflights. International movements also increased by 6.18%, while regional decreased by 11.03% in the 3<sup>rd</sup> quarter compared to the 2<sup>nd</sup> of the current financial year.

Also, in the first 9 months (1 April – 31 December 2022) of the current financial year, Regional and International traffic have shown better recovery compared to Domestic traffic, as displayed in Figure 19.



Figure 19: Flight Traffic per segment

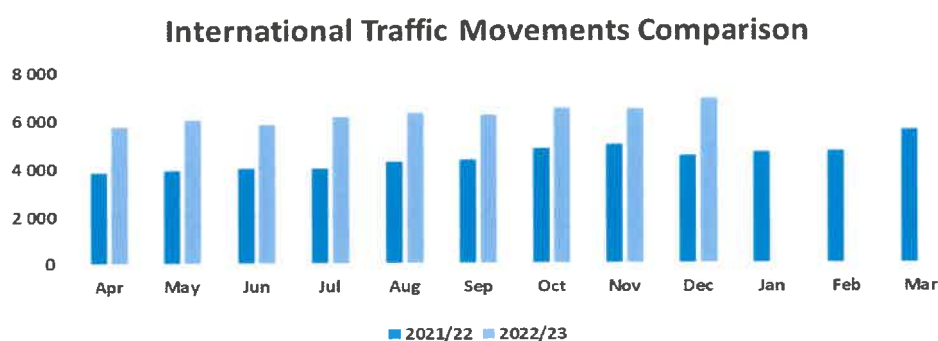


Figure 20: International traffic movements comparison



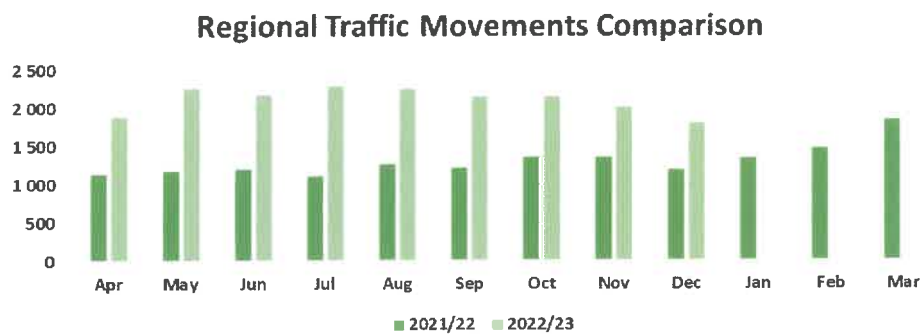


Figure 21: Regional traffic movements comparison

Figure 22 shows the historical air traffic movements from April 2008 forecast until March 2028. The adjusted alert levels and easing of Covid-19 protocols saw the aviation industry showing a promising recovery. Even though airlines stopped operation due to the impact of Covid-19, other airlines are filling the gaps left by the likes of Comair. Airlines are also reopening new routes. The forecast air traffic movements predicts recovery as shown in Figure 22.

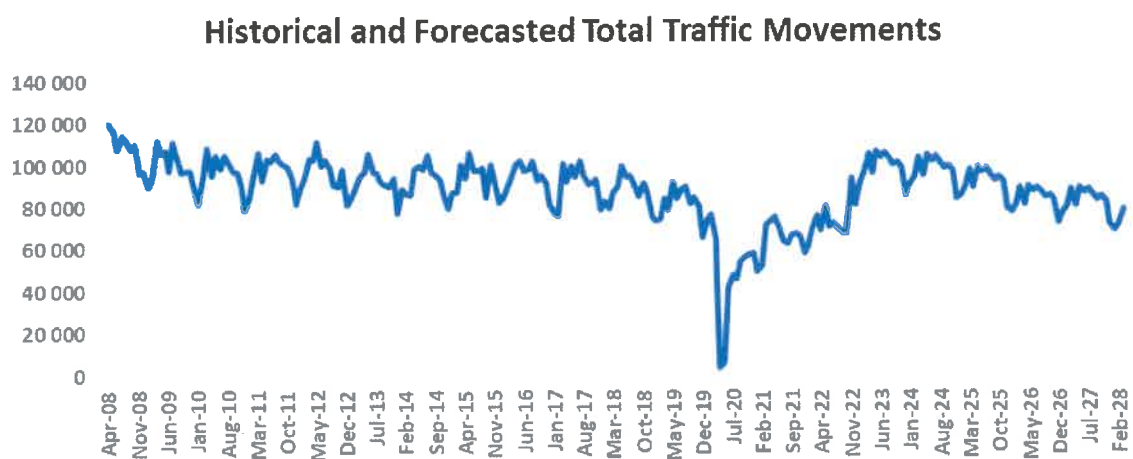


Figure 22: Historic and Forecast Air Traffic Movements (Total Traffic Movements)

## 6. Financial Overview

ATNS creates financial value for the company through its regulated and non-regulated business activities. The ATM industry in South Africa is linked to growth in air traffic movements and overall economic growth. The company projects its revenue based on expected air traffic movement growth and tariffs granted by the Regulating Committee (tariff revenue) as well as non-regulated revenues.

ATNS has applied for a 40.26% tariff increase for the first year of the next Permission (2023/24 financial year). This is the rate required given the levels of billable movements for the entity to cover its operating expenditures. Should the Regulating Committee grant a lesser increase than required, the entity may find itself in financial distress given the loan covenants that it is required to meet.

Management continues to monitor and review the budget and forecasts on a regular basis. During the 2022/23 financial year, the company's performance has improved from the previous financial year as movements have been increasing despite the loss of Comair airlines.

### 6.1 Tariff Revenue Recovery

ATNS and the South African aviation industry continued to suffer from the effects of the pandemic even after the lifting of the travel restrictions. To date, ATNS has lost key customers as we struggled to recover from the losses incurred during the pandemic. This has resulted in ATNS revenue not recovering to the pre-pandemic levels. The projections indicate that the billable movements will not reach the pre-Covid levels by 2027/28 financial year.

In the first two months of the 2022/23 financial year, the billable movements and revenue were on a positive trajectory, indicating that ATNS may soon get back to the previous level. However, the loss of a key customer, Comair (which owned two domestic airlines), reversed the gains attained. The remaining airlines in the market are gradually taking up the market share left behind by Comair, although this process is taking time to realise. Up to September 2022, ATNS had not generated revenues to the levels before Comair exited the market. Figure 23 shows revenue generated since March 2022.

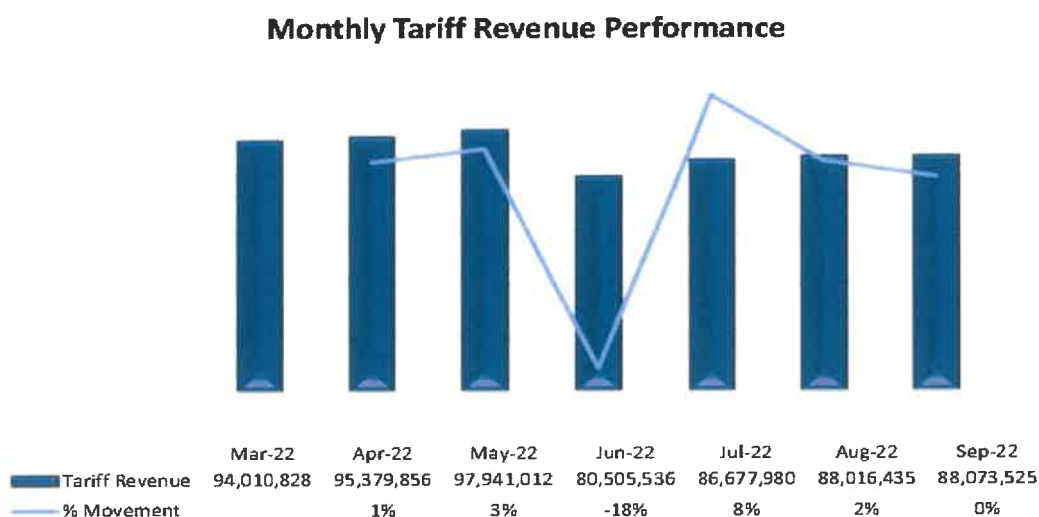


Figure 23: Tariff Revenue

Since April 2020, the tariff revenue has not reached the pre-Covid levels in any month. As at the end of September 2022, the revenue generated in that month is at 70% of the pre-Covid levels which averaged R125 million per month. However, this revenue is significantly higher than the same period last year.

At the start of the Covid-19 pandemic in the country, which was March 2020, ATNS reported a cash reserve of R1602 million. Due to the slow recovery of billable movements, the cash reserves have dropped to R428 million at the end of September 2022. Figure 24 indicates monthly cash balances.

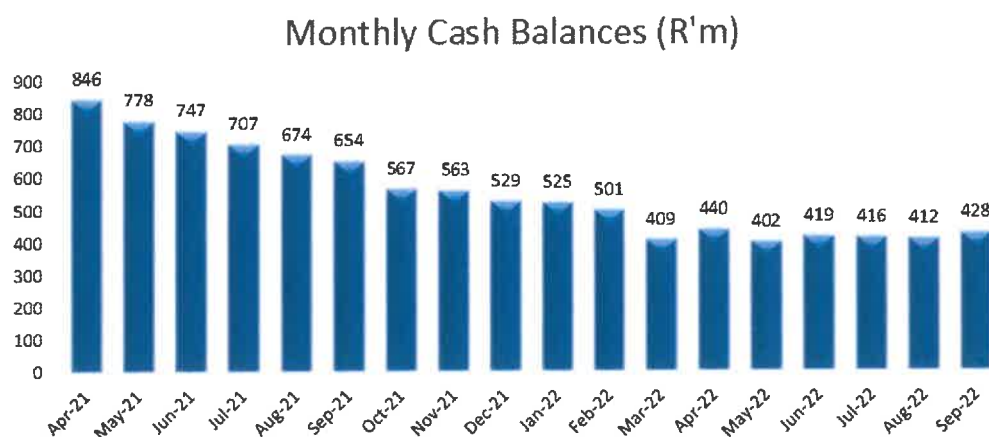


Figure 24: Cash Reserves

## 6.2 ATNS Revenue Sources

Table 5 depicts the projected financial performance of the entity for the period under review.

Table 5: Consolidated Statement of Financial Performance (All values in R'000)

Statement of Financial Performance	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	BUDGET 2023/24	PROJECTIONS 2024/25	PROJECTIONS 2025/26	3 Year Growth
Tariff Revenue	855 382	980 936	1 072 195	1 626 388	1 724 996	1 820 353	3,8%
Other Revenue	168 187	184 617	200 828	238 359	256 718	289 980	6,8%
<b>Total Revenue</b>	<b>1 023 569</b>	<b>1 165 553</b>	<b>1 273 023</b>	<b>1 864 747</b>	<b>1 981 714</b>	<b>2 110 333</b>	<b>4,2%</b>
Salaries and Related Costs	916 747	873 090	873 594	1 034 996	1 085 240	1 194 938	4,9%
Traveling Expenses	13 296	20 349	24 406	29 492	38 104	39 809	10,5%
Telecommunication Expenses	49 541	65 775	57 031	68 939	75 537	78 898	4,6%
Administration Fees	59 058	91 692	147 819	131 905	140 715	148 441	4,0%
Electronic Maintenance	39 293	51 436	52 658	56 836	67 283	74 287	9,3%
Professional Fees	23 712	27 171	27 232	31 414	36 626	38 365	6,9%
Other Operational Expenditure	110 494	118 899	59 229	137 675	136 579	142 508	1,2%
<b>Total Operating Expenses</b>	<b>1 212 141</b>	<b>1 248 412</b>	<b>1 241 969</b>	<b>1 491 257</b>	<b>1 580 085</b>	<b>1 717 246</b>	<b>4,8%</b>
<b>EBITDA</b>	<b>(188 572)</b>	<b>(82 859)</b>	<b>31 054</b>	<b>373 491</b>	<b>401 629</b>	<b>393 087</b>	<b>1,7%</b>
Overhead Expenditure	282 401	185 990	171 144	189 836	202 163	184 972	-0,9%
Net Funding	1 568	26 403	4 399	36 518	35 308	20 410	-17,6%
<b>Profit Before Tax</b>	<b>(472 540)</b>	<b>(295 252)</b>	<b>(144 489)</b>	<b>147 137</b>	<b>164 158</b>	<b>187 705</b>	<b>8,5%</b>
Tax	(94 619)	(82 670)	(39 048)	39 727	44 323	50 680	-
<b>Net Profit After Tax</b>	<b>(377 922)</b>	<b>(212 581)</b>	<b>(105 442)</b>	<b>107 410</b>	<b>119 835</b>	<b>137 025</b>	<b>8,5%</b>

Amongst others, the following key assumptions have been made:

- Billable movements will not reach the levels prior to 2020 in the period under review;  
and
- The proposed increases for the next Permission will be granted.

ATNS's revenue sources are received mainly from the enroute and approach fees, which account for approximately 84% of revenue based on the prior financial year figures. The balance of the revenue is made up of non-regulated revenue. Figure 25 depicts the ATNS non-regulated revenue split.

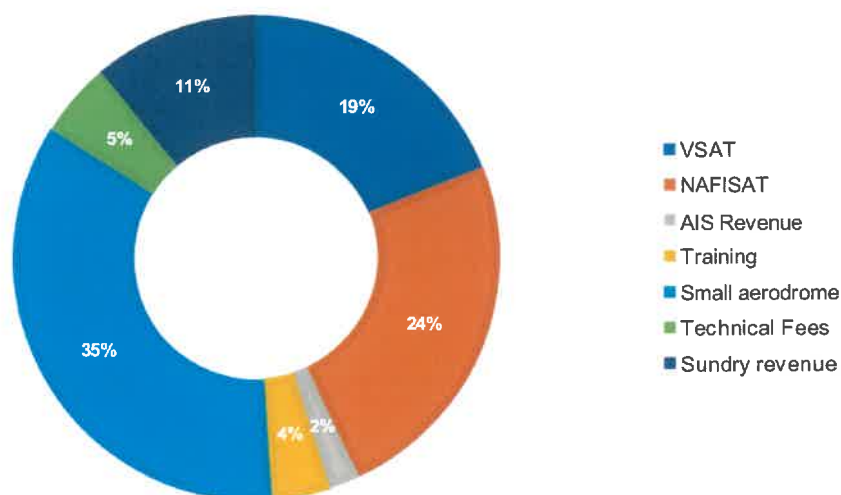


Figure 25: ATNS Non-regulated Revenue Split

### 6.3 Tariff revenue

The gazette tariff increases are shared in Table 6.

Table 6: Tariff Increases

Description	2019/ 20	2020/ 21	2021/22	2022/ 23
CPI	5.1%	5.4%	5.6%	5.3%
X	4.6%	0.4%	5.0%	3.2%
<b>Total tariff increase</b>	<b>0.5%</b>	<b>5.0%</b>	<b>0.6%</b>	<b>2.1%</b>
<b>Traffic movement increases</b>	<b>2.20%</b>	<b>2.10%</b>	<b>2.14%</b>	<b>1.98</b>

The above rates are from the previous Permission and have been factored to the FY 2022/23 budget. The process to apply for the next permission has commenced and is expected to be finalised in the current financial year.

ATNS has based its 2023/24 financial year budget on the applied tariff for the next Permission which is 40.26% increase. This is the rate of increase on the tariff that ATNS requires to cover its operations. The projections from FY 2023/24 onwards assumes that the applied tariff will be granted.

#### 6.4 Other revenue

Other revenue is projected to increase by 6.8% over the three-year period.

#### 6.5 ATNS Expenses

ATNS continues to monitor costs in response to the lower revenue being generated. Most of the cost-containment measures put in place in response to the pandemic will continue until the industry fully recovers. Salaries and related costs remain the largest cost element; staff costs account for approximately 70% of the total revenue, this percentage improves to approximately 56% over the three years with the projected revenue increase. Salaries and related costs are expected to increase by 4.9% over the three years. The following factors have been considered in the determination of the personnel headcount and related costs:

- On-time availability of human resources to provide critical services; and
- Provision of safe and efficient air traffic management services.

Increases in the other expenditure items are largely due to inflation. In addition, the interest paid is expected to increase significantly as ATNS draws down on the Loan facility secured with DBSA.

#### 6.6 Financial Position

Pre- Covid-19, ATNS maintained a strong financial position and the entity maintained healthy current ratios and cash reserves, amongst other financial indicators. During the lockdown period, ATNS has had to rely on cash reserves due to significantly reduced revenues linked to low billable traffic movements. The lower revenue has resulted in the deteriorating financial position of the company. This, however, is expected to improve over the next 3 financial years as the revenue improves. Table 7 depicts the financial position of the company.

Table 7: Consolidated Statement of Financial Position

Abridged Statement of Financial Position	ACTUAL 2021/22	BUDGET 2022/23	Forecast 2022/23	BUDGET 2023/24	PROJECTIONS 2024/25	PROJECTIONS 2025/26
<b>Assets</b>						
Non-current assets	1 689 209	1 921 257	1 928 037	2 032 402	1 955 700	2 040 245
Current assets - Cash	408 429	299 643	520 223	528 890	732 102	729 784
Current assets - Other	172 980	222 195	160 302	228 831	206 638	217 357
<b>Total assets</b>	<b>2 270 618</b>	<b>2 443 095</b>	<b>2 608 561</b>	<b>2 790 123</b>	<b>2 894 440</b>	<b>2 987 387</b>
<b>Equity and Liabilities</b>						
Total equity	1 942 774	1 748 547	1 837 202	1 944 612	2 064 447	2 201 472
Non-current liabilities	76 367	449 207	495 615	529 256	457 715	380 083
Current liabilities	251 477	245 342	275 744	316 255	372 278	405 832
<b>Total equity and Liabilities</b>	<b>2 270 618</b>	<b>2 443 095</b>	<b>2 608 561</b>	<b>2 790 123</b>	<b>2 894 440</b>	<b>2 987 387</b>

## **7. Infrastructure Development - Asset Value Creation**

The ATNS long-term strategy and associated planning address the requirements to increase user flexibility and maximise operating efficiencies. These improvements will in turn lead to increased system capacity and improved safety levels in the future ATNS ATM/CNS system. This is fully aligned with the Aviation System Block Upgrade (ASBU) concept, the South African National Airspace Master Plan, and the ATNS Air Traffic Management (ATM) Roadmap.

The main objective of infrastructure development is to provide total asset and technology management for ATNS that translates into the user requirements, plans, development, implementation, as well as provide technical support and maintenance to ensure total life cycle management of CNS and related infrastructure.

The planning process identifies specific technology and/or technological solutions to support the infrastructural backbone for ATNS ATM service delivery. The objective in all initiatives remains the achievement of an interoperable National Air Traffic Management system for all users during all phases of flight that (1) meets agreed levels of safety, (2) provides for optimum economic operations, (3) is environmentally sustainable, and (4) meets National Security requirements.

The ATNS technology development and deployment are driven not only by Air Traffic Management needs but also by other requirements including safety and security. The role of the ATNS technology infrastructure is to support and enable the practical operations by deploying and using leading technologies to the benefit of the ATM community. These ATM technologies and associated services need to meet the expectations of access, equity, safety, security, efficiency, predictability, environmental sustainability, and affordability.

### **7.1 Research, Development, and Innovation (RDI)**

Research, Development, and Innovation (RDI) is crucial for the aviation industry because it provides insightful knowledge and encourages improvements to current aviation technologies and operational procedures that can enhance efficiency and reduce safety incidents while potentially increasing revenue generation. Additionally, RDI enables the aviation industry to develop new systems/technologies to enhance service provision. Innovation is critical for the sustainability and survival of various entities in the future. Innovative and creative thinking is fundamental for solving various problems that the industry might face, either currently or in the



future, as well as assisting organisations to be agile and efficient in their daily operations.

As an effort to organising, structuring, and managing innovative solutions, RDI is a crucial requirement within ATNS. RDI enables organisations to maintain their viability and competitiveness in a rapidly evolving aviation industry. Research answers many of the questions that the organisation faces in its challenge to remain sustainable and grow. The incorporation of RDI in ATNS activities is guided by global and national aviation trends/requests in alignment with the hype cycles for emerging technologies.

ATNS identified the need to develop and implement the RDI Framework and Strategy. This will champion gains associated with incorporation of RDI, including operational and commercialisation benefits in aviation.

The opportunities of digital technologies, such as Artificial Intelligence (AI), Remote Services – Digital Towers, Service Oriented Architecture (SOA), Software as a Service (SaaS), Infrastructure as a Service (IaaS) or Platform as a Service (PaaS), Augmented Reality (AR), Virtual Reality (VR) and others have the potential to accelerate the ATM enhancement goals of improving efficiency, safety, and reliability of service. These goals can be achieved through the collaboration of researchers, academia, industry, regulators and other stakeholders working together with ATNS. The solutions developed will focus on cost-effectiveness to ensure that they are affordable, even to the AFI Region.

ATNS has initiated a research project to develop an AI-based applications for the ATM community. The ATNS research team is developing an artificial intelligence solution that uses speech recognition technology that would effectively prevent Runway Incursions by alerting tower controllers of impending conflicts, called ROAST (Runway Occupancy Alert System).

ATNS is currently in a process to deploy the Remote ATS (RATS) - Digital Towers project, which will use Computer Vision as the enabling technology for part of the Visual Surveillance System that is responsible for identifying objects captured from the high-resolution tower cameras and sensors situated in and around the aerodrome. Computer Vision is an interdisciplinary scientific field that deals with how computers can gain high-level understanding from digital images or videos. From the perspective of engineering, it seeks to understand and automate tasks that the human visual system cannot do.

Research collaboration is required within the ATM community because, as the technology evolves, it becomes difficult to develop the technical depth to evaluate and facilitate the

introduction of the technologies. Therefore, an approach to share the experience, expertise, and best practice to support the introduction of new technologies and co-develop rules is needed.

Collaboration and innovation to adopt new technologies, as well as improve existing processes, are crucial for ATNS to succeed in the long run. Furthermore, it is important for ATNS to invest relevant resources (human time and money) in the RDI to ensure that the aviation industry, including the AFI region, is sustained.

The trend in several industry sectors is reduction in spending in the area of Research, Development and Innovation. This reduction appears to be in the business plans of private industries, research agencies, universities, and many publicly funded organisations. There is a strong focus on developing business plans to deliver short to medium returns. This will reduce the priority of allocating resources to strategic and long-term needs of the business. The RDI budgets are seeing the effect of this trend. Motivating for RDI budget is becoming difficult in many organisations because it is seen as resource wasting rather than an investment. However, to remain relevant and competitive in the aviation sector, ATNS continues with RDI, despite the limited funding. The budget reduction has prompted the ATNS Research & Development Department to focus on the development of new products that can be done in-house or in collaboration with current industry partners. A key success is the Controller Information Display (CID) BONISA that has been developed by the ATNS Research & Development Department as a replacement for the Digital Airfield integrated display (DAID) system.

ATNS also conducts an innovation challenge to encourage innovation within its employee population and educate them on Intellectual Property (IP) protocols. The idea submission template is tailored to resemble the organisation's IP declaration form and knowledge is disseminated to the employees through the organisation's Knowledge Management structures.

## **7.2 ATNS Capex Deployment Plan**

ATNS invests in new and leading ATM technologies to manage and control the national airspace infrastructure in South Africa and its delegated airspace, enabling the delivery of air traffic services in a safe and efficient manner. Our leading CNS technology creates advanced infrastructural value for the company and the country's air traffic services sector.

ATNS continuously monitors its infrastructure and reliability of service. As a result, we have set performance measures to ensure that we create infrastructure value for the South African ATM sector.

Through its manufactured capital and infrastructural value creation, ATNS supports the National Development Plan (NDP) 2030 by facilitating the achievement of the following DoT outcomes:

- A transport sector that is safe.
- An increased contribution to job creation; and
- An efficient and integrated transport infrastructure network for social and economic development and increased contribution of transport to environmental sustainability.

With the current economic climate and airlines facing even greater pressures on financial performance, ATNS and its ATM stakeholders have had to reprioritise the Capital investment programme. The approach has been to prioritise what is referred to as the 'safety of life' projects under our innovation and sustainability strategic pillars. The aim is to reduce resource loading and to better suit the current realities in line with the industry requirements. Consequently, the 2017 Permission ran its full five-year course (2018 – 2022) instead of the three-year overlap.

Table 8 shows an abridged cashflow plan for the different areas of the initiatives for the 2023/24 to 2025/26 financial years, as submitted in the new Submission (yet to be approved).

*Table 8: Capital Expenditure Plans*

Projections		
2023/24	2024/25	2025/26
R328m	R419m	R493m

Below is the summary of some of the capital investments that will be implemented over the corporate plan period:

- AMHS/AFTN – The system serves the transmission, processing, and storage of aeronautical messages related to AMHS and AFTN local and international networks and in compliance with the relevant ICAO recommendations and industry standards.

- CAMU – The system is a centralised airspace management system which manages the efficient use of airspace by users.
- DME-DME – The DME-DME navigation network provides a PBN level service within its coverage range and serves as a strategic ground-based navigation system for the national airspace. It is currently being deployed at six identified terminal manoeuvring areas.
- NavAids Replacement – Replacement of the current aged ground navigation infrastructure (VOR/DVOR) for both terminal and enroute areas.
- A-SMGCS - Replacement of the advanced ground surface management ground control system for use especially during bad weather for both FAOR and FACT.
- VHF coastal – Replacement of the old analogue radios for the coastal area with the latest technology.
- WAM Deployment Programme – Deployment of the WAM/ADS-B stations towards complementing the national surveillance picture.
- HF Replacement - Replacement of the current aged High Frequency communication equipment servicing oceanic airspace.
- Radar Replacement at Sutherland, Port Elizabeth, East London, and Kruger Mpumalanga.
- Aviation Training Academy Radar Simulator.

### 7.3 Integrated Logistic Support

The maintenance and support philosophy within ATNS has been designed to react promptly to equipment and system failure; to restore service in the quickest time possible; to minimise increased cost and interruption to normal operations; to ensure safe operations at all times; and to meet expectations of the aviation community. All the support structures are aligned with an operational lifespan of 10 – 15 years for major capex CNS and display system infrastructure, and the minor systems having an operational life span of between 7 and 10 years.

ATNS's maintenance and support philosophy is outlined within the Logistic Management Plan (LMP), whilst the level and extent of the maintenance support system developed for each project is determined by its size and complexity of the project.

The technical staff members are trained to carry out the routine and corrective maintenance on operational systems, as prescribed by ICAO, the SACAA CATS Part 171, and/or the system

OEM Infrastructure support agreements in place with OEMs that assist the ATNS support environment in all aspects where specialised system interventions are required. This is mainly in the form of spares provision, software support (commonly referred to as Depot level (Level D) support), obsolescence management, system enhancements, and evolution management.

These support activities include all Operator (Level O) and Intermediate (Level I) maintenance by staff at the sites and the local workshop. This further includes maintenance of the buildings occupied by the employees, infrastructure (such as the roads, grass cutting, fencing, aerials, power), and communications from the point of supply.

The performance of systems is based on (1) reliability (Mean Time between Failures), (2) maintainability (Mean Time to Repair) and (3) availability. The technical staff's development and support environment for all equipment, both existing and supplied under new projects is based on these three objectives.

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## Supporting Frameworks

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### Annexure A: Governance Structure and Control Framework

#### Our Corporate Governance

An independent Board of Directors, appointed by the Minister of Transport, is responsible for the strategic direction and oversight of ATNS. The Chief Executive Officer (CEO), with the support of the Executive Committee (Exco), is responsible for the daily management of the company.

The ATNS governance framework is determined by various legislation and standards, with specific reference to:

- The Constitution of South Africa.
- ATNS Company Act 45 of 1993.
- The Civil Aviation Act 13 of 2009.
- Protocol on Corporate Governance for the Public Sector 2002.
- King IV Report on Corporate Governance™ in South Africa 2016 (King IV™).
- Public Finance Management Act 1 of 1999 (PFMA) as amended.
- National Treasury Regulations; and
- The Companies Act 71 of 2008.

#### ATNS Control Framework

The Company's control framework encompasses various governance and operational management components, including:

- Internal audit.
- Fraud prevention, detection and investigation.
- Enterprise Risk Management (ERM).
- Performance Management (Including safety, health, environment and quality).
- Information Technology (IT) management and IT governance; and
- Regulatory Compliance (including the ATNS Permission application process).

Our mission, vision and values form the keystone of our control environment, and we emphasise the application of ATNS's Code of Ethics across all our business practices. Monitoring of control efficacy is further facilitated through:

- On-going activities that are built into the Company's normal, recurring operating activities, such as the Quality Management System (QMS) and safety regulation assurance and compliance.
- Separate evaluations, such as combined assurance and internal auditing activities.
- Monthly risk registers.
- The use of key risk indicators, which enable ongoing monitoring of risks to reduce both impacts and likelihood of occurrence.
- Monthly monitoring and review of the risk register by the Internal Audit department.
- Quarterly monitoring and review of risk management activities by Executive Risk Management (ERM) and Audit and Risk Committees; and
- Ongoing monitoring of regulatory compliance control with annual assurance from internal audit.

