

28 June 2011



# **New Growth Path**

## **Job Creation & Skills Development Initiatives Progress Report**

**Portfolio Committee on Public Enterprises**



**SOUTH AFRICAN AIRWAYS**

A STAR ALLIANCE MEMBER 

# SAA's Job Creation Capability - The SAA Group's Growth Plans

- The SAA Group's 2011-14 Corporate Plan is focused on growth, which will compound its catalytic demand effect on the South African economy.
- SAA & Mango have substantial growth plans over these three years:
  - 7 new SAA regional African routes, e.g. Johannesburg- Libreville/Cotonou;
  - 1 new SAA route to China, e.g. Johannesburg-Beijing;
  - 5 new SAA Cargo regional African freighter routes, currently under evaluation; and
  - Mango growth on regional African leisure routes, currently under evaluation.
- SAA Technical & Air Chefs both have strategic growth objectives to substantially grow third party revenue in their target markets and consider African expansion.

## SAA Group



Premium airline



Low cost airline



Cargo airline



Aircraft engineering



In-flight catering



Retail travel franchise

# SAA's Job Creation Capability - Aviation's Catalytic Demand Effect

- The demand for passenger travel broadly tracks the GDP growth rate<sup>1</sup>.
- Passenger and cargo air transport is a key driver of economic activity and job creation.
- Various models of aviation catalytic demand<sup>2</sup> show substantial job creation impacts at several levels:
  - Direct impacts - employment and activity in the aviation sector;
  - Indirect impacts - employment and activity down the aviation supply chain (e.g. fuel suppliers, hotels, car rental, ground transport, travel agents and retailers); and
  - Induced impacts - employment and activity supported by the spending of those directly or indirectly employed in the aviation sector and public expenditure funded by aviation sector fees and tax revenue (e.g. consumer spending by cabin crew and aircraft engineers and public expenditure funded by ACSA aircraft landing charges).

<sup>1</sup> South Africa's GDP Growth forecast is  $\geq 3.4$  % for 2011.

<sup>2</sup> Such as: the US Department of Transport ; International Civil Aviation Organisation; and Oxford Economic Forecasting.

# Challenges to the SAA Group's Growth Plans & Job Creation Capability

- Obtaining the bilateral rights to operate services to new markets.
  - African states are less inclined to open markets to South Africa, than they are to other African states.
  - African states also readily open their markets to non African states (e.g. the UAE), rather than each other.
- South Africa is allocating excessive bilateral rights to non-South African airlines, particularly from the Middle East and Europe.
  - e.g. Sixth Freedom carriers receive rights to feed their Dubai hub transfer growth, which are way beyond their own state's origin and destination demand.
- South Africa's entry and transit visa regime are adversely affecting demand for travel on South African airlines and Johannesburg transit traffic.

# Overview on Job Creation Targets & Performance Against Target

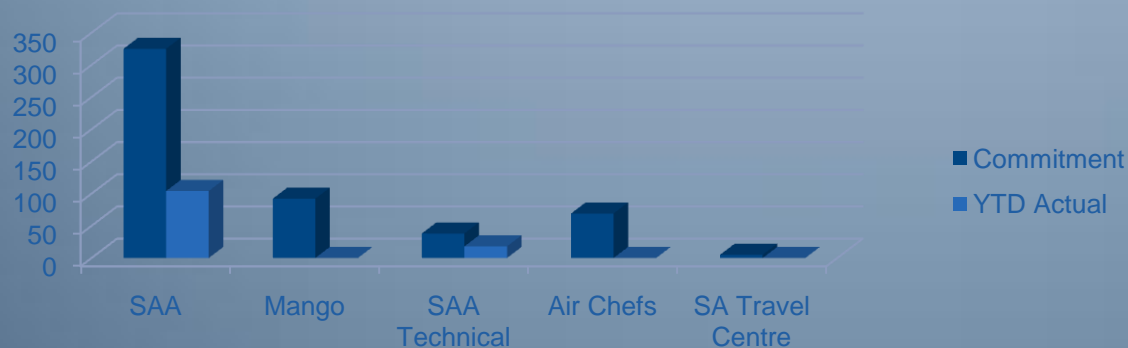
- All targets have been realigned to SAA's financial years, as per instruction from DPE during the KPI negotiation process for the Shareholder's Compact. This does not effect overall job creation commitments .
- Good progress on all KPI related job categories: internships; (SAA Technical) apprentices; and Cadet Pilots.
- New Growth Path (NGP) understanding is increasing across the Group.
- NGP job creation monitoring tools and processes now centralised for the Group.

