ASM World route development consultants

Route Development Strategy and Support Programme for King Shaka International Airport

Submitted by Airport Strategy and Marketing Ltd

August 2014

asm-global.com

Contents

Tables

Figures

Appendices

1.0 Executive Summary

This report identifies seven distinct market groups where air service growth and development could be delivered. These are:

- London
- The Gulf Region
- International Hub Access
- Regional Africa
- Domestic
- Cargo
- Charter Flights

The market groups are all quite distinct; however some specific target destinations do overlap between the market groups. Nairobi for example delivers both “International Hub Access” and “Regional Africa”, as do services to “London” that could be served by “Charter Flights”, so falling in to 2 of the market groups.

To give focus and direction to the strategy, the market groups are prioritised in line with the priorities of the Province’s Economic Development Strategy as well as aligned to the market demand forecasts, the economic needs and desires of the region and the deliverability of the air services by the target carriers.

All these are also considered in a three year time horizon of activity to target delivery and growth of the air service business to King Shaka International Airport (KSIA).

In prioritising the market groups and in line with the strategy, consideration was given to the following criteria,

- Large existing indirect passenger numbers or large potential passenger flows that could be serve multiple beyond destinations through a carrier’s network of services.
- A strong cargo potential with existing indirect import and export volumes.
- Destinations that have strong alignment to the Tourism Strategy as well as business linkages, markets such as Germany and the UK.

In considering the criteria, the priorities identified for focussed activity and delivery over the coming three year horizon are;

- Delivery of a London service, either through a Full Service carrier, or a charter / Tour Operator supported operation.
- Connection to a major European Hub to serve multiple regional points across Europe, the US and Asia.
- Delivery of services to Nairobi with Kenya Airways to open up Regional African connectivity, fulfil freight demand and offer long haul connectivity to Europe and Asia.

All other market development opportunities for KSIA will be monitored and pursued as required to ensure opportunities are not missed for further development, however focus will remain on the priorities identified that deliver the wider Province's Economic Development Strategy and enhanced regional development.

In delivering the Route Development Strategy consideration is also given to the quantum and structure of the Support Programme required to do this. To secure and maintain new air services business ahead of other airports, who will also be pitching to secure the scarce resource of aircraft capacity, funding is an integral part of the equation to help support the airlines "risk" and share in this in the early years.

It is suggested that a Route Development Fund in the region of $3.58m is secured for 2015 and $5.95m in 2016 to support the early years of operation of the target new air service developments. Although it's likely that not all of the targets will be delivered, it is possible that the three strategic priorities will be secured over the coming three years and funding will be required to secure them.

Recommendations are made on the different structures and approach to the market groups and the level of activity and support required to deliver the growth in these markets.

2.0 Introduction

The report outlines a recommended route development strategy and aligned incentives policy for the Province. Whilst an objective in preparing this report is to verify targets and identify new development opportunities, this document particularly aims to provide structure and prioritisation to the pursuit of new routes and airlines over the next three years. As such it seeks to be a practical report and management tool that will be used to determine workload and resourcing commitments, as well as a document by which progress should be measured against.

The strategy is set primarily against a three year period up to the end of 2016 and taking into account the timing of World Routes in to be held in Durban in September 2015. Some elements of the strategic activity will extend into a longer time horizon of 5 years where factors outside of the control of DTPC take effect, such as aircraft deliveries. Naturally the strategy would be reviewed periodically and if required, updated to take account of progress achieved and/or developments of significance in the industry.

This report takes in to account the pre-defined strategic objectives of the Province and acknowledges the airports development is a key component of the Province of KwaZulu-Natal's economic growth strategy with a focus on initially developing routes with the following components;

- A strong cargo potential with existing indirect import and export volumes.
- Significant indirect passenger numbers or potential passenger flows to also serve multiple beyond destinations (i.e. hubs)
- A strong alignment to the Tourism Strategy as well as business linkages, as exist with Germany and the UK

It is focused on fulfilling the vision of the Province to become the leading global integrated and sustainable air logistics platform in Southern Africa and takes guidance from the mission statement to reposition KZN in the global supply chain through the enablement of new air services.

As previously acknowledged, the key to long term and lasting economic development is the availability of direct international air services, the delivery of which requires a viable market, a willing operator, appropriate traffic rights and a suitable and attractive support package.

As is well known to the Province, KSIA is host to predominantly a domestic route network, a limited number of Southern African and regional international services and of course the successful flagship long haul direct services provided by Emirates. South Africa's Capital Hub, OR Tambo International Airport (ORTIA), and national carrier SAA, are dominant influencing forces; proving on the one hand a home nation based feed into global markets, but on the other hand a constraint to the development of direct services from KSIA. The national strategy is undoubtedly primarily focussed on the ORTIA hub as it has for many years, and this is understandable. This backdrop however does make life challenging for the development of new direct air services to KSIA.

The connectivity that ORTIA, and in more recent times Dubai, has enabled indirect passenger traffic flows from KSIA to be identified and quantified on a consistent basis, as such the markets which should be targeted for new direct service are fundamentally well understood to the Province.

This report lists these targets of course, however the challenge is more about how best to secure them rather than the identification of what to pursue. As such, more emphasis is placed in this document on the activity recommended to try to secure new airlines and routes, rather than on market identification.

There are many facets to route development which can often involve a number of stakeholders in the process. However in forming the recommendations of this report, the task has been simplified, conceptually, in order to enable clarity on how to determine the strongest approaches for success. The simplest form of route development assumes the premise of future growth in the market and then the task is to capture a share of this growth, ideally accelerating it. Future growth is most easily reflected amongst airlines by their forward fleet orders, and as such airports aim to ensure that they are in the plans of airlines so that when new aircraft are delivered the new route will be opened up.

For example, the recent discussions with Virgin Atlantic concerning the London opportunity are a case in point. The consensus with them is that the route is best served by the new Boeing B787 aircraft, of which Virgin will be receiving these aircraft over the next few years. Whilst the prospects for an immediate new service with them are not likely, current efforts are centred on gaining commitment for operations in the future as new aircraft become available.

The challenge for the province when applying this simplistic approach to route development is that the airlines of South Africa and southern Africa in general are not bringing forward any significant orders for new aircraft in the next few years. SAA have an order for a further 18 A320's that will replace its present fleet of 12 Boeing 737-800s and also increase the Airbus fleet it already has in service, however the incremental capacity is not expected until 2017 at the earliest. SAA's tender for 22 long haul aircraft is a straight replacement programme for the current long haul fleet with no new capacity being sought by the carrier for growth in this sector.

However, as we know, the strategy for SAA is very ORTIA centric. Whilst international carriers may have larger fleet orders, Durban faces the challenge of global, rather than local competition for these aircraft.

In order to make progress against such a backdrop, then a more complex form of route development is required, that is to persuade an airline to change its current operations and focus new effort on Durban, probably at the expense of a competitor or other airport. This approach is becoming increasingly common place in mature markets such as Europe, North America, or markets where, for a number of reasons, growth and expansion is not a given.

The premise here is a belief than the market status quo can be broken and attempts should be made to achieve such a change. Both forms of route development can be pursued in parallel and this report recommends such an action plan.

The strategy proposed has a matrix structure. Typically an airport pursues a list of routes and associated target airlines; in this report we have also clustered targets together into relevant market groupings that might require different levels and structures of support, at the same time acknowledging that a number of airlines can provide the solution to a range of targets that cross these groups. The strategy focuses efforts in both market and airline directions, as the simplified Table 1 below illustrates. The full strategy matrix is shown in the next section of the report.

Table 1 - Strategy Matrix

Airline	Long Haul Strategic	Southern Africa & Domestic	Gulf	Other Route Gaps
British Airways	Yes	No	No	No
SAA	Yes	Yes	Yes	Yes
Emirates	Yes	No	Yes	No
Fastjet	No	Yes	No	Yes
Comair/Kulula	No	Yes	No	Yes
Ethiopian	No	Yes	No	Yes

Dube Tradeport (DTPC) currently offers a competitive range of new route incentives and has shown their willingness to negotiate with airlines to try to secure services and ensure they would have a strong marketing foundation. This report addresses the forward policy for route incentives and aligns them with the strategy matrix approach indicated above, for example, more substantive incentives being available for the strategic market groups.

Given that incentive funding support currently comes from DubeTradeport and KZN stakeholders and is therefore public money; it is recognised that the use and deployment of these funds is clearly defined in terms of quantum and return and the recommendations in terms of application of funding is clear and targeted.

Given the volatile nature of the market and competition from other regions and countries for the highly sought seat and freight capacity, the report is also proposing that consideration is given clearly defined funding levels for the different market sectors being sought.

Funding is proposed as follows.

- Significant Route support for predetermined strategic target routes with frequency, network and passenger volume targets.
- Or, an RFP “light” that seeks no more than expressions of interest

The RFP “light” would be an alternative approach to advancing the potential delivery of new services as oppose to the more traditional approach, however this will be only considered as a last resort if no progress is forthcoming.

3.0 Background

3.1 Air Service Development

The process of securing new and increased air services from an airport is a long a complex one that needs to take account of many variables along the way. Even once an airline commences operations to an airport, maintaining that business remains a priority given the fragile and delicate balance of maintaining revenues against variable costs that the airline faces on a daily basis.

Airlines invest millions of dollars in aircraft and the resources to operate them in return for meeting cargo and passenger demand to travel, which is rewarded through the fees and air fares they charge. In selecting the appropriate air services to operate, airlines make decisions on where they believe the best markets to serve are. They evaluate the passenger demand profile through the time of day, the day of the week and the weeks of the year in terms of both volumes of passengers and the attainable yield and cargo through import and export demand and consolidated demand from freight forwarders.

The cost of delivering air services is also hugely volatile with the greatest variable cost being fuel that fluctuates in price on an almost daily basis. The purchase of fuel and services to operate the flights can also fluctuate with currency exchanges between different countries where services are procured, not least the air fares which are bought in many different currencies for International services.

With all the associated costs, an airline must then be confident it can recover these costs, and make a profit through the sale of cargo capacity and seats between the selected destinations. Again, the revenues that are realised can vary hugely as local and regional economies change, demand for travel fluctuates, travel policies within business change, political relationship between countries change and competition enters the market.

Understandably, airlines take great caution in the evaluation of markets and continually seek to identify where the greatest opportunities lie, how much they are prepared to compete and how long they will remain in a market that's not performing. Air services can disappear as quickly as they start and airlines need all the help and support to ensure they are making the right decisions and fully understand the markets they are in.

3.2 Route Development Strategies

Historically, the decision making process by airlines on where and when to fly was done in almost complete isolation from the airport operator. The airports were seen very much as part of the supply chain, a service provider that came with a cost.

Over the past 10 to 15 years, airport operators, tourist boards and regional development agencies have really woken up to the role they can play in assisting the airlines in their difficult decision making process. Rather than waiting for airlines to identify the

opportunities, the airport operators have formulated their own Route Development priorities, identifying where the demand for air travel lies, evaluating these opportunities and presenting them to the airlines, doing the fact finding and research that the airlines need to make their decisions.

This activity has evolved from the increased number of commercial airports and more so the increased level of competition from these airports leading to airports not just seeking to define what business targets they desire, but to also define their own market position in their region and catchment area and to some extent their brand in this growing market. Hence an airport's Route Development Strategy is not just about route targets but also the role the airport is seeking to play in serving a region.

Supporting this process through a comprehensive pricing and support policy to assist the airlines financially in their decisions and contributing to the risk has become the normal behaviour across many airport operators and their regional partners around the globe. An airport positioned as a low cost opportunity might attract LCC's more than other carriers, but offers a lower service level and product as oppose to a more expensive airport that offers a far greater range of services and facilities, more suited to the legacy schedule carriers with mixed classes of travel and connecting passengers.

The airports that have taken this route of developing strong links with the airline community, understanding their own business aspirations and what they are trying to be in the market place, working with the airlines to develop and grow their business, tend to be the airports that out perform their competitors. This is not just in their local or regional markets but in the wider global markets where they compete for the scarce resource of airline seat and cargo capacity.

The Route Development Strategy is a key document for a progressive and developing airport, clearly setting out the market sectors to compete in, the targets to achieve and the partners to work with to do this. All this is brought together under a comprehensive pricing and route support (incentives) strategy that compliments and helps the development and growth of the aeronautical business.

4.0 Route Development Strategy

In delivering the route development strategy, the key element is to understand the airlines strategy for growth and development, aligned with their aircraft orders and delivery schedule. Clearly there is little point in engaging with a carrier who does not have the right aircraft type or equipment to serve a target market, similarly there is little point in engaging with a carrier who has no interest in a market sector, despite the ability to serve the route.

Given the time and cost associated with developing these relationships and understanding of the airlines business and strategy, the following table has summarised the target airlines identified in the strategy by category and priority.

Table 2 - Target Airlines by Strategy and Priority

Airlines for Single Routes	Airlines for Multiple Routes	Airlines exerting multiple market influence
British Airways	SAA	Emirates
Virgin Atlantic	SA Express	SAA
Lufthansa	SA Airlink	
Turkish Airlines	Fastjet	
KLM / Air France	Kulula	
Brussels Airlines	Comair	
Kenya Airways	Mango	
SAS		
Ethiopian Airways		
Norwegian		
Arik Air		
Condor		
Swiss		

Table 3 below lists the top 30 indirect passenger routes from KSIA, the table also includes the direct traffic for routes that have existing air service.

Table 3 - Top 30 Indirect Passenger Routes

Airport	Direct	Indirect	Grand Total
London-Heathrow		52,668	52,668
Mauritius	18,364	11,958	30,322
Dubai	28,390	1,509	29,899
Mumbai/Bombay		24,313	24,313
Harare	12,165	8,265	20,430
Maputo	7,629	4,370	11,999
Lusaka	7,739	4,075	11,814
London-Gatwick		11,341	11,341
Hong Kong		8,789	8,789
New York-JFK		8,673	8,673
Perth		8,249	8,249
Amsterdam		7,570	7,570
Lagos		7,503	7,503
Delhi		7,150	7,150
Nairobi		7,102	7,102
Manchester		6,817	6,817
Frankfurt		6,437	6,437
Sydney		6,394	6,394
Manila		6,279	6,279
Windhoek		6,195	6,195
Dar Es Salaam		5,899	5,899
Paris-De Gaulle		5,706	5,706
Jeddah		5,497	5,497
Bangkok		5,106	5,106
Auckland		4,971	4,971
Singapore		4,842	4,842
Brisbane		4,792	4,792
Gaborone		4,779	4,779
Luanda		4,742	4,742
Munich		4,715	4,715
Other	49	238,185	238,234
Grand Total	**74,336**	**494,891**	**569,227**

Source: Sabre ADI (Traffic July 2013 to June 2014)

In addition to identifying where the largest markets exist for potential new route development and the carriers that could potentially fulfil this for passenger and belly freight business, the Route Development Strategy also needs to accommodate the desires and aspirations of the Province's Strategy and other relevant parties or influences to ensure the focus and effort is targeted in the right direction and with the right partners.

These largest potential routes are known to the Province and naturally form the basis for setting targets and prioritisation. The "Direct" traffic being the point to point traffic from Durban to the specific destination where flights already operate, the "Indirect" being traffic travelling from KSIA to the destination listed, but having to connect via and intermediate

point. Of the top International destinations, much of the "Indirect" traffic is carried by either Emirates via Dubai or SAA via Johannesburg.

To give a focus on the strategy, the targets have been categorised in to seven market groups as follows;

4.1 Group 1: London

Secure a direct non-stop scheduled passenger service to London, preferably Heathrow Airport to operate with at least 3 frequencies per week on a year round basis and a suitable aircraft to accommodate cargo uplift.