### Structure of the Board

The Board of Directors exercises their oversight of ATNS based on objectivity and independence. The Directors are collectively responsible for directing and managing company affairs. The CEO and the Exco team manage the day-to-day activities of the company to ensure that the Company's strategy, policies and mandate are implemented and monitored. In appointing the Board, the Shareholder has maintained a unitary Board, with a sufficient variety of skills to lead the company effectively and efficiently.

### Corporate Governance Framework

ATNS is committed to sound corporate governance practices, which are continuously reviewed to ensure that leading practice standards are maintained as recommended by the King IV™. The Company's governance practices are underpinned by values and principles that inform the Company's day-to-day activities, including responsiveness, collaboration, transparency, integrity and accountability.

As an SOC, ATNS's governance relationship with its sole Shareholder, the Government of South Africa, exercised through the Minister of Transport, is managed through the Shareholder's Compact. The Compact sets out the Shareholder's commercial and developmental requirements and expectations.

The Board of Directors is the focal point and the custodian of the Company's governance framework through its committee structures, its relationship with management, its Shareholder and other Company stakeholders. The primary purpose of the Board of Directors is to provide strategic direction to ensure the Company fulfils its statutory, commercial and developmental objectives.

## **Board of Directors**

### **Appointment of Directors**

The appointment of directors is a formal and transparent process, and a matter considered by the Shareholder. The appointment of directors is facilitated by the Department of Transport Oversight Unit.

All appointments are subject to approval by the Shareholder, Minister, as well as 'fit and proper' tests in terms of the Public Finance Management Act, the Companies Act, and any other applicable legislation.

The ATNS Board of Directors is governed by a Board Charter, which outlines the principal provisions of the ATNS Act, the fiduciary responsibilities of directors, the relationship with Exco, and matters of policy that the Shareholder and the Board of Directors ought to follow to ensure good corporate governance. The Board of Directors regards the Charter as a living document and it is updated periodically to align with changes required by relevant legislation and regulations. Figure 26 provides a view of our governance framework.



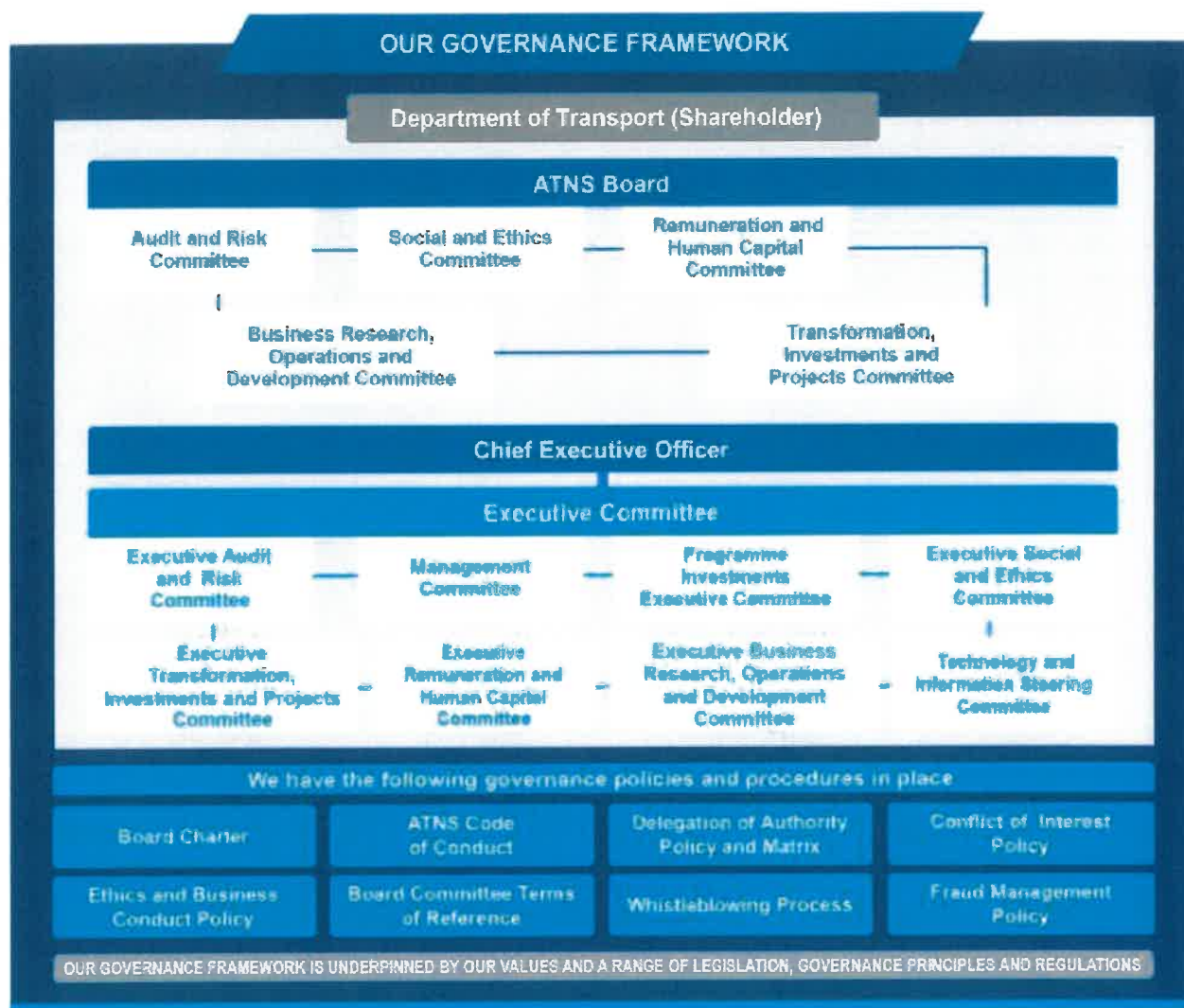


Figure 26: ATNS Corporate Governance Framework

ATNS is led by a Board of Directors made up of executive and non-executive directors appointed by the Shareholder. The current non-executive directors were appointed by the Shareholder on three-year terms with effect from 13 January 2023. There are 10 non-executive directors and two executive directors. The Chief Executive Officer and Chief Financial Officer are executive directors who are employees of the Company. Figure 27 shares the current board demographics and composition.

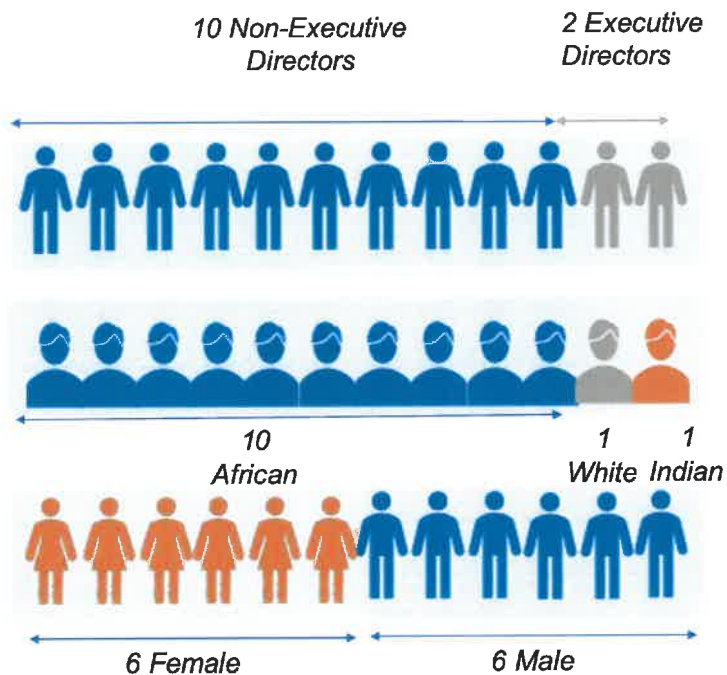


Figure 27: Board composition and representation

### Roles and Responsibilities

The Board of Directors conducts its business in accordance with the principles of King IV™, which include exercising discipline, independence, responsibility, fairness, social responsibility and transparency, and the accountability of directors to all stakeholders. The Board Charter sets out its role and responsibilities.

Table 9: Governance Board

Board	Composition	Core functions	Meetings
ATNS Board of Directors	<ul style="list-style-type: none"> <li>1 Chair: Independent Non-Executive</li> <li>9 Independent Non-Executive directors</li> <li>2 Executive directors</li> </ul>	<ul style="list-style-type: none"> <li>The Board of Directors exercises their oversight of ATNS on the basis of objectivity and independency;</li> <li>The directors are collectively responsible for directing and managing the company affairs</li> <li>Providing effective leadership based on an ethics foundation</li> <li>Contributing towards and approving the strategic direction of the company</li> <li>Defining levels of authority and approving the framework for delegating authority.</li> </ul>	Minimum of 4
Board Committees			
Audit and Risk Committee	<ul style="list-style-type: none"> <li>Chair: Independent Non-Executive</li> <li>3 Independent Non-Executive members</li> </ul>	<ul style="list-style-type: none"> <li>Monitors financial controls and reporting</li> <li>Reviews audit plans and adherence by external and internal auditors</li> <li>Ascertains reliability of audits</li> <li>Ensures financial reporting complies with IFRS and Companies Act</li> <li>Oversight on financial matters</li> <li>Nominates auditors for appointment</li> <li>Monitors risk appetite and controls</li> <li>Governance of risk and IT</li> </ul>	Minimum of 4
Remuneration, Human Capital Committee	<ul style="list-style-type: none"> <li>Chair: Independent Non-Executive</li> <li>3 Independent Non-Executive members</li> </ul>	<ul style="list-style-type: none"> <li>Establishes overall principles of reward and recognition</li> <li>Determines the remuneration of executive directors and executive heads in line with the market</li> <li>Ensure compliance with relevant laws and regulations</li> <li>Considers, reviews and approves policy on executive remuneration</li> <li>Reports on remuneration to stakeholders in the company's integrated report</li> </ul>	Minimum of 4
Social and Ethics Committee	<ul style="list-style-type: none"> <li>Chair: Independent Non-Executive</li> <li>3 Independent Non-Executive members</li> </ul>	<ul style="list-style-type: none"> <li>Monitors and develops compliance with section 72(8) and Regulation 43 of the Companies Act</li> <li>Assist the Board with oversight of social and ethics matters related to social and economic development, good corporate citizenship, environmental, health and safety, consumer relations, labour and employment.</li> </ul>	Minimum of 4
Transformation, Investments and Projects Committee	<ul style="list-style-type: none"> <li>Chair: Independent Non-Executive</li> <li>2 Independent Non-Executive members</li> </ul>	<ul style="list-style-type: none"> <li>Overseeing ATNS capital expenditure programme in line with the economic regulator Permission document</li> <li>Ensures that appropriate procurement and provisioning systems are fair, equitable, transparent, competitive and cost effective.</li> </ul>	Minimum of 4
Business Research, Operations and Development Committee	<ul style="list-style-type: none"> <li>Chair: Independent Non-Executive</li> <li>3 Independent Non-Executive members</li> </ul>	<ul style="list-style-type: none"> <li>Provides oversight on business operations</li> <li>Monitors operational performance</li> <li>Assess and evaluates the viability of ATNS International business</li> <li>Formulates the ATNS International strategy</li> <li>Ensures the implementation of ATNS International strategy is aligned with ATNS's strategic objectives</li> <li>Evaluates and recommends business opportunities to the Board</li> </ul>	Minimum of 4
<p>The Board reduced the number of Board committees from six to five, by disbanding the Governance Committee and delegating its roles and responsibilities to other Board committees.</p> <p>The Executives who are standing invitees to all the Board Committees are the <b>Chief Executive Officer, Chief Financial Officer and Chief Audit Executive.</b></p>			

### Conflict of Interest

On an annual basis, the Company actively solicits from its directors' details regarding external shareholdings, directorships, contractual relationships, and any form of relationship that has the potential to create conflicts of interests while they serve as directors on the Board. The declarations received from the directors are closely scrutinised by both the chairman of the Board and the company secretary and are tabled annually at the beginning of each Board cycle. At every Board, Board committee, Exco and other management committee meetings, every member is required to declare or confirm absence of any potential conflict of interest before deliberations. Where a conflict arises, directors and executives are required to recuse themselves from the discussions.

## Board Composition

Table 10: Board Composition

Director	Committees	Areas of Expertise	Academic Qualification	Date of 1st Appointment	Active Memberships on other Boards
<b>Mr Zola Ma Javu CD (SA) Chairman</b>	<ul style="list-style-type: none"> <li>To maintain independence and objectivity, the Board Chairman is not a member of any committee, but may be invited to attend Committee meetings on an ad hoc basis.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Labour Law</li> <li>Matrimonial Law</li> <li>Criminal Law</li> <li>Commercial Law</li> <li>Sports Law</li> <li>General Litigation and Public Sector related matters</li> </ul>	<ul style="list-style-type: none"> <li>LLB</li> <li>Admitted Attorney of the High Court of South</li> <li>Chartered Director</li> </ul>	13 January 2023	<ul style="list-style-type: none"> <li>Road Traffic Management Corporation (RTMC)</li> </ul>
<b>Mr Ameen Amod CD (SA)</b>	<ul style="list-style-type: none"> <li>Audit and Risk Committee</li> <li>Social and Ethics Committee</li> </ul>	<ul style="list-style-type: none"> <li>Governance</li> <li>Enterprise Risk Management</li> <li>Strategic Planning</li> <li>Performance Information</li> <li>Internal Audit</li> <li>Financial Management</li> <li>Human Capital Management</li> </ul>	<ul style="list-style-type: none"> <li>BComm degree</li> <li>MBA</li> <li>Chartered Director</li> <li>Certified Internal Auditor (CIA)</li> <li>Certified Risk Management Assurer (CRMA)</li> <li>Certified Government Auditing Professional Auditor (CGAP),</li> </ul>	13 January 2023	<ul style="list-style-type: none"> <li>National Parliament of the Republic of South Africa</li> <li>Department of Public Service and Administration</li> </ul>
<b>Mr Khulile Boqwana</b>	<ul style="list-style-type: none"> <li>Audit and Risk Committee</li> <li>Transformation, Investment and Projects Committee</li> <li>Remuneration and Human Capital Committee</li> </ul>	<ul style="list-style-type: none"> <li>Investment and regulation</li> <li>Airport infrastructure regulation</li> <li>Broadcasting and telecommunications</li> <li>Energy regulation</li> <li>Corporate strategy</li> <li>Corporate governance</li> <li>Policy regulation project management</li> </ul>	<ul style="list-style-type: none"> <li>Senior Teacher's Diploma</li> <li>B Compt</li> <li>Master's in business leadership</li> </ul>	13 April 2018	
<b>Mr Chris Burger</b>	<ul style="list-style-type: none"> <li>Remuneration and Human Capital Committee</li> <li>Business Research, Operations and Development Committee</li> </ul>	<ul style="list-style-type: none"> <li>Information and communication systems engineering</li> <li>Manned and unmanned aircraft operations</li> <li>Technology innovation and development</li> </ul>	<ul style="list-style-type: none"> <li>MEng in Electronic Engineering</li> <li>BCom in Aviation Management</li> <li>Airline Transport Pilot Licences and Instructor</li> </ul>	01 February 2019	

		<ul style="list-style-type: none"> <li>Regulatory policy formulation</li> <li>Aviation and technology training</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Designated Flight Examiner (Class 1) (SA Civil Aviation Authority)</li> <li>Accredited Professional Linguist</li> <li>SAAF Air Traffic Controller</li> </ul>	Ratings (South Africa and USA)		
<b>Ms Siyabonga Gcina Kudumela (PMP)</b>	<ul style="list-style-type: none"> <li>Social and Ethics Committee</li> <li>Business Research, Operations and Development Committee</li> </ul>	<ul style="list-style-type: none"> <li>Project and construction management</li> <li>Civil engineering</li> <li>ESG reporting and analytics</li> <li>Facilities management</li> </ul>	<ul style="list-style-type: none"> <li>National Diploma and Surveying</li> <li>National Civil Engineering</li> <li>Advanced Diploma Civil Engineering</li> <li>PMP, SACPCPMP,</li> </ul>	13 January 2023		
<b>Ms Nomathemba Kubheka</b>	<ul style="list-style-type: none"> <li>Remuneration and Human Capital Committee</li> <li>Social and Ethics Committee</li> </ul>	<ul style="list-style-type: none"> <li>Talent management and skills development</li> <li>Corporate negotiations</li> <li>Project management</li> <li>R&amp;D planning</li> <li>Logistics</li> <li>Property development and facilities management</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Arts in Education</li> <li>MSc in Building</li> </ul>	22 August 2018	<ul style="list-style-type: none"> <li>SANCO Development Institute (SDI)</li> <li>SANCO Investment Group (SIG)</li> <li>Mining Qualification Authority (MQA)</li> </ul>	
<b>Ms Princess Mangoma</b>	<ul style="list-style-type: none"> <li>Audit and Committee</li> <li>Business Research, Operations and Development Committee</li> </ul>	<ul style="list-style-type: none"> <li>External Auditing</li> <li>Internal Auditing</li> <li>IT Auditing</li> <li>Risk &amp; Compliance Management</li> <li>Performance Management and Finance</li> </ul>	<ul style="list-style-type: none"> <li>BCompt (Bachelor of Accounting Sciences)</li> <li>B.com Honours (Honours Bachelor of Commerce)</li> <li>Certified Internal Auditor (CIA) with part 1, 2 &amp; 4 currently busy with part 3</li> <li>Master of Philosophy in accounting sciences</li> </ul>	13 January 2023	<ul style="list-style-type: none"> <li>Public Protector South Africa</li> <li>Agriculture and Rural Development, Co-operative Governance, LEDET and Transport &amp; Community Safety</li> </ul>	
<b>Mr NLJ Ngema</b>	<ul style="list-style-type: none"> <li>Social and Ethics Committee</li> <li>Transformation, Investment and Projects Committee</li> </ul>	<ul style="list-style-type: none"> <li>Strategic planning</li> <li>Policy formulation</li> <li>Strategy formulation</li> <li>Resource management</li> <li>Driving transformation</li> <li>Aviation aerospace</li> </ul>	<ul style="list-style-type: none"> <li>Private Pilot's Licence (CAA Nigeria)</li> <li>Commercial Pilot's Licence (CAA UK) with the following rating: Instrument rating, night rating, multi engine rating, and flight instructor rating.</li> </ul>	13 April 2018		



			<ul style="list-style-type: none"> <li>Airline Transport Pilot's Licence (FAA USA) rated on the following a/c: Boeing B767, BAE 146, Viscount 700 &amp; 800, BE200, BE55, PA23, PC6, Cessna 182, 172, 152 &amp; 150 (aerobatics) Military Senior Command and Staff Diploma</li> <li>Senior Management Programme</li> <li>Defence Resource Management</li> <li>Defence Management (WITS)</li> <li>Advance Air Operations Law certificate</li> <li>Aviation Leaders Programme in Public Policy</li> </ul>			
<b>Dr Mallndi Neluheni</b>	<ul style="list-style-type: none"> <li>Business Research, Operations and Development Committee</li> <li>Transformation, Investment and Projects Committee</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure</li> <li>Transportation</li> <li>Aviation</li> </ul>	<ul style="list-style-type: none"> <li>Ph.D. in Architecture (Engineering Minor)</li> <li>Master's (Urban &amp; Regional Planning)</li> </ul>	13 January 2023	<ul style="list-style-type: none"> <li>Audit Committee member:</li> <li>Department of Human Settlements</li> </ul>	
<b>Ms Precious Sibiyi CA(SA)</b>	<ul style="list-style-type: none"> <li>Audit and Risk Committee</li> <li>Remuneration and Human Capital Committee</li> <li>Transformation, Investment and Projects Committee</li> </ul>	<ul style="list-style-type: none"> <li>Finance</li> <li>Risk management</li> <li>Financial management</li> <li>Supply chain management</li> <li>Compliance</li> </ul>	<ul style="list-style-type: none"> <li>CA (SA)</li> </ul>	13 January 2023	<ul style="list-style-type: none"> <li>Trans Caledon Tunnel Authority (TCTA)</li> <li>Ithala Development Finance Corporation (IDFC), NERSA</li> <li>Awca Investment Holdings (AIH)</li> <li>Reef Tankers(Pty) Ltd.</li> </ul>	
<b>Ms Nozipho Mdawe</b> Chief Executive Officer	<ul style="list-style-type: none"> <li>The CEO is not a member of any Board Committee but a standing invitee to meetings of all Board Committees</li> </ul>	<ul style="list-style-type: none"> <li>Leadership</li> <li>Strategy</li> </ul>	<ul style="list-style-type: none"> <li>MBA</li> </ul>	1 April 2022		

<b>Mr Matome Moholola</b> Executive Director - Chief Financial Officer	<ul style="list-style-type: none"> <li>The CFO is not a member of any Board Committee but a standing invitee to meetings of all Board Committees</li> </ul>	<ul style="list-style-type: none"> <li>Financial management</li> <li>Risk management</li> <li>SCM</li> <li>Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>CA(SA)</li> <li>MBA</li> <li>MCom Tax</li> <li>BCom</li> <li>BACC</li> </ul>	1 August 2019	<ul style="list-style-type: none"> <li>Audit Committee member: The Department of Justice and Constitutional Development</li> <li>Chairperson – ATNS Retirement Fund</li> </ul>
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## Executive Committee

Table 11: Executive Committee

Executive	Areas of Expertise	Academic Qualification
<b>Ms Nozipho Mdawe</b> Chief Executive Officer	<ul style="list-style-type: none"> <li>Leadership</li> <li>Strategy</li> <li>Strategic Operations Planning &amp; Management</li> <li>Business Vision and Personnel Development</li> <li>Cost Reduction/Cash Flow Optimisation</li> <li>Sustainable Revenue Growth &amp; Expansion</li> <li>Stakeholder Relationship Management</li> <li>Corporate Governance/Operational Safety</li> </ul> <p>Career Experience</p> <ul style="list-style-type: none"> <li>Regional Trade &amp; Freight Transportation</li> <li>Budget Management/P&amp;L Accountability</li> <li>Risk Mitigation/Effective Negotiations</li> <li>Process Redesign/Change Management</li> <li>Organisational Change and Transformation</li> <li>Executive Leadership and Team Building</li> </ul>	<ul style="list-style-type: none"> <li>MBA</li> </ul>
<b>Mr Matome Moholola</b> Chief Financial Officer	<ul style="list-style-type: none"> <li>Financial management</li> <li>Risk management</li> <li>SCM</li> <li>Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>CA(SA)</li> <li>MBA</li> <li>MCOM Tax</li> <li>BCom</li> <li>BACC</li> </ul>
<b>Mr Jeoffrey Matshoba</b> Executive: Air Traffic Management/CNS	<ul style="list-style-type: none"> <li>Air Traffic Management planning</li> <li>CNS planning</li> <li>Safety management system</li> <li>Civil aviation regulations</li> <li>Research, development and innovation management</li> <li>Strategy planning</li> </ul>	<ul style="list-style-type: none"> <li>BCom</li> <li>International Executive Development Programme</li> </ul>

<b>Ms Thandeka Mdebuka</b> Legal Counsel <b>Currently: Acting Executive Strategy and Optimisation</b>	<ul style="list-style-type: none"> <li>Legal Advisory</li> <li>Regulatory Compliance</li> <li>Advocacy</li> <li>Contract negotiation and Contracts management</li> <li>Litigation</li> <li>Enterprise Risk management</li> </ul>	<ul style="list-style-type: none"> <li>LLB</li> <li>LLM – Mercantile Law</li> <li>Business Leadership Programme</li> <li>Certificate in Contract Drafting</li> <li>Certificates in Air Traffic Management and Air law</li> <li>Admitted Attorney</li> </ul>
<b>Ms Veronica Sebona</b> Chief Information Officer <b>Currently: Acting Chief Operations Officer</b>	<ul style="list-style-type: none"> <li>ICT systems planning and implementation</li> <li>IT PMO</li> <li>IT Governance</li> <li>Strategic planning</li> <li>Agile transformation</li> </ul>	<ul style="list-style-type: none"> <li>MBA</li> <li>B.Sc. Computer Science</li> <li>GIBS CIO Programme</li> </ul>
<b>Mr Mbongeni Maqashelana</b> Chief Risk Executive	<ul style="list-style-type: none"> <li>Safety management system</li> <li>Enterprise risk management</li> <li>Quality management systems</li> <li>Corporate governance</li> <li>Management accounting</li> <li>Business continuity management</li> <li>Integrated management system</li> <li>Fire and HAZMAT</li> <li>Risk insurance</li> </ul>	<ul style="list-style-type: none"> <li>National Diploma in Cost and Management Accounting</li> <li>BCompt.</li> <li>Certificate in Risk Management</li> <li>Post-Graduate Diploma: Business Management and Administration</li> <li>MBA</li> </ul>
<b>Ms Tendani Ndou</b> Principal: Aviation Training Academy <b>Currently: Acting Executive Commercial Services</b>	<ul style="list-style-type: none"> <li>Risk, audit and compliance</li> <li>Corporate governance</li> <li>Accounting, finance and management</li> <li>SCM</li> <li>Aviation training management</li> <li>Strategy and planning</li> </ul>	<ul style="list-style-type: none"> <li>Global Executive MBA</li> <li>BCom (Hons) Cost Management Accounting</li> <li>BCom Cost Management Accounting</li> <li>Higher Education Diploma</li> <li>CIA and Certificate in Control Self-Assessment (CCSA)</li> </ul>
<b>Ms Lesego Mahamba</b> Chief Audit Executive	<ul style="list-style-type: none"> <li>Audit and risk management</li> <li>Strategy and planning</li> <li>Commerce and business analysis</li> <li>Compliance</li> </ul>	<ul style="list-style-type: none"> <li>CA(SA)</li> <li>MBA</li> <li>CIA</li> </ul>

<b>Ms Nthabiseng Mongali</b> <b>Acting Company Secretary</b>	<ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Corporate secretaryship</li> <li>• Strategic Planning</li> <li>• Project management</li> </ul>	<ul style="list-style-type: none"> <li>• MBA</li> <li>• CIS</li> </ul>
<b>Ms Tembisa Maphike</b> <b>Acting Chief Air Traffic Services</b>	<ul style="list-style-type: none"> <li>• ATS experience</li> <li>• Safety oversight/assurance</li> <li>• Knowledge of safety standards and regulations</li> <li>• Leadership experience</li> </ul>	<ul style="list-style-type: none"> <li>• BSC (Hons) UKZN</li> <li>• Post Graduate Diploma in Business Management (WITS)</li> <li>• In progress MBA (WITS)</li> </ul>
<b>Mr Carel Gersbach</b> <b>Acting Chief Operations Technology</b>	<ul style="list-style-type: none"> <li>• CNS System Engineering</li> <li>• CNS Logistic Support</li> </ul>	<ul style="list-style-type: none"> <li>• MEng in Electronic Engineering</li> </ul>

## **Annexure B: Risk Management Plan**

### **Enterprise Risk Management Framework and Process**

ATNS is committed in managing risk by using a consistent framework and methodology, we seek to exploits credible opportunities whilst managing potential adverse risk exposure, thereby ensuring stakeholder value preservation and creation.

To provide Air Traffic Services and associated services is a high-risk mandate. ATNS will continue to build and evolve on its Enterprise Risk Management (ERM) processes to enable improved risk management. ERM is aimed at ensuring that ATNS identifies its risks and implements measures to mitigate these risks in accordance with structured protocols defined in the risk management policy, the supporting risk framework, risk appetite statement and other additional risk interventions.

Risk is also often thought of only in the negative sense. Looking at risk also has the advantage of uncovering opportunities, thus risk can sometimes be viewed as a positive uncertainty. ATNS, just like any other organisation exists in order to provide value for its stakeholders, therefore it is imperative for the organisation to exploit the opportunities that can be identified in the internal and external environment it operates in. ATNS has developed an Opportunity Methodology that assist to guide how we can respond to opportunities that are linked to our risks.

