



Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo leNtshona Koloni

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Report of the Standing Committee on Finance, Economic Opportunities and Tourism on its visit to the Cape Town International Airport on 29 July 2022, as follows:

Delegation

Members

Baartman, D (DA)(Alternate)
Bosman, G (DA)(Chairperson)
Brinkhuis, K (Al Jama-ah)
Mackenzie, R (DA)

Apologies:

America, D (DA)
Nkondlo, N (ANC)

Staff Members

Adams, Z (Procedural Officer)
Motsapi-Mrubata, M (Committee Assistant)
Barends, A (Logistics Official)

1. Introduction

The Standing Committee on Finance, Economic Opportunities and Tourism (the Committee) embarked on an oversight visit to the Cape Town International Airport (the Airport) on 29 July 2022. The Committee was briefed by Wesgro on the Air Access Strategy and the recovery of the sector in the Western Cape. The National Department of Transport and the Airports Company of South Africa (ACSA) also briefed the Committee on the operations of the Airport, on the Swartklip and Symphony Way developments, and the challenges in respect of the planning for the Aerotropolis development. Thereafter, the Committee embarked on a tour of the Airport.

The delegation included the Members of the Committee, the Minister of Finance and Economic Opportunities, Ms M Wenger, Alderman J Vos and Alderman C Justus from the City of Cape Town (the City), Wesgro officials, and officials from the National Department of Transport and ACSA.

The Chairperson welcomed all the stakeholders to the meeting. Minister Wenger embraced the interaction, indicating that Wesgro welcomed the chance to share with the Committee and the stakeholders the work that its Air Access Unit was doing. She explained that the air access sector had experienced challenging moments during the COVID-19 pandemic, however, the focus moving forward would be on air access recovery. Minister Wenger further indicated that the air access sector was a prime example of how different government entities could work together and succeed.

Alderman Vos indicated that the Cape Town International Airport (CTIA) Aerotropolis was an important project for the City and Province, and thanked ACSA for the partnership with the City. The City was particularly excited about the new runway and more flights and upgrades to the CTIA.

2. Briefing by Wesgro

2.1 Overview

The day commenced with a briefing from Wesgro's Air Access Unit on the Air Access Strategy and recovery of the sector in the Western Cape.

Wesgro's delegation consisted of Ms W Stander (Chief Executive Officer), Ms J Twynam (Chief Assurance Officer), and Mr P van den Brink (Aviation Liaison).

2.2 Observations

2.2.1 Initially, the Cape Town Air Access (CTAA) Strategy focused solely on increasing international passenger services for CTIA, however, the purpose of the Strategy has since evolved to include airport infrastructure development, spatial land use planning, and sustainability and technological innovations. The CTAA Strategy will also focus on creating air cargo awareness and gaining an understanding of the broader freight sector, as it was projected that air cargo will become very important for the Aerotropolis. Most cargo was flown from Johannesburg, but with increased capacity at CTIA, there was great potential for growth in air cargo activities, both for imports and exports.

2.2.2 Wesgro indicated that air access recovery in the Western Cape already appeared to be positive and that the CTIA needed to ready itself for a "bumper" tourism season. The Air Access Unit warned that the Western Cape should take a lesson from European countries, whose airports could not cope with the influx of tourists during their 2022 tourism season. It was further noted that aviation played a critical role in the economic development of any economy.

2.2.3 Wesgro has been engaging with the Department of Transport (DoT) in respect of bilateral agreements, which were important for new and current flight routes. In some cases, growth of flight demand was so strong that the number of flight "frequencies" were insufficient. Wesgro was in the process of engaging with the DoT to update the current bilateral agreements.

2.2.4 2021 was a very difficult year for the air access sector due to the closure of many borders. By November 2021, it seemed that this situation was improving but due to the emergence of the Omicron variant, international passenger recovery suffered considerably. However, by March

2022, international flights saw a 61% passenger recovery rate. In May 2022, domestic passenger recovery rate for the CTIA was at 83%. In April 2022, George Airport's domestic passenger recovery rate was at 109%.