London is the only long haul market from Durban that has sufficient volume of indirect passengers that it is capable of standing alone as a target group. All other Long Haul destinations from KSIA would require connecting hub access and connecting traffic to sustain a service given the volume of seats that would be flown on any wide-body aircraft.

London is naturally the standout target and is of course being pursued at present. This market is however already being served, albeit indirectly, primarily through Johannesburg and Dubai. The ideal and preferred objective in serving London is to secure a direct service to London Heathrow Airport; however this currently looks distant given the limited number of potential carriers with suitable aircraft capacity and associated landing slots at Heathrow, as well as the desire to implement services to Durban.

British Airways do not currently view the market as a priority for development with a view that the passenger yields are "soft", that meaning that the yields attained are sufficient to cover costs but with little or no profit. British Airways serve the region via Johannesburg with their franchise partner Comair, so a direct service to Durban will in their opinion dilute both the Johannesburg service and the Comair connections.

Despite this position, British Airways could considered Durban for direct services should they want to free up capacity on their Johannesburg services for more point to point, higher yielding traffic as demand grows and capacity becomes constrained in the market. Effectively Durban could directly benefit from the continued success and growth in demand to Johannesburg.

British Airways do now have the B787 aircraft in service and 19 more of the aircraft type are arriving over the next three years (2014 to 2016), with this aircraft being the preferred variant to service Durban from London with its midsized cabin, freight capability, range and performance characteristics.

Virgin Atlantic has a similar view that the South Africa market is a "soft" yielding market from the UK. The table below shows Virgins yield by destination and compared to BA's and SAA's on the same routes to South Africa.

Table 4 - Virgin Atlantic Comparative Yields

Destination	Airline	Passengers	Revenue	KM's	Yield
ABZ	VS	49,678	9,892,447	649	0.31
EDI	VS	166,154	20,580,240	534	0.23
BOS	VS	133,855	108,087,565	5,255	0.15
EWR	VS	251,338	202,102,339	5,578	0.14
ORD	VS	42,026	38,273,474	6,362	0.14
IAD	VS	121,439	99,045,079	5,918	0.14
JFK	VS	532,985	407,598,363	5,555	0.14
LOS	VS	175,836	110,761,639	4,987	0.13
HKG	VS	103,051	122,461,759	9,664	0.12
JNB	VS	118,934	129,337,739	9,045	0.12
NRT	VS	139,093	160,443,729	9,616	0.12
LAX	VS	255,672	233,407,744	8,781	0.10
SFO	VS	189,416	169,449,810	8,639	0.10
DXB	VS	135,742	72,997,431	5,504	0.10
CPT	VS	49,832	44,596,567	9,646	0.09
MIA	VS	157,358	103,511,061	7,121	0.09
PVG	VS	139,785	114,654,880	9,262	0.09
ACC	VS	72,110	30,525,559	5,086	0.08
DEL	VS	125,835	62,571,455	6,743	0.07
BOM	VS	78,944	37,635,251	7,220	0.07

Destination	Airline	Passengers	Revenue	KM's	Yield
JNB	BA	106,150	164,809,184	9,045	0.17
JNB	SA	52,449	50,697,870	9,045	0.11
CPT	BA	92,999	105,933,980	9,646	0.12

Source: IATA AirportIS

Virgin Atlantic does not currently have suitable capacity in their fleet to operate services to Durban. They receive the B787 aircraft, again the preferred aircraft for this route, in 2014, however the initial deliveries are all replacement aircraft and it's not until 2016 when they have the first of their incremental B787 aircraft that will enable new services to be commenced on the Virgin Atlantic network.

For both British Airways and Virgin Atlantic a further challenge are the required runway slots at London Heathrow. The most suitable slot times for the business markets and for the best connections in London are already utilised and as such requiring an existing service to be retimed to facilitate a Durban flight. With London Heathrow being one of the most valuable destinations to serve and considering the view point that yields to South Africa are "Soft", the likelihood of direct services ahead of competition from other destinations is unlikely.

Virgin Atlantic may well consider London Gatwick as a preferred departure point for a Durban service where slots are less of an issue, although this then reduces the connectivity across the UK and to the US, both of which help support the business case for a direct flight.

South Africa Airways would initially require a shift in their strategy to implement long haul services from outside of Johannesburg. The fleet is also an issue for South African Airways with only the expensive four engine A340 aircraft operating long haul services and reliant on strong yields to cover the high operational costs.

Norwegian opened a short haul base at London Gatwick a few years ago and has recently added one B787 long haul aircraft. As their long haul fleet continues to grow with 9 additional B787-900 aircraft joining the fleet between 2016 and 2019, new long haul

destination will be sought. Although currently not engaged with Norwegian regarding services to Durban, the opportunity is a viable development that will be explored.

Condor, although traditionally a German carrier, is a subsidiary of the Thomas Cook Group who has a large presence at both London Gatwick and Manchester in the UK. Although traditionally associated as being a Charter Airline, Condor is in fact the only airline of the Thomas Cook Group that is not a charter carrier. They have expressed an interest in serving Durban from Gatwick given the large indirect market demand. In addition, Condor has interline agreements with Lufthansa, SAS, Swiss, Austrian, Ukraine International, LOT Polish, Aeroflot, Croatia Airlines, Adria, Luxair and Finnair so passengers can purchase connecting services on to Condor flights through the GDS.

The Primary target carriers for this grouping are:

- British Airways
- Virgin Atlantic
- South African Airways
- Norwegian
- Condor

Charter operations will also be considered as an introductory mechanism for new direct air services. These targets carriers are identified in Group 7: Charter Flights.

Virgin Atlantic
Virgin Atlantic's network planning team had not received an approach from Durban airport in over 2 years. Although South Africa is a market of interest to them with flights to Johannesburg on a year round basis and seasonal services to Cape Town, it is also a market they continue to struggle in with a weak economy and poor exchange rates adding challenge to their commercial performance on the long sector from London.

Despite the challenges, DTPC were invited to present their market assessment and route development opportunity to Virgin in December 2013. Virgin was keen to understand the market potential and what makes Durban unique from other destinations and to see what opportunity it presented to them for their future planning and route assessment.

Having been given the opportunity, the potential of services to Durban is now a lot more in the front of mind of Virgin Atlantic when they are considering new services and development opportunities for their B787 aircraft. Although well received, the prospect of services with Virgin Atlantic to Durban are unlikely before 2016 given their fleet deployment plans, and potentially from London Gatwick as oppose to Heathrow given the leisure content of the proposed service and the high demand for slots and Heathrow Airport making suitable and convenient departure times a challenge.
Dialogue has been maintained with the Virgin Atlantic planning and commercial representatives regarding the Durban opportunity and the destination is now clearly in the front of mind with the carrier as a future development opportunity.

British Airways

Dialogue with British Airways have been on-going for many years and although it has been thorough and detailed in defining the opportunity, British Airways has seemingly never warmed to the idea of the Heathrow – Durban services and have commented that Durban never "makes the cut" to the next level of detailed analysis and evaluation. BA's focus is Johannesburg with services also operated to Cape Town which saw an increase of 3 flights per week in Summer 2014 taking services to 10 per week with the B777 aircraft.

In early 2014 the commercial team at British Airways underwent a number of changes creating an ideal opportunity to re-engage and present the latest business case and market forecast for B787 from Heathrow to Durban.

British Airways requested to meet with DTPC at the Routes Africa event in Zimbabwe held in June 2014 to receive an update and review of the Durban market and what the latest developments were in the market. At this meeting they advised that Durban was still a long term proposition as Johannesburg was their priority, with Durban being served via Johannesburg on their franchise partner Comair. However with the increasing demand for capacity to Johannesburg and the overall strengthening of the market, British Airways indicated that a Durban service could be considered earlier in the process if there was a requirement to release capacity in Johannesburg for more point to point traffic.

South African Airways

South African Airways indicated the dialogue with DTPC and the airport operator has been limited and infrequent with regard to route performance and new route development at Durban. Although the SAA strategy has a focus on hubbing through ORTIA and hence all SAA developments are essentially to support this strategy, in early 2014 the discussions with SAA and DTPC were initiated on future potential opportunities, including long haul services from Durban.

Norwegian

Having established a short haul base at London Gatwick, Norwegian has now decided to base one B787 aircraft in Gatwick in 2014 to serve the US and Caribbean. Norwegian has also indicated their interest in South Africa as a future market and so services from London Gatwick to KSIA could be a potential candidate. With 9 additional B787 aircraft entering their fleet it is likely additional long haul units will be placed in Gatwick from 2016 onwards.

Condor

Following the submission of the Thomas Cook RFP by DTPC, the group's long haul scheduled carrier, Condor was very impressed with the proposal but unable to progress as the A330 aircraft available at the time was not suitable to operate the flight. Condor has subsequently decided to place a B767 aircraft in London Gatwick from winter 2015 and is very interested in operating a winter seasonal weekly or twice weekly service to Durban.
Dialogue has been ongoing with the carrier and will progress to commercial terms for the proposed service in the latter part of 2014.

With the existing strong Indirect market and an alignment to the Tourism Strategy, the "London" strategy is a key priority and focus area for development. Airline engagement is critical to ensuring the target carriers are furnished with the very latest information about the airport, the region and the opportunity. Regular and targeted dialogue with key personnel achieve and delivered this through both specific missions to visit the carriers at their Head Quarters as well as updates and reviews at the global industry events including World Routes, Routes Africa, WTM and ITB.

The object of this is to establish a strong relationship with the target carrier, ensuring they are fully aware of the market potential and opportunities and for the Province and stakeholders to be aware of the carrier's plans and strategies for growth and development.

In developing these relationships the "barriers to entry" must be identified and removed, whilst developing a clear understanding of what it might take to secure the proposed air service in terms of both financial support and process.

Given that there will be many airports that are competing for the scarce capacity that these carriers will bring to the market, the level of commercial concession should be pitched at a suitable and significant level to make a real difference to the commercial viability of the new route in its early years. Typically waiving all aeronautical costs in year 1 and with a reducing level over years 2 (66%) and years 3 (33%) is normal and will give an indication of budget requirement as detailed in Appendix 1. The budget would not necessarily be all focussed on aeronautical charges but could be a combination of elements to support the new service.

It also important to differentiate the carriers in this grouping with British Airways, Virgin Atlantic and South African Airways classed as network carriers and offering connections at both ends on the route with alliance and codeshare partners as well as established interline agreements. This will enable passengers from Durban to travel easily and conveniently to London and beyond to the US for example on a single ticket itinerary. The service, product and volume of traffic will be greater and the carriers will be more likely to invest in the route for the long term.

Condor and Norwegian as essentially Low Cost Carriers / Charter Carriers with no or very limited connectivity, a lesser product and with a greater focus on point to point leisure travel. They will also look at seasonal operations and drop services quickly if a better option comes along. Although a service with Condor between Gatwick and Durban, for example would be seen as achieving the strategic objective of the London route, it is not the same as a scheduled carrier operating the flight and would not necessarily appeal to the business market like a network carrier would do.

For the purpose of categorising the carriers in terms of the applicable incentives, as detailed in Appendix 1, the scheduled carriers are Strategic and the LCC/Charter and Non-Strategic carriers.

Should this path not be making any traction in the short to medium term, it is also suggested that the Province issues an RFP "light" to the airline community, specifying the requirements sought for direct air services to London such as capacity and frequency of

service and target expectations to establish any interest from carriers outside of the target group and potentially kick start a target carrier to move on its own development plans.

4.2 Group 2: The Gulf Region

Target growth through additional capacity or increased frequency with the incumbent Gulf carrier Emirates, keeping relationships open with Etihad and Qatar Airways should Emirates not want to expand.

Given the strength of existing carrier Emirates, and the growing global dominance of the carriers in the Gulf Region it is right that the region should have its own strategic priorities. The recommendation is to work closely with Emirates to secure continued expansion of frequencies and capacity for both passenger and freight capacity. With approaching 200 new aircraft on order, albeit many are replacement aircraft, Emirates global expansion will continue over the next few years and as such route development with them will be based on securing services for the new incremental aircraft as they join the fleet. Emirates of course plays a key part in the global indirect markets that Durban has and as such may ultimately be the most efficient mechanism to provide global connectivity, albeit they will perpetuate the indirect traffic flows.

This service is Durban's only strategic long haul route, and as such it's leading strength that should be built upon as a priority. As indicated above, Emirates represent the major change in global aviation markets, reinforced by the expansion of Etihad and Qatar Airways. Durban should look in this direction as its primary and path of least resistance to global traffic growth across all markets outside of Africa.

Whilst the instinctive strategy would be to pursue rival carriers, Etihad and Qatar Airways in order to provide some diversification in these markets and develop a healthy competitive offer to consumers, priority should be given to expansion with Emirates in the first instance, them being the incumbent and commanding the largest global network. Discussed within the support recommendation below, as an incumbent carrier, support should be engineered around traffic production growth, and within negotiations Emirates should be aware that if expansion plans are not forthcoming then dialogue will be pursued with Etihad and/or Qatar Airways to meet the anticipated growth and demand for global connectivity.

Emirates operations undoubtedly would compete with Groupings 1 & 3 target services, hence the reason for developing a strategic route development fund for such targets. Whilst Emirates may currently act as an inhibitor to carriers considering London and other strategic long haul markets, they do stimulate indirect traffic.

Given Emirates global development plans, we do not see any risk that in the event of a new direct London or a new Indian service being operated for example, that Emirates would down scale their operations, rather they will continue to compete for connecting traffic and use the strength of their global network to ensure passenger and freight loads and route performance is maintained and developed in to new markets.

Both Groups 1 “London” and Group 2 ”The Gulf Region” development strategies should be pursued in parallel, with expansion in this region not being considered a lesser substitute for direct Long Haul Strategic Routes. The markets should be addressed with equal prioritisation and strategic importance and given that the Dubai services already operates, this needs the upper most priority to maintain and grow the business, both passengers and cargo.

The preferred timetable for securing either an additional frequency with Emirates would be 2015; alternatively new entry by Etihad or Qatar Airways would be targeted for 2016 should no positive development from Emirates be forthcoming.

Primary target carriers for this grouping are:

- Emirates
- Etihad Airways
- Qatar Airways

Emirates

The Durban – Dubai performs as expected for Emirates, who still regard the route as youthful in its maturity. An increase in frequency will come in time but this will be dependent on the market growth which has to show signs of steadily increasing, patience being the key. Emirates do feel that developing premium traffic needs to be an area of focus to improve the overall yield on the service.

Emirates generally like good incentives early on for a new route; however they also want sustainability down the line and do not want to be a position of operating routes that are dependent on commercial support to be sustainable. Given the indications are they will grow naturally at the right time, the level of support required to secure this will be far less that securing a new route. However support is still required to get the business over the line and potentially bring the additional capacity forward in the planning cycle.

Emirates has a very large order book on new aircraft coming over the next few years, on average they will receive 37 new aircraft per year until 2017. However a lot of this capacity is fleet replacement. Outside of the volume growth for Emirates, their yield performance is the primary focus at present and far closer scrutiny is being undertaken on the commercial performance of routes they operate, or plan to operate.

Through 2014, Emirates will have a short term capacity issues at Dubai airport at key times of the day which means it is unlikely any new flights will be added, particularly from European markets. This lack of slots at key connecting times in Dubai means that in 2014 Emirates will not actually experience growth, or growth will be very limited, as an airline. Normal service will resume again in 2015 onwards. This does mean any priority developments for Emirates driven by receiving bilateral rights that they have to utilise immediately or the desire to enter a market at short notice could come at the detriment of an existing service.