The ERM process provides a step-by-step approach adopted by ATNS in identifying and managing the risks associated with the organisation. The approach is outlined in detail in the approved ATNS ERM Framework. This framework is aligned to the ISO 31000 international risk management standard, National Treasury Risk Management Framework and Guidelines and ICAO Annex 19. The risk management process involves a systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting of risks organisation wide. The diagram below illustrates the process followed in managing risks within the organisation:

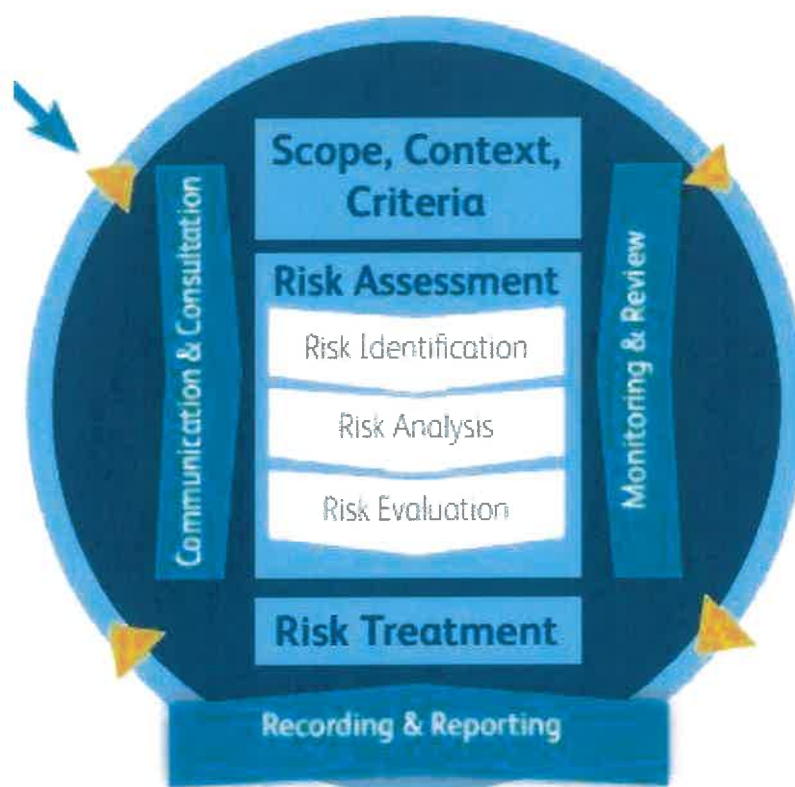


Figure 28: Risk Management Process

### ATNS Risk Profile

Strategic risk refers to the internal and external events that may make it difficult, or even impossible, for ATNS to achieve its strategic objectives and strategic initiatives. These risks can have severe consequences that impact ATNS in the medium to long-term. These strategic risks have a direct impact on the ability of ATNS to deliver on its strategic objectives and ultimately its mandate. Therefore, during the risk assessment all identified risks are linked to the relevant strategic objectives to ensure effective management of the risks that impacts the achievement of our strategic objectives.

Furthermore, ATNS integrates risks during the strategy planning and strategy execution process as it creates ability for ATNS to seize risk opportunities with the potential to increase returns for the business or identify areas where it is too risk averse.

The value of ATNS's risk identification and analysis approach is derived from the diverse inputs of subject matter expert participants, the quality and robustness of discussions and the consensus arrived at on the organisations risk profile and landscape. This is achieved through the facilitated annual risk workshops with Exco up to Board level as they provide ultimate oversight to ensure alignment across strategy, risk and sustainability of the organisation.

The objectives of developing a Strategic risk profile are the following:

- To identify, analyse and evaluate ATNS risks that could have a negative impact on the company's Corporate Plan and Strategy and to develop a strategic risk register that can be used for effective internal and external risk reporting
- To enable management to prioritise treatment of strategic risks to support achievement of ATNS strategic objectives; and
- To be able to identify and implement risk mitigation plans related to the ATNS critical risks so as to minimise undesirable risk exposures

The figure below indicates the current ATNS strategic risk profile

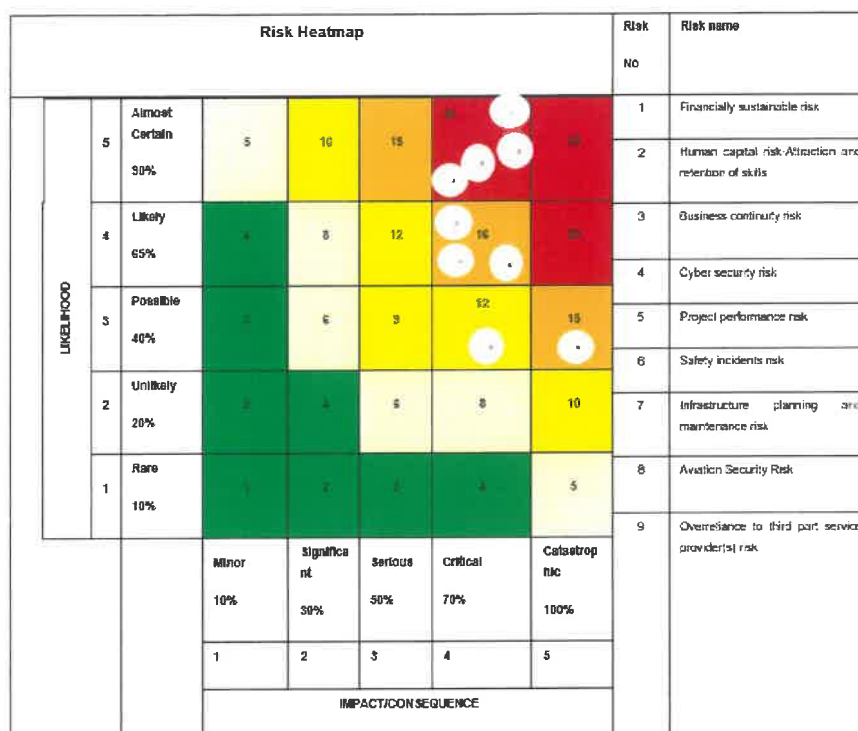


Figure 29: ATNS Strategic Risk Profile

Furthermore, ATNS has an approved risk appetite and tolerance framework (RAF) that is intended to guide employees and officials in their actions and to direct decisions regarding the acceptability of specific risks. The framework explains the organisation's underlying approach to risk appetite and constantly monitored to manage the organisation risk exposure. It includes risk appetite statements per risk theme, risk tolerance thresholds, and an outline of the roles and responsibilities of those overseeing its implementation and monitoring.

The risks in Table 12 have been reviewed and updated by Board and Exco. It also illustrates the strategic risks aligned to the organisation's strategic objectives and linked opportunities thereof.

Table 12: ATNS Strategic Risks and Opportunities

Risk	Linked Opportunity	Strategic Objective	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure	Risk mitigation
The organisation not able to remain financially sustainable in the long term	<p>Opportunity to exploit new revenue streams in third party business (e.g., UTM/ drones, ATM Alliances, Data Provision, Aviation Training Services)</p> <p><u>Opportunity response strategy:</u> Share</p>	Maintain financial sustainability	Extreme	Satisfactory	Priority 1	<ul style="list-style-type: none"> <li>Develop a structured payment process to ensure adherence to the SCM/creditors policy. To also monitor adherence to the payment process to avoid litigations).</li> <li>Source additional external funding for the Organisation including Shareholder Capital injection.</li> <li>Fully capacitate Commercial Services (and implementing business units) in areas such as financial modelling, costing and account management to accelerate the execution of the Growth Strategy initiatives. These initiatives include Managed Services (CAD, Billing and Surveillance Data distribution to clients in the AFI Region).</li> <li>Operationalise the approved Land-Lease policy to extract the untapped commercial value from unused parcels of land owned by ATNS. Property that will be prioritized include Bapsfontein, Delmas and Isando.</li> <li>Develop an alternative solution on the delays in the implementation of permission</li> </ul>



Risk	Linked Opportunity	Strategic Objective	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure	Risk mitigation
						<ul style="list-style-type: none"> <li>application to address the Tariff revenue increases.</li> <li>Use of data effectively for market intelligence (Conduct market intelligence study).</li> </ul>
Inability to attract and retain critical skills which may result in organisation's failure to deliver its strategy and safe operations	Proactively upskill aviation professionals through the aviation training academy <u>Opportunity response strategy:</u> Enhance	Ensure safety and efficiency of operation.  Develop a future-fit workforce.	Extreme	Weak	Priority 1	<ul style="list-style-type: none"> <li>Develop a retention strategy.</li> <li>Monitor and improve cycle time to fill vacancies.</li> <li>Implementation of the future-fit workforce programme including finalising the org design project and the subsequent re-grading of jobs.</li> <li>Implement the hybrid model policy.</li> <li>Implement project Lokisa.</li> <li>Monitor the implementation of succession planning and talent management.</li> </ul>
Significant and prolonged disruption to ATNS critical business/operations	Enhanced off-site support and virtually activated business continuity plan.	Maintain financial sustainability.	Extreme	Weak	Priority 1	<ul style="list-style-type: none"> <li>Improve system redundancy and fault tolerance.</li> <li>Ensure execution of ATS FAOR DR project in line with defined schedule.</li> <li>Approval of the acquisition of the service provider.</li> </ul>

Risk	Linked Opportunity	Strategic Objective	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure	Risk mitigation
	Organisational readiness during a catastrophic event. <u>Opportunity response strategy:</u> Share	Improved stakeholder centric.				<ul style="list-style-type: none"> <li>Develop a short term to long term BCM programme.</li> <li>Implementation and test the IT Disaster Recovery Plan.</li> <li>Conduct a research analysis on the Remote Air Traffic Service (RATS) - Digital Towers.</li> <li>Inclusion of business continuity capabilities into SLAs of critical service providers to ensure existence of adequate business continuity plans from their side.</li> <li>Engagement with SAAF around the integrated business continuity management.</li> <li>Conduct a proper check of the status of generators and battery backups to reduce the impact of power outages.</li> </ul>
Disruption of IT and business services and/or loss of confidential information as	Develop improved data protection protocols and related training	Create an adaptive and innovative enterprise.	Extreme	Satisfactory	Priority 2	<ul style="list-style-type: none"> <li>Expedite procurement and implementation of critical cybersecurity solutions in line with cyber security roadmap.</li> <li>Define and implement vulnerability management and secure configuration processes.</li> </ul>

Risk	Linked Opportunity	Strategic Objective	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure	Risk mitigation
a result of a breach in information security. (Cyber Security)	<u>Opportunity response strategy</u> : Exploit	Ensure safety and efficiency of operation.				<ul style="list-style-type: none"> <li>Implementation of the Infrastructure Modernisation roadmap.</li> <li>Embed technology and information governance through the Technology and Information Steering Committee.</li> <li>Conduct continuous cyber risk assessments.</li> <li>Develop and implement strategies for proper attraction and retention of rare and specialised IT skills. Design segregation on OT/IT network guided by high risk systems.</li> </ul>
Inability to consistently perform in line with permission obligations relating to capex (Potential drawbacks and unfavourable permission tariffs).	Develop in-house project management capability and promote advisory support services in this area. <u>Opportunity response strategy</u> : Share	Ensure safety and efficiency of operation	Extreme	Satisfactory	Priority 2	<ul style="list-style-type: none"> <li>Review the effectiveness of the Capex Review Committee and Programme Investment Executive Committee.</li> <li>Continuously engage the Regulator and Industry for projects not in the initial permission.</li> <li>Training / Guideline of employees on project requirements gathering/development.</li> <li>Training / Guideline of project managers on scoping of projects.</li> </ul>

Risk	Linked Opportunity	Strategic Objective	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure	Risk mitigation
						<ul style="list-style-type: none"> <li>Conduct a high level PPMO Maturity Assessment and ATNS PPMO Maturity and Readiness Report.</li> <li>Benchmarking with other organisation on project management discipline (Frameworks, templates, governance etc).</li> <li>Develop in-house competencies or CoE within OT.</li> <li>Conduct capex alignment workshop.</li> <li>Conduct training on integrated Business process (CDF).</li> </ul>
Safety incidents, including high-risk safety incidents, attributable to ATNS (Categories A & B); as a result of human error, non-compliance	Provide advisory support to enhance safety protocols, standards, and training within the sector as part of our non-regulated business	Ensure safety and efficiency of operation	Extensive	Satisfactory	Priority 2	<ul style="list-style-type: none"> <li>Intensify training interventions i.e., continuation and re-currency training (SSS - System Support Suite and 3D mini simulators).</li> <li>Ensure 3D mini simulators is commissioned.</li> <li>Develop validation training and enhancement strategies.</li> <li>Conduct trend analyses for A&amp;B incidents and identify focus areas of improvement.</li> <li>Improve safety report protocols.</li> <li>Tracking of Safety Audits through the Safety Steering Committee SM: S&amp;R</li> </ul>

Risk	Linked Opportunity	Strategic Objective	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure	Risk mitigation
with safety standards or CNS equipment failure	<u>Opportunity response strategy:</u> Exploit					<ul style="list-style-type: none"> <li>Management visibility at an Exco level to the stations.</li> <li>Implementation of Operation Lokisa.</li> <li>Finalisation the ATS structure.</li> <li>Concluding and optimal use of operating procedures.</li> </ul>
Failure to provide CNS services due to planning, support and maintenance inadequacies	Replacement or repair of equipment/systems which are found to be defective or needs replacement in the immediate future to minimise or avoid failures or non-availability of service  <u>Opportunity response strategy:</u>	Ensure safety and efficiency of operation	<b>Extreme</b>	Satisfactory	Priority 2	<ul style="list-style-type: none"> <li>Develop a clear plan on which equipment whose useful life can be extended and review current maintenance regime.</li> <li>Obtain support contracts for extended useful life equipment for critical equipment and software.</li> <li>Identify equipment that will require critical spares to be kept as a contingency.</li> <li>Reconsider the lifespan of the equipment that the organisation is deploying.</li> <li>Analyse the total cost of ownership of equipment and how to manage equipment post commissioning.</li> <li>Effective management of SLA's with OEM's.</li> <li>Review ATNS's maintenance philosophy.</li> <li>Sourcing of additional funding / additional revenue streams.</li> </ul>

Risk	Linked Opportunity	Strategic Objective	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure	Risk mitigation
	Enhance					<ul style="list-style-type: none"> <li>Engage SACAA on a comprehensive/holistic checklist when they are certifying Airports (OHAS, BCM, Security).</li> </ul>
Threats to and/or vandalism on ATNS physical infrastructure (Aviation Security risk)	Develop a collaborative, aviation sector security programme and ensure that is integrated with other relevant stakeholders. <u>Opportunity response strategy</u> : Share	Ensure safety and efficiency of operation.	Extreme	Weak	Priority 2	<ul style="list-style-type: none"> <li>Improve physical access control and security systems (deployment of armed guarding and response services at sites, where possible).</li> <li>Collaborate with other affected stakeholders with similar challenges (e.g., Telkom, MTN, Vodacom, Transnet, Prasa and other stakeholders).</li> <li>Develop an Aviation Security Programme for ATNS in line with sites threat assessments.</li> <li>Finalise the National Security Tender.</li> <li>Develop and implement innovative technology that can assist in detecting and prevention security threats and vandalism.</li> <li>Collaboration with other security structures.</li> <li>Use of Mobile Towers.</li> </ul>

Risk	Linked Opportunity	Strategic Objective	Inherent risk exposure	Perceived control effectiveness	Residual risk exposure	Risk mitigation
Over reliance on a single 3rd party (OEM/Support contract) service providers for most of ATNS critical equipment and services.	Diversify supplier base and develop new niche suppliers through a multi-vendor strategy <b><u>Opportunity response strategy:</u></b> Share	Increased business transformation.	High	Satisfactory	Priority 3	<ul style="list-style-type: none"> <li>Understanding business continuity capabilities of the various supplier, understand what dependency we have, what extent we are exposed.</li> <li>Constant monitoring the overall health of the service provider to whom we are overly exposed (looking at financial, legal issues etc) Top 5 critical suppliers.</li> <li>Creating centre of excellence to do co-developments with Top 5 critical OEMs.</li> <li>Investigate the possibility of Intellectual property (IP) acquisition where possible.</li> <li>Define a diversification plan for ATNS (in the long-term).</li> </ul>



Table 13: ATNS Residual Category and heatmap

Residual risk category	Rating	Suggested timing
Priority 1 – Immediate action	20 - 26	Require urgent attention Action is required to remediate the risk to a tolerable level
Priority 2 – More controls required	19 - 15	Require intervention Action is required to control the risk while response strategies are developed and implemented to bring the risk to a tolerable level
Priority 3 – Monitor risk exposure	14 - 9	Require active management Implementation strategy to focus on monitoring and review of existing controls Additional mitigation to be considered where costs are justified
Priority 4 – Acceptable risk exposure	8 – 5	Requires ongoing monitoring Additional mitigation to be considered where costs are justified Ongoing controls as part of a management system
Priority 5 – Monitor existing controls	4 – 1	Requires ongoing monitoring Requires periodic monitoring of existing controls Ongoing controls as part of operational management

LIKELIHOOD	5	Almost Certain 90%	Low/ Priority 4	Moderate/ Priority 3	High/ Priority 2	Extreme/ Priority 1
	4	Likely 65%	Insignificant/ Priority 5	Low/ Priority 4	Moderate/ Priority 3	Extreme/ Priority 1
	3	Possible 40%	Insignificant/ Priority 5	Low/ Priority 4	Moderate/ Priority 3	High/ Priority 2
	2	Unlikely 20%	Insignificant/ Priority 5	Insignificant/ Priority 5	Low/ Priority 4	Moderate/ Priority 3
	1	Rare 10%	Insignificant/ Priority 5	Insignificant/ Priority 5	Insignificant/ Priority 5	Low/ Priority 4
IMPACT/CONSEQUENCE			Minor 10%	Significant 30%	Serious 50%	Critical 70%
			1	2	3	4
						Catastrophic 100%
						5



Table 14: ATNS Opportunity Handling Strategy

Opportunity handling strategy	Description
<b>Exploit</b>	Take aggressive measures which seek to ensure that the benefits from this opportunity are realised
<b>Enhance</b>	Take measures to increase the probability and/or the impact of the opportunity
<b>Share</b>	Develop collaborative partnerships (service provider/stakeholders) that will assist to increase the opportunity's likelihood and/or benefits
<b>Ignore</b>	Takes no active measures to capture the opportunity by adopting a reactive approach should it be necessary. Benefit is not greater than the cost to pursue it, but the opportunity will be monitored.

Table 15: Risk Response Strategy

Risk response strategy	
<b>Avoid</b>	Avoidance responses take action to exit the activities that give rise to the risks.
<b>Reduce</b>	Reduction responses reduce the risk likelihood, impact, or both.
<b>Share</b>	Sharing responses reduce risk likelihood or impact by transferring or otherwise sharing a portion of the risk
<b>Accept</b>	Acceptance responses take no action to affect likelihood or impact.

## **Annexure C: Fraud Prevention Plan**

ATNS is committed to “Zero tolerance” in relation to fraudulent behaviour that could lead to loss of resources and damage to the company’s brand and reputation. A fraud management and whistleblowing policy, fraud, corruption and ethics procedure and a fraud prevention plan are in place to provide guidelines on how ATNS manages its fraud and corruption matters. These are supported by an anonymous Whistleblowing hotline that is independently managed by an external service provider. Employees can report all suspected incidents of corruption, fraud or theft or similar crime relating to actual or potential losses through the designated channels.

The ATNS Fraud Prevention Plan (FPP) is in accordance with the Public Finance Management Act (PFMA) as well as the King IV principles on Corporate Governance. ATNS considers the Plan as imperative to driving and improving an anti-fraud and corruption culture through proactively identifying fraud and corruption risks that our business is exposed to and putting in place adequate controls to mitigate these risks. In conducting its business, ATNS expects all its employees and any stakeholder associated with the organisation to be honest and ethical.

Figure 30 provides a depiction of arrangements that ATNS has in place to manage fraud within the workplace.

## Fraud Management



Figure 30: Fraud Management Plan

ATNS employees through the ATNS Fraud Management Policy as well as the Prevention and Combating of Corrupt Activities Act (No 12 of 2004), have a duty to report any suspected acts of fraud that could negatively impact ATNS's resources and reputation.

Employees and ATNS stakeholders are encouraged to report any suspected fraud through the various channels made available, should they reasonably believe that an act of fraud has occurred. The employee acting as a whistleblower must reasonably believe that the information is disclosed, and any allegation contained in it, are substantially true and should not make a disclosure in bad faith or for purposes of personal gain.

Whistleblowers play a key role in exposing fraud and without the vital information they disclose about wrongdoing, it would be difficult to unearth and address fraud as fraudulent acts are getting more and more untraceable and sophisticated. ATNS commits to protecting whistleblowers from occupational detriment, recrimination, and victimization through its compliance with the Protected Disclosures Act (Act No.26 of 2000).

Over and above the identified initiatives which are designed to be a deterrent and to contribute to a “fraud adverse” environment, effective internal controls are, and will always remain, the best protection against fraud. Internal controls are, by nature, designed to protect the ATNS against fraudulent activities.

## **Annexure D: Materiality and Significance Framework**

### **Requirements of the Public Finance Management Act (1 of 1999) (PFMA)**

Section 54(2) of the Public Finance Management Act 1 of 1999 (PFMA) requires that before a public entity concludes any of the following transactions, the accounting authority i.e., the Board of Directors, must promptly and in writing inform National treasury of the transaction. The submission for approval of the transaction by the Executive Authority, being the Minister of Transport, must include the following relevant particulars of the transaction:

- Establishment or participation in the establishment of a company.
- Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.
- Acquisition or disposal of a significant shareholding in a company.
- Acquisition or disposal of a significant asset.
- Commencement or cessation of a significant business activity; and
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.

Section 51(1)(g) of the PFMA requires the Board to promptly inform National Treasury of any new entity the public entity intends to establish or in the establishment of which the public entity takes the initiative. The Board must allow the National Treasury a reasonable time to submit its decision prior to formal establishment.

Section 55(2)(b) read with section 55(1)(d) of the PFMA requires that the annual report and financial statements of a public entity must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

For the purposes of section 54(2) and 55(2)(b) of the PFMA, “material” and “significant” are not defined. Treasury Regulation 28.3.1 provides for the Board to develop and agree on a framework of acceptable levels of “materiality” and “significance” with the Minister of Transport (“Significant

Transactions”). This framework is referred to as the Materiality and Significance Framework.

### Materiality framework

As per the National Treasury section 54 practice note, the parameters for significance and materiality levels are derived from certain elements of the annual financial statements as illustrated in Table 16.

*Table 16: Parameters for Significance and Materiality Levels*

Indicators	2021 Financial Statements	Lower limits	Upper limits
1%-2% of total assets	2 696 045 733	26 960 457	53 920 915
0.5%-1% of total revenue	547 439 448	2 737 197	5 474 394
2%-5% of profit(loss) after tax	(578 228 472)	(11 564 569)	(28 911 424)

Indicators	2022 Financial Statements	Lower limits	Upper limits
1%-2% of total assets	2 270 618 196	22 706 182	45 412 364
0.5%-1% of total revenue	1 017 347 988	5 086 740	10 173 480
2%-5% of profit(loss) after tax	(377 921 875)	(7 558 438)	(18 896 094)

*\*Based on the recent audited annual financial statements*

In arriving at the significance and materiality level, the following factors were considered:

- Guidelines issued by the National Treasury.
- The nature of the ATNS business.
- Statutory requirements affecting ATNS.
- The inherent and control risks associated with ATNS.
- Quantitative and qualitative issues; and
- Benchmarked within the transport sector.

From a company perspective, significance level is set at four hundred million (R400m). The limit of R400 million has considered the process embarked upon by the Company during the Permission application process which includes consultation with the industry as well as approval

by the RC. From a company perspective, materiality is set at ten point two million Rand (R10.2m) based on the upper level of revenue to ensure prudence and efficiencies within the decision-making processes.

## **Annexure E: Borrowing Plan**

The ATNS borrowing policy, makes provision that ATNS may incur long-term debt to fund its capital expenditure plan on property, plant and equipment, whilst maintaining a gearing ratio of below 50%, as follows:

- To achieve its objectives as set out in Section 4 of the ATNS Act; or
- To fund new capital projects that create assets with a durable life of greater than three years; or
- To re-finance existing long-term debt under specific conditions set out in the policy.

The following factors will be considered when borrowing:

- Revenue generating ability of the asset;
- The impact on the Regulated Asset Base;
- The type and extent of benefits to be obtained from the borrowing;
- The length of time the benefits will be received;
- The impact of interest and principal repayments;
- Likely movements in interest rates for variable rate borrowings;
- Other current and projected sources of funds;
- Competing demands for funds; and

ATNS will, in general, seek to minimise its dependence on borrowings in order to minimise future revenue committed to debt servicing and capital repayments.

ATNS will, from time to time, use its surplus funds to fund its capital programme. The utilisation of surplus funds enables ATNS to reduce its reliance on external debt financing, thereby allowing it to borrow only funds from external sources when favourable market conditions prevail or when inadequate funds are available for re-investment.



### Source of Funding

Section 66(3) of the PFMA grants the Accounting Authority of ATNS the authority to borrow funds which will be sourced in the market through open tender to Financial Institutions.

Through the above process ATNS appointed the Development Bank of South Africa ("DBSA") to fund R500 million of its capital expenditure programme through a Senior Term Loan over the next two years. The tenor of the loan is 9 years including a two-year capital grace period. The first drawdown on the loan is expected in the third quarter of the current financial year.

Certain covenants need to be kept to avoid possible breaches. Amongst others, these are:

- a. Current ratio  $\geq 2$
- b. Cash as cover for current liabilities ratio  $\geq 1$
- c. Cumulative Debt service coverage ratio  $\geq 3$

Due to the imminent capital expenditure program, all sources of funding will be explored during the period under review. Amongst others, this includes approaching the Shareholder for financial assistance

## Annexure F: Human Capital

ATNS's employee headcount, as at end September 2022, is 1081 people versus a targeted headcount of 1214. This headcount represents a diverse workforce across various disciplines and functional areas, with most employees in operations in the Air Traffic Services (ATS) Department. The headcount is illustrated in Figure 31.

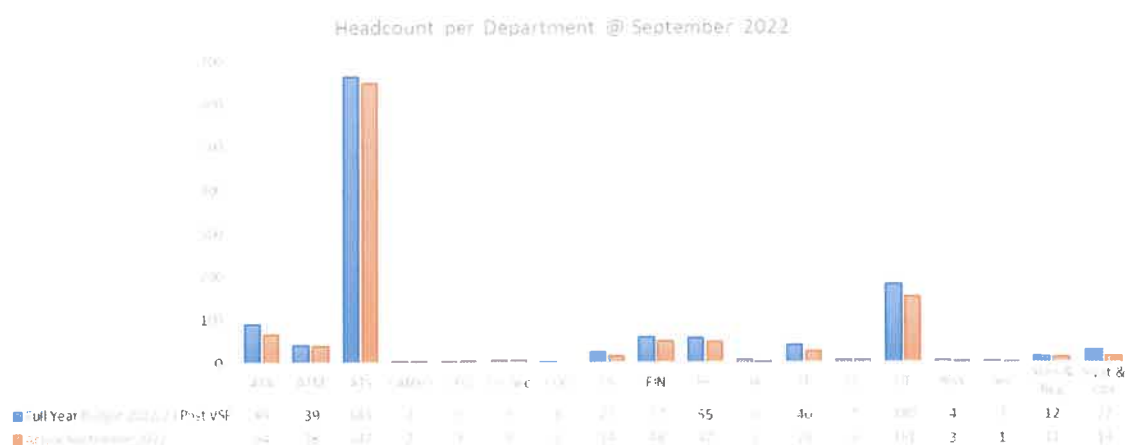


Figure 31: ATNS Employees Numbers

Human Resource planning is considered a major focus area for the organisation as it provides the resources required to drive the organisational strategy and service delivery. ATNS builds and preserves human capital value through individual capabilities, knowledge, skills, and experience in order to achieve the objectives of the Company.

The Human Capital Plan (HCP) is developed on the following principles:

1. Alignment to the Organisation Design (OD) Framework.
2. Alignment to the Permission Modular Approach.

3. Alignment to the outcome of the s189 process, in relation to Cost Containment and Headcount impact per department.
4. Allocation of departmental salary budgets per department.
5. Digitised solutions on headcount impact

One of the key drivers for the ATNS Strategy 2025 implementation is having the required skills and appropriate organisational design that supports the intended outcomes. Accordingly, ATNS requires an operating model that can respond to external factors and improve decision-making abilities. The operating model also plays a role in improving employee morale and engagement, whilst creating a high-performance culture.

In driving the achievement of the organisational strategy and responding to the expected performance from various stakeholders, ATNS strives to develop a comprehensive Human Capital Plan (HCP) and build on the value proposition of the company supported by:

1. Getting the basics right through effective cost-containment and sustainable cost savings measures.
2. Prioritising key projects to essential, urgent and those that will enable us to compete in markets we are seeking to enter.
3. Extending the scope of our geographic reach and product offering outside of our regulated mandate.
4. Organising ourselves for future success through an organisational redesign programme that looks not only at structures and headcount, but that targets issues relating to capabilities, culture, and values.

A key component to the realisation of the Human Capital Plan and Employment Equity targets is the effective management of the ATS and Operational Technology (OT) training pipeline.

### **Management of ATS and OT Pipelines**

ATNS continues to be responsible for recruiting, training and developing its employees to ensure adequate supply within the operational departments.

The service level required has been planned in accordance with the anticipated demand as calculated using peak traffic demand, capacity requirements, and considering the duration of the peak, as well as ensuring optimal quality and safety levels. A critical output of this plan is the training pipeline which provides an 18-month internal training forecast ensuring that training throughput is carefully managed.

The training of fully qualified Air Traffic Services (ATS) employees stretches across a period of three to five years and is linked to operational requirements. Such training includes academic and practical rating training at the ATA and operational validation training in ATS environment.

ATNS is driving the recruitment of engineering students from accredited tertiary institutions. The Engineering Graduate Development Programme (EGDP) is a two-year programme that provides an opportunity for participants to acquire workplace experiential training. The Engineering Experiential Programme is a 24-month programme which provides university of technology students on-the-job experience. Successful candidates from these two programmes become potential feeders into the pool of qualified engineers and engineering technicians respectively.

The below table has a summary of performance and planned intakes for a period between 2019/20 – 2024/25.

