

Landings costs and taxes should be lowered - Menzies Aviation

Business and tourism in South Africa could be boosted and the region could play a larger role as a gateway to Africa as well a regional hub between Europe and South America if it were to develop a more welcoming open sky policy.



This is according to Forsyth Black, senior vice-president of Menzies Aviation for Africa, the Middle East and India, who says one of the ways of doing this could include lowering airport landing fees and taxes to encourage increased usage. He argues that the resultant increase in passenger numbers would offset the lower taxes.

Black says the current global recession and recent announcements by airlines to cut direct international Cape Town routes, would have a negative knock-on effect on all sectors of the South African economy, but a change in strategy could improve the country's position. "The aviation industry is feeling the chill of the recession which has impacted significantly on our traditional tourism and trade partners in Europe and beyond. We need local strategy adjustments to prevent an escalation of the impact," says Black.

Wider business impact

A liberalisation of Africa's skies would increase business similarly to the way in which Dubai and Singapore made themselves attractive as regional hubs. The impact of increased visitors to these cities grew not only their air traffic but also expanded the wider business impact especially in terms of cargo, trade and import/export services.

Globally, countries are increasingly looking at reducing or abolishing air tax because of the detrimental effect taxes are having on visitor numbers and economies. Pressure is currently mounting on the UK government to reduce the fees which has led to that country having the highest air passenger tax in the world, amidst warnings that it is damaging the economy.

"The aviation business is a volume versus capacity business which, if one carefully balances the costs making certain regional hubs particularly attractive, the benefits could be disproportionate. Airline operating costs are made up of various factors including passenger and aircraft service, fuel, maintenance and infrastructure, as well as non-aviation costs such as capital and financing. By making themselves more attractive to more airlines, local airports could attract a greater mix of transit and local boarding passengers who would contribute to profitability in other ways," says Black.

Airports the best in Africa

He says South African airports are the very best in Africa and, following the further improvements in airport infrastructure prior to the Soccer World Cup, now rank among the best in the world. As such, the country's airports provide ideal regional hubs both as the gateway to the rest of Africa and to Europe, South America, Asia and beyond.

"The benefits for the economy as a whole that can be derived from a concerted policy of liberalisation of its skies are significant. Tourism is SA's biggest industry sector but its growth is being stunted. Far more should be done to encourage tourism as a job-creator," Black says.

SA gets the lion's share of Africa's travellers and tourists. Figures show eight million tourists visited South Africa in 2011 with most of them from Botswana, Lesotho, Mozambique, Swaziland and Zimbabwe. The UK, US, Germany, the Netherlands and France were South Africa's top five overseas tourist markets but European arrivals declined by 3.5% in 2011, in line with their worsening economic conditions. Tourists from China and India increased by around 26% year on year and South African Airways has added more direct flights to African and Asian destinations to fuel this growth.

Airlines cannot absorb costs

Black says that given the economic tough times, travellers were very price sensitive, as are the competitive airline operators for whom critical input factors such as airport landing fees and scheduling practices all impact on the profitability of specific routes. He warns that the potential knock-on effect of declining visitor numbers could have broader ramifications for tourism and business and believes tourism bodies and airports should work together more closely to ensure a win-win for travellers to and from the Southern Africa region.

Black says airlines globally can no longer ignore and simply absorb the cost of flying to expensive airports such as South African ones, and that further route cuts could be on the cards unless certain interventions are made. "Once interventions such as the reduction of landing fees are introduced, airlines could start to switch back from other long-haul destinations to South Africa. This increase in the number of landings made at local airports will ameliorate any potential impact from the reduction of landing fees."

For more, visit: <https://www.bizcommunity.com>