The global bi-lateral restrictions are an on-going issue for Emirates who face a constant battle to get seat allocations within bi-laterals, lots of opposition from European carriers in particular.

Qatar Airways
Qatar has evaluated the Doha – Durban route in recent years but concluded it was not a viable option at this time. The challenges faced were that both Johannesburg and Cape Town services were losing money, Cape Town served via Johannesburg but without traffic rights. Although Durban presented some strong demand for India, Qatar Airways has capacity restrictions between Doha and India and their flights were already operating with strong demand and yield, so adding a feed from Durban would add little to these services. Despite the current negative position, should Qatar Airways succeed in expanding their presence into India, then the Durban case would be strengthened. In additional, as the demand to Johannesburg increases from the Middle East, the Middle East carriers such as Qatar Airways are obliged to grow their business in to other points within South Africa.

A recent meeting with Qatar Airways at the Routes Africa event in June 2014 indicated that Durban would be considered as a mechanism for increased capacity in to Johannesburg. Although not the strategic choice for growth in the Middle East region, this potential development opportunity should be welcomed, adding capacity and choice to the market.

Etihad Airways
Etihad has a similar view to Qatar Airways in that the value of Durban is to serve the indirect Indian market. Etihad Airways has greater rights to India than Qatar and with their relationship with Jet Airways has better potential to distribution passengers to more points in the country. However despite the onward connecting potential, Etihad has no short or medium term plans to bring Durban in to their network and has indicated that under their 2020 Strategy they will evaluate new destinations for their growing fleet of aircraft with Durban likely to be included in this programme.

Developing and maintaining the business and relationships with these carriers is a critical activity. Dialogue with Emirates should be regular and structured to ensure a full understanding of the business and any issues. With the potential future carriers relationships should be built to ensure a clear understanding of their strategies and how KSIA might fit in them.

4.3 Group 3: International Hub Access

Secure a direct non-stop scheduled service to mainland Europe and Asia to capture the significant European market outside of the UK and Indian subcontinent and Asian traffic.

Whilst it would normally be logical to include Gulf and Middle East routes into this category, given the successful and growing Emirates operations to Dubai, we have chosen to treat this territory separately to recognise its importance and to acknowledge it differential in treatment given the service is already operated.

The activity and support mechanisms that are put in place to attract new Long Haul Strategic Routes should be focussed more on securing new direct services to these territories, rather than the expansion of existing indirect offers, although they remain as important.

Outside of the UK, and as Emirates has demonstrated in the Gulf, a new direct air service to Europe or Asia would have to operate from a major hub airport given the limited demand to one single destination that could sustain a regular direct service. This would feed traffic from across the hub carrier's network and onward to Durban, and with a suitable partner, beyond Durban to domestic points on South Africa.

The major operators in this Group can therefore be categorised in terms of priority as who is likely to be the most successful in delivering this operation, as well as the most capable to do this. The table below shows at a high level the priority targets, supported by individual route forecasts undertaken (Detailed in Appendix 1 to 11) to evaluate each route opportunity.

The strongest candidates are the Star Alliance partners with significant networks in their European Hubs and who would be able to co-operate with South African Airways and their partners to feed traffic across South Africa. In contrast, SkyTeam alliance partners would only be able to serve Durban with the lack of any beyond services.

Table 5 - Long Haul Targets

Airline	Aircraft Type	Seats	Weekly Frequency	Origin	Alliance	Passengers			Load Factor		
						Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Lufthansa	A330	221	7/w	Frankfurt	Star	121,975	128,193	134,669	76%	79%	83%
Turkish Airlines	A330	288	5/w	Istanbul	Star	100,034	105,949	112,217	77%	81%	86%
Lufthansa	A330	221	5/w	Munich	Star	92,453	97,202	102,161	80%	84%	89%
Air France	A330	219	4/w	Paris	SkyTeam	76,630	77,367	81,257	81%	85%	89%
Swiss	A330	229	4/w	Zurich	Star	72,648	76,220	79,903	76%	80%	84%
Brussels Airlines	A330	215	4/w	Brussels	Star	67,130	70,260	73,574	75%	78%	82%
Air India	B787	256	3/w	Bombay	Star	61,922	64,645	67,637	77%	81%	84%
KLM	A330	251	3/w	Amsterdam	SkyTeam	61,491	64,389	67,408	78%	82%	86%
SAS	A330	264	3/w	Copenhagen	Star	60,786	63,604	66,566	74%	77%	81%
Jet Airways *	B737	112	5/w	Bombay	Non Allined	47,253	49,285	51,552	81%	84%	88%
Alitalia	A330	279	2/w	Rome	SkyTeam	36,191	37,988	39,911	62%	65%	69%

* Confirmation required that the Jet Airways B787-700 variant has the range to reach Durban from Mumbai.

Data Source: Sabre ADI, Sabre Flightbase and IATA

The individual market forecast that have been undertaken all consider the current market condition, so should there be a development with one carrier, the opportunities with all the others would become more challenging and the forecasts would change.

Lufthansa and Turkish Airlines are the 2 highest priority target airlines, both offering potentially 100,000 plus passengers if delivered as per the forecast model.

The secondary targets for Long Haul development are Air France, Swiss and Brussels Airlines. However these carriers could only demand up to 4 departures per week and do not

have the same level of connectivity and network coverage to fully exploit the potential market and capturing around 70,000 passengers per annum.

The final grouping is Air India, KLM, SAS, Jet Airways and Alitalia, capturing around 60,000 passengers per annum or less, these carriers face the challenges of poor connectivity, poor circuity as in the case of SAS where the majority of the Behind market would have to travel north to Scandinavia to then travel south or just poor market demand. Similarly, the Indian carriers face significant competition from the existing Emirates service that connects to many of the beyond point the Indian carriers would seek to serve.

Outside of the group of carriers detailed above, consideration has been given to other Alliance hub carriers such as Singapore Airlines, Thai International, Malaysia Airlines and Cathay Pacific. Given all these and other destinations are long haul and as such would be operated with aircraft carrying a minimum of 250 seats, the point to point and beyond markets are insufficient to make a service viable, unlike the European services where there is a high volume of connecting flows, particularly to European region destinations.

Again, airline engagement is the key element to ensuring these target carriers are also furnished with the latest information about the airport, the region and what the opportunity might deliver for them. As with the London targets, it is equally as important to build strong relationships with the target carriers through similar channels and activities.

By clustering this group together it allows new options for serving existing strong markets to be considered and allows a consistent approach to providing support for these services. For example, a new Frankfurt, Istanbul, or Mumbai service would be regarded as equally prestigious and strategically important as London and as such the same scale and nature of incentives would be provided.

In exactly the same way as with the target carriers for London, in the development of these relationships any hurdles or issues must be identified and addressed in parallel to developing a clear understanding of what it might take to secure a proposed air service in terms of both financial support and process.

It is anticipated that only one carrier will be secured over the next three year horizon to a European Hub and potentially one to India or Africa given that the introduction of a service will then capture the majority of the Indirect market and make the entry of a second carrier far more risky and challenging to secure.

Should no progress in this market group be made in the coming 12 months, again it is suggested to consider an RFP process as a last resort for advancing developments, effectively tendering support for an International Hub connection.

Primary target carriers for this grouping are:

- Turkish Airlines
- Lufthansa
- KLM
- Air France
- SAS
- Swiss
- Brussels Airlines
- Alitalia
- Air India
- Jet Airways

The target timetable for securing new services is to achieve a confirmation announcement in 2014, with new operations for the first service commencing in 2015.

Lufthansa
Lufthansa has the capability and network to make a direct service from Frankfurt or Munich work. Working with SAA and supported by one of the most comprehensive airline networks at Frankfurt, and a similarly strong network at Munich, services from either of these hubs would generate a strong and sustainable year round market.

However Lufthansa, who already operates services to both Johannesburg and Cape Town are not experiencing great financial performance on these flights. As a direct consequence of this, they have advised that they view Durban in to the same way and don't see it as a priority development opportunity until the general financial situation improves.

Lufthansa are receiving 1 or 2 new long haul aircraft per year for the next 4 years and so are looking for new development opportunities. The pressure needs to be maintained and better understanding of the issues and concerns is required to start eliminating them and demonstrating the value and benefit a Durban service would bring to the Lufthansa network.

Turkish Airlines
Turkish Airlines also offers a great opportunity to feed a major Hub airport. The carrier, it seems, has not really considered Durban as a passenger of freight destination and this relationship needs to be nurtured and developed with a view to ensuring Turkish Airlines fully understand the market potential and opportunity.

The initial forecast suggests a 5 times per week A330 operation could be sustained, with 80% of the traffic connecting via Istanbul to Durban demonstrating the addition of the new service will add considerably to the short haul network in to Turkey.
This opportunity was presented to the network planning and commercial teams to get the opportunity in to the planning cycle for a 2015 start. The focus with Turkish Airlines at present is to develop services in to central Africa that can be operated with the narrow bodied aircraft. New long haul operations such as Durban are not in their strategy for 2015, however in the longer term the opportunity will be considered.

Turkish Airlines has advised they are open to approaches and that they are not experts in all market, so welcome the opportunity to learn about potential target markets to inform and advise them on the opportunity and help focus and target their own analysis.

KLM

KLM has looked in detail at Durban in the past as a new route market. However their findings have been that the market potential and the associated costs of operation with their current fleet, has led them to the conclusion not to progress with the opportunity. However KLM has advised that they always keep an eye on potential new destinations and they include Durban in this category, particularly for their new B787's which will come in to service in 2015 onwards. With the improved operating characteristics the B787 offers, differentiating it from the current long haul fleet that KLM currently operate, they have requested to be kept updated with information regarding Durban and the market potential. Dialogue has been on-going and a meeting is scheduled during the World Routes Conference in September 2014 in time for the 2015 planning window for the new B787 fleet.

Air France

Currently in an expansion mode with 25 B787's entering the fleet starting in 2016. The extensive connectivity from Paris CDG gives extensive access to many regional points across Europe, making Air France a strong opportunity for services to Paris. Through their SkyTeam Alliance with Delta Air Lines, this proposed service would also add connectivity to multiple points in the US and Canada.

This opportunity will be progressed with Air France at the World Routes Conference in September 2014 to get them thinking about Durban in their 2015 schedule.

Swiss

As a Star Alliance member, the proposed service maximises the connective Swiss offers across Europe, as well as behind Durban to multiple points across South Africa only accessible via Johannesburg.

The business case and associated market forecast needs will be put to Swiss to establish their interest and potentially get them thinking about when they might be able to bring this on line for 2015 or 2016. Swiss take delivery of a number on new long haul aircraft in 2016 with six B777 aircraft joining the fleet. This potentially presents the opportunity for an A330 to become available to operate Durban.

Brussels Airlines

Brussels Airlines operates a significant network of services to Africa from their Brussels Hub with a small fleet of A330 aircraft. Their success is achieved off the back of multiple "double drop" operations, serving two points with the same service.

The network planning team has advised that South-Africa, and even more specifically Durban, is currently not in our scope of evaluations due to the range limitations of their current A330-300 fleet. With no plans to upgrade the fleet and no long haul aircraft on order, it appears Brussels Airlines is not a carrier to pursue.

Air India

Initial dialogue with Air India indicated an interest in understanding the Durban market and the Indian population living in the region. World Routes in September 2014 will be the opportunity to present a detailed business case to Air India and to get a better understanding of their strategy and views on South Africa and the Durban market.

With a large group of target carriers, time needs to be invested in presenting the KSIA opportunity to these airlines, building the relationship with them and working together in partnership to secure future growth and development.

All of the carriers represent an opportunity and with the stronger candidates already being present in ORTIA it may well be the smaller, nonaligned carriers that see the niche in KSIA and seek to progress with the opportunity.

As with the London market, securing a new Hub service will require significant support given the high level of competition and limited opportunities that present themselves.

The Province should be looking at a level of budget to enable the equivalent costs to be waived at 100% of the aeronautical costs in year 1 with 66% and then 33% equivalent reductions in years 2 and 3 respectively.

4.4 Group 4: Regional Africa

Develop a comprehensive network from Durban across Africa, capturing under-served, latent demand, improving business and cargo links, and creating the emergence of Durban as a connecting centre.

The growth experienced in a short time on new services to Harare and Lusaka, and well as the growth on Maputo despite capacity cuts illustrates the un-served potential for regional service. Despite new direct services both Harare and Lusaka continue to exhibit large indirect flows indicating the requirement for increased direct air service from Durban.

Table 6 below, shows the largest indirect markets within Africa and the Indian Ocean by passenger numbers and although these destinations represent the primary targets for route development, they do not reflect the strategic and political importance for a direct air service, or the incremental growth that could be attained through beyond connectivity. There are two strategies recommended for taking this market forward and ultimately securing these services.

Within this sector Nairobi is a target like all other major points in Southern Africa. However Nairobi is also a major International Hub airport for Kenya Airways. All other destinations are effectively point to point targets with very limited opportunity for beyond connectivity.

Securing direct services to Nairobi with Kenya Airways would be significantly more valuable from both a passenger and freight perspective than any of the other target destinations in this group. Therefore it is suggested that Kenya Airways is an immediate priority for development, with all the other Regional Africa Targets of a lower priority.

In addition, given the relative close proximity of most Regional Africa destinations , consideration should be given to identifying and liaising with a single carrier that could serve most of these destinations from a Durban base.

Whilst the latter appears more challenging at first, a based operation from Durban would represent a strategic step change in development for Durban Airport.
As with all the proposed Route Development activity, target carriers will be pursued and relationships developed, with an immediate and higher priority on Kenya Airways.

Individual route developments would be pursued in parallel to the RFP process, maintaining and developing relationships with the incumbent and target carriers to further the relationship and ensure the target carriers are clear on the DTPC objectives and intentions for growth. However new operations of this kind, whilst supported, would not receive the level of incentives associated with a new based operation of multiple routes.

Table 6 - Largest Indirect markets, Africa and Indian Ocean

Country	Airport	Direct	Indirect	Grand Total
Zambia	Lusaka	14,880	4,559	19,439
	Ndola		1,830	1,830
	Livingstone		1,678	1,678
	Solwezi		1	1
Zambia Total		**14,880**	**8,068**	**22,948**
Zimbabwe	Harare	9,589	8,064	17,653
	Victoria Falls		1,529	1,529
	Bulawayo		1,273	1,273
Zimbabwe Total		**9,589**	**10,866**	**20,455**
Mauritius	Mauritius	7,061	11,623	18,684
Mauritius Total		**7,061**	**11,623**	**18,684**
Mozambique	Maputo	8,779	2,619	11,398
	Beira		1,278	1,278
	Tete		944	944
	Nampula		898	898
	Pemba		429	429
	Vilanculos		336	336
	Inhambane		31	31
	Chimoio		8	8
	Quelimane		7	7
	Lichinga		1	1
Mozambique Total		**8,779**	**6,551**	**15,330**
Namibia	Windhoek		5,950	5,950
	Walvis Bay		1,384	1,384
	Ondangwa		6	6
Namibia Total			**7,340**	**7,340**
Nigeria	Lagos		6,827	6,827
	Abuja		13	13
Nigeria Total			**6,840**	**6,840**
Tanzania	Dar Es Salaam		6,404	6,404
	Zanzibar		226	226
	Kilimanjaro		99	99
	Mwanza		4	4
Tanzania Total			**6,733**	**6,733**
Kenya	Nairobi		5,701	5,701
	Mombasa		349	349
	Kisumu		9	9
Kenya Total			**6,059**	**6,059**
Botswana	Gaborone		4,676	4,676
	Maun		349	349
	Francistown		186	186
	Kasane		106	106
Botswana Total			**5,317**	**5,317**
Others			**5,317**	**5,317**
Grand Total		**40,309**	**95,841**	**136,150**

Source: Sabre ADI

The served markets clearly indicate the volume of traffic that makes a service sustainable with three of the four routes served carrying less than 10,000 passengers in the past 12 months. Four of the un-served markets show indirect flows of circa 6,000 to 7,000 passengers per annum. With the stimulation effect of a new direct air service, these markets appear to be ready to take direct, non-stop services.