*Table 17: Intake of ATS Bursars and Engineering Students*

Discipline	Actual 2019/20	Actual 2020/21	Actual 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
<b>ATS bursars</b>	60	18	14	20	20	20
<b>Engineering Experiential Programme</b>	6	4	0	6	6	6
<b>Engineering Graduates</b>	5	5	5	0	0	5

The continual training of ATS personnel and engineers through the current training pipelines has yielded positive results in the growth of qualified ATCOs and ATSEPs. The ATSEP target has

been reduced as a result of efficiencies built into the system, as well as the re-basing of targets following the implementation of cost containment measures.

The ATS targets remain constant, based on the current demand and required service level agreement, regulatory requirement, to cater for possible attrition, as well as the amount of time and investment to train for the various levels of Air Traffic Services.

Table 18 depicts the actual numbers for the past two years and forecast headcount from 2022/'23 to 2024/'25 for the various disciplines.

*Table 18: ATS and OT Employees*

Year Ending	Actual 2019/20	Actual 2020/21	Actual 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
<b>ATSO</b>	221	221	195	138	146	146
<b>ATCO 1</b>	113	107	99	109	153	153
<b>ATCO 2</b>	47	46	46	37	31	31
<b>ATCO 3</b>	219	217	210	200	198	198
<b>ATSEP</b>	80	72	67	68	68	72

### **ATS Attrition and resourcing**

The organisation has observed an increased rate of resignations, with most of the employees opting for careers overseas. Aggressive recruitment by the Middle-East was one of the key drivers for ATC resignations. ATS skills are not readily available skills in the market and the training lead time in terms of training pipeline from the entry to a more fully skilled ATC takes bit of time and progression within the training levels need to be carefully considered as the training process is comprehensive. The organisation is exploring short to long-term interventions to proactively address these challenges. There are several activities to address attrition which are short term actions (0-6 months), medium term (6-12 months) and long-term actions (longer than 12 months).

These interventions includes; Cross validation- and multi-functional usage, increasing training pipeline, external recruitment, pre-validation programme and 3D simulator resuscitation amongst others. At the same time the business is closely monitoring the situation to ensure minimal disruption to operations.

## **Annexure G: Employment Equity Plan**

Employment Equity remains a business imperative that seeks to ensure that our workplace profile is aligned to the national demographics and the integrated transport sector's B-BBEE charter.

ATNS's strategic objectives and prevailing culture support ongoing equal opportunity initiatives, with specific emphasis on the African, Indian, Coloured (AIC) designated group, women and youth, and people with disabilities. The EE was developed and approved in September 2022 and will run until August 2027. The plan was submitted to the Department of Employment and Labour in October 2022 after which it was declared compliant with the Act. The Company also re-established the Employment Equity and Skills Development Committee in quarter 1 for 2022/23 financial year. This played a critical role in the development of the Employment Equity.

Implementation through the various line departments is championed by the CEO and executive management and cascades to the middle, lower and operational levels in the company. The top-down approach has been recommended for this new plan where targets will be filtered to the departmental levels to foster a culture of accountability in this regard.

The five-year EE plan is intended to continue to transform the ATNS employee profile to reflect national demographics. In addition, ATNS will endeavour to have people from designated groups adequately represented at all levels within the Company whenever opportunities become available. It will be reviewed annually to adjust targets as and where necessary, including all business activities that may impact the drive to achieve these targets.

In line with the Employment Equity Act, the ATNS five-year EE plan encompasses the following objectives:

- Working towards creating a balanced profile of employees within the company through all occupational categories and levels in the workforce.
- Eliminating any discriminatory practices in terms of race, gender or disability.
- Providing for the company's present and future requirements for skilled employees, in line with its business plan; and

- Implementing, monitoring and evaluating appropriate measures to ensure ATNS achieves or/and even exceed the set EE targets.

Table 19 reflects both the historic EE profile and the forecast from 2022/23. The plan is reviewed on an annual basis, and progress is monitored and reported monthly.

*Table 19: The ATNS Employment Equity Trend and Targets (%)*

Employee Category	2019/'20 Actual	2020/'21 Actual	2021/'22 Actual	2022/'23 Target	2023/'24 Target
Air Traffic Service – AIC	74.00	75.55	76.55	75	75.25
Air Traffic Service – Female	48.00	50.62	51.59	48.75	50.00
Organisation-Wide – AIC	79.92	81.49	82.11	82.60	82.70
Organisation-Wide – Female	49.08	49.62	49.44	48.10	48.20
People with Disabilities PwD	3.00	3.00	1.99	1.92	2

## People Development

Skills development plays a critical role in the achievement of our strategic objectives. Skills development of employees is necessary to develop the required competencies and skills needed for the workforce to perform their duties at an optimum level in their roles, and to provide future career opportunities within ATNS as per the Skill Development Act. Investment in training and development continues to remain a high priority within ATNS. This also entrenches ATNS's commitment to the National Skills Development Strategy addressing historical inequalities.

In line with the Employment Equity Plan, ATNS has identified several initiatives that will ensure that ATNS's transformational goals become a reality. These initiatives, outlined below, are also in support of the National Skills Development Plan.

## Women and Youth Empowerment Programme

A key strategic objective for ATNS is transformation. One aspect of transformation that has proven to be a challenge is the lack of representation of women and youth in leadership positions and



the integration of the Youth Empowerment Programme into ATNS. Historically, the aviation industry, and by implication, ATNS has been male dominated, with leadership positions mainly occupied by men. Although transformation has become a strong drive at ATNS, women and youth still struggle to move up the ranks to fill critical leadership roles. To address the lack of women and youth leaders, ATNS has embarked on women and youth empowerment programme that continues to empower women and youth both internally and externally.

### **Management and Leadership Development Programme**

To address the leadership and management capacity skills, ATNS is embarking on an empowerment programme that will empower all managers. In partnership with ATA, HC is busy developing the in-house MDP as the company is on cost containment measure. As soon as the company financial status has been improved, the supplier will be sourced to present the accredited MDP.

### **Child of the Employee Bursary**

To provide financial assistance to children of employees pursuing tertiary qualifications that will ensure a supply of scarce skills to the company, industry and country. This programme has been put on hold for new applications. ATNS however will only pay for continuation of the Child of the Employee studies.

### **Graduate in Training Programme (GIT)**

The GIT programme is a work-based experimental learning opportunity that ATNS offers to young South Africans. Preference is given to Black (African, Indian and Coloured), women and people with disability who have graduated from recognised tertiary institutions.

### **Executive Development Programme**

Executive Development Programme (EDP) is a programme designed to improve managerial behaviour and performance of ATNS executives by cultivating their mental abilities and inherent qualities through the acquisition and application of advanced knowledge insights and skills. The aim of this programme is not just to improve current job performance of Executives but to prepare them for future challenging roles. This programme will be a learning opportunity thrown open to Executives working at various levels of ATNS as an organisation as an attempt to improve managerial performance by imparting knowledge, changing attitudes, or increasing skills.

### **Corporate Training**

Corporate Training is the systematic process of enhancing the job-related skills, attitude, and knowledge of the workforce. The aim of the corporate training is to assist ATNS employees to gain new knowledge or information that helps them to do their job well and increase individual and organisational performance. This programme will influence employee attitudes and perceptions toward learning or organisational change. This training will include Corporate Induction, On the Job Training, Training to improve performance and Refresher training.

## **Annexure H: Corporate Sustainability Plan**

The South African and African aviation sector are underpinned by our mandate as a state-owned company, supporting effective and sustainable socio-economic change. Our business transformation imperative seeks to promote skills, small business development, and environmental stewardship in a way that creates the platform for inclusive and stable growth in an operating context where our environmental impact is minimised and our societal contributions are elevated. In aiding and facilitating the socio-economic advancement of previously disadvantaged South Africans, we commenced initiatives that go beyond legislative requirements and increase the capabilities within South Africa to support the aviation sector. They are also intended to foster skills transfers across the African continent in a sustainable and environmentally conscious manner.

As a provider of air traffic management and navigation services, we know that our activities have the ability to reduce the impact on the environment through the efficient and effective delivery of our services, hence consideration and integration of environmental sustainability elements into our operations. Our transformation approach is aligned with South Africa's National Development Plan and the United Nations Sustainable Development Goals. It is informed by our strategic objectives and sustainability policy and follows a three-pronged approach:

- Transformation within ATNS through human capital and skills development interventions (our strategic objective to develop a future-fit organisation).
- Business transformation of the aviation industry from an enterprise development and supplier development perspective (our strategic objective to increase business transformation).
- Transformation within the context of environmental stewardship (our strategic objective to improve environmental stewardship). Below outlines our approach to Aviation industry transformation, Corporate Social Responsibility and enabling Environmental Stewardship.

## Corporate Social Investment

ATNS through its CSI initiatives, endeavours to create and sustain long term social value, within the education space, to reduce inequality and to make careers in the aviation sector both sought-after and possible through intensified educational infrastructure, which includes mobile ICT solutions, E-library and Science Laboratories. Our investment and interventions transverses across local communities within all provinces, to which most of the CSI interventions are delivered in partnership with Department of Basic Education, to administer greater value.

As an accountable corporate citizen, ATNS has elevated this value by investing in STEM subjects (Maths & Science) which are basic requirements for Air Traffic Control, to feed into the pipeline of the bursary programme. To date, 65% of the investment within the schools were situated in the deep rural areas whilst, 35% from the previously disadvantaged township communities. We will continue to improve our investment with the intent to exceed over 8500 beneficiaries who will directly benefit from our interventions.

### **Promotion of Corporate Social Responsibility (CSR)**

ATNS staff are the most important stakeholders, who play a role that ensures that the brand is reputable and socially responsible. A key intervention that will continually be implemented, is the Staff Initiative, which warrants staff to determine investments of their choice in areas that also fall outside of the main CSI Focus areas. This will assist with increasing employee engagement on CSI projects and will invigorate staff morale.

## Supplier and Enterprise Development

ATNS enterprise and supplier development approach is informed by our Transformation Strategy and the Aviation Supplier Transformation Framework. ATNS developed an Aviation Supplier Transformation Framework that is aimed at accelerating the development of Small, Medium and Micro Enterprises (SMMEs) by providing them with the necessary support (training programs, advisory and support services, etc.) to establish businesses in the aviation sector. This is done as a part of ATNS business incubation to substantially reduce the level of failure in local black-owned SMMEs.

ATNS devised the strategy and Framework to have a well-structured SMME Development Programme with a clear selection criteria and measurable milestones. Selected Suppliers and SMMEs will be equipped with skills to be able to either open their business or deliver services and capex projects. When they meet minimum requirements, they should partner with multinational companies in accordance with ATNS's Procurement Policy. SMMEs to be selected are to meet minimum criteria as outlined in the Aviation Supplier Transformation Framework.

Where possible, the selected SMMEs will be taken through a five-year development programme that aligns with the ATNS strategy. The plan will be divided into short-term, medium-term and long-term initiatives. Incubation programs (in partnership with other industry players) will be implemented to those SMMEs which require incubation.

- An audit will be conducted to identify gaps and, thereafter, we will identify relevant interventions to close the identified gaps. Suppliers will be given the technical acumen in order to understand aviation equipment and the maintenance thereof.
- In the long-term, the suppliers that complete the incubation programme should be able to deliver capex projects on their own; they should be at a level where they can be the main contractor.
- Developed suppliers should, at the end of the programme, be able to identify aviation components that can be manufactured locally, and the programme will assist them to comply

with the quality standards and market analysis of where the demand is high for locally manufactured components within the continent.

- Transforming the aviation sector requires resources and endurance to achieve intended outcomes mainly because the sector is risky and highly regulated. It will, therefore, take a while to realise intended results.

### Broad-Based Black Economic Empowerment (B-BBEE)

ATNS is aiming for a Level 2 B-BBEE rating in 2022/23 financial year against the Generic Public-Sector B-BBEE Codes (Gazette 21 August 2009). Should the Codes be revised, or the sub-sector Codes be approved, the targets below will be revised.

Table 20: Generic Public-Sector B-BBEE Codes

B-BBEE Element	B-BBEE Targets	Target 2022/23	Target 2023/24	Target 2024/25	Target 2025/26	CURRENT ANNUAL CERTIFICATE (VALID: JAN 2023)
Management Control	10.00	7.00	7.00	7.00	7.00	6.28
Skills Development	25.00	24.00	24.00	24.00	24.00	18.16
Employment Equity	15.00	15.00	15.00	15.00	15.00	13.41
Preferential Procurement	30.00	30.00	30.00	30.00	30.00	30.00
Socio-Economic Development	5.00	5.00	5.00	5.00	5.00	5.00
Enterprise Development	15.00	15.00	15.00	15.00	15.00	15.00
Total Points	100.00	96.00	96.00	96.00	96.00	87.85
<b>B-BBEE Level</b>		<b>Level 2</b>	<b>Level 2</b>	<b>Level 2</b>	<b>Level 2</b>	<b>Level 2</b>

ATNS should also spend 3% of NPAT on supplier and enterprise development as legislated.

## Environmental Stewardship

While our direct impact on society and the environment is relatively low, our indirect positive impact is potentially significant for our stakeholders. Equally important is the integration of our sustainability practices into our operations and services to enhance our ability to achieve our purpose, as well as contribute towards the achievement of our strategic objectives.

The impacts of climate change are apparent in the aviation sector; this is evident in the severe storms which disrupt normal take-off and landing operations and ultimately result in delays and damage to infrastructure due to unpredictable weather variation. In response, the below aims to respond to the global aspirational goal of achieving net-zero carbon emissions by 2050 in collaboration with other stakeholders.

The organisation's commitment to demonstrating leadership in environmental stewardship is focused on developing and implementing environmental policies and sustainability guidelines to integrate sustainability into the organisation's value chain. The focus is mainly on the regulated business which includes creating enterprise-wide awareness on environmental matters.

The short- to medium-term objective is to improve the maturity of the environmental sustainability performance in the organisation. In the next three years, the focus will be on fully implementing the objectives set out in the sustainability strategy by integrating environmental issues at both strategic and operational levels of the business. The previous financial year focused on implementing Environmental Management System (EMS - ISO 14001) which included certification-related processes and procedures at the Aviation Training Academy and Head Office, and implementation at several operational sites.

Key focus areas in the short to medium-term include the following:

- Implementing more sustainable and efficient processes into our core services (air traffic services). Several projects have been initiated in support of this objective. The CANSO Green ATM is one such important programme that ATNS is planning to acquire accreditation with ISO 14001 as part of the accreditation requirement. Official accreditation

of this programme would mean that the organisation plays a significant role in reducing environmental impacts particularly; noise and emissions through efficient airspace management, general operations and enabling governance structures and untimely attaining a specific maturity level by CANSO.

- Implementation of low carbon technologies i.e., renewable energy project in support of climate change agenda and securing sustainable energy.
- Enhancing our data management systems and improving our adherence to leading practice sustainability reporting frameworks so that we can more accurately measure our direct and indirect positive and negative impacts.
- Providing thought leadership to the CANSO Environmental committee, ICAO's technical Committee on Aviation Environmental Protection (CAEP) and other related technical working groups, in establishing global standards and recommendations for minimising the impact of aviation on the environment, specifically the reduction of airspace noise and the improvement of airspace air quality.
- Environmental sustainability elements form part of the organisational key material themes
- Managing scarce and vulnerable resources, including reducing negative impacts in sensitive biodiversity areas, reducing our waste and conserving natural water resources across our business value chain. ATNS supports the precautionary approach to environmental management that strives to anticipate and prevent potential environmental degradation and harm to communities.
- Enhancing stakeholder awareness through environmental training and competency programmes



## **Annexure I: ATNS Growth Strategy**

ATNS's non-regulated business contributed 16% of the company's revenue in the 2021/'22 financial year. The non-regulated business encompasses a long-term strategy geared at facilitating regional expansion through a focused structure or vehicle, thus enabling appropriate separation between the regulated and non-regulated business. ATNS's desire to remain financially sustainable is a key driver behind the growth strategy. The business has performed a thorough analysis of the strengths and opportunities (including threats and weaknesses) and concluded that ATNS is adequately geared for this growth journey.

The current Growth Strategy came into effect during the 2020/'21 financial year and will guide the business for the next five-years. The focus is on gaining ground in terms of product/service mix, and geographic markets representation, whilst addressing internal constraints. To date, the execution of the growth strategy is centralised under one division with clear reporting structures and performance measurement.

The second year of the Growth Strategy 2021/'22 showed signs of recovery and a positive outlook with regards to revenue performance as shown in Figure 32. This can be attributed to the recovery within the aviation industry as well as an increase in global air traffic movements.

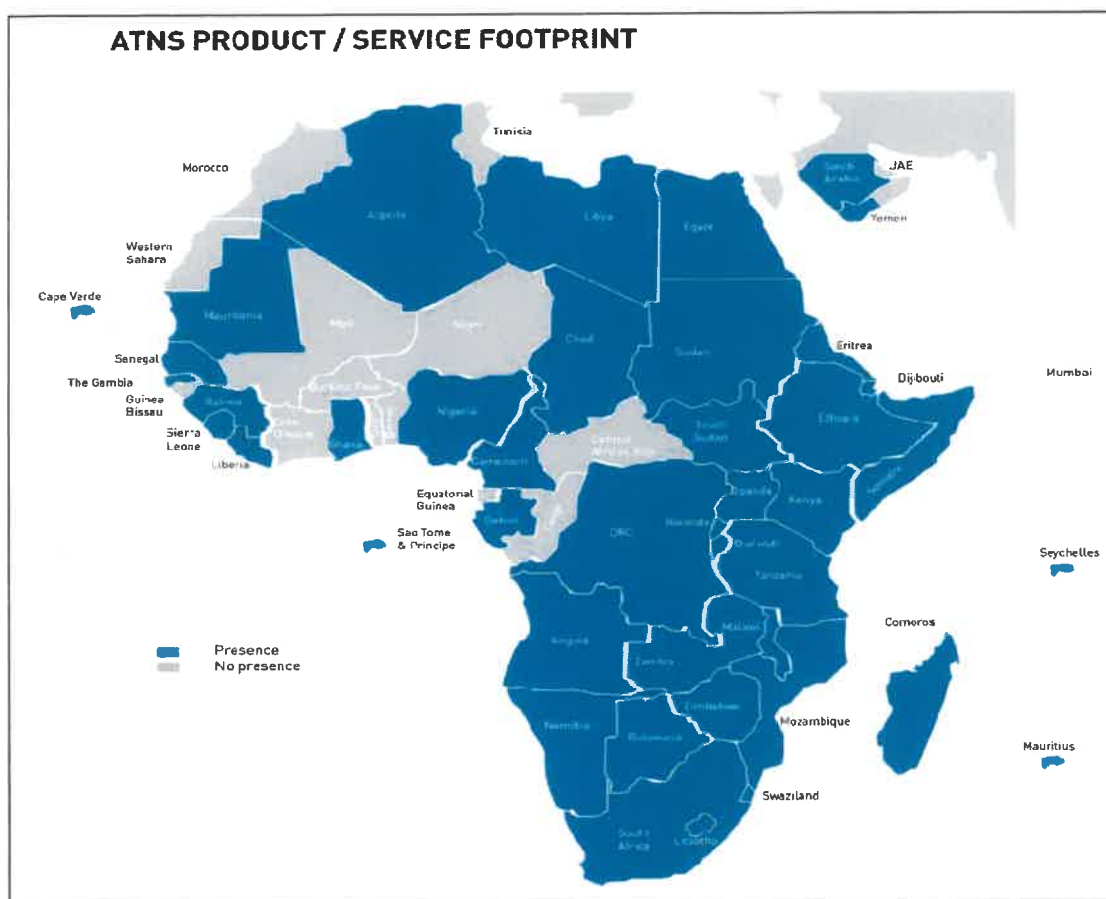
Revenue performance for the period 2022/'23 to 2023/'24 is expected to remain subdued as the industry steadily navigates the post-pandemic headwinds. These projections are supported by leading industry stakeholders such as IATA, who predict air traffic movements activity only returning to pre-2019 levels in 2024. Our view, which combines both domestic and global air traffic activity projections, is that the non-regulated business will start to see notable growth in the 2024/'25 as interest in our associated ATM services and products begins to track the growth in air traffic movements in the continent.



*Figure 32: Growth Strategy Actual Revenue Performance*

Despite the Covid-19 setbacks and the slow pace of recovery, it is expected that the Growth Strategy will position ATNS as a major player in delivering air traffic management solutions in the Africa and Indian Ocean Islands region (AFI). We expect a more challenging environment due to increased competition but also new players seeking opportunities. ATNS, through its existing networks on the continent and long-term relationships is, however, well positioned to weather the storms.

Various commercially driven projects have been successfully delivered to date in several African countries through the ATNS brand, as highlighted in Figure 33.



Our resilience was tested in unprecedented ways during the Covid-19 period, and this called for a recalibration of our strategy as an organisation to ensure we stay on course. Some of the initiatives and programmes that will enable the achievement of the Growth Strategy include:

- Review business enablers, including leveraging off our capabilities and networks as applied in the past period.

- Focus on optimising internal capacities (ATNS Aviation Training Academy, OT, ATM and IT Divisions), and inculcating a culture of cross-functional collaboration.
- Review specific business cases where potential for investment is viable, this includes taking a fresh approach on strategic partnerships and finding alignment with international organisations in enhancing our reach, capacity and product/service range.
- Renewed focus on regional initiatives and projects of scale where ATNS can play a leading role for the benefit of South Africa and the region.
- Continue executing current flagship projects while getting closer to our client base; and
- Re-organising to become a truly customer-centric organisation.

The above process is guided by the desire to achieve higher levels of growth for the non-regulated business and our new vision of being the leading provider of Air Traffic Management Solutions in Africa. Progress is being made through programmes such the Organisational Design, Modernisation of the ATA and Digital Transformation.

## **Annexure J: Information Technology (IT)**

The disruption caused by the global pandemic has provided one of the most powerful illustrations of the importance of organisational agility. Persistent effects of this pandemic remind us that the sustainability and competitiveness of markets, economies and industries are fundamentally anchored in the ability to reimagine products, services and customer experience in an ever-changing business landscape. As a strategic enabler of business, IT must therefore support rapid development of capabilities that enable outcomes such as innovation, efficient operations, regulatory compliance, digital transformation and information security for ATNS. This is achieved through provision of technical and business capabilities across specialised IT domains: Applications Management, Information and Knowledge Management, Infrastructure and Service Management, Information Security, and IT Planning and Governance.

In FY2020/21, the Board approved the Information Technology strategy, a document which articulates the evolution of ATNS IT capabilities to support attainment of the strategic goals of the entity. This document contains a strategy to steadily move ATNS IT from a low-level maturity in all IT domains, to a level where IT provides modern application, infrastructure, and data services in a scalable, reliable, cost effective and secure manner. The ATNS IT strategy will be delivered by achieving five strategic objectives: Digital Transformation, IT Governance, Cybersecurity, IT Service Management and Future-Fit IT. These objectives, aligned to the ATNS Corporate Strategy, support the organisational strategic objectives across all three strategic pillars: service excellence, sustainability, and innovation.

### **Digital Transformation**

The demands on enterprises to be agile in the digital economy mandates a shift to digital platforms. ATNS, like many organisations, is encumbered by legacy technology and processes that hinder agility, efficiency, and innovation. Our digital transformation journey requires us to build and/or acquire solutions whose architectures are modular, open yet secure and data driven.

ATNS digital transformation initiatives are envisaged to address four main modernisation objectives:

**a. Digital workplace:** The Digital Workplace is the notion that there is a modern, virtual equivalent to the traditional physical workplace. The ATNS Digital Workplace programme consists of planned and managed deployment of digital cloud-based capabilities for office productivity, engagement, mobility, and security.

**b. Application Modernisation:** The Applications Modernisation aims to rationalise the ATNS applications landscape, improve applications governance and modernise delivery through the adoption of object and service-oriented architectures. Application modernisation will bring ATNS closer to full implementation of the SWIM framework – integrating ATNS data, applications and infrastructure with agility and efficiency. The key projects to be implemented include:

- A new Billing System, which is expected to enhance ATNS's value proposition to customers in support of our growth strategy. The implementation of Oracle Phase 1b to extend and embed efficiencies obtained in the initial ERP implementation completed in 2021/'22. The automation of business processes that are not part of the ERP project will also receive attention.

**c. Infrastructure Modernisation:** IT Infrastructure provides a critical foundation for all information systems capabilities, traversing both the corporate and operational realms within ATNS. For this reason, it is imperative that IT infrastructure is stable, reliable, scalable, and secure. The infrastructure modernisation programme focuses on delivering key strategic initiatives that directly and indirectly support all other digital transformation and business initiatives. It includes technology modernisation initiatives that support our strategy to deliver a robust, innovative, and adaptive infrastructure. Key projects to be implemented in this period include:

- Storage and Computing Infrastructure - replacement of all servers, storage, virtualisation, core networking and backup infrastructure.
- End-User Computing - replacement of all end-user computers that have reached end of life.

- Local Area Network (LAN) Upgrade includes replacement of cabling, wireless, and switches.

**d. Data Modernisation:** The lack of real-time data analytics poses serious threats to informed decision-making as data analysis and decisions lag critical events. Modern data capabilities enable not only real-time analytics, but integration of a multitude of internal and external data sources, scalable infrastructure and cognitive computing. These are essential capabilities to support ATNS's operational, tactical and strategic decision-making in today's business context. With the vision to integrate artificial intelligent (AI), Internet of Things (IoT) and Machine Learning, the data modernisation programme is one of the key plans to position ATNS favourably to leverage diverse data formats and sources for informed, timely decision making. In this period, key data modernisation initiatives to be implemented are as follows:

- Modern Data Estate (Advanced Analytics) enables timely insights and decision making across all ATNS data and sets the foundation for artificial intelligent (AI).
- Data Governance and Centralisation (Enterprise Data Warehouse) eliminate redundant information and improve overall data quality. Also establish data governance and fundamentals to enable transition to advanced (cloud) analytics.
- Data governance tools creates and maintains a structured set of policies, procedures, and protocols that control how ATNS's data are stored, used, and managed to enhance the privacy, security, and integrity of data .

## IT Governance

An IT/OT governance framework is required to underpin the evaluation, direction and monitoring of strategy execution. The framework will design structures, processes, authority definitions, and membership assignments that lead IT toward delivering optimal value for the entity. In addition, the increasing convergence of IT and OT warrants continued strategic, tactical and operational alignment between the two technology departments to ensure overall technology and information governance in line with King IV recommendations.

## IT Service Management

Under-developed service management processes are one of the biggest impediments to meaningful IT value creation and delivery. Lack of adherence to best practice policies, processes and practices results in unstructured IT service delivery that causes inability to meet service level expectations. ATNS is deliberate in instilling a culture of service management in order to:

- improve the quality of services IT provides to the business.
- lower cost to design, implement and manage IT services.
- optimise resource utilisation, including staff, tools, and budget.

## Cybersecurity

As one of the top strategic risks affecting service availability, data integrity and confidentiality, the cybersecurity objective requires specific, systematic and deliberate interventions to create and maintain a culture of security awareness in the organisation and implement an appropriate information security governance framework. The cybersecurity roadmap outlines targeted cybersecurity maturity milestones over a five-year timeline achieved through various interventions, including policy implementation, technology deployments, and managed services. The key projects to be implemented under the Cybersecurity programme are aimed at introducing automated controls in a number of areas, including:

- Vulnerability & Patch Management - vulnerability detection and security patching for continuous risk mitigation.
- Data leakage protection - capability to detect and prevent dissemination of protected and/or sensitive information. externally and to protect against data leakage.
- Penetration Testing - automated discovery of exploitable vulnerabilities
- Automated Inventory & Security Prioritisation - Identification of critical assets that may be targeted and automatic remediation of vulnerabilities
- Identity and Access management - Privileged account management and user access management to ensure authorised access.



### Future-fit IT

Successful execution of the IT strategy starts and ends with people. The current approved IT structure has been successful in stabilising critical IT services. However, new strategic competencies that meet the skills requirements of the identified initiatives are critical for complete and successful execution of the strategy. Along with this, an enabling culture that values and supports innovation is an important condition to achieve ATNS modernisation.

## **Annexure K: Company Information**

### **ATNS Head Office**

#### **Postal address**

Private Bag X15  
Kempton Park  
1620

#### **Technical services**

Tel: +27 11 928 6469  
Fax: +27 11 395 1049

#### **Street address**

Block C, Eastgate Office Park  
South Boulevard Road  
Bruma  
2198  
Gauteng  
Republic of South Africa

### **Aviation Training Academy**

#### **Postal address**

Private Bag X1  
Bonaero Park  
1622

#### **Contact details**

Tel: +27 11 607 1000  
Fax: +27 11 607 1570  
Website: [www.atns.com](http://www.atns.com)  
Email: [governance@atns.co.za](mailto:governance@atns.co.za)

#### **Contact details**

Tel: +27 11 570 0400  
Fax: +27 11 395 3347

## **Southern Region**

### **Postal Address**

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Cape Town International Airport,  
7525

### **Air Traffic Management**

Tel: +27 21 937 1122  
Fax: +27 21 937 5530

### **Technical services**

Tel: +27 21 937 1153  
Fax: +27 21 937 1181

## **Northern Region**

### **Postal address**

Johannesburg International Airport  
Private Bag X1  
Bonaero Park,  
1622

## **Appendix A: Shareholder Compact**



### **Shareholder Compact**

Entered into by and between

**Government of the Republic Of South Africa  
Herein Represented by the Minister Of Transport**

and

**The Board Of  
ATNS  
2023/'24**

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## **1. Introduction**

1.1. The Entity has been established in terms of the Act and is listed in Schedule 2 of the PFMA. The objectives and the functions of the Entity are governed by the Act.