# NGP Dashboard for 2011-12

Department/Division/Subsidiary	Total Employees	Job Creation							
		Internships		Apprentices		Cadet Pilots		Direct Jobs	
		Commitment	YTD Actual	Commitment	YTD Actual	Commitment	YTD Actual	Commitment	YTD Actual
<b>SAA</b>									
Commercial	352	6	3	0		0		5	9
Operations	4 127	13		0		47	0	273	53
Finance & Information Technology	366	9		0		0		30	8
Human Resources	135	6	1	0		0		0	3
SAA Cargo	783	10		0		0		17	26
Other	134	9	1	0		0		0	5
<b>Mango</b>	423	7		0		0		92	
<b>SAA Technical</b>	2 630	10		105	41	0		38	18
<b>Air Chefs</b>	1 087	4		0		0		69	
<b>SA Travel Centre</b>	20	12		0		0		5	
<b>Total</b>	<b>10 057</b>	<b>86</b>	<b>5</b>	<b>105</b>	<b>41</b>	<b>47</b>	<b>0</b>	<b>529</b>	<b>122</b>

KPIs agreed in the 2011-12 SAA Shareholder's Compact

## Direct Jobs by Group Entity



# Internships

- SAA's Intern Programme has been re-focussed and is already providing good opportunities for tertiary students across the Group.
- A target of 254 internships, primarily for PDI groups, are envisaged to be offered over the next 3 years, with the programme to be reviewed and fine tuned to determine both its performance and capability to increase its intake from 2014-15.

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	<i>2011-12 Shareholder's Compact KPIs</i>					
Commitment	86	83	85	TBC	TBC	254

- YTD 2011-12, 5 interns have been engaged to commence in July, with a steady cycling up of the intake over the remainder of the financial year.

# Apprentices

- A total number of 535 apprentices will be enrolled at SAA Technical in the next 5 years.
- The number of apprentices could be increased to 150 p.a. with changes to the funding model

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	<i>2011-12 Shareholder's Compact KPIs</i>					
Commitment	<b>105</b>	<b>100</b>	<b>100</b>	<b>115</b>	<b>115</b>	<b>535</b>
Additional enrolment capability with further Government Assistance	45	50	50	35	35	215
Maximum newly qualified aircraft technicians (assuming 90% pass rate)	135	135	135	135	135	675

- YTD 2011-12, **41** apprentices have been enrolled, with the remainder of our commitment scheduled for enrolment over the remainder of the financial year.



# Cadet Pilots

- SAA re-launched its Cadet Pilot Scheme (*SAA Flight Academy*) in May 2011.
- A target of 136 *ab initio* (no flying experience) and 2<sup>nd</sup> level (limited flying experience and already with a Private Pilot's License) cadet pilots from PDI groups are envisaged to be trained over the next 3 years, with the scheme to be reviewed and fine tuned to determine both its performance and capability to further increase intake from 2014-15.

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	<i>Shareholder's Compact KPIs</i>					
Commitment	47	43	46	TBC	TBC	136

Commitment 2011 - 2012	Number	Initiative	Planned	Initiative
	28	Internship with SA Express, Airlink, and AMS (Red Cross)	28	To be placed
	11	Completed the Cadet training programme not yet placed on internship.	11	To undergo accelerated development
Total	39		39	
	8	(African ATI) - joint venture SAA and South African Air Force (SAAF) <u>currently on hold.</u>	8 /(10)	If the partnership does not materialise SAA will substitute the 8 through awarding 10 bursaries to employees to enable them to complete their qualification towards obtaining a Pilot license.
Commitment	47		49	

# Direct Jobs

- Direct job creation targets were reported to DPE on 3 June, as part of our employment reporting requirements.
- SAA is targeting the creation of 1,615 new direct jobs as the business grows over the next 3 years.

Department/Division/Subsidiary	2011-12	2012-13	2013-14	Total
SAA Cargo	17	17	12	46
SAA Commercial	5	4	4	13
SAA Finance	30	10	18	58
SAA Operations				
▪ Flight Operations	15	47	50	112
▪ Airport Operations	90	57	60	207
▪ In-flight (Cabin Crew)	168	82	86	336
SAA Human Resources	0	6	7	13
Mango	92	92	92	276
SA Travel Centre	5	12	12	29
SAA Technical	38	131	137	306
Air Chefs	69	73	77	219
<b>TOTAL</b>	<b>529</b>	<b>531</b>	<b>555</b>	<b>1615</b>

- YTD 2011-12, **122** direct jobs have been created across the Group.

## Questions