Target carriers for this grouping are:

- South African Express
- SA Airlink
- Kenya Airways
- Air Namibia
- Air Botswana
- Air Mauritius
- FastJet – Base potential
- Mango – Base potential
- Kalula.com – Base potential
- Arik Air
- Ethiopian

The target timetable for securing these new services or to achieve a new based operation is a confirmation announcement in 2014, with new operations for the first service commencing in winter 2014/15 or the summer 2015 season.

South African Express

South African Express has recently commenced with direct services between Durban and Harare and Durban and Lusaka and further regional and domestic opportunities do exist. The challenge with South African Express growing its presence at KSIA is the dilution to South African Airways JNB hub. The SA code belongs to South African Airways and any expansion plans by any regional partner will need approval from South African Airways. The South African Airways Long-term strategy foresees one integrated Airline group. It's recommend that further route expansion proposals are done in consultation with both SA Express and South African Airways .

SA Airlink

Further regional and domestic opportunities do exist from KISA, the challenge with SA Airlink growing its presence at KSIA is the dilution to South African Airways JNB hub. The SA code belongs to South African Airways and any expansion plans by any regional partner will need approval from South African Airways. SA Airlink is a franchise partner of SAA and it is recommend that further route expansion proposals is done in consultation with both SA Airlink and South African Airways .

Kenya Airways

Kenya Airways are keen to commence Durban services from Nairobi with B737 equipment, but not until 2016 when they have suitable capacity available to commence operations with the new B737-800 aircraft. They are happy to be convinced otherwise that the route should be brought forward and this dialogue should be maintained with the necessary pressure. A change in key personnel in network planning received the same message at the Routes Africa Conference in June 2014 and a further follow up meeting is scheduled to take place at World Routes 2014 in Chicago.

Kenya Airways will start to take delivery of their B787 long haul aircraft in 2014 and as they introduce new services and destinations to their network, more feed and connectivity will be required and Durban makes an ideal candidate for this.

Air Namibia
A meeting at the Routes Africa Conference identified that Durban features in Air Namibia plans and could be brought on line as soon as April 2015. Air Namibia has the capacity in the current fleet following the withdrawal of the Accra service and the planned restructuring of the air service network for Summer 2015 with a focus on shorter routes. Initial services would be with the 37 seat Embraer 135 aircraft, frequency yet to be defined.

Air Namibia are also in discussions with Air Botswana to potentially co-operate on introducing services to Durban via Gaborone or originating in Gaborone via Windhoek. The timeline for the proposed service would be a decision for September / October 2014 with a proposed start date of April 2015. The new proposed service would have to connect with the Air Namibia long haul services.

Air Botswana
Following a meeting at Routes Africa, Air Botswanan confirmed that Durban is in the plans for a Summer 2015 start with a twice weekly service operating in the evenings. Flights will operate with the ATR42 aircraft offering 47 seats. Air Botswana can't really accommodate large cargo volumes with this service and are interested in servicing the high value goods market.

Air Mauritius
Opportunity exists with Air Mauritius to get more from the carrier through retiming the current service and opening connection opportunities to points beyond Mauritius. With services returning to a year round operation, dialogue needs to be focussed on extracting the most value from Air Mauritius with connections and feed in to Durban from Australia and Asia, particularly China.

Air Mauritius is planning a full fleet renewal with some additional long haul capacity in the future so building the feed to Mauritius will support additional frequency and/or capacity in the future, both also offer additional cargo capacity as well.
A more regular and structured dialogue with Air Mauritius is required to ensure this business is maintained and developed accordingly.

Mango
Mango is a subsidiary (LCC) of South African Airways and future growth is dependent on Mango acquiring additional aircraft units. Mango has its own board of directors and develops its own strategy but this must be in line with the growth plans of the South African Airways Group. Opportunities do exist for Mango to grow its regional offering from KSIA. South African Airways has recently placed its code on Mango flights across Mango's domestic network . It is recommended that further route expansion proposals are done in consultation with both Mango and South African Airways .

Kulula.com
Kulula.com is the low cost operator for Comair Limited. Comair Limited is also the franchise partner of British Airways PLC and operates the British Airways brand in Southern Africa. Kulula.com has recently engaged on a fleet renewal process and now operate a fleet of 737-800's currently they do not have aircraft on order for growth. Kulula.com does not operate

any regional services from South Africa and only operates domestic routes within South Africa. Opportunities to service leisure regional destinations from KSIA do exist such as Durban to Mauritius and Durban Maputo. Consultation should include both Comair brands

Arik Air
Arik currently operates a daily service between Johannesburg and Lagos. The biggest challenge facing a direct link between Durban and Lagos is the range capability of current narrow bodied aircraft. The market size travelling between Durban and Lagos is best suited to a narrow bodied operation however this cannot be achieved due to range limitations. New generation narrow bodied aircraft should have the range capability but Arik have not placed any orders for any new generation narrow bodied aircraft.

Ethiopian
Ethiopian Airlines will look to increase its fleet size to 112 planes and carry 18 million passengers over 92 routes by 2025 and Durban would be an ideal candidate to be included in this growth. As Ethiopian Airlines introduces new services and destinations to its network it will require more feed and connectivity which Durban is well placed to provide. It should be noted that Addis Ababa is 7,500 feet above sea level which impacts aircraft performance which in turn impacts payload capabilities and operating a narrow body aircraft to Durban will have some restrictions.

With existing services from a number of these carriers, relationships with DTPC should be present already. These relationships need to be built on and new relationships formed with all the target carriers. Given the extensive Regional African services from ORTIA, services to KSIA will still be a challenge to secure given limited capacity coming in to the market, however from a regional perspective, the differentiation between ORTIA and KSIA is potentially far less.

4.5 Group 5: Domestic

To operate a comprehensive domestic network of services that connects Durban to all the major cities in South Africa with a regular, high frequency network of affordable services that serve the business and leisure markets.

Although Durban is already dominated by domestic services, the network of services is limited in comparison to the total number of destinations and only serving specific markets.

The opportunity to be sought is to emulate what FastJet has achieved in Tanzania, operating a true Low Cost Hub from Durban to multiple destinations across South Africa and the southern regions of Africa. The “New” target market is the South Africa leisure passenger that has previously been unable to travel due to restrictive costs and inconvenient routeings.

A low cost network of flights from Durban will create this opportunity, stimulating a new market, bringing leisure spend to the region as well as offering direct services from Durban to previously un-served destinations.

Although the passenger demand to many of the un-served domestic destinations is very low, the very existence of the Low Cost opportunity will stimulate the market to create the demand. This has been seen across the world and has been the driver of much of the air passenger growth across the US, Europe and Asia. Durban has the opportunity to truly set itself apart from the other principle airports of South Africa and indeed the Southern Sahara region with a strategic move to create this position.

In a similar context to the Regional Africa Strategy, a based domestic operation from Durban would also represent a strategic step change in development and as such should be pursued in a similar route development fund and RFP as outline above for the Grouping 1 targets. It is not suggested to support Individual domestic route developments.

As with the other sectors, it is also key to engage in a comprehensive communication and relationship building programme with the incumbent and target domestic carriers. Although the strategy suggests seeking a based operation from an LCC, understanding and developing the existing business is till hugely important.

Target carriers for this grouping are:

- South African Express
- SA Airlink
- FastJet – Base potential
- Mango – Base potential
- Kalula.com – Base potential
- FastJet

Potentially one of the most valuable opportunities for Durban Airport, given FastJet's desire to open up in South Africa, Durban should be hotly in pursuit of them to establish a true low cost base in Durban and serve multiple destinations across South Africa and Regional Africa. Despite low cost operations from Mango and Kolula.com, FastJet would be the first truly independent LCC carrier at Durban and not influenced by the corporate aspirations of their full service partner airlines or the network requirements that are imposed on them to fulfil connections and feeder services. This independence also keeps FastJet free of the complexities of connecting passengers and luggage which add cost and time to the operation.

This unique combination would also open up the potential for new domestic sectors to be inaugurated, further supporting the aspirations of the KZN region to improve inbound tourism.

ASM are meeting with FastJet in January to discuss their progress in development plans and will specifically be discussing this opportunity. Relationships with the other carriers are already in place, however these need to be built upon and developed to continually promote KSIA and the opportunity it presents.

4.6 Group 6: Cargo

Attract a dedicated based regional freighter operation and specific long haul operations to meet the immediate needs of the KZN region.

The air freight business, as Dube Tradeport is very aware, is often driven by the freight forwarders and consolidators who control where the air freight is shipped to and from through their pricing and service offerings. The dedicated freight airlines are more often than not controlled by the requirements of the freight forwarders. Once they are established in an airports infrastructure with a choice of belly hold and dedicated freight services, the challenge to move the business is very hard.

With the availability of facilities at Durban, supported by the demand for air freight generated by the region and its existing and developing commercial activities, this challenge is made significantly easier, although it still remains tough.

Most air freight is carried in the belly hold of commercial flights. Through the fulfilment of the above passenger service strategies, the delivery of belly hold capacity will go a long way to help support the development of the freight business in Durban, particularly with new long haul European services with priority targets to UK and Germany . Short haul and regional flights are more of a challenge given smaller aircraft by definition will have less cargo capacity.

To overcome this Dube Tradeport should seek to attract a dedicated regional freight operator with a based operation. Operating a small aircraft such as and ATR42 or Dash8, and delivering a comprehensive network that could be developed to meet the immediate needs of the KZN region, the manufacturing and assembly businesses, as well as the imports business via the sea port. Un like the air passenger business, the cargo business generates different revenues and has different costs. In a similar context to the passenger service, a based cargo operation at Durban would also represent a strategic step change in development.

Individual cargo short haul route development should also be pursued in parallel, also targeting existing pure freighter operations at Johannesburg Airport as well as regional freight operations that operate large networks of freight flights across Africa.

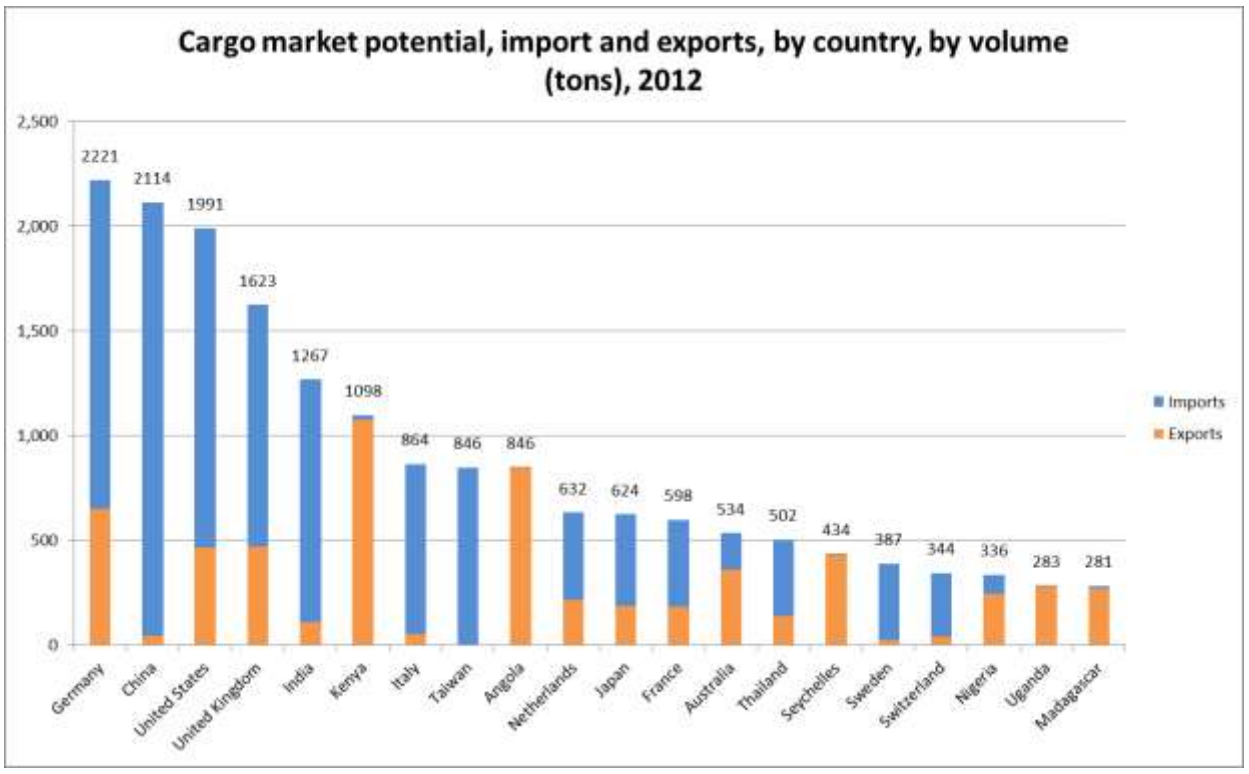
Given that freight is often not time sensitive, it is carried large distances by road or rail to reach the air operator, usually as a result of cost. This supports the fact that the actual point of entry and exit of freight in to and out of South Africa is not that critical. Hence the reason Johannesburg has a significant cargo operation ahead of Durban, despite Durban's location and facilities.

New operations of this kind, whilst supported, would not receive the level of support and incentive associated with a new based operation of multiple cargo routes.

Long haul freighter services are a different challenge and require a very strong demand from the market given the significant volumes required to make these services viable.

A high priority for dedicated long haul freighter services is Lufthansa with the high demand identified to and from Germany, see Figure 1.

Figure 1 - Cargo Market Potential



Source: DTPC

Discussion with other independent carriers should be undertaken as a priority and not necessarily be focussed on direct services. Given the lack of time sensitivity on most freight, cargo operations might develop through more of a "bus stop" service with flights stopping at multiple destinations to pick up and drop off.

The target carriers for this grouping are:

- Solenta Aviation (DHL)
- Safair
- DHL
- UPS
- Cargolux
- Lufthansa Cargo
- Air China Cargo
- Emirates Cargo

Cargolux
The pure freight carrier advised their route network was pretty well much defined by where the freight forwarding companies instructed them to fly. Although establishing a relationship with the airline is important, it's as important to be getting close to the freight community who can influence the deployment of aircraft through their sales activity.

UPS
Not a huge carrier in Africa and more focussed on the small packages rather than large cargo loads. They are not focused on South Africa or Durban, however they are always very susceptible to commercial offers as they'll move aircraft to cheaper facilities in the regions where there is demand.

Solenta Aviation (DHL)
Solenta is a commercial Aviation company who provide aircraft leasing solutions across a selected spectrum of turbo-prop aircraft, currently they contract to DHL however this is for specific assignments and routes. Approaching Solenta Aviation to commence with their own cargo operations is an option and something that should be considered.