- 2.2.5 The CTIA's domestic flight network has not changed since pre-pandemic, which was promising, however, more capacity was needed on certain flight routes. Wesgro indicated that it was important to start growing the flight network in the rest of Africa. So far, Wesgro has added six more destinations in Africa. Their latest addition was a Cape Town-Maputo route operated by Airlink, which would launch on 31 August 2022. West Africa was an important market for the Western Cape, however, Ghana and Nigeria did not have a good carrier that could operate the route to Cape Town. This challenge was being addressed by Wesgro.
- 2.2.6 In terms of upcoming flight services for the 2022 summer season, Air Belgium will start operating a triangular route (Brussels – Johannesburg – Cape Town) from Brussels twice a week starting from 14 September 2022, subject to government approval. This would become an important route as Brussels was considered the "capital of Europe". Air Mauritius would be returning on 16 November 2022 with flights twice a week. Virgin Atlantic would be relaunching its daily London Heathrow flight from October 2022. The Delta Air Lines triangular route (Atlanta – Johannesburg – Cape Town - Atlanta) had been approved and would be operating daily starting in October 2022.
- 2.2.7 For international flight traffic, Wesgro predicted that the number of flight seats taken in November 2022, February 2023 and March 2023 would exceed the number of seats booked in 2019. For December 2022 and January 2023, with added capacity, Wesgro predicted that flight capacity would be around 100%. These predictions, in addition to the feedback received from international airlines, indicated a favourable summer season for Cape Town. It should, however, be noted that Wesgro warned that increased inflation and the recession in Europe could have a negative impact on travel to Cape Town.
- 2.2.8 Wesgro markets Cape Town as a destination at events such as AviaDev Africa, which is a leading route development conference on the African continent. Wesgro also aimed to promote air cargo development for CTIA at conferences such as World Routes, which is a global aviation conference that allows route development teams to engage with carriers, airports and industry bodies. This is the largest meeting of the air cargo community in the world, which would take place from 16 to 18 October 2022.

3. Briefing by the Airports Company South Africa

3.1 Overview

The Airports Company South Africa (ACSA) and the Department of Transport (DoT) briefed the Committee on the operations of the Cape Town International Airport, the Swartklip and Symphony Way developments, and the challenges experienced in respect of the planning for the Aerotropolis development.

The DoT's delegation consisted of Ms P Kganyago (Liaison official) and Mr Z Thwala (Deputy Director-General: Civil Aviation). ACSA's delegation consisted of Mr M Maclean (Regional General Manager: CTIA Cluster), Ms Y Mlawuti (Acting Assistant General Manager), Mr B Veto (Acting Senior Manager) and Mr C Shilowa (Group Executive: Strategy and Sustainability).