1.2. In terms of Regulation 29.2 of the Regulations –

1.2.1. The Accounting Authority for a public entity listed in Schedule 2, 3B and 3D must, in consultation with its Executive Authority, annually conclude a Shareholder's Compact; and

1.2.2. The Shareholder's Compact must document the mandated key performance measures and indicators to be attained by the public entity as agreed between the Accounting Authority and the Executive Authority.

1.3. The Accounting Authority must, in terms of the PFMA, comply with its fiduciary duties and manage all revenue, expenditure, assets and liabilities of the Entity effectively and efficiently.

1.4. The Executive Authority and the Accounting Authority wish to:

1.4.1. Establish a transparent and accountable working relationship on matters relating the implementation of the provisions of the PFMA, the Companies Act and the Act; and the Memorandum of Incorporation.

1.4.2. Enter into this Shareholder's Compact, to assist the Parties to measure the Accounting Authority and the Entity's performance, and to support and manage the working relationship between them; and

1.4.3. Enter into this Shareholder's Compact to execute their obligations in terms of Regulation 29.2 of the Regulations for the financial year 2022/23

## **2. Definitions and Interpretation**

2.1. Definitions.

The Shareholder's Compact represents the agreement between the Executive Authority and the Accounting Authority. It is a reflection of the expectations of each party, expressed in terms of outcomes and outputs that need to be achieved. In this Shareholder's Compact the following expressions and words have the meaning assigned to them below and derivative expressions and

words will have a corresponding meaning, unless inconsistent with or otherwise indicated by the context –

- 2.1.1. **"Accounting Authority"** means the Board of directors as appointed in accordance with the Act.
- 2.1.2. **"Act"** means the Air Traffic and Navigation Company Act 1993 (Act No. 45 of 1993).
- 2.1.3. **"NDP 2030"** means National Development Plan 2030.
- 2.1.4. **"Mol"** means the Memorandum of Incorporation of the Entity in terms of the Companies Act.
- 2.1.5. **"Chairperson"** means the Chairperson of the Accounting Authority.
- 2.1.6. **"Committee"** means a Committee of the Accounting Authority required in terms of the PFMA and the Regulations.
- 2.1.7. **"Companies Act"** means the Companies Act, 2008 (Act No. 71 of 2008), as amended.
- 2.1.8. **"Company Secretary"** means the person appointed as the secretary of the Accounting Authority as defined in the Companies Act.
- 2.1.9. **"Corporate Plan"** means the corporate plan as stated in section 52(b) of the PFMA.
- 2.1.10. **"Department"** means the National Department of Transport.
- 2.1.11. **"Director"** means a member of the Accounting Authority as referred to in the Act and Companies Act.
- 2.1.12. **"Entity"** means Air Traffic and Navigation Services Company SOC Limited.
- 2.1.13. **"Effective Date"** means date of signature of this Agreement by the last Party signing in time.
- 2.1.14. **"Executive Authority"** means the Minister of Transport or his delegate.
- 2.1.15. **"Financial Year"** means the Financial Year beginning on 1 April of a specific year and ending on 31 March of the following year.
- 2.1.16. **"King IV™"** means the King IV Report on Corporate Governance in South Africa, 2016™.
- 2.1.17. **"Member"** means a member of a Committee.
- 2.1.18. **"Month"** means a calendar month.
- 2.1.19. **"Parties"** means the Executive Authority and the Accounting Authority or any one of them as the context may indicate.
- 2.1.20. **"PFMA"** means the Public Finance Management Act, Act No. 1 of 1999, as amended.
- 2.1.21. **"Regulations"** means the Treasury Regulations to the PFMA initially published under GNR 345 of 9 April 2001, as amended.
- 2.1.22. **"Representative"** means a person appointed by the Parties in terms of this Shareholder's Compact to fulfil and administer the functions set out herein on behalf of the Party which appointed such person.
- 2.1.23. **"Shareholder's Compact"** means this document, as required in terms of Regulation 29.2 of the Regulations, including all annexures hereto.
- 2.1.24. **"Statute"** means any act of Parliament or regulation thereto or any other enactment having the force of law.
- 2.1.25. **"Strategic Plan"** means the Strategic Plan of the Entity, under Regulations 5 and 30.1.3 of the Regulations; and

2.1.26. **“Writing”** means handwritten, type-written or printed communication, including telegram, facsimile transmission, electronic transmission or any like communication and “in Writing” and “Written” shall have corresponding meanings.

## 2.2 Interpretation In this Shareholder’s Compact –

2.2.1. unless the context indicates a contrary intention, an expression which denotes -

2.2.1.1. any reference to the singular includes the plural and *vice versa*.

2.2.1.2. any reference to the natural person includes legal persons and *vice versa*; and

2.2.1.3. any reference to a gender includes the other genders.

2.2.2. when any number of days is prescribed same shall, unless otherwise specifically stated, be reckoned exclusively of the first and inclusively of the last day.

2.2.3. where words have been defined in the body of this Shareholder’s Compact, such words shall, unless otherwise required by the context, have the meanings so assigned to them throughout this Shareholder’s Compact;

2.2.4. where any provision contemplates a notice to be given or agreement to be reached between the Parties, such notice or agreement shall be in writing, unless expressly provided otherwise.

2.2.5. if any provision of this Shareholder’s Compact is in any way inconsistent with the provisions of the PFMA, the Companies Act, or the Act, the relevant provision of the PFMA, the Companies Act, or the Act shall prevail, and this Shareholder’s Compact shall be read in all respects subject thereto; and

2.2.6. if any provision of this Shareholder’s Compact is in any way inconsistent with the Mol of the Entity, the provision of the Mol shall prevail Mol. In the event of such a conflict, the Entity agrees to take all such necessary actions, and such actions as are conducive, to amend the Mol as necessary under this clause 2.2.6.

## 3. Purpose of Shareholder’s Compact

3.1. The purpose of this Shareholder’s Compact is to –

3.1.1. formalise and regulate the working relationship **between** the Executive Authority and the Accounting Authority.

3.1.2. give effect to the mandate of the Entity; and

3.1.3. give effect to the obligations of the Parties to conclude a Shareholder’s Compact as stated in Regulation 29.2 of the Regulations.



#### **4. Legislative Mandate of the Entity**

- 4.1. The legislative mandate of the Entity is set out in the Act and the Entity is required to perform and comply with such legislative mandate as contained in the Act in conjunction with the MoI.
- 4.2. Concurrent with achieving the legislative mandate, the Entity shall deliver on and adhere to the national priorities of Government.
- 4.3. The Accounting Authority shall integrate any governmental policy, relating to the Entity, into its Corporate Plan, key performance measures and indicators and borrowing programme in order to execute its legislative mandate.

#### **5. Critical Assumptions**

The Parties have assumed that the timeous submission of the documentation under this Shareholder's Compact being provided to the Accounting Authority is critical to:

- 5.1. the Department making informed decisions; and
- 5.2. providing the National Treasury and the Executive Authority with information which enables the efficient execution of the Executive Authority's mandate.
- 5.3. Accordingly, the following documentation is required by the date allocated next to the document name annually–
  - 5.3.1. Draft Corporate Plan, Shareholder's Compact and Annual budget – End of January
  - 5.3.2. Final Corporate Plan, Shareholder's Compact and annual budget – End of February
  - 5.3.3. Budget Inputs – End of February
  - 5.3.4. MTEF Inputs - where applicable End of July
  - 5.3.5. ENE Inputs – End of November
  - 5.3.5. Annual Reports – End of August
  - 5.3.7. AGM Notices – End of September

## **6. Roles and Responsibilities of the Executive Authority**

- 6.1. As stated in section 63 of the PFMA, the role and responsibility of the Executive Authority is to exercise the Executive Authority's ownership powers to ensure that the Entity complies with the Act, the PFMA and the financial policies of the Executive Authority.
- 6.2. The Executive Authority may, in writing or other means desirable, instruct the Accounting Authority to discontinue any activity of the Accounting Authority within a specified period, where such activity is contrary to the strategic or economic interest of the Republic of South Africa.
- 6.3. The Executive Authority may, intervene in the following as the Executive Authority sees fit:
  - 6.3.1. the overall assessment of the Accounting Authority's performance on the basis of the Entity's actual performance in delivering the desired outcomes and objectives of the Entity and pre-agreed objectives of Government; and
  - 6.3.2. the overall monitoring and reporting to Parliament of the financial, commercial and socio-economic strategic performance of the Entity. For this purpose, the Accounting Authority shall report to the Executive Authority on the matters and at the intervals stipulated in the PFMA and the Shareholder's Compact.
- 6.4. The Executive Authority has the right to solicit independent advice and audit support in the discharge of the Executive Authority role and functions in terms of the Shareholder's Compact and **Appendix B**.

## **7. Undertakings by the Executive Authority**

- 7.1. The Executive Authority undertakes to –
  - 7.1.1. provide an environment that encourages the discretion of the Accounting Authority regarding matters falling within its authority, as provided for in the Act, the MoI and this Shareholder's Compact.
  - 7.1.2. expedite the implementation of critical decisions.
  - 7.1.3. facilitate the proper constitution of the Accounting Authority and to fill vacancies that arise promptly.
  - 7.1.4. promote the Entity's programmes in Cabinet where such programmes have been approved by the Executive Authority.
  - 7.1.5. engage with the Accounting Authority, before exercising any of his or her powers in terms of the Act, if the exercise of such power will –
    - 7.1.5.1. affect the performance of the Entity's functions.

- 7.1.5.2. commit the Entity to implement or give effect to a decision made by the Executive Authority; or
- 7.1.5.3. have a substantial financial impact on the Entity; and
- 7.1.6. facilitate the adjustment of agreed measures and indicators and/or provide the resources to enable the Entity to meet any such issued directives or any agreed plans.

## **8. The Entity**

### **8.1. Role of the Accounting Authority**

The Accounting Authority collectively represents the Entity and all acts of or under the Entity.

### **8.2. Responsibilities of Accounting Authority**

- 8.2.1. The Accounting Authority is responsible for the performance of the Entity and is fully accountable to the Executive Authority for such performance.
- 8.2.2. The Accounting Authority is bound by and shall abide by its statutory and fiduciary duties and will exercise the fiduciary duties of due diligence care and skill.
- 8.2.3. The Directors of the Accounting Authority will disclose any personal interest in decisions taken by the Accounting Authority in the conflict register referred to in clause 8.2.8.27 below.
- 8.2.4. The Directors of the Accounting Authority agree to be individually and severally liable pursuant to the PFMA and the Companies Act, for fraud, reckless trading, failure to disclose interest in contracts, falsifying books and records, or making false statements.
- 8.2.5. The Directors agree that, with respect to negligence by a director, the level of such liability referred to in 8.2.4 above, will vary according to the degree of a director's obligation to be involved in the day-to-day activities of the Entity.
- 8.2.6. The Accounting Authority is responsible for timeously and prudently undertaking all key activities required for the efficient and effective running of the Entity, including but not limited to appointment of senior executives to the Entity and capital decisions within the ordinary course of business.
- 8.2.7. The Accounting Authority shall provide a quarterly reporting package, the first of which is due on 31 July 2023 and is to cover the period of 1 April 2023 to 30 June 2023, to the Executive Authority on the matters and in the approved format. Each subsequent quarterly reporting package will be provided to the Executive Authority for each Financial Year by the date indicated opposite the period stated below-
  - 8.2.7.1. 31 October 2023 for the period 1 July 2023 to 30 September 2023.

- 8.2.7.2. 31 January 2024 for the period 1 October 2023 to 31 December 2023; and
- 8.2.7.3. 30 April 2024 for the period 1 January 2024 to 31 March 2024
- 8.2.8. The Accounting Authority shall ensure that:
  - 8.2.8.1. each member of the Accounting Authority is fully aware of, and complies with all applicable Statutes, government policies and codes of business practices.
  - 8.2.8.2. it concludes a Shareholder's Compact with the Executive Authority on or before the start of the new financial year.
  - 8.2.8.3. the Directors of the Accounting Authority have unrestricted access to accurate, relevant information of the Entity.
  - 8.2.8.4. there is appropriate and effective induction, education and training offered to new and existing Directors of the Accounting Authority.
  - 8.2.8.5. the Directors of the Accounting Authority act on a fully informed basis, in good faith, with diligence, skill and care and in the best interest of the Entity, whilst taking account the interests of all stakeholders, including employees, creditors, customers, suppliers and local communities.
  - 8.2.8.6. the Entity acts in accordance with and achieves the key performance measures and indicators set in, **Appendix B** hereto.
  - 8.2.8.7. the key performance measures and indicators the Executive Authority requires, as set out in this Shareholder's Compact and **Appendix B**, are achieved and can be measured in terms of **Appendix B**.
  - 8.2.8.8. the Entity maintains adequate accounting records and the Entity prepares financial statements for each Financial Year, which fairly presents the affairs of the Entity.
  - 8.2.8.9. the Entity consistently applies suitable accounting policies, supported by reasonable and prudent judgments and estimates, in the preparation of the financial statements.
  - 8.2.8.10. the Entity maximises the benefits from the resources allocated to it and undertake rigorous auditing processes and proactive financial management.
  - 8.2.8.11. the Entity pursues efficiency through developing enhanced administrative, evaluation, information and technical processes.
  - 8.2.8.12. the Entity holds that number of annual general meetings and in the manner prescribed in the Companies Act.
  - 8.2.8.13. it develops a clear definition of the levels of materiality or sensitivity in order to determine the scope of delegation of authority and ensures that it reserves specific powers and authority to itself.
  - 8.2.8.14. all delegations of authority are reduced to writing and kept under review; and

8.2.8.15 the Entity –

- 8.2.8.15.1. investigates, and where appropriate, research or employs methodologies that will be to the national benefit or could contribute to alleviating the financial burden of those to whom the Entity provides services.
- 8.2.8.15.2. diligently adheres to the corporate objectives statement, Corporate Plan, reporting requirements and borrowing programme for the relevant Financial Year.
- 8.2.8.15.3. diligently carries out all necessary actions of the Entity in accordance with PFMA, the Companies Act, the Regulations and this Shareholder's Compact.
- 8.2.8.15.4. only engages in transactions within its ordinary course of business; and
- 8.2.8.15.5. only disposes of assets in accordance with the PFMA and the Act, within the normal course of business.
- 8.2.8.16. it gives strategic direction to and controls the Entity.
- 8.2.8.17. it monitors the Entity's management closely by implementing the Accounting Authority's plans and strategies.
- 8.2.8.18. it complies with Statutes, government policies and codes of business practice.
- 8.2.8.19. it develops and implements an effective succession plan for Executive Directors and adhere thereto.
- 8.2.8.20. it develops and implements effective internal control procedures in accordance with the PFMA, the Regulations, the King IV Report™ and best practice governance.
- 8.2.8.21. it communicates with the Executive Authority and relevant stakeholders openly and promptly.
- 8.2.8.22. it formulates, monitors and reviews corporate strategy, major plans of action, risk policy, annual budgets and business plans of the Entity.
- 8.2.8.23. it maintains adequate accounting records on an annual or such more frequent basis as the Accounting Authority may determine.
- 8.2.8.24. at least annually, appraises the performance of the Directors, and Chairperson.
- 8.2.8.25. it reviews and evaluates its required mix of skills and experience and other qualities in order to assess the effectiveness of the entire Accounting Authority, its committees and the contribution of each individual Director during his/her entire term of office.
- 8.2.8.26. it establishes an appropriate mechanism for reporting the results of the Accounting Authority assessment to the Executive Authority.
- 8.2.8.27. it monitors and manages potential conflicts of interest of the Directors and management promptly and keeps a register of the conflicts of interests of all its employees.

- 8.2.8.28. it always maintains the highest standard of integrity, responsibility and accountability and ensure that it finds a fair balance between conforming to corporate governance principles and the performance of the Entity.
- 8.2.8.29. it closely monitors the process of disclosure and communication and exercises objective judgment on the affairs of the Entity and its independent of management.
- 8.2.8.30. it deals expeditiously with the directions given by the Executive Authority and promote and support the policies of Government; and
- 8.2.8.31. it supports the Executive Authority and the Department with the development and implementation of the national strategic objectives such as NDP 2030
- 8.2.9. The Accounting Authority warrants that it is fully conversant with all relevant statutory and fiduciary requirements having a direct or indirect bearing on –
  - 8.2.9.1. the Shareholder's Compact; and
  - 8.2.9.2. the Accounting Authority's fiduciary duties.
- 8.2.10. Should the Accounting Authority become aware of any circumstances or problems, which has prevented it, is preventing it or will prevent it from performing its duties or functions that will have a significant effect on such duties and functions, it shall, as soon as is reasonably possible after becoming aware thereof, advise the Executive Authority in writing of such circumstances or problems.
- 8.2.11. The Accounting Authority undertakes not to delegate responsibility under the PFMA requirements stated below –
  - 8.2.11.1. development of the annual corporate Plan, annual budget and Shareholder's Compact for the Entity and submission in terms of Section 52 of the PFMA.
  - 8.2.11.2. carrying out the quarterly reporting.
  - 8.2.11.3. preparation of the annual report and financial statements.
  - 8.2.11.4. submissions in terms of Section 54 (2) of the PFMA;
  - 8.2.11.5. development of the Materiality Framework; and
  - 8.2.11.6. applications for variation or renegotiation of the Shareholder's Compact.
- 8.3. Services by the Entity to the Executive Authority and Department
  - 8.3.1. The Entity will provide those services as are required in terms of its legislative mandate, the Act and the Executive Authority's objectives.
  - 8.3.2. The Entity will make itself aware of any changes to its service obligations but subject to, the provisions of clause 7.1 above, take all necessary steps to efficiently begin providing such services.

- 8.3.3. The Entity will provide technical support as required by the Department when the latter is negotiating and concluding international agreements with other states.
- 8.3.4. The Entity will remain abreast with international and national affairs in the Aviation industry and make recommendations to the Executive Authority and the Department with regard to matters connected with Aviation policy.
- 8.3.5. The Entity shall, upon request of the Executive Authority –
  - 8.3.5.1. assist the Executive Authority, or any other person whom the Executive Authority may designate, in any investigation, prosecution or any other steps resulting from occurrence of any industry matter; or
  - 8.3.5.2. furnish the Executive Authority, or such other person, with information, documents, written declarations or any other evidence which it has in its possession, and which is related to such incident.
- 8.3.6. The Entity undertakes to co-operate and liaise with relevant law enforcement agencies regarding information in their possession that may be required by a court of law.
- 8.3.7. The Accounting Authority will keep the Executive Authority informed on matters of concern between the Entity and other state departments and authorities within the Republic of South Africa.
- 8.3.8. The Accounting Authority shall notify the Executive Authority of any agreements, which the Entity may enter into with other state department.
- 8.3.9. The Entity will provide the information necessary to execute departmental functions & responsibilities as and when requested.
- 8.3.10. The Entity will provide Board resolutions under signature of the Company Secretary or Chairperson to accompany documentation and submissions where approval by the Minister is necessary.

#### 8.4. National Strategic Objectives

- 8.4.1. The Accounting Authority shall support and undertake to assist the Executive Authority and the Department with the development and implementation of National Strategic Objectives.
- 8.4.2. The Executive Authority shall formally document and communicate to the Accounting Authority any national strategic objectives to ensure that the strategic objectives of the Entity coincide with the national policy.
- 8.4.3. The Accounting Authority shall ensure that the Entity shall implement such policies, to promote and support certain specified key objectives of Government and shall report through its Chairperson to the Executive Authority.
- 8.4.4. The Accounting Authority shall implement at least the following policies –



- 8.4.4.1. those which the Executive Authority requires.
- 8.4.4.2. those which are legislated.
- 8.4.4.3. employment equity policy.
- 8.4.4.4. procurement policy, which takes into account Broad-Based Black Economic Empowerment (B-BBEE) and a fair and objective procurement process in terms of the B-BBEE guidelines set by the Department of Trade and Industry.
- 8.4.4.5. position the Entity to deal with the global and economic challenges facing the aviation industry by delivering a predictable safe, efficient, and reliable service to all the Entity users.
- 8.4.4.6. publish, and revise as or when required, review, a code of ethics and accountability of the Accounting Authority and the Entity; and
- 8.4.4.7. to align the Entity's overall operations with the global aviation matters and trends as well as aligning the operations cluster with the Entity's strategies and all relevant stakeholders like the Department and those who use its services.

## **9. Corporate Governance**

- 9.1. Subject to the provisions of the Mol, the Entity will comply with the PFMA and the Regulations and shall comply, as far as is reasonably possible, with the King IV™. The Accounting Authority must establish Committees to improve its effectiveness. Committees shall be formed as required by the business, provided that no less Committees shall be formed than the minimum set out by the PFMA and the Regulations.
- 9.2. The Parties shall, where applicable, implement good governance practice guidelines as recommended in the King IV™ and the Protocol on Governance in the Public Sector, 2002.

## **10. Treatment of Developmental Objectives**

The Parties agree that the Entity's corporate objectives shall include developmental and socio-economic objectives and that the achievement of all such objectives shall be measured through quarterly and annual reports in the encompassing reports on:

- 10.1. Key performance measures and indicators.
- 10.2. PFMA reports; and
- 10.3. Governance reports (Audit and Risk report).



## 11. Duration and process of concluding Shareholder's Compact

- 11.1. The content of the Shareholder's Compact shall remain the same but will be reviewed annually by the Parties, in accordance with Regulation 29.2 of the Regulations.
- 11.2. The following minimum supporting documentation relating to this Shareholder's Compact is to be maintained by the Accounting Authority and access thereto is to be provided to the Executive and/or the Department on any reasonable request therefore –
  - 11.2.1. Corporate Plan covering a three-year period.
  - 11.2.2. fraud prevention plan.
  - 11.2.3. any approved amendments to the documents stated in 11.2.1 above.
  - 11.2.4. code ethics.
  - 11.2.5. corporate governance schedules.
  - 11.2.6. management's register of conflicts of interest.
  - 11.2.7. risk management plan; and
  - 11.2.8. the signed statement of responsibility and delegations.

## 12. Quarterly Evaluation

If the Executive Authority establishes that, after any quarterly assessment of the measures and indicators, the Entity fails–

- 12.1. to meet any one or more of the agreed measures and indicators:
- 12.2. to meet the projected income or net cash; or
- 12.3. to adhere to the corporate objectives statement; or
- 12.4. to comply with the PFMA; or
- 12.5. to comply with any Legislation, or Mol; or
- 12.6. Comply with quarterly performance indicators and measures indicated in **Appendix B**; or
- 12.7. Comply with Governance matters.

then the Executive Authority may, execute his executive authority in a manner that is consistent with his mandate.

### **13. Budgeting and Financing Cycle**

- 13.1. The Parties recognise that the Executive Authority before the commencement of the new Financial Year must approve the Entity's annual budget and Corporate Plan.
- 13.2. The Entity shall deal with any allocations or transfer from the national government, as listed in the schedules to the Division of Revenue Act for the applicable Financial Year, in accordance with the provisions of the PFMA and the Regulations.
- 13.3. Payments to the Entity shall take account of –
  - 13.3.1. actual outputs to be delivered.
  - 13.3.2. capital expenditure incurred in terms of the business plan for the year.
  - 13.3.3. the agreed minimum funds that will be at the Entity's disposal; and
  - 13.3.4. other relevant factors mentioned in the Act, the PFMA and the Regulations.
- 13.4. The Executive Authority undertakes to pay all amounts due to the Entity provided that the Department has received the legislated PFMA clearance certificate relating to such amounts.
- 13.5. Parties agree that the annual budget of the Entity shall include a projection of revenue and expenditure for that year.
- 13.6. The Accounting Authority shall before incurring any additional funding not provided for in the annual budget or Corporate Plan request approval in writing from the Executive Authority for onwards transmission and approval by the National Treasury.
- 13.7. An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction is authorised by the Accounting Authority.

#### **14. Communication between Executive Authority and Accounting Authority**

- 14.1. The Executive Authority may interact with the Accounting Authority and/or the Chairperson as the Executive Authority sees fit.
- 14.2. Communication between the Executive Authority and the Chairperson, with respect to the national agenda and the matters relating to the Executive Authority's role in respect of the Entity, is anticipated to be enhanced through interactions in the Executive Authority/Chairperson forum and the Department's Strategic Planning sessions.

#### **15. General obligations and undertakings by the Parties to one another**

##### **15.1. Liaison with the Media**

- 15.1.1 The Parties agree to advise each other in advance of any intention to liaise with the media, particularly if the subject matter to be addressed may have an adverse effect on the powers, rights and privileges of the other Party.
- 15.1.2. However, the above does not in any way deprive a Party of its right to freely communicate with the public on matters that relate to its core-function.
- 15.1.3. The Parties shall maintain an open and transparent relationship and appraise each other of decisions or planned decisions timeously, to avoid the occurrence of embarrassment and surprise, this applies especially to dealings with the media and other third parties.

##### **15.2. Interaction with Foreign States and International Organisations**

Before any agreements representing South Africa's, interests are negotiated or entered into, Permission from the Executive Authority must be sought, clearly outlining the Entity's intentions and the implications for the Executive Authority and South Africa.

##### **15.3. Access to Information**

With reference to section 8.3.9, and in addition to information referred to in the Act and this Shareholder's Compact relating to the annexures hereto, the Accounting Authority undertakes to, on reasonable request –

- 15.3.1. furnish the Executive Authority and/or the Department, with any such information as may be required from time to time.
- 15.3.2. provide the Executive Authority and/or the Department with copies of agendas, reports and confirmed minutes of every Accounting Authority meeting as and when required by the Executive Authority; and
- 15.3.3. provide the Executive Authority and/or the Department with an updated report or information on the Entity's activities and financial position.

## **16. General**

### **16.1. No Variation**

16.1.1. Except for as provided for previously in this Shareholder's Compact relating to the annexures hereto, no variation or consensual cancellation of this Shareholder's Compact, and no addition to this Shareholder's Compact, including this clause, shall be of any force or effect unless reduced to writing and signed by the Parties.

16.1.2. The Parties shall follow a process to be determined by the Department to affect any variations to this Shareholder's Compact.

### **16.2. Conflict Resolution**

16.2.1. In the event of either Party fails to comply with any provision of this Shareholder's Compact, or if any dispute arises between the Parties as to the interpretation, application or performance of any provision of this Shareholder's Compact (including, but not limited to, whether or not the Entity has met its measures and indicators, proposed or new regulations and/or a decision by the Executive Authority affecting the agreed measures and indicators), the matter shall first be referred to the Representatives of the Parties who will use their best endeavours to resolve the dispute within 14 (fourteen) days of the dispute having been referred to them.

16.2.2. Should the Parties' Representatives fail to resolve the dispute within 14 (fourteen) days, the Parties' Representatives shall refer the dispute to the Executive Authority and the Chairperson, who shall use their best endeavours to resolve the dispute.

16.2.3. Should the Executive Authority and the Chairperson fail to reach an agreement regarding the resolution of the dispute, the Executive Authority may refer the matter to an independent third party appointed by the Executive Authority or his delegate (where allowed).

16.2.4. The matter shall be resolved by the decision of the Executive Authority, or where applicable, the person appointed in terms of clause 16.2.3 above.

16.2.5. The matter shall be resolved at the Executive Authority's discretion and any decision by the Executive Authority or such person shall be final and binding on the Parties.

### **16.3. Whole Agreement**

16.3.1. This Shareholder's Compact, together with the annexures hereto (and any amendments or later annexures as approved by the Entity's relevant Executive Authority) constitutes the whole of the agreement between the Parties. No instructions, agreements, representations or warranties between the Parties other than those set out herein, are binding on the Parties.

16.3.2. All undertakings and annexures to this Shareholder's Compact are declared active when this document is signed.

16.4. Domicilia and Notices

16.4.1. The Parties choose as their domicilia citandi et executandi their respective addresses set out in this clause for all purposes arising out of or in connection with this Shareholder's Compact at which addresses all processes and notices arising out of or in connection with this Shareholder's Compact, may validly be served upon or delivered to the Parties.

16.4.2. For purposes of this Shareholder's Compact the Parties' respective addresses shall be

16.4.2.1. Executive Authority:

**Department of Transport**

**Corner Struben & Bosman**

**Pretoria**

**0001**

Fax Number: 012 309 3779

Marked for the attention of: Ms. Metja Maloba

16.4.2.2. The Entity:

**Air Traffic and Navigation Service Company**

**Eastgate Office Park**

**Block C, South Boulevard Road,**

**Bruma**

**2198**

**Marked for the attention of: Ms Nthabiseng Mongali  
Acting Company Secretary**

or at such other address in the Republic of South Africa of which the Party concerned may notify the other in Writing provided that no street address mentioned in this sub clause shall be changed to a post office box or poste restante.