Safair
IMPERIAL Air Cargo, is a joint venture company between the IMPERIAL Holdings Group (70% equity partner) and Comair Limited (30% equity partner) started operations in August 2006 and has established itself as a key service provider in the overnight express airfreight market. Current services include flights to and from all the main centres being Johannesburg, Cape Town, Durban and Port Elizabeth with road feeder services to East London, George and Bloemfontein. Imperial Air Cargo currently leases aircraft from Safair. Imperial Air Cargo is looking to expand into the regional air freight market and is an ideal candidate for KSIA.

The cargo carriers are less likely to react to approaches from DTPC given they are very much driven by the freight forwarders and the freight community. However developing the relationships and a greater understanding of the strategies, priorities and aspirations of these airlines is important to help establish the true targets and carriers that could be developed.

4.7 Group 7: Charter Flights

To complement the target scheduled network, secure dedicated long haul and short haul charter services to deliver increased visitor numbers and support the objective to be the premier leisure destination of South Africa.

A whole separate market sector exists that cuts across all other sectors. The charter market has a significant potential, particularly with the introduction of the B787 aircraft that offers significant range with lower volumes and greatly improved performance costs. Durban is now achievable from many points around the globe, particularly Europe where the capacity is more suitable matched to the demand and deliverable at the right cost.

In striving to achieve the KZN regions objective to be the premier leisure destination of South Africa and attract more visitors from more destinations, charter flights are mechanism to achieve this, being both a precursor to scheduled services as well as long term solution to markets with little demand for scheduled operations.

Charter operations could also be the short to medium terms solution for increased connectivity to some of the major target markets such as London and Frankfurt.

With discussions already underway with UK charter operator Thomson regarding their B787's and an RFP submitted to German operator Condor, there remain many other opportunities. With the discussions focussed on the Tour Operators who ultimately decide on the deployment of capacity, the tour operators plan several years in advance to enable their products to be on sale up to 18 months before fulfilment.

The charter markets are also relatively unrestricted in choice as demand is driven by the availability of holidays, so markets such as China, Asia and Russia can be generated from seemingly no apparent demand. Similarly, they can also disappear just as quickly if take up is limited or not at the right yield.

The approach to securing the Charter business is slightly different to that of a scheduled airline with the discussions primarily with the Tour Operator, specifically the Product Managers with the tour operator. The discussions with the Product managers should still be led by DTPC in association with KZN Tourism as it is still ultimately air service development and has many common synergies with scheduled service flights, including seat only traffic, cargo and operational requirements associated with the airport operation.

It should also be noted that although the traditional charter carriers identified that are included in this group, the nature and make up of these airlines varies from business to business and their own strategic priorities vary between the individual business models.

Thomson for example, the UK charter and holiday arm of the Tui Group is very focussed on all inclusive package holidays for their clients, offering exclusivity in their product and controlling the whole holiday experience. With their new B787's they have the capability to serve Durban from London but would primarily deliver an inbound leisure product and cargo lift but with limited opportunity for seat only sales for business and independent travel.

Target carriers for this grouping are:

- Thomson (UK)
- Thomas Cook (UK)
- Tui Travel (Europe)
- Virgin Holidays (UK)
- LOT Polish Airlines
- Mega Maldives (China via Maldives)
- CAISSA (China)
- Edelweiss

Thomas Cook
Following their RFP process in August 2013, TCX were very impressed with the DTPC submission. However the current TCX aircraft fleet is unable to reach Durban with a non-stop operation. The carrier needs to be monitored and dialogue maintained to understand any changes to this position that might enable Durban to be considered in the future.

TCX current have no plans for additional long haul aircraft joining the fleet with no aircraft orders pending. Expansion could happen through aircraft being leased in to the fleet and so maintaining close dialogue remains a priority.

Thomson
The leading UK Tour Operator, they are keen to further understand the market opportunity for the leisure passenger to enable a decision to be made where the B787 aircraft is deployed. Durban is of interest given the lack of accessibility from the UK and Europe and the B787 is the preferred aircraft to operate the sector.

LOT Polish Airlines / Rainbow Tours
Having already announced a fortnightly service from November 2014 using LOT Polish Airlines B787 aircraft, dialogue needs to be established and grow and maintain this service year on year and extend the operating window to a year round service.

Given the tour operators are also a key factor to determining the deployment of charter services, relationships with them is advised, in conjunction with the Tourist Board to promote the destination and region as a leisure destination.

With the different model to a scheduled operation where all the seats are sold at risk, charter carriers will often have large commitments on their services underpinning the commercial risks being taken. For this reason, less commercial support is required to secure direct services but it is still a feature of the equation to deliver the services. With a budget recommendation for securing a direct scheduled service, if a charter was announced, this would more than likely defer plans for a scheduled flight for a year or two, however the budget provision could be used in part to secure the Charter flight.

It is felt that at this time, all other target markets that have been discussed are insufficient to realistically secure sustainable air services and will be categorised as secondary markets with no specific plan or activity parameter associated with them.

A summary of the route targets and associated airline activity is summarised in a Matrix detailed in Appendix 12

Across the target groups there are multiple airlines to target that could deliver growth. Some offer a better potential than others, however given the challenge in hand, they all need to be engaged with to ensure they are fully aware and understand the opportunity that Durban presents.

5.0 Route Support

In support of the Route Development Strategy, a Route Support Strategy is often also in place to support the airlines in delivering the developments. Many airports around the globe offer commercial support to their airline partners and by definition a share of the risk in developing and maintaining their air service networks.

The current scheme of support offered by DTPC demonstrates a proactive and co-operative approach to supporting the airline community in its route development activities. The traditional approach of reduced or waived fees for the associated aeronautical charges is still seen as a necessity by the airlines, despite the actual quantum this support equates to in the overall cost of delivering the air service.

In addition to the waiving of the fixed costs, airlines often seek further commercial support from the regional partners in return for the economic benefit their air services bring in terms of economic development, employment and tourism. Again DTPC and the partners in the Province has demonstrated a proactive approach to this in supporting new air services through additional support for promotional and marketing activity.

Unfortunately through the lack of any mandate to do this, the airport operator ACSA is not empowered to actively participate in Route Support activity despite a clear intent and desire to grow and develop the air service business at KSIA.

A priority for the region must be to engage with ACSA and all the stakeholder partners to fully understand and evaluate the proposition of Route Development Strategy and that they start to evaluate a mechanism of Route Support that supports the implementation of this strategy.

It is becoming more and more accepted by airport operators that the revenues will shift more to being from commercial activities such as retail, concessions and car parking, rather than the traditional split of aeronautical charges and non-aeronautical income.

In defining the level of support offered for an air service development fund, the metrics need to be clearly understood in terms of the value the business generates to the KZN region and the as such the cost to the province to support delivering it. Air service support is an agreement between the parties and as such needs to be tightly controlled through the appropriate level of contract between the parties. This should define the expected levels of business delivered and the expected levels of support given in return for this. As with any contract, conditions need to be stipulated and adhered to by both parties to ensure expectations are being met and the investment returns on these expectations.

The commercial support offering should always deliver a positive return in terms of incremental business activity through increased trade and visitor numbers, unless the support is clearly offered to underwrite an air services and if offered at risk of not delivering appropriate returns.

Given the levels of support being offered by airports and their partners, when a proposed air service is marginal in its perceived performance, the level of support can become a critical deciding factor in where capacity is deployed. With the highest fixed costs the industry has ever known and the risk of variations higher than ever, airlines are seeking to mitigate as much of the risk as possible and are looking to the airports and their partners to help. Risk sharing, by its definition, can be costly. However it can also be what sets an airport out ahead of its competitor for new capacity or additional services.

Creative schemes can pay dividends and should not be dismissed based on the potential high costs and high risk. However airlines can feel more comfortable with airport partners that join them on their journey for the long term where more transparent agreements are offered but over longer periods of time (5 years plus). Working in partnership, sharing the highs and the lows can create a more stable and long term production.

In creating a more transparent approach to market support and incentives, the support should be offered to all carriers and opportunities so as not to disadvantage one operator against another. However when opportunities are few and far between and the high demand is associated with a small number of carriers the scenario of two carriers chasing the business and the associated support can be created.

Analysis indicates that Durban Airport is “on a par” with its peer group of Airports in Africa in terms of the Published Charges.

The flowing table shows the aeronautical charge for a 68 tonne 154 seat B737-800, operating with an 80% load factor (excluding aircraft parking charges).

Table 7 - Aero Charges for B737 at selected African Airports

Airport	Charge Structure	Charge US $
Nairobi	$40 per departing passenger	$5,000
Durban	Aircraft - 1,628 ZAR + 285 ZAR per 2 Tonnes Passenger - 328 ZAR per departing passenger	$5,074
Harare	Aircraft - $350 per movement Passenger - $35 per departing passenger	$4,725
Lagos	Aircraft - $0.009 / KG Passenger - $50 per departing passenger	$6,862
Luanda	Aircraft - $93.75 + $7.25 per tonne Passenger - $20 per departing passenger	$3,087
Mombassa	Aircraft - $223 per movement Passenger - $40 per departing passenger	$5,223

Source: IATA Airport Charges

Recent research undertaken by ASM in to how airlines select destinations indicated that they tend to look at regions when considering a new service rather than looking across

multiple markets and seeking out the best deal, hence the benchmark group of airports are in Africa to compare the published charges, as oppose to comparing charges with European or Asian Airports.

The table indicates that the ACSA pricing at Durban is similar to other major airports in Africa as detailed, although variations do occur with Luanda significantly lower and Lagos significantly higher.

In the absence of any relevant published incentives for these airports, the table below shows the structure of what other global airports publish in terms of Incentives and commercial support. Many airports avoid publishing incentives or just don't have them. As with Durban, airlines seeking support for new services have had to negotiate commercial terms where there is no scheme available, or have to pay the published charges.

The table below is a selection of various airports that do publish their incentives and the individual schemes are detailed for each airport.

Table 8 - Selected Airports Published Incentives

Airport	Airport Type	Passengers	Published Incentives
Dublin	Capital City	19.1m	Growth Incentive Transfer Incentive Short Haul / Long Haul Standby Airport
Prague	Capital City Hub	10.8m	New Destination Incremental Frequencies Off Peak Discounts Aircraft Incentives
Vienna	Capital City Hub	22.2m	Transfer Incentive Growth Incentive Destination Incentive / Frequency Incentive High Frequency Incentive
Incheon	Capital City Hub	39m	New Air Services Incentive Increased Frequency Incentive Night Flight Incentive
Malta	Capital City	3.7m	New Routes Strategic Routes Transfer Traffic Free landings in Winter Non EU Traffic Free Parking Rebate on Night Surcharge
Marseille	Regional	8.3m	Free overnight parking Incentive to create new routes (discount on airport charges for 2 years) Incentive to increase traffic on existing routes

Source: Routes On-line & Internet

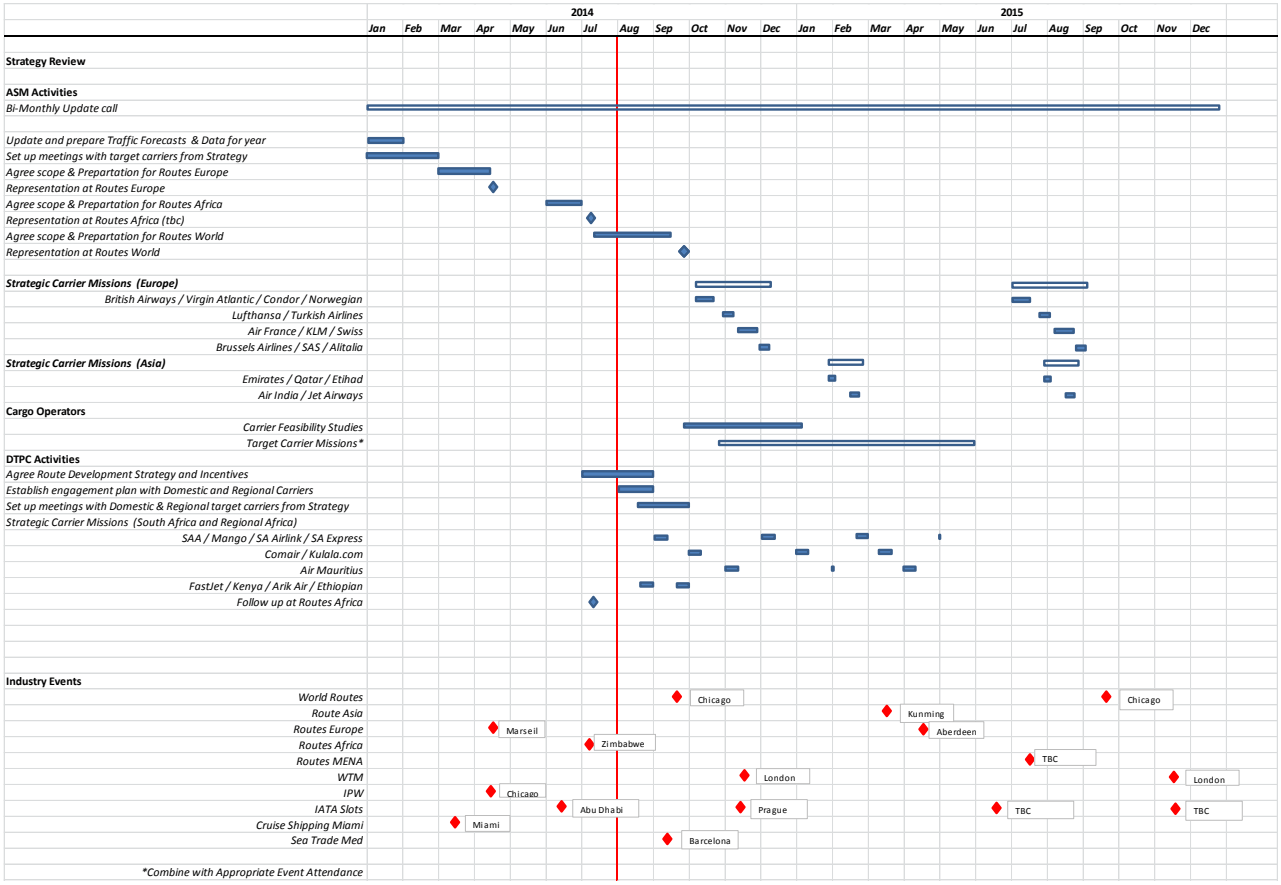
The types of incentives published by these airports are all relatively similar to each other, although the quantum and application of each might be quite different once calculated for an individual. An airport to airport comparison does not always show the true value of the incentive as it relates to the published charges which might differ significantly from airport to airport.

What is very relevant though is as the demand increases for the relatively scarce resource of new capacity, the challenge ultimately is to position your airport ahead of the game and competition. Even with a robust business case for an airline that has the ability to deliver a new service, if the opportunity is less attractive than a competitor airport then it's unlikely to be secured.

6.0 Action Plans and Programme 2014-2015

The implementation of the above Route Development and Incentive Strategy is detailed in the Action Plan and Programme detailed below.

Figure 2 - Action Plan and Programme 2014



7.0 Summary

Successful Route Development at any airport is the combination of a clearly defined strategy that identifies and focusses effort on target market segments that are deliverable in a realistic time frame. Understanding the airlines objectives, strategies and growth plans, aligned with the airports and regions own aspirations will identify who can deliver the growth and when this can be achieved.

To help deliver this, a Support Programme will assist in helping the airlines make positive decisions to commence services by working on sharing the risk and clearly identifying that the airport operator is “in tune” with the airline and wants to work in partnership for the common goal.

Aligning the support programme to the route development strategy will enable clear mechanisms and budgets to be defined and implemented providing a clear and concise message to the airline community on your desires and intentions to support and develop the air service programme.