3.2 Observations

- 3.2.1 Pre pandemic, ACSA and the DoT had aimed for a massive Capital Expenditure (Capex) drive; however, when COVID hit the country, the Department and Entity experienced liquidity challenges and had to cut its operating expenditure by R1,2 billion and its Capex to R1 billion. The DoT put a stop to all new builds, focused on maintaining basic operations, and started planning for Capex operations to continue in 2026. ACSA then began to review its governance framework and operating model, which led to the loss of 600 employees through early retirements and voluntary severance packages. ACSA undertook to make its structure “leaner” and some of its units and divisions had to be combined, however, there was an idea that some of the capacity could be recovered once the economy recovered.
- 3.2.2 The impact of COVID-19 led to the review of ACSA’s overall strategy. ACSA’s new “Recover and Sustain Strategy” would be implemented over three timeframes; 2022 to 2025, 2026 to 2030, and beyond 2030. The new strategy was centered on three business pillars – running airports efficiently and optimally, developing airports in respect of optimising assets and planning for new capacity and growth opportunities, and growing footprints in terms of research, planning and implementing growth opportunities and seeking opportunities locally and globally. ACSA reviewed its strategy and business model to ensure that recovery to financial sustainability was not only based on organic growth, but also on catalytic initiatives to achieve growth through revenue generation.
- 3.2.3 ACSA has identified three Aerotropoli in South Africa, namely Johannesburg, Cape Town and Durban. Six regional airports were identified as “Airport Cities”. ACSA noted the importance of an integrated approach and partnerships with municipalities and provincial government, particularly in terms of developments that should be in sync, developments that are sustainable, and land that would be required for the establishment of the Aerotropoli and Airport Cities.
- 3.2.4 In terms of CTIA, the Gross Value Added (GVA) impact saw a 69% reduction between 2019 and 2020. In terms of jobs at the CTIA, there was a 63% reduction in jobs supported between 2019 and 2020.
- 3.2.5 ACSA noted that George Airport was recovering faster than other airports, however, they also noted that smaller airports would recover faster than larger ones because they had lower volumes traditionally. ACSA also noted that the leisure market was recovering faster than the domestic market – this explained why CTIA was recovering faster than OR Tambo Airport, which had a bigger business traveler market. There was a 67% recovery rate, in terms of passenger volumes, in July 2022, if compared with the numbers that were recorded in July 2019.
- 3.2.6 ACSA indicated that all pre-COVID capacity-related projects were under review in line with demand. This included the CTIA Aerotropolis Master Plan, which was unfortunate given the number of benefits it would reap if implemented. The benefits included that the surrounding areas would achieve long term sustainability, growth and resilience. The entire region would gain a competitive advantage over other business centres, there would be improved accessibility through multi-model transportation facilities for the regional population and it would attract workforce talent and high-paying jobs.
- 3.2.7 In terms of challenges, ACSA noted that were massive land invasion challenges within the CTIA Precinct. The land that had been invaded was owned by the Department of Public Works and the Western Cape Government. The invasions occurred over the last two years as the country was navigating the COVID-19 pandemic. This restricted the ACSA’s ability to commence with the

new realigned runway project and second parallel runway. The State of Disaster regulations prohibited any evictions during the COVID-19 pandemic and resulted in the establishment of the informal settlement. However, the invasions have presented an enormous risk of limiting aviation development and growth in South Africa's second largest airport hub and benefits to the region. The new realigned runway project is expected to generate 200 temporary jobs in the construction sector, 950 to 3 200 direct employment opportunities, and 2 550 to 7 360 indirect employment opportunities.

- 3.2.8 In terms of the Swartklip development, 200 of the 500 hectares of land was developable. ACSA's intention was to conclude the urban planning, design and Environmental Impact Assessment by the end of 2022. This development was recognised as a strategic asset by the City of Cape Town and the provincial structures, as it had the potential to become a multi-use area for business, transport, education, conservation and social activities. ACSA was also in the process of establishing the False bay College: Khayelitsha Campus Development on the site. However, there were a number of challenges affecting the development of the Swartklip area such as land invasions, theft and vandalism of equipment, threats towards the False Bay College campus development, bulk engineering infrastructure uncertainty, and adherence to strict timelines and deadlines.
- 3.2.9 In terms of the Symphony Way Housing Development, there was potential for 54 hectares of residential development, 51 hectares of industrial development and 79 hectares of ecological areas. However, there were challenges such as land invasions at Freedom Farm and Malawi Camp, and work stoppages due to various business forums demanding certain opportunities.

4. Walkabout of the Cape Town International Airport and tour of the premises

The Committee, the City of Cape Town officials and Wesgro officials were given a walkabout of the immigration e-gates, the security fast-track section, the new business lounge at the international departures, passport control and the arrival area. The delegation was then given a tour of the CTIA's external precinct, including the electrified and guarded fencing around the premises, the onsite Fire Station where the Members engaged with the fire fighters, and the area where land was invaded just outside the CTIA precinct.

5. Acknowledgements

The Chairperson thanked the Minister, Wesgro, the City of Cape Town, ACSA and the Department of Transport for an informative and eventful meeting, the tour of the premises and for their willingness to meet with the Committee and to share information with the Committee and each other.



MS C MURRAY, MPP

CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM

DATE: 29 November 2022