- 16.4.3. Any notice given in terms of this Shareholder's Compact shall be in writing and shall -
- 16.4.3.1. if delivered by hand, be deemed to have been duly received by the addressee on the date of delivery; and
- 16.4.3.2. if transmitted by facsimile, be deemed to have been received by the addressee on the 1st (first) business day following the date of dispatch, unless the contrary is proved.
- 16.4.4. Notwithstanding anything to the contrary contained or implied in this Shareholder's Compact, a written notice or communication received by one of the Parties from another, including by way of facsimile transmission, shall be adequate written notice or communication to such Party.

THUS DONE AND SIGNED at BRUMA on this 27 day of  
February 2023.

**CHAIRMAN OF THE BOARD**

  
\_\_\_\_\_

27 February 2023

**AS WITNESSES:**

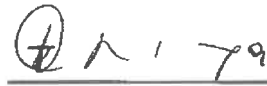
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THUS DONE AND SIGNED at PRETORIA on this 29 day of  
MARCH 2023.

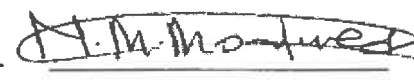
**MINISTER OF TRANSPORT**

\_\_\_\_\_

  
\_\_\_\_\_

**AS WITNESSES:**

1  \_\_\_\_\_

2.  \_\_\_\_\_

## Appendix B: Key Performance Indicators

Our Shareholder, the Department of Transport (DoT), derives its departmental outcomes from national government and these articulate the DoT's contribution towards supporting national priorities. On 23 July 2014, the Cabinet adopted the 2014 – 2019 Medium-Term Strategic Framework (MTSF) to be used as the comprehensive five-year implementation plan for the National Development Plan (NDP) 2030 Vision. The MTSF is structured around 14 priority outcomes which cover key focus areas identified in the NDP. The 14 outcomes identified are depicted in Table 21.

Table 21: Medium Term Strategic Framework 14 Priority Outcomes

Outcome	Outcome Description	NDP Reference
Outcome 1	1. Quality basic education	(NDP Chapter 9)
Outcome 2	2. A long and healthy life for all	(NDP Chapter 10)
Outcome 3	3. All people in South Africa are and feel safe	(NDP Chapters 12 & 14)
Outcome 4	4. Decent employment through inclusive economic growth	(NDP Chapter 3)
Outcome 5	5. Skilled and capable workforce to support an inclusive growth path	(NDP Chapter 9)
Outcome 6	6. An efficient, competitive and responsive economic infrastructure network	(NDP Chapter 4)
Outcome 7	7. Vibrant, equitable, sustainable rural communities contributing to food security for all	(NDP Chapter 6)
Outcome 8	8. Sustainable human settlements and improved quality of household life	(NDP Chapter 8)
Outcome 9	9. Responsive, accountable, effective and efficient local government system	(NDP Chapter 13)
Outcome 10	10. Protect and enhance our environmental assets and natural resources	(NDP Chapter 5)
Outcome 11	11. Create a better South Africa, a better Africa and a better world	(NDP Chapter 7)
Outcome 12	12. An efficient, effective and development oriented public service	(NDP Chapter 13)
Outcome 13	13. Social protection	(NDP Chapter 11)
Outcome 14	14. Nation building and social cohesion	(NDP Chapter 15)

Subsequent to the elections held on 08 May 2019 that ushered the sixth Administration into Government, the following seven Apex Priorities have been identified by Cabinet and form part



of Government's Medium-Term Strategy Framework (MTSF). The seven Apex priorities identified below align to the 14 priority outcomes and continue to underpin the MTSF that guides the implementation of the National Development Plan (NDP) 2030 Vision.

*Table 22: The Seven Priorities derived from the Electoral Mandate SONA 2020*

Priority	Priority Description	NDP Reference
Priority 1	Economic Transformation and Job Creation	(NDP Chapter 3)
Priority 2	Education, Skills and Health	(NDP Chapter 3)
Priority 3	Consolidating the Social Wage through Reliable and Quality Basic Services	(NDP Chapter 6, 13 & 8)
Priority 4	Spatial Integration, Human Settlements and Local Government	(NDP Chapter 6)
Priority 5	Social Cohesion and Safe Communities	(NDP Chapters 12 & 14)
Priority 6	A Capable, Ethical and Developmental State	(NDP Chapter 13)
Priority 7	A better Africa and World	(NDP Chapter 7)

In ensuring that the Department accelerates its delivery of services in response to the above apex priorities of government, National Development Plan (NDP) and the Medium-Term Strategic Framework (MTSF), the Minister of Transport identified strategic priorities depicted in Table 23 that would guide the DoT.

*Table 23: DoT Strategic Priorities and ATNS's Response*


Priority	DoT Strategic Priorities	DoT Priority Applicable to ATNS
Priority 1	Safety as an enabler of service delivery	Applicable
Priority 2	Public transport that enables social emancipation and an economy that works	Applicable
Priority 3	Infrastructure build that stimulates economic growth and job creation	Applicable
Priority 4	Building a maritime nation, elevating the oceans economy	
Priority 5	Accelerating transformation towards greater economic participation	Applicable
Priority 6	Job Creation	Applicable
Priority 7	Innovation	Applicable
Priority 8	Rural Access and Mobility	
Priority 9	Environmental Protection	Applicable


In response to the Minister of Transport, ATNS adopted applicable DoT strategic priorities in Table 24 that would guide the organisation in the next three years.



*Table 24: Economic Reconstruction and Recovery Plan Priority Interventions and ATNS's Response*


Priority	Economic Reconstruction and Recovery Plan Priority Interventions	DoT Priority Applicable to ATNS
Priority 1	Infrastructure investment and delivery	Applicable
Priority 2	Industrialisation through localisation	Applicable
Priority 3	Energy security	
Priority 4	Gender equality and economic inclusion of women and youth	Applicable
Priority 5	Support for the recovery and growth of the tourism, cultural and creative industries	Applicable
Priority 6	Green economy interventions	Applicable
Priority 7	Mass public employment interventions	Applicable
Priority 8	Strengthening agriculture and food security	
Priority 9	Macro-economic policy interventions	Applicable



### Three-Year Key Performance Indicators Projections

Financial Capital				
<b>National Development Plan NDP 2030:</b> Chapter 4 - Economic Infrastructure				
<b>Medium Term Strategic Framework (MTSF):</b> Outcome 4 Decent employment through inclusive economic growth Outcome 6 An efficient, competitive and responsive economic infrastructure network				
<b>The Seven priorities</b> Priority 1: Economic Transformation and Job Creation				
<b>DoT Strategic Priorities</b> Infrastructure build that stimulates economic growth and job creation				
<b>South African Economic Reconstruction and Recovery Plan</b> Priority 1: Infrastructure investment and delivery Priority 9: Macro-economic policy interventions				
Objective	KPI	Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)
<b>1. Maintain sustainability</b> 	1. Current Ratio	2.0	2.0	2.0
	2. Total Operating Expenditure	≤R1.409 billion	≤R1.487 billion	≤R1.617 billion
	3. Capex Capitalisation	156m	491m	467m
	4. Audit Outcome	Clean Audit	Clean Audit	Clean Audit


Manufactured Capital				
<b>National Development Plan NDP 2030:</b> Chapter 12: Building Safer Communities				
<b>Medium Term Strategic Framework (MTSF):</b> Outcome 3 All people in South Africa are and feel safe				
<b>The Seven priorities</b> Priority 5: Social Cohesion and Safe Communities				
<b>DoT Strategic Priorities</b> Priority 3: Infrastructure build that stimulates economic growth and job creation				
<b>South African Economic Reconstruction and Recovery Plan</b> Priority 5: Support for the recovery and growth of the tourism, cultural and creative industries				
Objective	KPI	Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)
<b>2. Ensure safety and efficiency of operations</b> 	5. SMS Maturity	SMS Maturity Level C plus 45% level D	SMS Maturity Level C plus 50% level D	SMS Maturity Level C plus 55% level D
	6. Accident rate	Zero ATS related Accidents/100 000 Flight Hours	Zero ATS related Accidents/100 000 Flight Hours	Zero ATS related Accidents/100 000 Flight Hours
	7. Serious incident rate	≤4 serious (Cat A & B) safety incidents/100 000 Flight Hours	≤4 Serious (A+B) Incidents/100 000 Flight Hours	≤4 Serious (A+B) Incidents/100 000 Flight Hours
	8. On time Performance	98%	98.25%	98.50%

Intellectual Capital				
<b>National Development Plan NDP 2030:</b> Chapter 9: Improving Education, Training and Innovation				
<b>Medium Term Strategic Framework (MTSF):</b> Outcome 5: A skilled and capable workforce to support an inclusive growth path				
<b>The Seven priorities</b> Priority 2: Education, Skills and Health				
<b>DoT Strategic Priorities</b> Priority 7: Innovation				
<b>South African Economic Reconstruction and Recovery Plan</b> Priority 1: Infrastructure investment and delivery Priority 2: Industrialisation through localisation				
Objective	KPI	Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)
<b>3. Be the leading training academy on the continent</b> 	9. Diversification of training product line and offering	One new product line developed and ready to offer to customers.	Two new product line developed and ready to offer to customers.	Two new product line developed and ready to offer to customers.
<b>4. Create an adaptive and innovative enterprise</b> 	10. Digital transformation	Implementation of the Digital Transformation annual plan (≥80%) - <b>Infrastructure Modernisation</b>	Implementation of the Digital Transformation annual plan (≥80%) - <b>Application Modernisation</b>	Implementation of the Digital Transformation annual plan (≥80%) - <b>Data Modernisation</b>
	11. % Completion of R&D projects to enhance safety, efficiency & environment	80% completion of R&D projects as per approved plan	80% completion of R&D projects as per approved plan	80% completion of R&D projects as per approved plan

Human Capital				
<b>National Development Plan 2030</b>				
Chapter 9: Improving Education, Training and Education				
<b>Medium Term Strategic Framework (MTSF):</b>				
Outcome 4 Decent employment through inclusive economic growth				
<b>The Seven priorities</b>				
Priority 1: Economic Transformation and Job Creation				
<b>DoT Strategic Priorities</b>				
Priority 6: Job Creation				
<b>South African Economic Reconstruction and Recovery Plan</b>				
Priority 4: Gender equality and economic inclusion of women and youth				
Priority 7: Mass public employment interventions				
Objective	KPI	Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)
<b>5. Develop future-fit workforce</b> 	12. Organisation Design Implementation	Implement 50-60% of the targets set out in the OD Migration and Transition Plan	Implement 60-100% of the targets set out in the OD Migration and Transition Plan	N/A
	13. Culture and Values embedding	Implement 60-80% of the action plans to enable the desired culture and the embedding of the ATNS value	Implement 80-100% of the action plans to enable the desired culture and the embedding of the ATNS value	N/A

Social Capital				
<b>National Development Plan, NDP 2030:</b>				
Chapter 14: Building a capable and Developmental State				
<b>Medium Term Strategic Framework (MTSF):</b>				
Outcome 5: A skilled and capable workforce to support an inclusive growth path				
<b>The Seven priorities</b>				
Priority 1: Economic Transformation and Job Creation				
Priority 6: A Capable, Ethical and Developmental State				
<b>DoT Strategic Priorities</b>				
Priority 5: Accelerating transformation towards greater economic participation.				
<b>South African Economic Reconstruction and Recovery Plan</b>				
Priority 4: Gender equality and economic inclusion of women and youth				
Priority 7: Mass public employment interventions				
Objective	KPI	Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)
<b>6. Improved stakeholder centric management</b> 	14. Customer satisfaction index	7.25 – 8.25	7.5 – 8.25	8.25 and above
<b>7. Increased business transformation</b> 	15. B-BBEE and SMME development	Level 2 and 2 SMMEs developed in line with the approved programme	Level 2 and 3 SMMEs developed in line with the approved programme	Level 2 and 4 SMMEs developed in line with the approved programme






Natural Capital				
National Development Plan, NDP 2030: Chapter 5: Environmental Sustainability and Resilience				
Medium Term Strategic Framework (MTSF) Outcome 10 Protecting and enhancing our environmental assets and natural resources.				
The Seven priorities Priority 7: A better Africa and World				
DoT Strategic Priorities Priority 9: Environmental Protection				
South African Economic Reconstruction and Recovery Plan Priority 6: Green economy interventions				
Objective	KPI	Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)
<b>8. Improved Environmental stewardship</b> 	16. Environmental Management System (EMS) and CANSO accreditation	EMS implementation and Certificate maintenance - Surveillance audits	CANSO Green ATM accreditation Level 1	CANSO Green ATM accreditation Level 2






## 2023/24 Quarterly Key Performance Indicators

Financial Capital		KPI	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023/24 FY Annual Indicator
<b>1. Maintain financial sustainability</b> 	1.	Current Ratio	2.0	2.0	2.0	2.0	2.0
	2.	Total Operating Expenditure	R352m	R705m	R1,056b	R1,409b	≤R1.409 billion
	3.	Capex Capitalisation	R 0m	R39m	R97 m	R156 m	156m
	4.	Audit Outcome	Annual Target	Annual Target	Annual Target	Annual Target	Clean audit outcome

Manufactured Capital						
Objective	KPI	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023/24 FY Annual Indicator
<b>2. Ensure safety and efficiency of operations</b> 	5. SMS Maturity	Annual Target	Annual Target	Annual Target	Annual Target	SMS Maturity Level C plus 45% level D
	6. Accident rate	Zero ATS related Accidents/100 000 Flight Hours	Zero ATS related Accidents/100 000 Flight Hours	Zero ATS related Accidents/100 000 Flight Hours	Zero ATS related Accidents/100 000 Flight Hours	Zero ATS related Accidents/100 000 Flight Hours
	7. Serious incident rate	≤4 serious (Cat A & B) safety incidents/100 000 Flight Hours	≤4 serious (Cat A & B) safety incidents/100 000 Flight Hours	≤4 serious (Cat A & B) safety incidents/100 000 Flight Hours	≤4 serious (Cat A & B) safety incidents/100 000 Flight Hours	≤4 serious (Cat A & B) safety incidents/100 000 Flight Hours
	8. On time Performance	98%	98%	98%	98%	98%

Intellectual Capital						
Objective	KPI	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023/24 FY Annual Indicator
3. Be the leading training academy on the continent 	9. Diversification of training product line and offering	<50% Design of Programme framework, curriculum and related training tools.	50 % - 74% Design of Programme framework, curriculum and related training tools.	75% - 99% development of programmes contents	100% completion of product development and ready for market	One new product line developed and ready to offer to customers
	4. Create an adaptive and innovative enterprise 	10. Digital Transformation	< 25% completion- Infrastructure modernisation annual plan	25% to 50% completion of Infrastructure modernisation annual plan	50% to 75% completion of Infrastructure modernisation annual plan	76% to 100% completion of Infrastructure Modernisation annual plan
	11. % Completion of R&D projects to enhance safety, efficiency & environment	< 39% - R&D projects as approved plan	40% to 60% - R&D projects as approved plan	61% to 79% - R&D projects as approved plan	>80% - R&D projects as approved plan	80% completion of R&D projects as per approved plan

Human Capital						
Objective	KPI	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023/24 FY Annual Indicator
<b>5. Develop future-fit workforce</b> 	12. Organisational Design Implementation	Develop the "To Be" Organisation Structure.	Implement 0 – 20% of the targets set out in the OD Migration and Transition Plan	Implement 20 – 40% of the targets set out in the OD Migration and Transition Plan	Implement 50 – 60% of the targets set out in the OD Migration and Transition Plan	Implement 50-60% of the targets set out in the OD Migration and Transition Plan
	13. Culture and values embedding	Embed the values of Safety & Customer centricity and Accountability and action plans 0 – 20%	Embed the values of Agility, Diversity and Integrity and action plans 20-40%	Embed the values of Safety & Customer centricity and Accountability and action plans 40 -60%	Embed the values of Agility, Diversity and Integrity and action plans 60 – 80%	Implement 60-80% of the action plans

Social Capital					
Objective	KPI	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>6. Improved stakeholder centric management</b> 	14. Customer satisfaction index	<ul style="list-style-type: none"> <li>•Refine research methodology</li> <li>•Redefine sample methodology</li> </ul>	<ul style="list-style-type: none"> <li>•Data Collection Framework and questionnaire development.</li> <li>•Test the survey</li> </ul>	<ul style="list-style-type: none"> <li>•Distribution of the Survey</li> <li>•Submission of the Analysis report, inclusive of recommendation and tracking tools.</li> </ul>	<ul style="list-style-type: none"> <li>•Submission of the final report to Exco and Board.</li> </ul>
					7.25 – 8.25
<b>7. Increased business transformation</b> 	15. B-BBEE and SMME development	Level 5	Level 4	Level 3	Level 2 and 2 SMMEs developed in line with the approved programme

Natural Capital					
Objective	KPI	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>8. Improved environmental stewardship</b> 	16. Environmental Management System (EMS) implementation and certificate maintenance	90% closures of Nonconformity and observations	EMS Site Implementation (New sites): Mafikeng (FAMM) Pilanesberg (FAPN)	EMS Site Review: OR Tambo (FAOR) King Shaka (FALE) East London (FAEL) Cape Town (FACT) Bloemfontein (FABL)	EMS Surveillance audit (ATA and Head Office)
					EMS implementation and Certificate maintenance - Surveillance audits

## KPI Performance Measures

Objective	KPI	Performance Measure
<b>1. Maintain financial sustainability</b>		
<b>National Development Plan NDP 2030:</b> Chapter 4 - Economic Infrastructure		
<b>Medium Term Strategic Framework (MTSF):</b> Outcome 4 Decent employment through inclusive economic growth Outcome 6 An efficient, competitive and responsive economic infrastructure network		
<b>The Seven priorities</b> Priority 1: Economic Transformation and Job Creation		
<b>DoT Strategic Priorities</b> Infrastructure build that stimulates economic growth and job creation		
<b>South African Economic Reconstruction and Recovery Plan</b> Priority 1: Infrastructure investment and delivery Priority 9: Macro-economic policy interventions		
<b>Managing our profits, costs and balance sheet to enable a financially resilient ATNS</b>	1.1. Current ratio	Liquidity ratio comparing our current assets to current liabilities
	1.2. Total operating expenditure	Overall expenditure as per budget for the business
	1.3. Capex Capitalisation	Annual capital expenditure that has been capitalised
	1.4. Audit Outcome	Audit outcome on the financial statement based on the external auditor opinion
<b>2. Ensure safety and efficiency of operations</b>		
<b>National Development Plan NDP 2030:</b> Chapter 12: Building Safer Communities		
<b>Medium Term Strategic Framework (MTSF):</b> Outcome 3: All People in South Africa are and feel safe		
<b>The Seven priorities</b> Priority 5: Social Cohesion and Safe Communities		
<b>DoT Strategic Priorities</b> Priority 3: Infrastructure build that stimulates economic growth and job creation		

<b>South African Economic Reconstruction and Recovery Plan</b> Priority 5: Support for the recovery and growth of the tourism, cultural and creative industries			
<b>Ensuring a safe and efficient operational environment for the benefit of our customers</b>	2.1. SMS Maturity		The SMS Maturity measures the system-wide level of maturity in the management of safety within ATNS
	2.2. Accident rate		The total number of accidents
	2.3. Serious incident rate		The total number of serious (A+B) incidents per 100 000 flight hours
	2.4. On time Performance		The measurement of Instrument Flight Rule (IFR) departures that are on-time, calculated from the IFR departure delays arising under the control of ATM (Air Traffic Management)
<b>3. Be the leading training academy on the continent</b>			
<b>National Development Plan NDP 2030:</b> Chapter 9: Improving Education, Training and Innovation			
<b>Medium Term Strategic Framework (MTSF):</b> Outcome 5: A skilled and capable workforce to support an inclusive growth path			
<b>The Seven priorities</b> Priority 2: Education, Skills and Health			
<b>DoT Strategic Priorities</b> Priority 7: Innovation			
<b>South African Economic Reconstruction and Recovery Plan</b> Priority 1: Infrastructure investment and delivery Priority 2: Industrialisation through localisation			
<b>Elevating the status and quality of our training programs offered throughout Africa</b>	3.1. Diversification of training product line and offering		The number of new programs offered by ATA
<b>4. Create an adaptive and innovative enterprise</b>			
<b>National Development Plan NDP 2030:</b> Chapter 9: Improving Education, Training and Innovation			
<b>DoT Strategic Priorities</b> Priority 7: Innovation			
<b>South African Economic Reconstruction and Recovery Plan</b> Priority 1: Infrastructure investment and delivery Priority 2: Industrialisation through localisation			



Creating an organisation that innovates and adapts to the environment	4.1. % Completion of R&D projects to enhance safety, efficiency & environment	Completion of projects as per the approved R&D plan
	4.2. Digital Transformation	Migrate from and decommission legacy infrastructure and applications to modern architectures that enable a digital enterprise.
<b>5. Develop future-fit workforce</b>		
<b>National Development Plan NDP 2030:</b>		
Chapter 9: Improvement Education, Training and Training		
<b>Medium Term Strategic Framework (MTSF):</b>		
Outcome 4 Decent employment through inclusive economic growth		
<b>The Seven priorities</b>		
Priority 1: Economic Transformation and Job Creation		
<b>DoT Strategic Priorities</b>		
Priority 6: Job Creation		
<b>South African Economic Reconstruction and Recovery Plan</b>		
Priority 4: Gender equality and economic inclusion of women and youth		
Priority 7: Mass public employment interventions		
Developing the relevant skills in the business to produce an agile and resilient ATNS whilst embedding a desirable culture aligned to Strategy 2025	5.1. Implement the framework based on the implementation plan	Review the organisational structure to enable implementation of the 2025 strategy.
	5.2. Implement a culture review programme	Based on the assessment of as-is culture, workshop survey results with the ATNS leadership team. Workshop results with each functional department. Design and implement a team dynamics programme.
<b>National Development Plan, NDP 2030:</b>		
Chapter 3: Economy and Employment		
<b>Medium Term Strategic Framework (MTSF):</b>		
Outcome 5: A skilled and capable workforce to support an inclusive growth path		
<b>The Seven priorities</b>		
Priority 1: Economic Transformation and Job Creation		
Priority 6: A Capable, Ethical and Developmental State		
<b>DOT Strategic Priorities</b>		

Priority 5: Accelerating transformation towards greater economic participation.		
<b>South African Economic Reconstruction and Recovery Plan</b>		
Priority 4: Gender equality and economic inclusion of women and youth		
Priority 7: Mass public employment interventions		
<b>6. Improved stakeholder centric management</b>		
<b>National Development Plan, NDP 2030:</b>		
Chapter 14: Building a capable and Developmental State		
<b>Medium Term Strategic Framework (MTSF):</b>		
Outcome 5: A skilled and capable workforce to support an inclusive growth path		
<b>The Seven priorities</b>		
Priority 1: Economic Transformation and Job Creation		
Priority 6: A Capable, Ethical and Developmental State		
<b>DoT Strategic Priorities</b>		
Priority 5: Accelerating transformation towards greater economic participation.		
<b>South African Economic Reconstruction and Recovery Plan</b>		
Priority 4: Gender equality and economic inclusion of women and youth		
Priority 7: Mass public employment interventions		
<b>SONA 2021</b>		
Priority 1: Infrastructure roll-out throughout the country		
Priority 2: Increase in local production		
Priority 3: Employment stimulus to create jobs and support livelihoods		
Improving our customer experience and stakeholder collaboration with key industry players, such as airlines, other airspace users, and airports	6.1 Customer Index	Satisfaction
		The average survey score (out of 10) of satisfaction with ATNS as rated by customers
<b>7. Increased business transformation</b>		
<b>National Development Plan, NDP 2030:</b>		
Chapter 14: Building a capable and Developmental State		
<b>Medium Term Strategic Framework (MTSF):</b>		
Outcome 5: A skilled and capable workforce to support an inclusive growth path		
<b>The Seven priorities</b>		
Priority 1: Economic Transformation and Job Creation		
Priority 6: A Capable, Ethical and Developmental State		
<b>DoT Strategic Priorities</b>		

Priority 5: Accelerating transformation towards greater economic participation.			
<b>South African Economic Reconstruction and Recovery Plan</b>			
Priority 4: Gender equality and economic inclusion of women and youth			
Priority 7: Mass public employment interventions			
<b>SONA 2021</b>			
Priority 1: Infrastructure roll-out throughout the country			
Priority 2: Increase in local production			
Priority 3: Employment stimulus to create jobs and support livelihoods			
Ensuring that ATNS plays a role in the transformation of the aviation industry		7.1. B-BBEE Level and SMEs developed	Broad-Based Black Economic Empowerment level, as measured per the Act.
<b>8. Improved environmental stewardship</b>			
<b>National Development Plan, NDP 2030:</b>			
Chapter 5: Environmental Sustainability and Resilience			
<b>Medium Term Strategic Framework (MTSF)</b>			
Outcome 10 Protecting and enhancing our environmental assets and natural resources.			
<b>The Seven priorities</b>			
Priority 7: A better Africa and World			
<b>DOT Strategic Priorities</b>			
Priority 9: Environmental Protection			
<b>South African Economic Reconstruction and Recovery Plan</b>			
Priority 6: Green economy interventions			
Promote, monitor and adopt sustainable practices so as to reduce our impact on the environment for the benefit of future generations	8.1. Environmental Management System implementation and certificate maintenance		Implementation and maintenance of an Environmental Management System (EMS) as per ISO 14001:2015.
	8.2. CANSO Green ATM accreditation		Rating on environmental performance of the organisation based on the maturity as outlined by the CANSO green ATM accreditation programme

Table 31: KPI Performance Measures

## 2023/24: Governance Indicators - Annual and Quarterly Targets

Output Indicator	Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Leadership, Governance and Accountability</b>					
Percentage responses to Parliament questions within stipulated timelines	100% responses to Parliament questions	100% responses to Parliament questions within 2 working days of receipt from DoT	100% responses to Parliament questions within 2 working days of receipt from DoT	100% responses to Parliament questions within 2 working days of receipt from DoT	100% responses to Parliament questions within 2 working days of receipt from DoT
Percentage resolution of reported incidents of corruption	95% resolution of reported incidents of corruption	Quarterly Report on progress made to resolve reported incidents of corruption	Quarterly Report on progress made to resolve reported incidents of corruption	Quarterly Report on progress made to resolve reported incidents of corruption	Annual Report on steps taken to ensure resolution of reported incidents of corruption
Ethics committees established and operationalised	Operations of departmental ethics committees monitored	-	Bi-Annual Report on the status and operations of ethics committees in the Department.	-	Annual Report on the status and operations of ethics committees in the Department.
Percentage implementation of action plans to address audit findings	100% implementation of action plans to address audit findings	25% of 2022/23 Audit findings resolved	50% of 2022/23 Audit findings resolved	75% of 2022/23 Audit findings resolved	90% of 2022/23 Audit findings resolved
Regulatory Audit Outcome by the Auditor-General of South Africa (AGSA)	Unqualified Audit Report with no significant findings	-	-	-	Unqualified audit opinion
Percentage reduction of cases of wasteful and fruitless expenditure	0% of cases of wasteful and fruitless expenditure	0% case of wasteful and fruitless expenditure	0% cases of wasteful and fruitless expenditure	0% cases of wasteful and fruitless expenditure	0% cases of wasteful and fruitless expenditure

Output Indicator	Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Percentage reduction of cases of irregular expenditure	75% reduction of cases of irregular expenditure	25% reduction of cases of irregular expenditure	50% reduction of cases of irregular expenditure	65% reduction of cases of irregular expenditure	75% reduction of cases of irregular expenditure
Percentage compliance to 30-day payment requirement	85% compliance to 30-day payment requirement	85% compliance to 30-day payment requirement	85% compliance to 30-day payment requirement	85% compliance to 30-day payment requirement	85% compliance to 30-day payment requirement

## Abbreviations and Acronyms

Acronym	Full Name
%	Percent
AASA	Airlines Association of Southern Africa
A-CAD	African Centralised Aeronautical Database
ACI	Airports Council International
ACSA	Airports Company of South Africa
ADS-B	Automatic Dependent Surveillance-Broadcast
AFI	African Indian Ocean
AFS	Annual Financial Statements
AFTN	Aeronautical Fixed Telecommunications Network
AIC	African, Indian, or Coloured
AIM	Aeronautical Information Management
AIS	Aeronautical Information Service
ANS	Air Navigation Service
ANSP	Air Navigation Service Provider
AOP	Annual Operational Plan
ARSC	Research Steering Committee
ASBU	Aviation System Block Upgrades
ASECNA	L'Agence pour la Sécurité de la Navigation Aérienne en Afrique et à Madagascar
ATA	Aviation Training Academy
ATS-DS	Air Traffic Service Direct Speech
ATS	Air Traffic Services
ATSEP	Air Traffic Safety Electronics Personnel
ATC	Air Traffic Controller
ATCC	Air Traffic Centre
ATCO	Air Traffic Controllers Officer
ATM	Air Traffic Management/Movement
ATFM	Air Traffic Flow Management
B-BBEE	Broad-Based Black Economic Empowerment
BARSA	Board of Airline Representatives of South Africa
BSC	Balanced Scorecard
Billion	1 000 000 000
CANSO	Civil Air Navigation Services Organisation
capex	Capital Expenditure
CA(SA)	Chartered Accountant South Africa
CCO	Continuous Climb Operations
CDM	Collaborative Decision Making
CDF	Capex Delivery Framework
CDO	Continuous Descent Operations
CEO	Chief Executive Officer
CFO	Chief Financial Officer



CNS	Communication, Navigation and Surveillance
Covid-19	Coronavirus Disease
CSI	Corporate Social Investment
DBSA	Development Bank of South Africa
DME	Distance Measuring Equipment
DoT	Department of Transport
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EE	Employment Equity
EGDP	Engineering Graduate Development Programme
EMS	Environmental Management System
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ESG	Environment, Social, Governance
ETS	Engineering Technical Services
Exco	Executive Committee
FPP	Fraud Prevention Plan
FACT	Cape Town International Airport
FALE	King Shaka International Airport
FAOR	OR Tambo International Airport
FY	Financial Year
GANP	Global Air Navigation Plan
GASP	Global Aviation Safety Plan
GDP	Gross Domestic Product
GIT	Graduate In-Training Programme
HC	Human Capital
HCP	Human Capital Planning
HPM	Human Performance Management
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ICT	Information and Communication Technology
IFR	Instrument Flight Rules
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IP	Intellectual Property
IT	Information Technology
ISO	International Organization for Standardisation
KPA	Key Performance Area
KPI	Key Performance Indicator
King IV™	King IV Report on Corporate Governance™ in South Africa 2016
Ltd	Limited
MIL	Maturity Indicator Level
MTSF	Medium -Term Strategic Framework
NAFISAT	Northeastern African Indian Ocean VSAT Network

NDP 2030	National Development Plan 2030
NGAP	Next Generation of Aviation Professional
NIST	National Institute of Standards and Technology
No.	Number
OEM	Original Equipment Manufacturers
opex	Operational Expenditure
OT	Operational Technology
OTP	On-time Performance
PBN	Performance Based Navigation
PESTLE	Political, Economic, Social, Technological, Legal and Environmental
PFMA	Public Finance Management Act, Act, No. 1 of 1999
PwD	People with disability
QMS	Quality Management System
R&D	Research and Development
RAF	Risk Appetite Framework
RAM	Reliability Availability and Maintainability
RC	Regulating Committee
ROCE	Return on Capital Employed
RPAS	Remotely Piloted Aircraft Systems
RPK	Revenue passenger kilometre
RSA	Republic of South Africa
RSI	Risk Safety Index
SA	South Africa
SAA	South African Airways
SSATM	Smart Single African Air Transport Market
SACAA	South African Civil Aviation Authority
SADC	Southern African Development Community
SCM	Supply Chain Management
SLA	SLA Service Level Agreement
SMS	Safety Management System
SOC	State-Owned Company
SOE	State-Owned Entity
SWIM	System Wide Information Management
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UACC	Upper Airspace Control Centre
VSAT	Very Small Aperture Terminal
WASI	Whole Availability of System Interface
WGS-84	World Geodetic System 1984





# Budget Proposal 2023/24



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## 1 Introduction

Air Traffic and Navigation Services State Owned Company Limited was established in terms of the Air Traffic and Navigation Services Act (1993). Its core mandate is to provide safe, orderly and efficient air traffic, navigational and associated services to the air traffic management (ATM) community within South Africa.