8.0 Appendices

Appendix 1 – Route Support Structure

Given this environment of increased competition for the relatively scarce resource of aircraft capacity, with more airports seeking to develop their business, it is recommended to adopt an alternative approach to attracting new air services.

Although the general principle of supporting new air services already exists with DTPC, the deployment and structure of this should be addressed as follows.

It is recommended to adopt a Route Development Fund that is split in to three distinct categories

- New strategic Routes
- Existing route/airlines increased production rewards
- New routes non-strategic

It is envisaged the Market Grouping would fit in to the following Incentive categories

Table 9 - Market Groups by Incentive Category

Market Group	New Strategic Routes	Exisitng Customer	Non Strategic Routes
Group 1: London	Yes		
Group 2: The Gulf Region		Yes	
Group 3: International Hub Access	Yes		
Group 4: Regional Africa	Yes	Yes	
Group 5: Domestic			Yes
Group 6: Cargo			Yes *
Group 7: Charter Flights			Yes

* Cargo included in "Non Stategic" given there are just aircraft related charges

New Strategic Routes

For the development of the New Strategic Routes a Fund should be established that can cover two specific elements for this sector,

1. A substantive fees and charges mitigation and;

2. An element of revenue guarantee and/or substantive marketing and/or bonus rewards for load factors and /or cargo carried.

Through the comprehensive programme of airline engagement and negotiation, focussed specifically at the key priorities for the next three years, target airlines that are prepared to deliver new services to Durban will benefit from significant rebates against the ACSA published charges for their respective operations as well as significant support through one of,

- Marketing support,
- Performance reward,
- Revenue guarantee programme

or, a combination of all three.

It is envisaged that over the three year time frame of activity planned that no more than one London service, one European Hub services and on service connecting Nairobi and Durban will be achieved.

Should little or no traction be attained in securing any interest in the development of services in this category, ASM suggests as RFP "light" process is undertaken. This would involve the issuing of a tender document with potential carriers expressing their interest and outline their ability to deliver predetermined requirements being sought for route development. The objective to flush out carriers that might seek to change their business model to accommodate the requirement or who quite simply might not have been considered in the initial consultations and meetings as prospective target carriers.

In return, the airlines would set out their proposals for operating the services and their support requirements to deliver it, with details of schedules, aircraft, capacity, frequency and anticipated performance. This approach would give the province comparable submissions for evaluation and review and a platform to allow a full and comparative evaluation of what the financial requirement might be to deliver some of the air service development targets.

One of the advantages to adopting this approach should progress not be forthcoming, is it will reach out to all potential carriers in the time frame required by the Province and offers very clear and transparent criteria of requirements that the airlines are expected to achieve.

This approach does have a number of clear advantages associated with it and equally there are some disadvantages to be considered. The positives are that the Province sets the timeframes and agenda for growth which might accelerate the thinking and implementation with some carriers to enable them to enter the market under the terms offered. It also shows in a very open and public manner the intent of DTPC and the other stakeholders as a pro-active and progressive business partnership, actively going to the market to develop its aeronautical business and supporting the many associated industries and sectors reliant on the airports growth and development. Hence this approach will only be applied if required on selective markets as it could bring political pressures on to the province and the region not to proceed with the mechanism.

A target level of support for budgeting purposes is to structure the support for a new Strategic Route at the following levels;

- Year 1 – 100% Aeronautical Rebate
- Year 2 – 66% Aeronautical Rebate
- Year 3 – 33% Aeronautical Rebate

Existing Customer Production

In addition to seeking new air service development, it is equally important to maintain and grow the existing customer base and protect this as new business enters the market.

It is proposed that the Province provide a published incentives fund for the incumbent airline partners to secure payments against for increased production. The principles of this will be the same regardless of the size or nature of the operation, however the quantum of reward might vary significantly between a regional carriers and a long haul operation.

The structure of these incentives is to be defined but could be in line with the ideas proposed below that cover passenger, frequency and capacity initiatives.

- Passenger growth – If a carriers grows their passenger number by a given percentage then a rebate is applied for those incremental passengers.
- Capacity increase – If a carrier introduces a larger aircraft type (and therefor attracting more runway charge), the new aircraft type and charge is common rated to the previously type operated, so the runway charges remain the same.
- Frequency increase – If additional frequency is added to an existing route, the incremental services attract a discounted charge for both Aircraft and Passenger Charges.

Other incentives could also be considered that might impact both existing and new carriers. These are schemes such as

- Differential Pricing – Charges are rebated for Runways and / or passengers for operations at certain times of the day, influencing the flight timings and schedules of carriers whilst potentially smoothing the flow of passengers through the facilities creating better utilisation of facilities and ramp space.
- Through Flights – Offering rebates to carriers who operate through Durban on route to another destination, potentially attractive for a tech stop or an international service that wants to double drop in South Africa and serve 2 markets.

Having an available fund that is published for the incumbent carriers to claim creates an environment of growth for them to aspire to in the knowledge their effort and development will be rewarded without having to seek the individual negotiation for support before agreeing to additional capacities.

Non-Strategic Routes

Outside of the Strategic route targets, there are always opportunities for growth and development that will naturally add value and volume to the business but that are not necessarily key to deliver the wider business objectives and strategic development that the Province aspires to.

In this case it is proposed to maintain the more conventional approach to incentive, but still with an emphasis on deeper discounting in the early years and over a suitable period to ensure the business becomes embedded and profitable before switching to the "Existing Customer" incentive.

Airlines choosing to commence a "non-strategic" service will clearly see an opportunity for themselves to prosper and generate revenues. However the decision to actually invest is often a lengthy one and will be costly in the early years as the market requires awareness and promotion.

The structure of these incentives could be in line with the ideas proposed below.

- New Route Incentive – Rebates on the Runway and passenger charges over a number of years e.g. 75% in Year 1, 50% in Year 2 and 25% in Year 3, then charges return to what's published and the carrier avails of the Existing Customer Incentives for production enhancements .
- Fixed Marketing Budget for the introduction of New Route.
- Reduced or Rebated Handling Charges.

Rebating the published aeronautical charges is still a strong and effective mechanism with airlines and doing this for a minimum of three years allows for the new services to really establish themselves in the market and benefit from the savings to re-invest in the awareness and promotion.

Appendix 2 – Route Support Budget Quantification

Support Mechanisms

To give some guidance on the potential budget requirements, the table below shows the charge per movement for a variety of potential aircraft types where services could be secured to KSIA.

For each aircraft type the aeronautical charge levied per rotation has been calculated based on an average aircraft size and weight for each variant and with an 80% load factor. This calculation has then been extrapolated to show the total charge the airport operator would seek across the year for 3 rotations per week and 5 rotations per week (Costs are assumed to be equal throughout the year).

Table 10 - Aeronautical Charges at Durban for selected aircraft

Aircraft Variant	Aero charge per rotation (Departure) with 80% load Factor (Excluding Aircraft Parking)	Annualised charge for 3 rotations per week with 80% load factor (Excluding Aircraft Parking)	Annualised charge for 5 rotations per week with 80% load factor (Excluding Aircraft Parking)
A330 (270 seats)	$9,327	$1,455,012	$2,425,020
A330 (220 seats)	$8,165	$1,273,740	$2,122,900
B787 (250 seats)	$8,165	$1,273,740	$2,122,900
B737 (154 seats)	$5,074	$791,544	$1,319,240

A revenue guarantee mechanism can be extremely powerful in securing new direct air services given it effectively mitigates the risk the airline takes in introducing new air services. However the potential cost of this type of scheme can be extremely high and is dependent on the airlines own costs and the level of cost recovery they seek. Given the risk mitigation to the carrier, the incentive for them to promote and support the route can be greatly reduced and often means the destination market has to invest further to also promote the services. If this type of mechanism was adopted, it is recommended a cap is introduced that limits the financial exposure to DTPC in terms of the level of support, albeit the airline partner might not accept this given by its very nature it is a “Guarantee”, so any cap still exposes the carrier to some risk. For budgeting purposes, they is no provision highlighted as the quantum would have to be negotiated individually with the airline and will depend on aircraft type, sector length and the airlines own expectations.

Fixed marketing budgets are historically well received by airlines when introducing new routes or increased air services. Match funding the marketing spend by the airline in a new market and working in partnership on the marketing plan and / or incentives that the budget is used for ensures funding is spent correctly and with required focus and targeting to maximise the development opportunity. The quantum of budget required will depend on the specific route, the type of services and the frequency operated which in turn will define the activity required to make it a success.

Performance Rewards can be very attractive to airlines when the target thresholds are realistic and in line with the carriers own expectations. Although not a guarantee, the airline

will be focussed on reaching the goals set to receive the performance reward. This is a mechanism often utilised with incumbent carriers to grow traffic on their existing network through higher load factors or larger aircraft.

Again the quantum of budget required to deliver these schemes will depend on the level of support agreed with individual carriers and the targets set.

For the incumbent carriers, increasing the production from the existing networks is a quick and often easy way to realise growth. Supporting this financially requires an agreed and approved mechanism that is open to all carriers, easy to apply and is budgeted for. Once the level of mechanism is agreed, the quantum of support can be defined and budgeted.

As a guide to budgeting for the incumbent carriers, securing a budget equivalent to the incremental aeronautical revenue for circa 5% growth is a good start. The decision has to be made to only support incremental traffic growth over and above the forecast growth or to support all growth above the current production.

Arguably the former supports growth that should be delivered through natural growth. However growth might be delivered in line with budget, but not from the incumbent business, rather new services that are supported elsewhere. Hence the value of supporting all growth can drive growth ahead of target and budget.

Budget provision for the non-strategic development is again a subjective matter and depends on how much growth in this sector is anticipated in a given financial year. Given that this sector covers primarily domestic, it is envisaged additional production would come from narrow body aircraft with circa 150 seats or less.

Based on the costing for the B737 aircraft operating with an 80% load factor, a budget provision in Year one for a 75% reduction could be up to $1,000,000 per individual growth opportunity.

Table 11 - Aeronautical Charge for B737 at Durban with 75% discount

Aircraft Variant	Aero charge per rotation (Departure) with 80% load Factor (Excluding Aircraft Parking)	75% discount based on 3 rotations per week Year round	75% discount based on 5 rotations per week Year round
B737 (154 seats)	$5,074	$593,658	$989,430

Incentive Budget Provision

Based on the strategy set out and the key focus areas of London, a European Hub and direct services to Nairobi, the following budget provision is advised to ensure access to funds is available.

Table 12 - Anticipated Budget Provision

Category	2014	2015	2016	Comment
New Strategic Route				
London			$1,600,000	Virgin Atlantic or BA
European Hub		$1,800,000	$1,800,000	Turkish Airlines (5/w) or Lufthansa (5/w)
Nairobi	$167,000	$950,000	$600,000	Nairobi - Kenya Airways (Winter 14 start, 5/w)
Exisitng Customer				
Gulf Region		$600,000	$600,000	2nd Daily Flight B777
Non Strategic Route				
London		$170,000	$1,000,000	Condor (LGW Charter 3/w)
European Hub		$60,000	$350,000	Frankfurt - Condor (Winter Charter 1/w)
Total	$167,000	$3,580,000	$5,950,000	

It is anticipated that 2015 is the earliest Durban might start to see any significant development is their air traffic services being sought in line with this route development strategy.

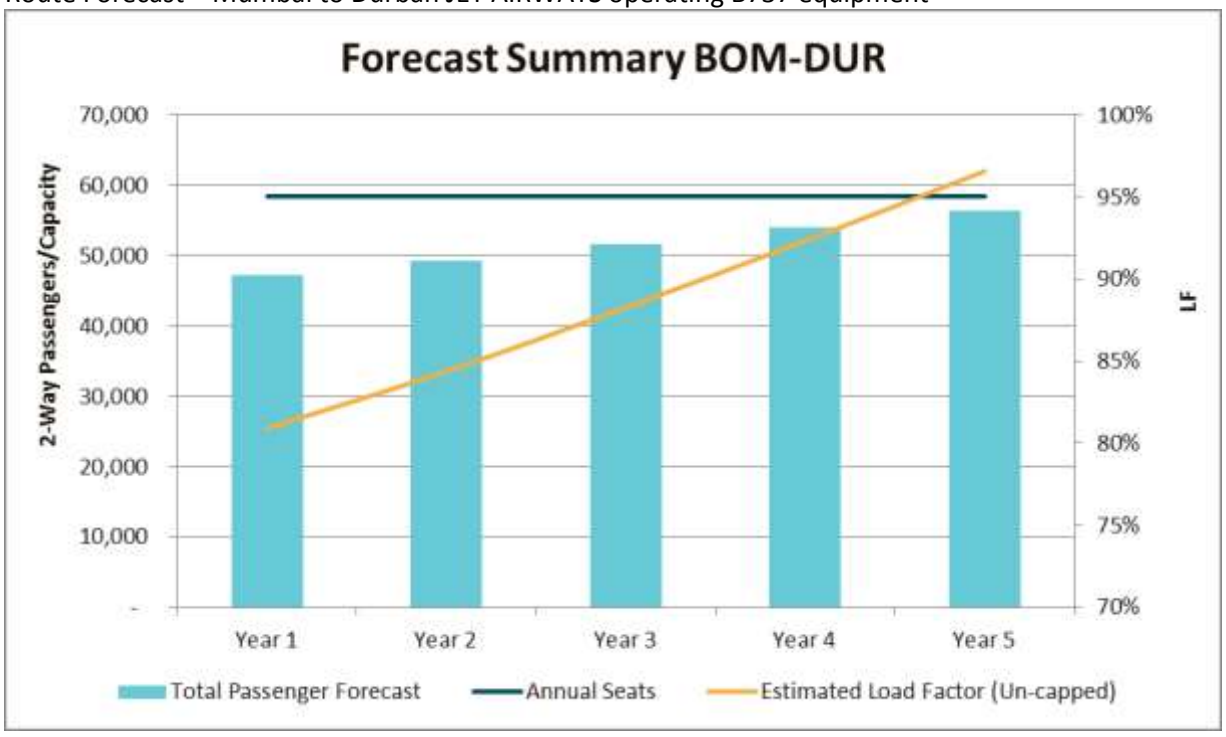
It is anticipated the equivalent funding would be required to secure the route service developments in the time frames defined. Funding might be split as operational support rebates and / or Marketing activity.

Suggested budgets cover delivery of all potential development in the given, but without duplication, i.e. in 2015 either Turkish Airlines or Lufthansa might deliver a European Hub services, in which case Condor would not commence operations from Frankfurt.

It is unlikely all developments would be achieved in a given year but there is nothing to stop this actually happening and so funding has to be identified for this eventuality.

