

Portfolio Committee on Transport

Aviation

16 May 2012

Welcome

Agenda

- Presentation objective
- Introductions
- Why are there no BEE airlines in South Africa?
- Why do (generally) Low Cost Carriers fail?
- What is it that (generally) continues to exclude the previously disadvantaged from aviation travel in SA?

Presentation Objective.....

To inform the Portfolio Committee of Transport in Parliament of the alternatives which exist which specifically address the three aviation issues raised.....

So that strategies can be implemented to finally assist in the transformation of aviation here in South Africa and in Africa.

Who we are

- Danie Coetzee is the Chairperson of Standby Travel Ltd
 - A Public Company
 - Vision to be the largest BBBEE travel organisation registered on the JSE
 - Includes integrated aviation transport model. Standby Express, Eastern Cape Airline (recently labelled as Santaco Express)



Danie Coetzee

- 35 years involvement in aviation in SA
 - Airline Ground management
 - Airline Passenger management
 - Airline Cargo Management
 - Airline management
 - Airline consultancy
 - Airline start up models
 - Founder member and originator of the entire Standby Travel Ltd business model



Alan Dickinson

- 25 years involvement in Business Project Management Consultancy (incl SANP)
- 8 years involvement in Aviation project management.
- Founder member and originator (with Danie) of Standby Travel Ltd business model.



Why no BEE airlines? History of LCC in SA

■ Pre 1991

- Only ONE domestic carrier – SAA
- 99% white
- 95% male
- Highly skilled
- Outstanding (aviation) record internationally
- Based on ICAO stats of “fatalities per hours flown”
- Totally dominated domestic market
- Funded by taxpayers

Intro of LCC

- 1991 Legislation changed to allow for the first alternative choice airline in SA –
- Flitestar! – Seen as decent alternative
- Popular
- Profitable from day one
- 1994 – Flitestar purchased outright by Department of Railways and Harbours etc.
- Closed down overnight on the 11 April 1994!

In last 20 Years

- Sun Air (Blue)
- SA Express
- Airlink
- Phoenix Air
- Nationwide
- Sun Air (Red)
- Kulula
- Air Time
- ComAir
- Intensive Air
- Velvet Sky
- 1 Time
- Mango

What has happened to them?

- **Sun Air (Blue) X**
- SA Express
- Airlink
- **Phoenix Air X**
- **Nationwide X**
- **Sun Air (Red) X**
- Kulula
- **Air Time X**
- ComAir
- **Intensive Air X**
- **Velvet Sky X**
- 1 Time
- Mango
- **55% Failure rate!**

Survivors?

Aligned to partners

Kulula ---- ComAir (British Air SA)

- SA Express ----- SAA
- Mango ----- SAA
- Airlink ----- SAA

1Time Holdings? 2011 above R1.00
2012 --- R0.17c

YOU be the judge!



Reasons (eg equipt only)

- SAA = 737 800

- 186 PAX

- Burns to CT/JHB

- (about) 3600 litres

- 1Time = Older Aircraft

- 140 PAX

- Burns to CT/JHB

- (about) 6000 litres



Gas Guzzlers par excellence

- 1/3 less income (passengers)

- 1/3 MORE fuel

- Expensive to maintain!

So why are there no BBBEE airlines?

- Fear of repeating history (55% failure rate)
- No aviation knowledge in the market sector involved
- No national projects to pass on aviation skills
- No cash available from Government (till recently)
- No published business plan which includes BBBEE

So why do PDI feel totally excluded?

- 16 M daily commuters (Bus, rail, Taxi)
- Little access to aviation
- More costly to pay cash at airport or travel agents (R200 and even more)
- Fear of airports and flying
- Far too expensive
- No payment mechanism easily available
- Limited on-line capability
- NO CREDIT CARD availability.

So why do they get totally excluded? (cont)

- No taxi ranks at ACSA airports
 - Excessively expensive to get there
- Difficulty for Carriers to sell their own “unsold” stock
 - Currently prepared to fly with empty seats
 - Even if a passenger offered them R700 for that empty seat
 - Fear of losing existing passengers to a new model

The facts

- Between 40 000 and 75 000 seats flying around SA every day
- SAA published utility of 72% (2011)
- Good day is 90%
- If these unsold 10% were sold at discounts to an exclusive PDI market then Airlines would get an extra R500 M into their coffers p.a. And more people would fly!

Why low Utility?

- Continued Need to sell their seats at higher prices
- Need to compete for the *SAME* passenger
- Price Wars!
- Remain low utility rate (Load Factor)
- Not about the “full flights”
- It’s about the empty flights – loss of profit

The solution

- Sale of distressed stock
 - Focussed on PDI
- Simple and easy payment system available to ALL (IMB)
- Available EVERYWHERE (3 000 + remote stations)
- Directly linked to airlines
- Cost effective for the people
- Owned by the people = run and managed by professionals



The solution (cont)

- Target only 0.01% of daily commuter market
- Integrated transport market (taxi/airline/ taxi)
- Popular destinations
- Avoid competition with existing market
- Easy access to shares (airline ownership)
- Owned by the people
- Strategic skills hand over
- 1000's employed countrywide



Conclusion

We covered.....

- Why are there no BEE airlines in South Africa?
- Why do (generally) Low Cost Carriers fail?
- What is it that (generally) continues to exclude the previously disadvantaged from aviation travel in SA?
- New aviation models for thought



Conclusion

- Welcome to our world
- The world of Standby Travel Ltd
- An aviation idea with wings!