According to the African Airlines Association (AFRAA), passenger traffic in Africa is expected to increase, but the recovery may be hindered by recent increases in jet fuel prices. The increase in jet fuel prices in Africa is concerning, and it has the potential to hinder the recovery in travel.

According to AFRAA, domestic markets continue to outnumber international markets in terms of capacity and actual passenger traffic. Domestic demand exceeded intra-African and intercontinental demand, which were both modest at 30.2% and 27.7% respectively (AFRAA, 2022).

Contrary to an earlier projection by the AFRAA, the International Airline Transportation Association (IATA)) has announced that its global passenger data from July 2022 demonstrates that the recovery in air travel continues to thrive. However, African airlines saw an 84.8% rise in July revenue passenger kilometres (RPKs) versus a year ago. (BIZCommunity, 2022).

According to IATA, problems with cash flow would be the main cause of the losses (Benson, 2022).

Comair, a key customer for ATNS, went into liquidation in June 2022. To fill the void left by the demise of domestic competitor Comair, FlySafair plans to introduce at least eleven additional routes throughout sub-Saharan Africa. The Regulators have given FlySafair the green light to expand their business and spread their wings across the continent. As a result, the company will add routes such as Botswana, Angola, Mozambique, Zimbabwe, Zambia, and others to its schedule. (Fifi Peters, 2022).

It is not expected that the revenue levels will restore to levels achieved in the first two months of the 2023 financial period as the remaining airlines have not implemented their plans to fill the void left by Comair. However, in the coming months, LIFT (Global Airways) plans to put more planes into service, but it will not resort to the practice of merely aggressively taking the routes abandoned by out-of-business rivals, (BusinessTech, 2022).

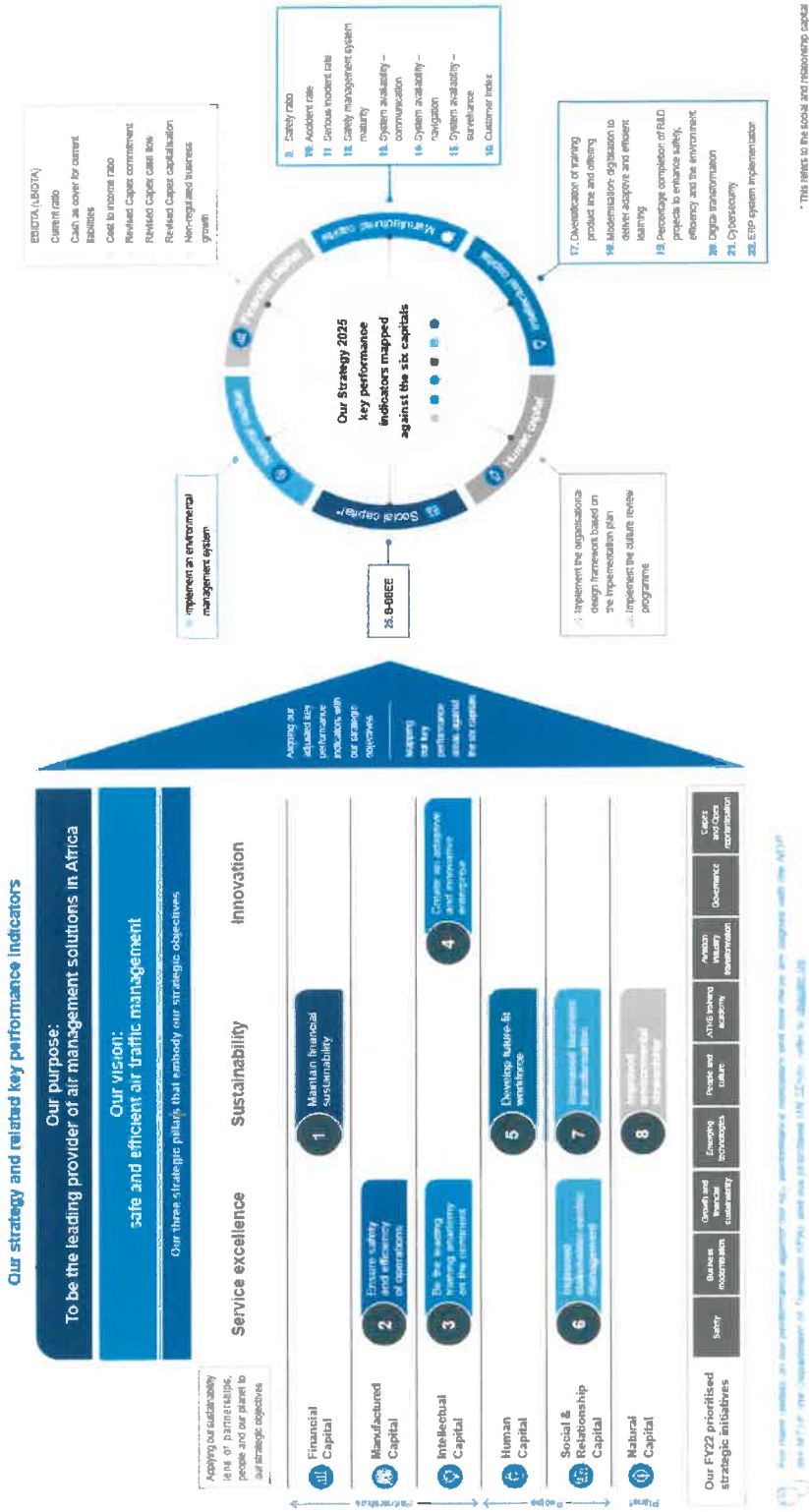
ATNS Strategy 2025 was put in place to ensure that ATNS achieve its organisational vision, purpose, and mandate. During a time of ongoing volatility post-COVID-19, ATNS have reset its strategy execution parameters as part of the efforts to rebuild the organisation.

ATNS's five-yearly strategy formulation process is based on ATNS's vision, mission and values and its development is cognisant of current and future strategic drivers within the external

environment. Importantly, and to enable ATNS to effectively harness good integrated thinking, the strategy and key performance indicators are aligned with various South African Government and Department of Transport planning initiatives, priorities, and outcomes. During the pandemic, as for many organizations worldwide, ATNS experienced a dramatically altered external environment, which necessitated a recalibration of our strategy.

Last reporting year, ATNS undertook a strategy and scenario-planning process to identify focus areas within the Strategy 2025 that remained relevant and compatible in the context of the challenging operating environment for aviation. This process enabled ATNS to remain true to its strategic pillars of service excellence, sustainability and innovation but with strategic reprioritisation of its initiatives and key performance indicators to better align with the strategy execution reset as part of rebuilding endeavors of a recovery phase, a sustain phase and a reposition phase.

The infographic below shows how interrelated our strategy and KPIs are to the six capitals.



The budget as presented seeks to bring the strategy to life. Provision is made for both internal as well as external resources where applicable to implement the strategy as approved.

## **2 Approach**

The performance for the year under review highlighted that ATNS is in a period of rebuilding the organisation. While our performance has improved since the 2020 financial year, it has some way to go to get back to pre-pandemic levels. Despite this continued challenging operating environment, the focus has remained on managing factors within our control, preserving value and minimizing value erosion. This has included a sustained focus on ensuring safe and efficient operations, developing a future-fit organisation, utilizing technologies to our advantage, maintaining tight cost discipline and driving a more holistic aviation industry sustainability and transformation agenda.

In monitoring the performance that underpins our strategic pillars and our strategic objectives, we continue to look to rebuild our organisational capabilities so that we can remain agile, proactive and responsive. This will be necessary if we are to take advantage of opportunities that the ever-evolving global landscape presents. We look forward with the understanding that our ambitions for the future must be cautiously tempered by our budget constraints and the disappointing economic outlook for the near term.

The top-down budgeting approach is expected to continue as long as the financial sustainability of the organization remains at risk due to the economic conditions. This process does not typically require inputs from business, however, in the current year some minimal input was requested from business to manage costs that may be in the pipeline that Finance may not be aware of.

The top-down budgeting approach allows for executive management to prepare a high-level budget based on the company's objectives. This then gets allocated to each individual department who in turns prepares their budget based on the allocation.

The entity will move to zero based budgeting approach when it is expected that there will be full recovery.

## **3 Budget Methodology and assumptions**

The global and South African economies are experiencing harsh economic conditions, which are expected to last for the foreseeable future. ATNS is required by the ATNS Act 45 of 1993 to apply to the Regulator for the issuance of a Permission to Levy ATS Charges. The 2023/24 to 2027/28 (2028) Permission Application Process is well underway, even though the ATNS application has not yet been approved by the Industry and Regulator.

The following assumptions have been made:

Table 1: Budget assumptions

Description	Indicator per BER	
Average salary increase	6,2%	**
CPI	5,2%	*
Rand/USD	16,8	*
R/euro	17,5	*
R/pound sterling	19,4	*
Tariff increase	40.26%	***

\* Bureau of Economic Research (BER) October 2022

\*\* Management adjustment

\*\*\*Applied tariff increase

ATNS obtains all macroeconomic forecasts from the Bureau of Economic Research (BER), including the Consumer Price Index (CPI). The Consumer Price Index (CPI) measures the overall change in consumer prices over time using a representative sample of goods and services.

BER predicted a CPI of 5.2% for the current financial year. Salary increases are typically set at CPI plus 2%, in accordance with ATNS past practices. Given the dire financial situation in which ATNS finds itself, the 2% was reduced to 1%, therefore coming to a management adjustment of 6.2%.

In the event that the projected revenue movements are lower, or the granted tariff increase by the RC is lower, management will adjust the projected salary increase in line with affordability.

## 4 Projected statement of financial performance

**Table 2: Statement of financial performance**

DESCRIPTION	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	2022/23 FCST vs.	VAR %	PROPOSED BUDGET 2023/24	2022/23 FCST vs.	2022/23 FCST vs.
				BUDG Rands			BUDG 2023/24 Rands	BUDG 2023/24 VAR %
<b>Revenue</b>								
Tariff Revenue	855 382 035	980 935 930	1 072 194 545	91 258 615	9,3%	1 626 388 063	554 193 518	51,7%
Other Revenue	95 140 376	102 527 548	105 052 339	2 524 792	2,5%	126 470 666	21 418 327	20,4%
Non Regulated Revenue	73 046 489	82 089 633	95 775 902	13 688 269	16,7%	111 888 685	16 112 783	16,8%
<b>TOTAL REVENUE</b>	<b>1 023 568 900</b>	<b>1 165 553 111</b>	<b>1 273 022 786</b>	<b>107 469 675</b>	<b>9,2%</b>	<b>1 864 747 414</b>	<b>591 724 628</b>	<b>46,5%</b>
<b>Expenditure</b>								
<b>Operating Expenditure</b>	<b>1 212 140 772</b>	<b>1 248 412 323</b>	<b>1 241 969 190</b>	<b>6 443 133</b>	<b>0,5%</b>	<b>1 491 256 731</b>	<b>(249 287 541)</b>	<b>-20,1%</b>
Salaries & Related Costs	916 746 890	873 089 918	873 594 260	(504 342)	-0,1%	1 034 996 120	(161 401 860)	-18,5%
Municipal Services & Rates	28 492 151	28 191 964	28 021 887	170 097	0,6%	39 845 764	(11 823 898)	-42,2%
Traveling Expenses	13 295 656	20 349 146	24 406 456	(4 057 310)	-19,9%	29 491 851	(5 085 394)	-20,8%
Telecommunications Expenses	49 541 411	65 775 348	57 031 234	8 744 114	13,3%	68 939 429	(11 908 196)	-20,9%
Administration Costs	59 058 168	91 692 136	147 818 683	(56 126 547)	-61,2%	131 904 831	15 913 852	10,8%
Electronic Maintenance	39 293 079	51 435 639	52 658 460	(1 222 821)	-2,4%	56 835 667	(4 177 207)	-7,9%
Other Maintenance	40 628	1 234 016	1 234 016	(0)	-0,0%	1 332 087	(98 071)	-7,9%
Contract Services	13 989 705	17 359 664	14 297 930	3 061 734	17,6%	15 309 572	(1 011 642)	-7,1%
Building Maintenance	7 814 026	9 087 652	9 087 652	0	0,0%	10 788 385	(1 700 733)	-18,7%
Motor Vehicle Expenses	3 276 422	2 489 515	4 748 499	(2 258 984)	-90,7%	4 904 749	(156 249)	-3,3%
Insurance	13 673 280	13 800 882	16 305 732	(2 504 850)	-18,1%	22 224 509	(5 918 777)	-36,3%
Professional Fees	23 711 977	27 170 800	27 231 509	(60 708)	-0,2%	31 413 828	(4 182 319)	-15,4%
Rental of Equipment	3 675 858	5 166 618	4 214 772	951 845	18,4%	4 959 416	(744 644)	-17,7%
Calibration Expenses	10 673 263	8 236 573	8 236 574	(0)	-0,0%	4 934 062	3 302 511	40,1%
Security	10 204 198	13 571 896	9 150 718	4 421 178	32,6%	14 348 000	(5 197 282)	-56,8%
Refreshments	1 177 592	560 555	2 679 766	(2 119 211)	-378,1%	2 816 434	(136 668)	-5,1%
Social Functions & Events - Internal	4 248	500 000	258 354	243 646	48,7%	340 000	(83 646)	-32,6%
Corporate Events Expenses	1 802 778	7 700 000	8 208 775	(508 775)	-6,6%	9 310 932	(1 102 157)	-13,4%
Enterprise Development	795 243	3 000 000	1 227 733	1 772 267	59,1%	2 035 410	(807 677)	-65,8%
Covid-19 Interventions	2 623 749	3 000 000	506 534	2 493 466	83,1%	-	506 534	100,0%
Corporate Social Investment	4 325 687	5 000 000	3 712 888	1 287 112	25,7%	4 525 684	(812 796)	-21,9%
(Profit)/Loss on Forex	7 924 763	-	(52 661 223)	52 661 223	100,0%	-	(52 661 223)	100,0%
<b>EBITDA</b>	<b>(188 571 872)</b>	<b>(82 859 212)</b>	<b>31 053 596</b>	<b>113 912 809</b>	<b>137,5%</b>	<b>373 490 683</b>	<b>342 437 087</b>	<b>1 102,7%</b>
Depreciation	158 627 810	185 989 762	169 869 752	16 120 010	8,7%	189 836 370	(19 966 618)	-11,8%
Impairment Expense	95 418 075	-	-	0	0,0%	0	0	0,0%
(Profit)/Loss on Sale of Assets	28 355 046	-	1 273 929	(1 273 929)	-100,0%	-	1 273 929	100,0%
Interest Received	7 843 894	10 316 313	18 700 355	8 384 042	81,3%	25 806 686	7 106 331	38,0%
Interest Paid - Loan	-	26 421 806	12 567 834	13 853 972	52,4%	53 000 000	(40 432 166)	-321,7%
Interest Paid	9 411 492	10 297 239	10 531 594	(234 355)	-2,3%	9 324 250	1 207 344	11,5%
<b>Net Profit/(Loss) before Tax</b>	<b>(472 540 402)</b>	<b>(295 251 707)</b>	<b>(144 489 158)</b>	<b>93 831 152</b>	<b>31,8%</b>	<b>147 136 749</b>	<b>291 625 907</b>	<b>201,8%</b>
Taxation	(94 618 523)	(82 670 477)	(39 047 541)	43 622 937	-52,8%	39 726 922	(78 774 463)	201,7%
<b>Net Profit/(Loss) After Tax</b>	<b>(377 921 879)</b>	<b>(212 581 229)</b>	<b>(105 441 617)</b>	<b>50 208 216</b>	<b>23,6%</b>	<b>107 409 827</b>	<b>370 400 370</b>	<b>201,9%</b>



## **5 Performance Summary**

Overall, in comparison to the forecast, total revenue increases by 46.5% while operational expenses increase by 20.1%. Due to movements envisaged in the period under review as well tariff increases not promulgated by the Regulating Committee yet, ATNS continues to contain costs to ensure the organization remains financially sustainable.

In addition, ATNS has adopted and implemented cost containment measures as prescribed in the National Treasury instruction no 3 of 2017/18 and guidelines on cost containment measures particularly as they relate to social functions, internal refreshments as well as the extent of the usage of consultants.

Net Profit after Tax (NPAT) is increasing from the from a forecasted loss of R105.4m to a profit of R107.4m.

Cash is budgeted at R528.9m by 31 March 2024, this includes the full draw down from the loan facility that was secured with DBSA. All efforts should be made to ensure the entity does not run out of cash.

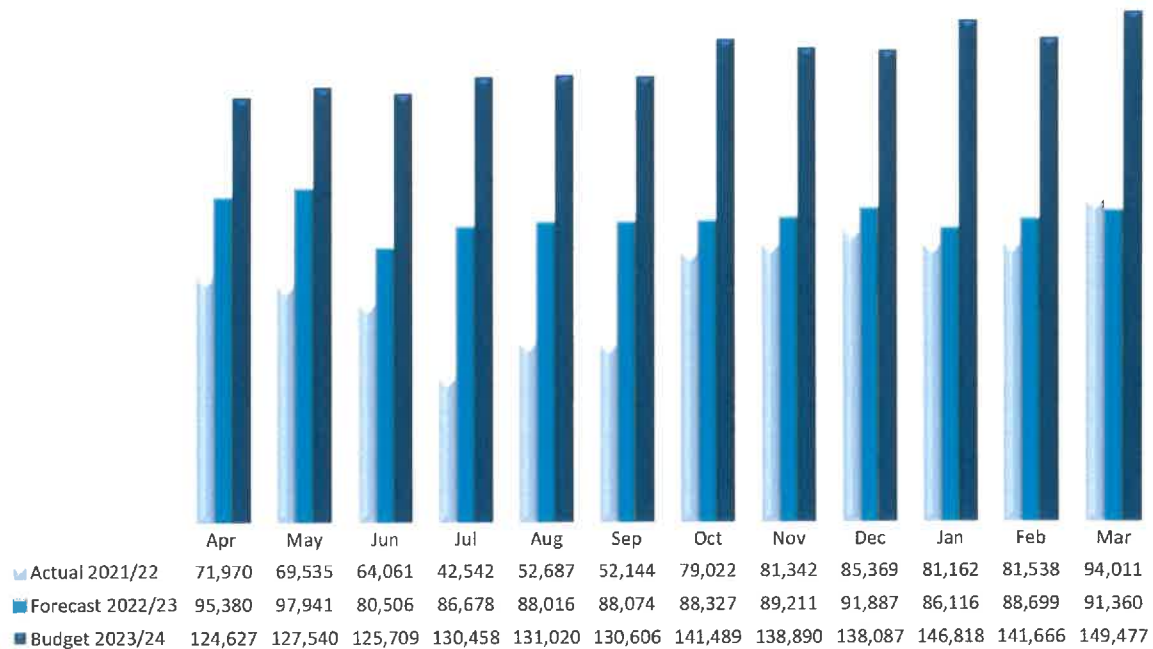
### **5.1 Revenue**

#### **5.1.1 Tariff Revenue**

Tariff revenue is largely driven by domestic, regional, and international movements.

Graph 1 below compares the revenue generated in the financial year 2021/22, when Covid-19 related restrictions were still in place, the 2022/23 forecasted revenue, and the 2023/24 budget projections. It is not expected that the revenue levels will restore to levels achieved in the first two months of the 2022/23 financial period in the coming year under review. This is largely due to the remaining airlines having not implemented their plans to fill the void left by Comair. While the picture has been improving steadily, it is acknowledged that ATNS will not record more than the pre-covid levels.

## Monthly Tariff Revenue Performance R'000



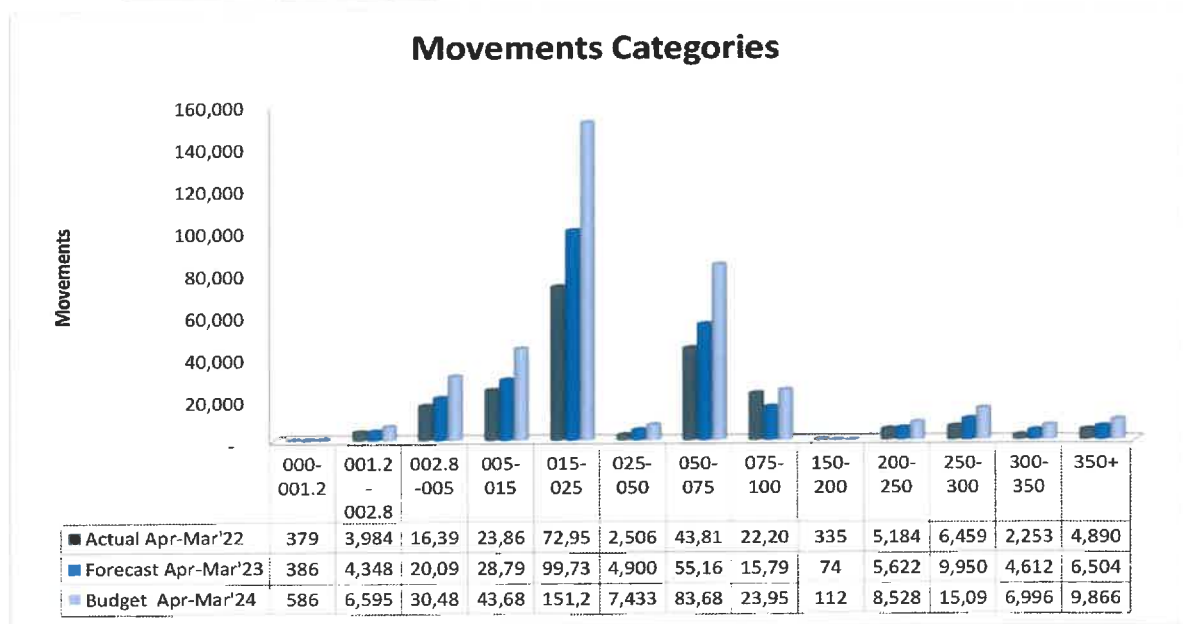
**Graph 1: Tariff revenue**

As alluded earlier, it is not expected that the revenue levels will restore to levels achieved in the first two months of the 2022/23 financial period. The liquidation of COMAIR left a huge void that cannot be immediately filled by the remaining airlines. However, it is anticipated that the LIFT (Global Airways) plans to put more planes into service, might result into increased movements. In addition, FlySafair plans to introduce at least eleven additional routes throughout sub-Saharan Africa. The Regulators have given FlySafair the green light to expand their business and spread their wings across the continent. As a result, the company will add routes such as Botswana, Angola, Mozambique, Zimbabwe, Zambia, and others to its schedule. (Fifi Peters, 2022).

The revenue movements have been lagging behind the overall Air Traffic Movements (ATM). ATMs are expected to reach pre-Covid levels by the end of the financial year. While the picture for revenue movements is somewhat improving compared to the prior year, it is not considered that full recovery of billable movements will happen in the 2023/24 financial year.

The below graph shows the actual revenue movements since April 2021, the forecast to March 2023 and the budget for 2024:

**Graph: 2 Movements per Category**



The budgeted revenue for 2023/24 financial year is based on the assumption that the Regulating Committee (RC) will grant ATNS the full 40.26% as applied for in the Permission.

### 5.1.2 Performance based on revenue scenarios

Management prepared the budget based on two additional scenarios in case the RC does not grant the required rate and movements remain as projected.

The scenario where the tariff is granted in full is considered the base case. In addition, two other scenarios were considered and these are where ATNS is granted an inflationary increase and where the tariff applied is smoothed over the life of the Permission.

Below is the summarized performance in each additional scenario.

**Table 3: Inflationary increases**

Description	2022/23	2022/23	2023/24
	Budget	Forecast	Budget
Profit/(Loss) after tax	(212 581 229)	(105 441 617)	(194 771 148)
L/EBIDTA	(82 859 212)	29 779 668	(33 072 253)
DSCR	9,4	23,3	3,5
Cash Balance	299 643 146	520 222 829	155 143 314
Cash as Cover for Current Liabilities	1,2	1,9	0,5
Current Ratio	2,1	2,5	1,1

Under this scenario, ATNS continues to make losses and breaches the financial loan covenants as required in the loan agreement. If the RC grants inflationary increases (which is equal to CPI), ATNS management will have to consider cost containment measures which includes, no filling of planned vacancies, no increases, no incentive bonus and deferral of most capital expenditure to keep the entity financially sustainable.

**Table 4: Smooth tariff**

Description	2022/23	2022/23	2023/24
	Budget	Forecast	Budget
Profit/(Loss) after tax	(212 581 229)	(105 441 617)	(111 957 203)
L/EBIDTA	(82 859 212)	29 779 668	78 352 280
DSCR	9,4	23,3	5,1
Cash Balance	299 643 146	520 222 829	258 480 093
Cash as Cover for Current Liabilities	1,2	1,9	0,8
Current Ratio	2,1	2,5	1,4

Management has calculated the smoothed tariff at a rate of 14.8%. The smooth tariff allows for the entity to recover the full revenue required, however, this will be spread over the life of the Permission with the implication that in the initial years, the revenue recovered is low and only builds up toward the end of the Permission. Management has calculated that in this scenario, ATNS will only return to profitability in year 3 of the Permission. Although the entity remains cash positive, this leaves ATNS at a risk of not being able to meet the required financial covenants for at least the first three (3) years of the Permission. If the RC takes this approach, cost cutting measures will have to be put in place in the initial periods of the Permission and ATNS may require financial assistance earlier to prevent the breaching of the covenants, alternatively the covenants will have to be renegotiated.

### **5.1.3 Other Revenue**

Other revenue, comprising revenue from the following sources:

- ✓ Small Aerodrome Fees;
- ✓ Training Revenue;
- ✓ Technical Services Rendered;
- ✓ Rental of Sites/Beacons;
- ✓ AIS Services Rendered; and
- ✓ Sundry Revenue

Other revenue is budgeted at R126.5m, which is 20.4% higher than the March 2023 forecast. The projected revenue includes the ATS fee adjustments on small aerodromes and among others, anticipated additional projects to be executed in the period under review.