Appendix 3 - Route Forecast Jet Airways

Route Forecast – Mumbai to Durban JET AIRWAYS operating B737 equipment

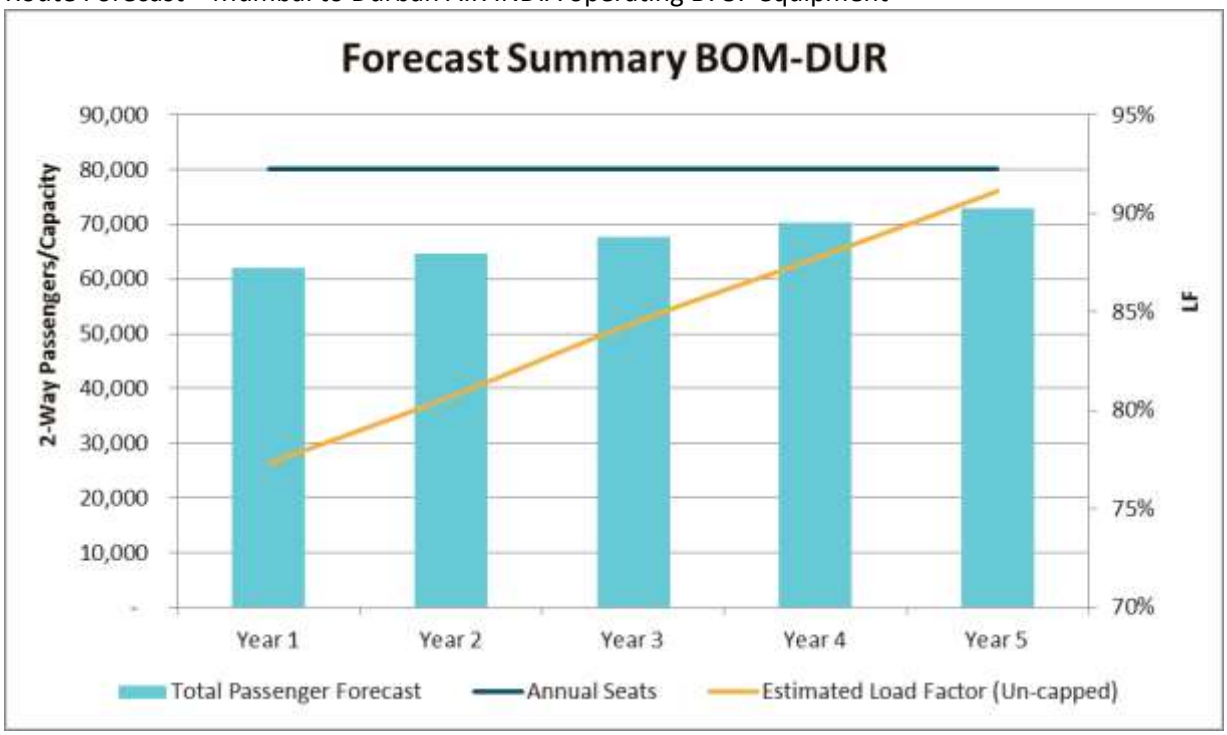


Forecast Summary BOM-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local BOM-DUR Traffic	47,253	49,285	51,552	53,923	56,404
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	-	-	-	-	-
Segment 3a - Behind BOM 1 Stop Connecting Traffic	-	-	-	-	-
Segment 4 - Bridge/2 Stop Traffic @0% of Traffic	-	-	-	-	-
Total BOM-DUR Forecast	47,253	49,285	51,552	53,923	56,404
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	47,253	49,285	51,552	53,923	56,404
Forecast Annual Growth Rates Segment 1	3.3%	4.3%	4.6%	4.6%	4.6%
Forecast Annual Growth Rates Markets Beyond DUR	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Annual Growth Rates Markets Behind BOM	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Annual Growth Rates Total		4.3%	4.6%	4.6%	4.6%
Load Factors					
A/C Seats (B737-700)	112	112	112	112	112
Weekly Frequency	5	5	5	5	5
Annual Seats	58,400	58,400	58,400	58,400	58,400
Estimated Load Factor (Un-capped)	81%	84%	88%	92%	97%
Estimated Load Factor Local Only (Un-capped)	81%	84%	88%	92%	97%
Available Seat Km	409,880,108	409,880,108	409,880,108	409,880,108	409,880,108
Flown Passenger Km	331,643,485	345,904,155	361,815,746	378,459,271	395,868,397
Flown Passenger Km excl. 2-stop traffic	331,643,485	345,904,155	361,815,746	378,459,271	395,868,397

Appendix 4 - Route Forecast Air India

Route Forecast – Mumbai to Durban AIR INDIA operating B787 equipment

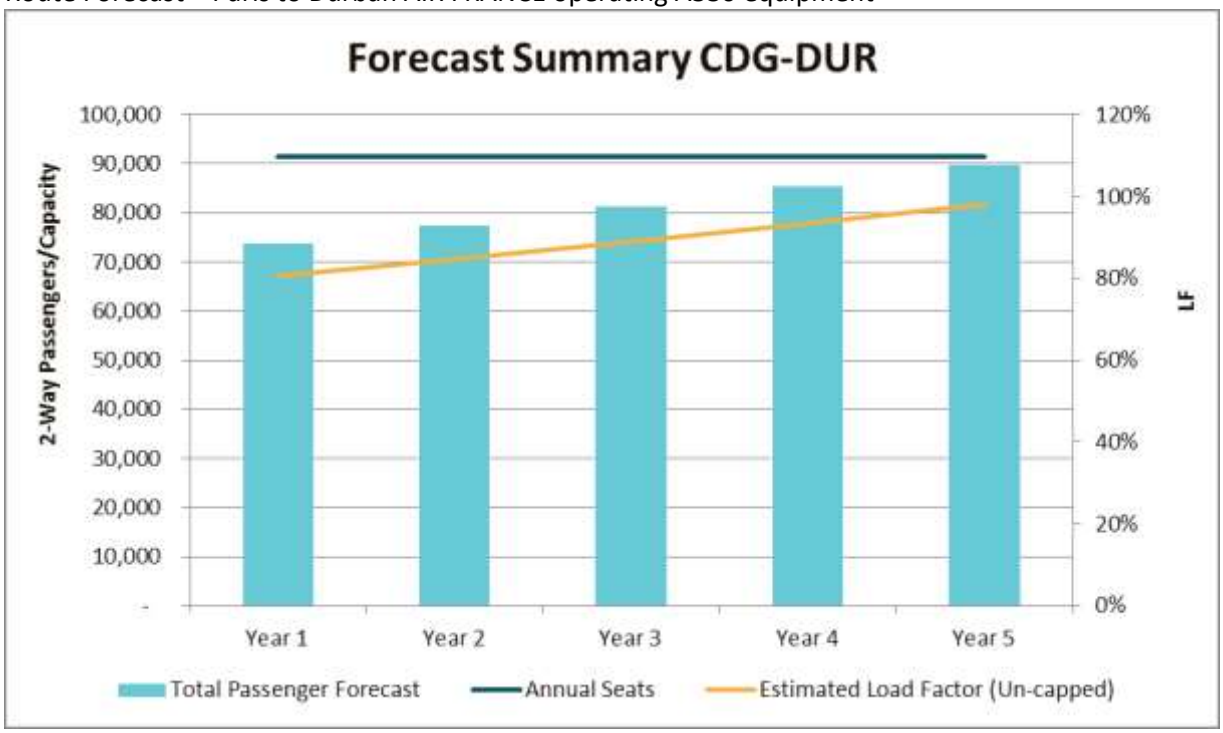


Forecast Summary BOM-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local BOM-DUR Traffic	44,847	46,776	48,927	51,178	53,532
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	10,238	10,709	11,201	11,201	11,201
Segment 3a - Behind BOM 1 Stop Connecting Traffic	3,741	3,931	4,130	4,340	4,560
Segment 4 - Bridge/2 Stop Traffic @5% of Traffic	3,096	3,229	3,378	3,533	3,696
Total BOM-DUR Forecast	61,922	64,645	67,637	70,253	72,990
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	61,922	64,645	67,637	70,253	72,990
Forecast Annual Growth Rates Segment 1	3.3%	4.3%	4.6%	4.6%	4.6%
Forecast Annual Growth Rates Markets Beyond DUR	9.1%	4.6%	4.6%	0.0%	0.0%
Forecast Annual Growth Rates Markets Behind BOM	10.7%	5.1%	5.1%	5.1%	5.1%
Forecast Annual Growth Rates Total		4.4%	4.6%	3.9%	3.9%
Load Factors					
A/C Seats (B787)	256	256	256	256	256
Weekly Frequency	3	3	3	3	3
Annual Seats	80,091	80,091	80,091	80,091	80,091
Estimated Load Factor (Un-capped)	77%	81%	84%	88%	91%
Estimated Load Factor Local Only (Un-capped)	56%	58%	61%	64%	67%
Available Seat Km	562,121,292	562,121,292	562,121,292	562,121,292	562,121,292
Flown Passenger Km	434,602,041	453,707,630	474,708,703	493,066,984	512,277,737
Flown Passenger Km excl. 2-stop traffic	412,871,939	431,043,133	451,001,640	468,269,395	486,339,460

Appendix 5 - Route Forecast Air France

Route Forecast – Paris to Durban AIR FRANCE operating A330 equipment

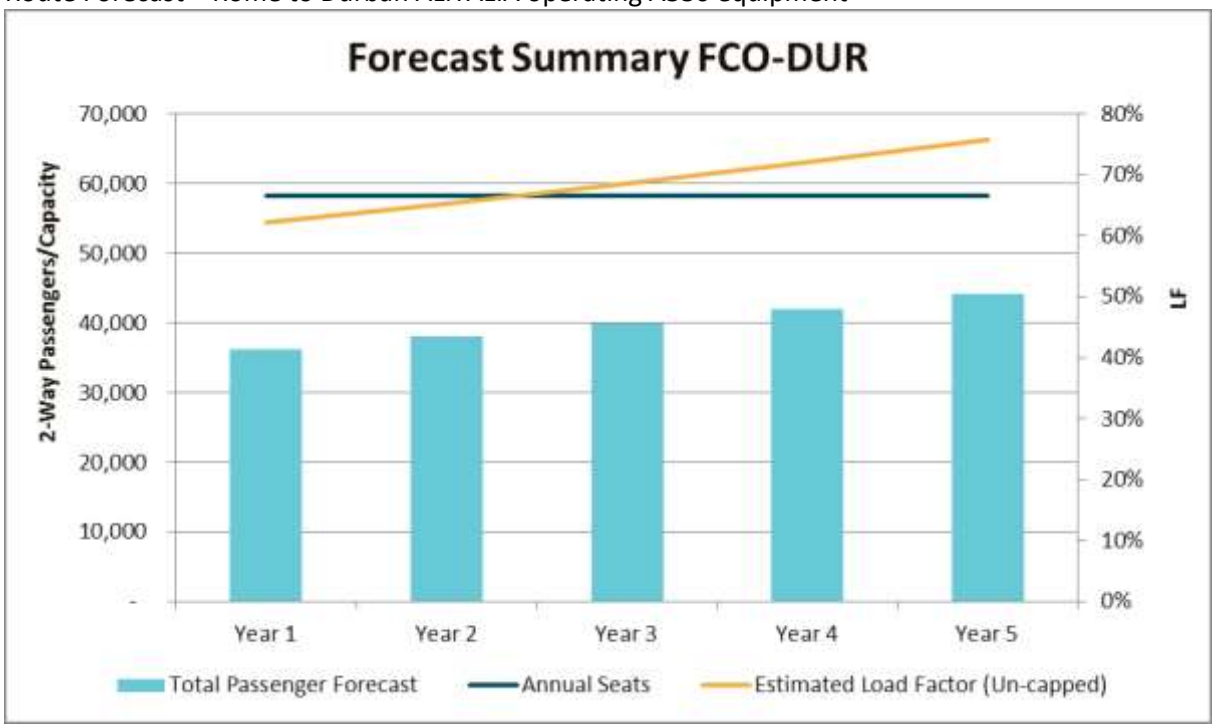


Forecast Summary CDG-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local CDG-DUR Traffic	13,759	14,626	15,503	16,433	17,419
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	-	-	-	-	-
Segment 3a - Behind CDG 1 Stop Connecting Traffic	59,872	62,741	65,754	68,917	72,240
Segment 4 - Bridge/2 Stop Traffic @0% of Traffic	-	-	-	-	-
Total CDG-DUR Forecast	73,630	77,367	81,257	85,351	89,659
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	73,630	77,367	81,257	85,351	89,659
Forecast Annual Growth Rates Segment 1	4.0%	6.3%	6.0%	6.0%	6.0%
Forecast Annual Growth Rates Markets Beyond DUR	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Annual Growth Rates Markets Behind CDG	10.1%	4.8%	4.8%	4.8%	4.8%
Forecast Annual Growth Rates Total		5.1%	5.0%	5.0%	5.0%
Load Factors					
A/C Seats (A330)	219	219	219	219	219
Weekly Frequency	4	4	4	4	4
Annual Seats	91,354	91,354	91,354	91,354	91,354
Estimated Load Factor (Un-capped)	81%	85%	89%	93%	98%
Estimated Load Factor Local Only (Un-capped)	15%	16%	17%	18%	19%
Available Seat Km	839,068,500	839,068,500	839,068,500	839,068,500	839,068,500
Flown Passenger Km	676,279,072	710,594,719	746,326,267	783,927,228	823,498,815
Flown Passenger Km excl. 2-stop traffic	676,279,072	710,594,719	746,326,267	783,927,228	823,498,815

Appendix 6 - Route Forecast Alitalia

Route Forecast – Rome to Durban ALITALIA operating A330 equipment

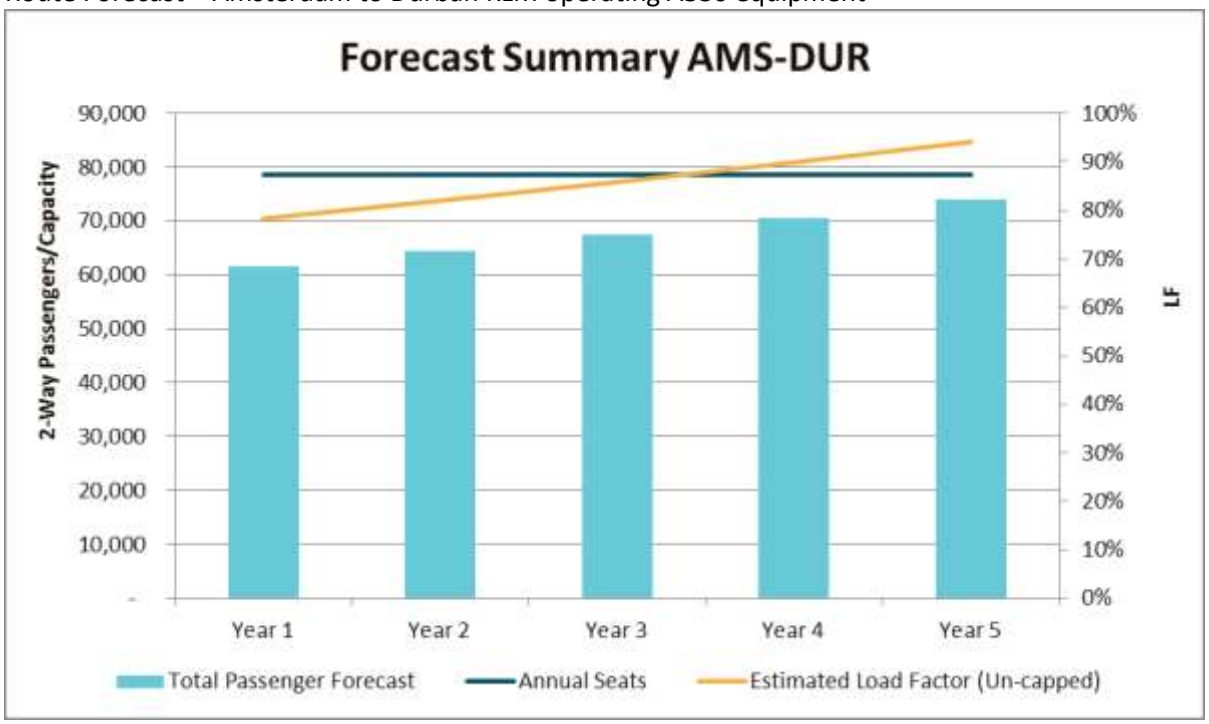


Forecast Summary FCO-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local FCO-DUR Traffic	6,610	6,900	7,239	7,608	7,996
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	-	-	-	-	-
Segment 3a - Behind FCO 1 Stop Connecting Traffic	29,582	31,087	32,672	34,340	36,096
Segment 4 - Bridge/2 Stop Traffic @0% of Traffic	-	-	-	-	-
Total FCO-DUR Forecast	36,191	37,988	39,911	41,948	44,092
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	36,191	37,988	39,911	41,948	44,092
Forecast Annual Growth Rates Segment 1	3.0%	4.4%	4.9%	5.1%	5.1%
Forecast Annual Growth Rates Markets Beyond DUR	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Annual Growth Rates Markets Behind FCO	10.7%	5.1%	5.1%	5.1%	5.1%
Forecast Annual Growth Rates Total		5.0%	5.1%	5.1%	5.1%
Load Factors					
A/C Seats (A330)	279	279	279	279	279
Weekly Frequency	2	2	2	2	2
Annual Seats	58,191	58,191	58,191	58,191	58,191
Estimated Load Factor (Un-capped)	62%	65%	69%	72%	76%
Estimated Load Factor Local Only (Un-capped)	11%	12%	12%	13%	14%
Available Seat Km	475,328,687	475,328,687	475,328,687	475,328,687	475,328,687
Flown Passenger Km	295,624,285	310,298,068	326,004,296	342,645,090	360,157,481
Flown Passenger Km excl. 2-stop traffic	295,624,285	310,298,068	326,004,296	342,645,090	360,157,481

