

AVI AFRIQUE 2017
Africa Aviation Innovation Summit



ATNS PERMISSION PLANNING PROCESS: A CATALYST FOR AVIATION INFRASTRUCTURE DEVELOPMENT AND A MAINSTAY FOR AIRLINE BUSINESS GROWTH

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BACKGROUND

- **PERMISSION PROCESS :**
 - Economic Regulator appointed for ACSA and ATNS
 - Legislated through 1993 ACSA and ATNS Acts
 - Amendments expected end 2017 / early 2018
 - Independence to balance interests of :
 - *Companies - Monopoly Service Providers*
 - *Users – Airlines*
 - *Passengers - Customers*
- **MANDATE**
 - *Approach Document - Guidelines for Permission Application*
 - *Tariff determination for 5 years*
 - *Service Standards monitoring*
- **TO PROVIDE**
 - Infrastructure and services
 - Required by all parties
 - At right time and right price - affordability

INDUSTRY CONTEXT

- IMPORTANCE OF GETTING THIS RIGHT –
- 2017 INDUSTRY PROJECTIONS
 - Global profitability : US\$ 31.4 billion
 - Africa : projected US\$ 800 million loss
 - SADC : projected US\$340 million loss
 - RSA : projected US\$ 100 million loss
- OTHER PROJECTIONS
 - Air Transport will double in 20 years
 - 1000 additional aircraft
 - 20000 additional aviation technicians and engineers
 - Requirements for general commercial and specialist skills

CONTRIBUTION OF AIR TRANSPORT TO RSA

- 490000 jobs (70000 direct air transport jobs)
- 3.5% of GDP
- US\$ 140 billion FDI
- US\$ 92 billion foreign tourism expenditure
- Growth of international tourism : +10.8% - 2016 over 2015

WORLD ECONOMIC FORUM

- RSA ranks 1st out of 37 countries in Africa re infrastructure quality
- RSA ranks 48th globally

PERMISSION PROCESS – ISSUES

- **TIMETABLE**

- *Concern over limited planning and consultation period*
 - *New Permission : JAN 2017 to 30 Jun 2017 submission– 6 months*
 - *Actual Date of Submission : 31 October 2017 – 10 months*
- *Normal Timetable :*
 - *Ideally planning commences Aug/Sep of prior year*
 - *Planned date of Submission : 30 June next year – 10 to 11 months*
- *Disruption due to delays – various reasons*

- **CONSULTATION**

- *Need for transparency : Regulating Committee / Companies / Industry*
- *Lead time for planning and meeting deadlines*
- *Representation and Roles:*
 - *AASA, BARSA, IATA*
 - *Airlines and Passengers*

CRITICAL AREAS

- **TECHNICAL MATTERS**
 - APPROACH DOCUMENT PROCESS
 - Timelines for consultation and finalization
 - Level of consensus reached
 - CRITICAL ELEMENTS OF PERMISSION
 - Traffic Forecast – Independent studies
 - CAPEX – benchmark / backed by strategy and requirement
 - OPEX – supporting CAPEX and ensuring efficiencies
 - WACC – allowable returns
 - Tariffs – payable by users
 - REGULATING COMMITTEE DETERMINATION - DETAIL

CRITICAL AREAS (cont.)

- **OTHER MATTERS**
 - LEVEL OF TRUST BETWEEN ALL PARTIES
 - TECHNICAL BACK UP FOR REGULATING COMMITTEE
 - Appointment of Consultants
 - TECHNICAL BACK UP FOR AIRLINE INDUSTRY
 - Resources to review ATNS and Regulating Committee positions

PROPOSALS

- CONSIDER FULL TIME REGULATOR (TRANSPORT)
- SUPER REGULATOR – combine Regulators outside and inside Transport
- ADVANTAGES
 - Arms length – independence
 - Adequately resource
 - Avoid duplication of resources
 - Single consultants
 - Single effort on certain common work e.g. Economic forecast
- TO BE RESOLVED
 - Funding
 - Core Regulatory structure
 - How to deal with specialization per industry

CONCLUSION

- NECESSARY TO HAVE A PERMISSION
- WITHOUT REGULATION COMPANIES DETERMINE OWN TARIFFS AND DICTATE WHAT IT WOULD PROVIDE AND AT WHAT PRICE – UNACCEPTABLE!!
- NEED TO KEEP TO TIMETABLES AND REDUCE DELAYS:
 - Capacity squeeze
 - More certainty and predictability
 - Avoid spikes and troughs in tariffs
- FURTHER ENGAGEMENT NECESSARY PRIOR TO NEXT PERMISSION PROCESS
- **BUT** DO NOT OVERCOMPLICATE IT.
- ENABLES PROMOTION OF POTENTIAL NEW BUSINESS : INCLUDING EME'S, QSE'S



BACKGROUND

• AA