### **5.1.4 Non-regulated revenue**

Non-regulated revenue is budgeted at R111.8m. The projected revenue is 16.8% higher than the forecasted March 2023 revenue. Non-regulated revenue comprises revenue from the SADC VSAT II (R54.8m) and NAFISAT (R57.0m) respectively, and this is largely due to the anticipated increased Flight Information Region (FIR's) crossings.

## **5.2 Salaries and related costs**

Salaries and related costs are forecasted at R1.0bn, which is above March 2023 forecast by 18.5%. The increased cost is mainly due to the expected salary bill due to vacant and new positions that will be filled, in line with the revised strategy and the development of the future fit workforce.

The salaries and related cost information is presented in the table below:

**Table: 5 Salaries and Related Costs**

DESCRIPTION	ACTUAL	BUDGET	FORECAST	BUDGET	FCST vs. BUDG	VAR
	2021/22	2022/23	2022/23	2023/24	2023/24 RANDS	%
Cost to company	889,432,764	834,561,619	835,043,704	914,115,701	(79,071,997)	-9.5%
Overtime	7,069,378	5,239,806	5,242,833	8,756,277	(3,513,445)	-67.0%
Performance Bonus	49,012	-	-	70,000,000	(70,000,000)	0.0%
Workmens Compensation	1,936,586	1,701,805	1,702,788	2,222,260	(519,472)	-30.5%
Skills Development Levy	7,448,081	4,929,968	4,932,815	7,007,893	(2,075,078)	-42.1%
Leave Pay	1,149,466	12,500,000	12,507,221	3,460,289	9,046,931	72.3%
Long Service Awards	2,580,000	2,050,000	2,051,184	2,000,000	51,184	2.5%
External Training	2,019,962	4,500,000	4,502,599	5,000,000	(497,401)	-11.0%
Projects Training	608,992	2,000,000	2,001,155	2,000,000	1,155	0.1%
Transfer Expenses	2,735,661	2,201,508	2,202,780	2,200,000	2,780	0.1%
Other costs	1,716,987	3,405,213	3,407,180	18,233,699	(14,826,519)	-435.2%
	<b>916,746,890</b>	<b>873,089,918</b>	<b>873,594,260</b>	<b>1,034,996,120</b>	<b>(161,401,860)</b>	<b>-18.5%</b>

- ✓ The budgeted salary package (cost to company) is R79.1m (9.5%) higher than the forecast largely due to vacant and new positions that will be filled;

Below is a table that indicates the breakdown of the cost to company costs:

**Table: 5.1 Cost to Company**

DESCRIPTION	2022/23	2023/24	Var ( R )	Var ( % )
Forecasted staff complement	835 043 704	886 816 414	51 772 710	6,2%
Vacancies	0	27 299 287	27 299 286	100,0%
	<b>835 043 705</b>	<b>914 115 701</b>	<b>79 071 996</b>	<b>9,5%</b>

- ✓ Overtime cost is driven by demand. The increased overtime is due to increased expected costs, as a result of the commissioning of the WAM and DME-DME sites;
- ✓ For the year under review, skills development levy (in line with national skills development strategy) and external training (in line with future skills needed in a technologically advancing world) are set to increase by 42.1% and 11.0% respectively. In the context of a transforming aviation sector, investment in training and development continues to remain a high priority within ATNS.

Other costs include amongst others, refreshments and canteen supplies R2.5m, Recruitment expenses R6m, rewards and recognition R3m, ATC licenses and medical exams R1.5m, the rest of the amount is made up of ATA Bursars stipend, employee wellness program etc.

### 5.3 Municipal Services & Rates

Municipal rates are budgeted at R39.8m, and higher than the forecast by 42.2% largely due to the price increases effected by various service providers. In addition, additional sites were added to encompass the upcoming commissioning of the WAM and DME- DME sites.

## 5.4 Travelling and Accommodation Expenses

Travelling and accommodation expenses are budgeted for at R29.4m. Travel trips will be prioritized to allow travel that is linked to the generation of revenue and industry related conferences and forums that will empower personnel. This also includes travel and accommodation for the Bursars and ATS trainees already in the pipeline.

Where possible, the use of digital platforms such as MS TEAMS will continue to be utilized. The below table indicates the breakdown of travel spend:

**Table: 6 Travel Expenses**

DESCRIPTION	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	BUDGET 2023/24	FCST vs. BUDG 2023/24 RANDS	VAR %
Domestic Travel	11,295,185	15,000,000	16,000,000	20,739,210	(4,739,210)	-29.6%
International Travel	542,928	4,867,862	5,621,655	6,018,466	(396,811)	-7.1%
Training Travel	1,457,544	481,284	481,284	2,734,175	(2,252,891)	-468.1%
	<b>13,295,656</b>	<b>20,349,146</b>	<b>24,406,456</b>	<b>29,491,851</b>	<b>(5,085,394)</b>	<b>-20.8%</b>

Due to the lifting of travel restrictions and the soaring prices effected by various service providers, travel expenses are expected to be R5.0m (20.8%) higher than forecasted. Where possible, the engagements will be conducted virtually.

## 5.5 Telecommunication expenses

Telecommunications costs increased by R11.9m (20.9%) in comparison to the forecast. The table below presents the breakdown of the spend:

**Table: 7 Telecommunication Expenses**

DESCRIPTION	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	BUDGET 2023/24	FCST vs. BUDG 2023/24 RANDS	VAR %
Diginet Line Rental	8,058,273	9,570,938	9,570,938	20,467,287	(10,896,349)	-113.8%
Radio and TV Licences	-	11,136	11,136	11,646	(510)	-4.4%
Satellite Trans Channel Rental	3,796,714	14,842,464	7,281,564	7,463,071	(181,507)	-2.4%
Telephone Line Rental/Dedicated Lines/Unit Calls	37,686,424	41,350,809	40,167,595	40,997,425	(829,830)	-2.1%
	<b>49,541,411</b>	<b>65,775,348</b>	<b>57,031,234</b>	<b>68,939,429</b>	<b>(11,908,196)</b>	<b>-20.9%</b>

- Leasing of the satellite spectrum to be used for internal VSAT to distribute surveillance information and data from surveillance sensors /radar sites to the processing centre and display to the air traffic controllers. Also, a provision for rental and leasing the satellite spectrum is provisioned for the Satellite (TSAT) service that enables ATNS to monitor and control all its navigational (VOR/DVOR and DME) equipment from the ATM centres. The

satellite transmission rental invoices are settled for in USD and would thus be affected by fluctuating foreign exchange rates;

- Some radar sites have VHF installations and in an emergency ATC pilot to ATC communication can be done over the internal VSAT system. The internal VSAT system is more reliable than terrestrial data links and is not subjected to outages due to theft and vandalism. The circuits are rented from Telkom and Eskom and the annual increases are above inflation;
- The WAN upgrade facilitates improved data transmission across all ATNS sites and caters for additional requirements that emerged because of digital transformation and increased traffic for cloud backups. It further provides redundancy, enhanced security, and performance analytics that inform usage and trends; and
- Included in the telephone line and dedicated rentals is costs pertaining to data links. The data links are used for ground-to-air and air-to-ground communication between pilots and ATCs. In addition, dedicated communications links for the transfer and sharing of ATM information between various airports including data transfer from the different CNS sites and facilities.

## 5.6 Administration costs

Administration costs are budgeted to decrease by R15.9m (10.8%) when compared to the forecast. The administration expenses are depicted in the below table.

**Table 8: Administration Costs**



DESCRIPTION	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	BUDGET 2023/24	FCST vs. BUDG 2023/24 RANDS	VAR %
Bad Debts	(7,056,785)	5,615,306	47,051,692	10,049,692	37,002,000	78.6%
Bank Charges	458,778	480,000	480,000	469,730	10,270	2.1%
Commission Paid (VSAT II & Nafisat)	1,034,021	1,546,699	2,677,993	2,758,333	(80,340)	-3.0%
Computer Consumables	8,334	70,000	112,848	50,000	62,848	55.7%
Computer Software	11,750,962	29,565,074	29,903,688	31,273,112	(1,369,423)	-4.6%
Directors Fees	5,946,931	9,885,869	6,023,869	6,299,729	(275,860)	-4.6%
IT Support and Maintenance	28,468,330	24,447,565	19,344,305	25,567,128	(6,222,823)	-32.2%
Memberships	2,231,638	3,374,447	3,922,191	4,101,805	(179,615)	-4.6%
Postage	23,516	3,000	4,836	20,000	(15,164)	-313.5%
Printing & Stationery	1,230,266	1,250,000	3,107,701	3,250,016	(142,315)	-4.6%
Publishing Expenses	42,555	50,000	80,606	50,000	30,606	38.0%
Small Equipment	8,187	250,000	403,030	20,000	383,030	95.0%
Subscriptions	3,201,415	5,251,008	3,371,090	3,525,467	(154,377)	-4.6%
Training Aids	27,090	100,000	161,212	105,408	55,804	34.6%
IATA Management Fees	1,187,052	620,000	1,272,667	1,792,187	(519,520)	-40.8%
Network Management Fee	10,462,677	9,033,167	29,821,336	31,342,224	(1,520,888)	-5.1%
ADS-B service fees	-	-	-	11,130,000	(11,130,000)	0.0%
Board Development Costs	33,200	150,000	79,620	100,000	(20,380)	-25.6%
	<b>59,058,167</b>	<b>91,692,136</b>	<b>147,818,683</b>	<b>131,904,831</b>	<b>15,913,852</b>	<b>10.8%</b>

The key drivers for the administration costs are:

- Bad debts as a result of perceived increased risk on the recoverability of certain debtors;
- Computer software. Amongst others, this includes:
  - ✓ Flight procedure design software licenses;
  - ✓ Oracle software updates (include new architecture);
  - ✓ Flight Procedure FP Dam license;
  - ✓ Eurocontrol database;
  - ✓ Convene Software license;
  - ✓ Microsoft licenses; and
  - ✓ VMWare Licenses.
- Director's fees based on the DoT remuneration guidelines and number of meetings;
- IT support and maintenance includes, amongst others:
  - ✓ ATS Resource Tool Support;
  - ✓ Oracle EBS Support (Ulwembu);
  - ✓ Automated patch and vulnerability management
  - ✓ Billing system support;
  - ✓ Anti-Malware tools; and
  - ✓ Internal Segmentation Firewalls;

- Memberships mainly due to the following:
  - ✓ Health Professions Council of South Africa (HPSCA), Institute of Directors (IODSA), South African Institute of Chartered Accountants (SAICA);
  - ✓ Participation in the top employer companies;
  - ✓ Professional membership for Surveyors and Engineers;
  - ✓ Research and advisory services
  - ✓ Corporate Executive Board; and
  - ✓ SA Institute of electrical Engineers
- Publishing Expenses to cover for amongst others Integrated annual reports and climate sustainability publications;
- Subscriptions costs including the European central aeronautical database. This tool is used for the data ticketing services and the provision of worldwide aeronautical data;

## 5.7 Electronic maintenance

Electronic maintenance is budgeted at R56.8m, an increase of 7.9% in comparison to the forecast. Maintenance support contracts are settled for in multiple foreign currencies, among others, the USD and would thus be affected by foreign exchange fluctuations.

A provision for unplanned / unscheduled maintenance has been made to cover for maintenance requirements.

The table below depicts the electronic maintenance:

**Table 9: Electronic Maintenance**

DESCRIPTION	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	BUDGET 2023/24	FCST vs. BUDG 2023/24 RANDS	VAR %
Maintenance Support Contracts	30,759,576	42,435,639	42,632,602	45,118,461	(2,485,859)	-5.8%
Other	8,533,503	9,000,000	10,025,858	11,717,206	(1,691,348)	-16.9%
	<b>39,293,079</b>	<b>51,435,639</b>	<b>52,658,460</b>	<b>56,835,667</b>	<b>(4,177,207)</b>	<b>-7.9%</b>

## 5.8 Other Maintenance

Other maintenance is budgeted at R1.3m. Other maintenance costs include binocular replacement and repair, as well as the purchase of small equipment in various cost centers.

## 5.9 Contract Services

Contract Services are budgeted at R15.3m, which is (7.1%) above forecast as depicted on the below table:

**Table 10: Contract Services**

DESCRIPTION	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	BUDGET 2023/24	FCST vs. BUDG 2023/24 RANDS	VAR %
Cleaning Materials & Detergent	57,748	69,660	69,660	72,850	(3,190)	-4.6%
Cleaning Services	2,511,508	2,687,510	2,186,510	2,410,056	(223,546)	-10.2%
Contract Services	8,711,639	10,485,728	9,202,992	9,523,355	(320,363)	-3.5%
Freight Costs	261,242	1,656,362	806,594	843,536	(36,942)	-4.6%
Gardening Services	2,447,568	2,460,404	2,032,174	2,459,775	(427,601)	-21.0%
	<b>13,989,705</b>	<b>17,359,664</b>	<b>14,297,930</b>	<b>15,309,572</b>	<b>(1,011,642)</b>	<b>-7.1%</b>

- Cleaning and gardening services for the various sites;
- IATA course material procured for training purposes. With the opening up of economic activities, the external training revenue is expected to be higher in turn increasing the cost for such material;
- Height monitoring service and the National Aerospace Laboratory (NLR) contracts; and
- Freight costs are expected to increase in line with inflation.

## 5.10 Building maintenance

Building maintenance costs of R10.8m is budgeted for general upkeep of the buildings including towers.

## 5.11 Motor vehicle expenses

Motor vehicle expenses of R4.9m are budgeted for the use and maintenance of leased vehicles.

## 5.12 Insurance

The insurance expense is budgeted at R22.2m (36.3%) above the forecast. Included in insurance is the costs pertaining to the war liability insurance that increased by 25%.

## 5.13 Professional Fees

Professional fees are budgeted at R31.4m as broken down in the table below:

**Table 11: Professional Fees**

DESCRIPTION	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	BUDGET 2023/24	FCST vs. BUDG 2023/24 RANDS	VAR %
Internal Audit Fees	224,396	1,500,000	1,500,000	2,880,454	(1,380,454)	-92.0%
External Audit Fees	2,127,068	1,620,804	1,620,804	1,691,721	(70,917)	-4.4%
ISO External Audit Fees	467,367	800,000	800,000	262,000	538,000	67.3%
CAA Site Audits	2,482,555	1,983,515	1,983,515	2,950,404	(966,889)	-48.7%
Consultants	13,054,171	10,000,000	12,062,101	12,665,785	(603,684)	-5.0%
Legal Fees	3,625,606	6,000,000	6,000,000	4,656,111	1,343,889	22.4%
Risk Management Fees	94,190	250,000	250,000	673,000	(423,000)	-169.2%
Research & Development Initiatives	1,438,680	4,016,480	2,015,089	4,384,353	(2,369,264)	-117.6%
Safety Initiatives	197,944	1,000,000	1,000,000	1,250,000	(250,000)	-25.0%
	<b>23,711,977</b>	<b>27,170,799</b>	<b>27,231,509</b>	<b>31,413,828</b>	<b>(4,182,319)</b>	<b>-15.4%</b>

- ✓ The internal audit fees include co-source partner expenses for specialized assignments;
- ✓ External Audit fees are in line with the external audit contract;
- ✓ CAA site audits costs are for regulatory functions performed by CAA. CAA conducts surveillance and scheduled inspections at all ATNS Air Traffic Service Units (ATSU) and equipment calibrations (at certain ATSU's) in order to ensure that the standards as set by ICAO are maintained or improved upon to ensure aviation safety;
- ✓ Consulting services are sourced mainly for specialized work that will be required to enable different business units to achieve their strategic objectives. These include amongst others:
  - OD Consulting Services;
  - IT systems security against defined disaster;
  - Information security consulting services;
  - Annual fixed assets verification;
  - Sustainability report;
  - BPM Maturity Level assessment;
  - digital marketing experts; and
- ✓ Legal fees are budgeted for as a contingency; and
- ✓ Research & Development initiatives budget includes amongst others, the below projects:
  - Dual frequency multi constellation (DFMC) GNSS study spaced based ADS-B;
  - Off the Grid - renewable energy trials; and
  - RATS – digital towers

#### 5.14 Rental of Land and Buildings

Rental of land & buildings is not budgeted as the lease agreements relating to building qualify to be capitalized under IFRS 16.

#### 5.15 Rental of Equipment

Rental of equipment is budgeted at R4.9m, included in this expense item is the leases that do not qualify to be capitalized under IFRS16. These are leases that are either short term in nature or leases of low value.

#### 5.16 Calibration expenses

The calibration of instrument landing system (ILS) is budgeted at R4.9m and this is because CAA is currently using a foreign supplier that is more expensive that when they used their own aircraft.

#### 5.17 Security

Security costs of R14.3m is for the following:

- ✓ Curbing vandalism in the remote sites by increasing the number of security guards;
- ✓ Improving movement detection systems in various centres;
- ✓ Replacing of old and faulty access cards and monitoring systems at the head office;
- ✓ Repairing of current security system; and
- ✓ Installation of additional scanners and surveillance cameras.

#### 5.18 Corporate Events Expenses

The marketing expenses are budgeted at R9.3m. Corporate events activities are set to increase by 13.4% in comparison with the forecast. The following is a breakdown of various activities.

**Table 12: Corporate Events Expenses**

DESCRIPTION	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	BUDGET 2023/24	FCST vs. BUDG 2023/24 RANDS	VAR %
Advertising	276,114	1,000,000	1,000,000	1,000,000	-	0.0%
Corporate Image Building	1,369,631	4,500,000	4,500,000	3,551,677	948,323	21.1%
Photographic & Art	237,958	200,000	200,000	872,689	(672,689)	-336.3%
Sponsorships	(123,063)	1,500,000	1,500,000	1,667,705	(167,705)	-11.2%
Social Functions & Events - External	42,137	500,000	1,008,775	2,218,861	(1,210,086)	-120.0%
	<b>1,802,777</b>	<b>7,700,000</b>	<b>8,208,775</b>	<b>9,310,932</b>	<b>(1,102,157)</b>	<b>-13.4%</b>

Marketing expenses include:

- ✓ The advertising costs for profiling ATNS products and services through print, digital and radio;
- ✓ Corporate image building includes amongst others the following:
  - product campaigns;
  - direct marketing initiatives;
  - management of all online channel; and
  - brand activations;
- ✓ Photographic arts and social function events external is mainly for graduation ceremonies and excursions for external training delegates;
- ✓ Included in the sponsorships is costs pertaining to amongst others, the following:
  - Sponsorships aid the business to elevate its stakeholder engagement and brand across the AFI region;
  - CANSO annual conference;
  - IFATSEA; and
  - DoT sanctioned sponsorships
- ✓ Enterprise development and Corporate Social Investment are budgeted for in line ATNS' position as a good corporate citizen.

#### **5.19 Depreciation**

Depreciation is budgeted at R189.8m in line with the asset base (which includes new acquisitions as well as possible retirements).

#### **5.20 Net Funding**

The net funding (which is the net result of interest received and paid) comprises interest received (R25.8m) and interest paid (R62.3m). The net funding is calculated based on the expected cash balances and the applicable interest rate. In addition, the anticipated interest expense to be paid on the loan facility is included in the forecast and budget. It should be noted that capital repayments will commence 24 months after the first draw down.

### **6 Capital expenditure**

ATNS capital expenditure plan is largely driven by the mandate to provide safe, orderly, and efficient air traffic, navigational and associated services to the air traffic management community.

The plan takes into account changes in demand, the operational environment, the development and maturity of technologies, changes in international, regional and national plans and priorities.

**Table 13: Capital Expenditure**

DESCRIPTION	FORECAST	BUDGET
	2022/2023	2023/2024
Communications	56 497 393	36 298 886
Navigation	73 769 013	61 856 539
Surveillance	92 351 780	69 303 663
Display Systems	23 946 514	29 938 886
Simulator and systems	1 591 119	5 443 465
General: Building	2 551 819	5 612 805
General: Computer Equipment	1 842 414	1 890 346
General: Electrical and Mechanical	1 037 002	4 781 041
General: Furniture and Fittings	250 193	1 417 759
General: Tools and Test Equipment	5 247 835	29 737 729
Software	89 340 498	87 647 096
<b>Grand Total</b>	<b>348 425 579</b>	<b>333 928 214</b>

## 7 Key Performance Indicators

In terms of the balanced score card, ATNS measures the following financial key performance indicators:

Description	2022/23	2022/23	2023/24
	Budget	Forecast	Budget
Profit/(Loss) after tax	(212 581 229)	(105 441 617)	107 409 827
L/EBIDTA	(82 859 212)	29 779 668	373 490 683
DSCR	9,4	23,3	9,3
Cash Balance	299 643 146	520 222 829	528 890 236
Cash as Cover for Current Liabilities	1,2	1,9	1,7
Current Ratio	2,1	2,5	2,4

### 7.1 L/EBIDTA

The L/EBIDTA is budgeted at R373.5m for 2023/24 compared to R29.8m forecasted in the 2022/23 financial period.

### 7.2 Current ratio

The current ratio is budgeted at 2.4:1 for 2023/24 compared to 2.5:1 forecasted 2022/23 financial period.

### **7.3 Cash as Cover for Current Liabilities**

Cash as Cover for Current Liabilities is budgeted at 1.7 times against a forecast of 1.9 times.

### **7.4 Cost to income ratio**

The Cost to Income ratio is 80% for 2023/24 compared to forecast of 98%.

### **7.5 Debt Service Coverage Ratio**

The DSCR is budgeted at 9.3 times, and this is after considering the cumulative cash balances.

## **8 Investment and Borrowing plan**

### **8.1 Investment plan**

ATNS seeks to maintain adequate cash levels to cover for:

- ✓ Capital expenditure;
- ✓ 3x monthly operational expenditure; and
- ✓ Loan repayments (both principal and interest payments)

Excess cash from operational activities is invested for a maximum period of twelve months providing that such funds, or part thereof, may be unwound with one month's notice. The investments will be made with the current bankers (RMB). Should the returns from the current bankers be not competitive, approval to invest with any other financial institutions will be sought from the Board accordingly.

While returns from cash investments may be moderate, ATNS considers this portfolio to be the most appropriate investment vehicle for the cash held considering the following:

- ✓ economic regulatory climate; and
- ✓ funding approval process

### **8.2 Borrowing plan**

In terms of section 5(3) of the ATNS Act, the company may, in order to perform its functions or attain any of its objects, raise money from time to time with the approval of the shareholding minister and the Minister of Finance by way of loans from any source.



A loan facility with DBSA was secured for R500m. The expected drawdown for 2022/23 and 2023/24 financial periods are included in the forecast and budgeted at R412m and R88m respectively. Interest is accrued from drawdown and the loan repayments, and it is scheduled to happen twenty-four (24) months after the first drawdown. The drawdown will cover Capex that was scheduled to be paid from February 2022.

## **9 CONCLUSION**

The budget as presented project a continued financial sustainability of ATNS irrespective of the subdued market in which it operates. Management will continue with efforts of ensuring that the company achieves its strategic objectives in an efficient manner.

## 10 ANNEXURES

### 10.1 Annexure A - Statement of Financial Position

BALANCE SHEET	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	PROPOSED BUDGET 2023/24
<b>Non-Current Assets</b>				
Property, Plant and Equipment	1 062 797 040	1 116 440 868	1 273 478 680	1 417 570 524
Intangible Assets	99 235 146	108 276 308	89 872 968	89 872 968
Deferred Income Tax Asset	242 754 183	370 638 120	281 951 565	242 224 643
Capital Work In Progress	284 422 782	324 823 809	278 264 691	278 264 691
Long Term Prepayment	-	1 078 338	4 469 047	4 469 047
	<b>1 689 209 152</b>	<b>1 921 257 443</b>	<b>1 928 036 950</b>	<b>2 032 401 872</b>
<b>Current Assets</b>				
Trade and Other Receivables	142 050 971	199 265 946	118 805 953	187 335 182
Current Income Tax Assets	36 467	-	-	-
Loans and Receivables	16 252 754	16 711 157	19 384 999	19 384 999
Short-Term Investments - Call Deposit	59 529 679	299 643 149	75 823 904	77 087 203
Cash and Cash Equivalents	348 899 542	-	444 398 926	451 803 035
Prepayment	14 639 631	6 217 675	22 110 597	22 110 597
	<b>581 409 044</b>	<b>521 837 926</b>	<b>680 524 379</b>	<b>757 721 015</b>
<b>TOTAL ASSETS</b>	<b>2 270 618 196</b>	<b>2 443 095 369</b>	<b>2 608 561 329</b>	<b>2 790 122 887</b>
<b>EQUITY</b>				
<b>Capital and Reserves Attributable to Equity holders of the Company</b>				
Share Capital	190 646 000	190 646 000	190 646 000	190 646 000
Retained Earnings	1 752 128 051	1 557 900 735	1 646 555 897	1 753 965 724
<b>Total Equity</b>	<b>1 942 774 051</b>	<b>1 748 546 735</b>	<b>1 837 201 897</b>	<b>1 944 611 724</b>
<b>Non-Current Liabilities</b>				
Long Term Borrowings	-	400 829 985	412 256 726	462 208 365
Finance Lease Liability	76 366 807	48 376 715	83 358 589	67 047 825
Deferred Income Tax Liabilities	-	-	-	-
	<b>76 366 807</b>	<b>449 206 700</b>	<b>495 615 315</b>	<b>529 256 190</b>
<b>Current Liabilities</b>				
Trade and Other Payables	215 412 913	210 321 833	227 460 497	230 179 718
Operating Lease Liability	-	-	-	-
Contract Liabilities	6 115 004	9 817 358	5 551 091	5 551 091
Borrowings	-	-	-	37 791 635
Short Term Finance Lease	13 576 223	11 578 819	15 344 159	15 344 159
Provisions for Other Liabilities and Charges	16 373 199	13 623 925	27 388 371	27 388 371
	<b>251 477 339</b>	<b>245 341 935</b>	<b>275 744 117</b>	<b>316 254 973</b>
<b>Total Liabilities</b>	<b>327 844 146</b>	<b>694 548 635</b>	<b>771 359 432</b>	<b>845 511 163</b>
<b>Total Equity and Liabilities</b>	<b>2 270 618 196</b>	<b>2 443 095 370</b>	<b>2 608 561 329</b>	<b>2 790 122 887</b>

ATNS had built a strong balance sheet prior to the impact of COVID-19. With the negative impact of this global pandemic on the aviation industry, the business was compelled to start using some of its reserves to fund operations, therefore a deterioration of the financial position.

## 10.2 Annexure B – Cash Flow Statement

CASH FLOW STATEMENTS	ACTUAL 2021/22	BUDGET 2022/23	FORECAST 2022/23	PROPOSED BUDGET 2023/24
Profit before tax	(472 540 402)	(295 251 707)	(144 489 158)	147 136 749
<i>Adjusted for</i>				
Forex	7 924 763	-	(52 661 223)	-
Interest paid	9 411 492	10 297 239	23 099 428	62 324 250
Depreciation	282 400 931	185 989 762	171 143 681	189 836 370
Movement in non-cash items	33 876 486	-	(103 828)	-
				-
Interest received	(7 843 894)	(10 316 313)	(18 700 355)	(25 806 686)
<b>Cash surplus before working capital changes</b>	<b>(146 770 624)</b>	<b>(109 281 018)</b>	<b>(21 711 455)</b>	<b>373 490 683</b>
 Movements in working capital				
Movements in Trade & other receivables	(28 976 758)	33 026 544	12 119 264	(68 529 229)
Increase in accounts payable	(48 820 524)	27 901 593	23 173 336	2 719 221
<b>Cash generated from operations</b>	<b>(224 567 906)</b>	<b>(48 352 881)</b>	<b>13 581 145</b>	<b>307 680 675</b>
Interest paid	(9 411 492)	(10 297 239)	(23 099 428)	(62 324 250)
Tax paid	-	-	-	-
Interest received	7 843 894	10 316 313	18 700 355	25 806 686
<b>Cash generated from operating activities</b>	<b>(226 135 504)</b>	<b>(48 333 807)</b>	<b>9 182 072</b>	<b>271 163 111</b>
 <b>Cash flows from investing activities</b>				
Additions to fixed assets	(186 000 836)	(273 017 050)	(348 425 579)	(333 928 214)
<b>Cash utilised in investing activities</b>	<b>(186 000 836)</b>	<b>(273 017 050)</b>	<b>(348 425 579)</b>	<b>(333 928 214)</b>
 <b>Cash flows from financing activities</b>				
Finance lease payments	(9 805 152)	(17 450 078)	(13 880 833)	(16 310 765)
Loan	-	273 017 050	412 256 726	87 743 274
Loan Repayments	-	-	-	-
	(9 805 152)	255 566 973	398 375 893	71 432 510
 Increase in cash and cash equivalents	(421 941 492)	(65 783 885)	59 132 386	8 667 407
 Non-cash flow movements				
Effects of exchange rates on cash balances	(7 924 763)	-	52 661 223	-
Cash and cash equivalents at beginning of year	830 370 712	365 427 031	408 429 220	520 222 829
<b>Cash and cash equivalents at end of year</b>	<b>408 429 220</b>	<b>299 643 146</b>	<b>520 222 829</b>	<b>528 890 236</b>