Appendix 7 - Route Forecast KLM

Route Forecast – Amsterdam to Durban KLM operating A330 equipment

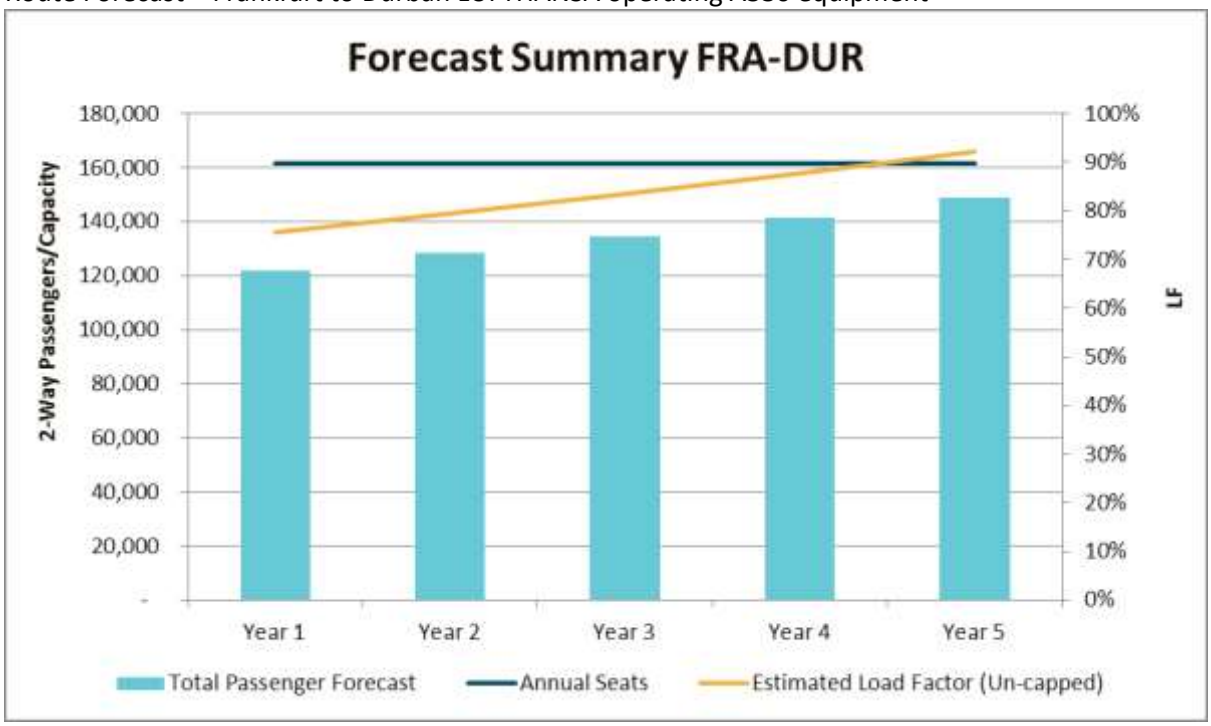


Forecast Summary AMS-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local AMS-DUR Traffic	4,293	4,401	4,493	4,592	4,693
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	-	-	-	-	-
Segment 3a - Behind AMS 1 Stop Connecting Traffic	55,968	58,728	61,628	64,676	67,880
Segment 4 - Bridge/2 Stop Traffic @2% of Traffic	1,230	1,261	1,287	1,315	1,344
Total AMS-DUR Forecast	61,491	64,389	67,408	70,584	73,917
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	61,491	64,389	67,408	70,584	73,917
Forecast Annual Growth Rates Segment 1	2.4%	2.5%	2.1%	2.2%	2.2%
Forecast Annual Growth Rates Markets Beyond DUR	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Annual Growth Rates Markets Behind AMS	10.4%	4.9%	4.9%	4.9%	5.0%
Forecast Annual Growth Rates Total		4.7%	4.7%	4.7%	4.7%
Load Factors					
A/C Seats (A330)	251	251	251	251	251
Weekly Frequency	3	3	3	3	3
Annual Seats	78,527	78,527	78,527	78,527	78,527
Estimated Load Factor (Un-capped)	78%	82%	86%	90%	94%
Estimated Load Factor Local Only (Un-capped)	5%	6%	6%	6%	6%
Available Seat Km	742,640,852	742,640,852	742,640,852	742,640,852	742,640,852
Flown Passenger Km	581,532,125	608,937,765	637,489,844	667,517,824	699,043,347
Flown Passenger Km excl. 2-stop traffic	569,901,482	597,016,356	625,318,086	655,078,287	686,330,140

Appendix 8 - Route Forecast Lufthansa (FRA)

Route Forecast – Frankfurt to Durban LUFTHANSA operating A330 equipment

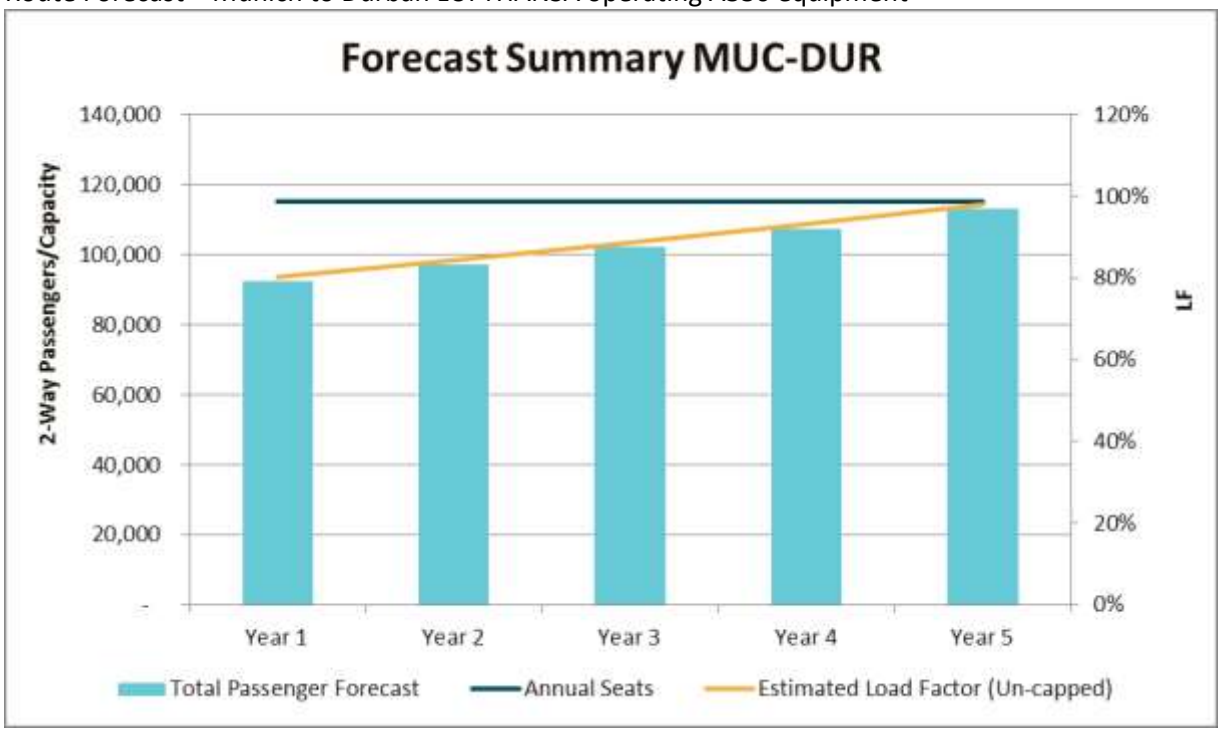


Forecast Summary FRA-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local FRA-DUR Traffic	16,531	17,226	17,880	18,578	19,302
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	11,822	12,284	12,764	13,263	13,781
Segment 3a - Behind FRA 1 Stop Connecting Traffic	91,182	96,141	101,386	106,933	112,802
Segment 4 - Bridge/2 Stop Traffic @2% of Traffic	2,440	2,542	2,639	2,741	2,848
Total FRA-DUR Forecast	121,975	128,193	134,669	141,515	148,734
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	121,975	128,193	134,669	141,515	148,734
Forecast Annual Growth Rates Segment 1	3.7%	4.2%	3.8%	3.9%	3.9%
Forecast Annual Growth Rates Markets Beyond DUR	8.2%	3.9%	3.9%	3.9%	3.9%
Forecast Annual Growth Rates Markets Behind FRA	11.1%	5.4%	5.5%	5.5%	5.5%
Forecast Annual Growth Rates Total		5.1%	5.1%	5.1%	5.1%
Load Factors					
A/C Seats (A330)	221	221	221	221	221
Weekly Frequency	7	7	7	7	7
Annual Seats	161,330	161,330	161,330	161,330	161,330
Estimated Load Factor (Un-capped)	76%	79%	83%	88%	92%
Estimated Load Factor Local Only (Un-capped)	10%	11%	11%	12%	12%
Available Seat Km	1,472,337,822	1,472,337,822	1,472,337,822	1,472,337,822	1,472,337,822
Flown Passenger Km	1,113,175,616	1,169,921,196	1,229,021,597	1,291,504,709	1,357,381,689
Flown Passenger Km excl. 2-stop traffic	1,090,912,104	1,146,722,616	1,204,941,471	1,266,485,458	1,331,386,687

Appendix 9 - Route Forecast Lufthansa (MUC)

Route Forecast – Munich to Durban LUFTHANSA operating A330 equipment

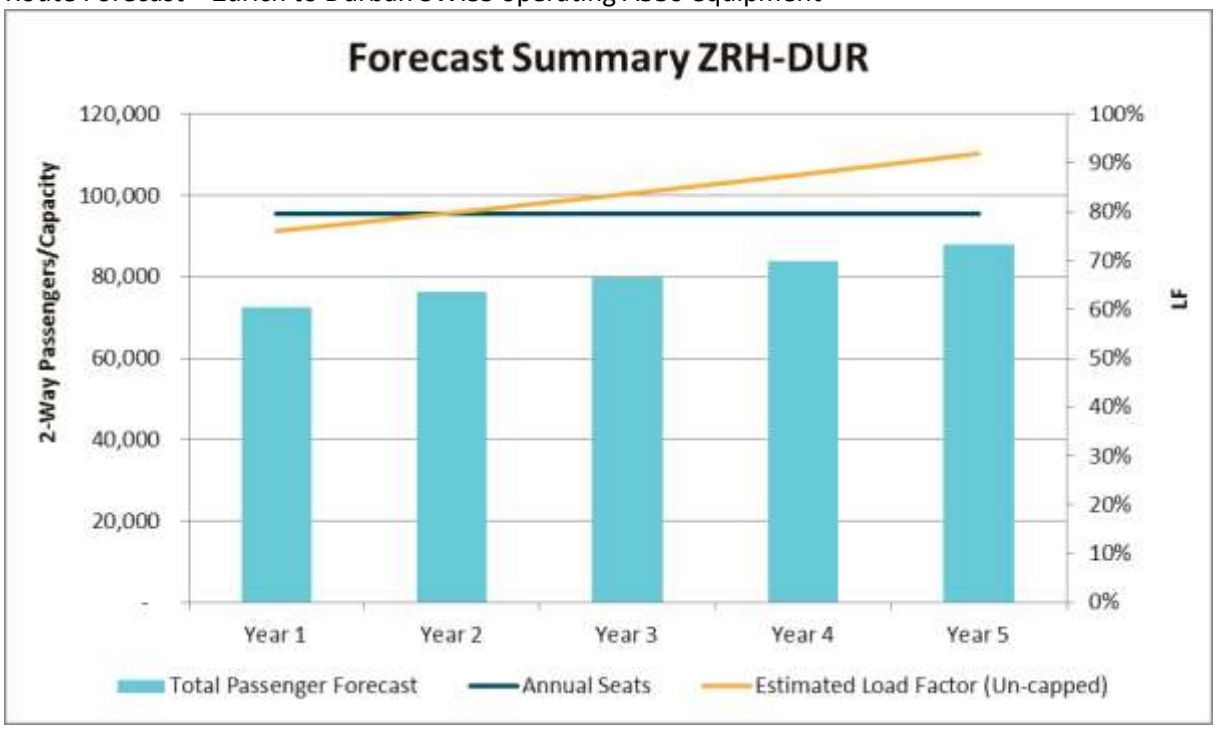


Forecast Summary MUC-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local MUC-DUR Traffic	9,420	9,816	10,189	10,586	10,999
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	8,520	8,853	9,198	9,558	9,931
Segment 3a - Behind MUC 1 Stop Connecting Traffic	72,663	76,606	80,773	85,178	89,835
Segment 4 - Bridge/2 Stop Traffic @2% of Traffic	1,849	1,927	2,000	2,078	2,159
Total MUC-DUR Forecast	92,453	97,202	102,161	107,400	112,924
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	92,453	97,202	102,161	107,400	112,924
Forecast Annual Growth Rates Segment 1	3.7%	4.2%	3.8%	3.9%	3.9%
Forecast Annual Growth Rates Markets Beyond DUR	8.2%	3.9%	3.9%	3.9%	3.9%
Forecast Annual Growth Rates Markets Behind MUC	11.2%	5.4%	5.4%	5.5%	5.5%
Forecast Annual Growth Rates Total		5.1%	5.1%	5.1%	5.1%
Load Factors					
A/C Seats (A330)	221	221	221	221	221
Weekly Frequency	5	5	5	5	5
Annual Seats	115,236	115,236	115,236	115,236	115,236
Estimated Load Factor (Un-capped)	80%	84%	89%	93%	98%
Estimated Load Factor Local Only (Un-capped)	8%	9%	9%	9%	10%
Available Seat Km	1,022,691,096	1,022,691,096	1,022,691,096	1,022,691,096	1,022,691,096
Flown Passenger Km	820,497,035	862,643,869	906,655,308	953,152,865	1,002,172,289
Flown Passenger Km excl. 2-stop traffic	804,087,094	845,544,710	888,906,381	934,711,731	983,011,950

Appendix 10 - Route Forecast Swiss

Route Forecast – Zurich to Durban SWISS operating A330 equipment

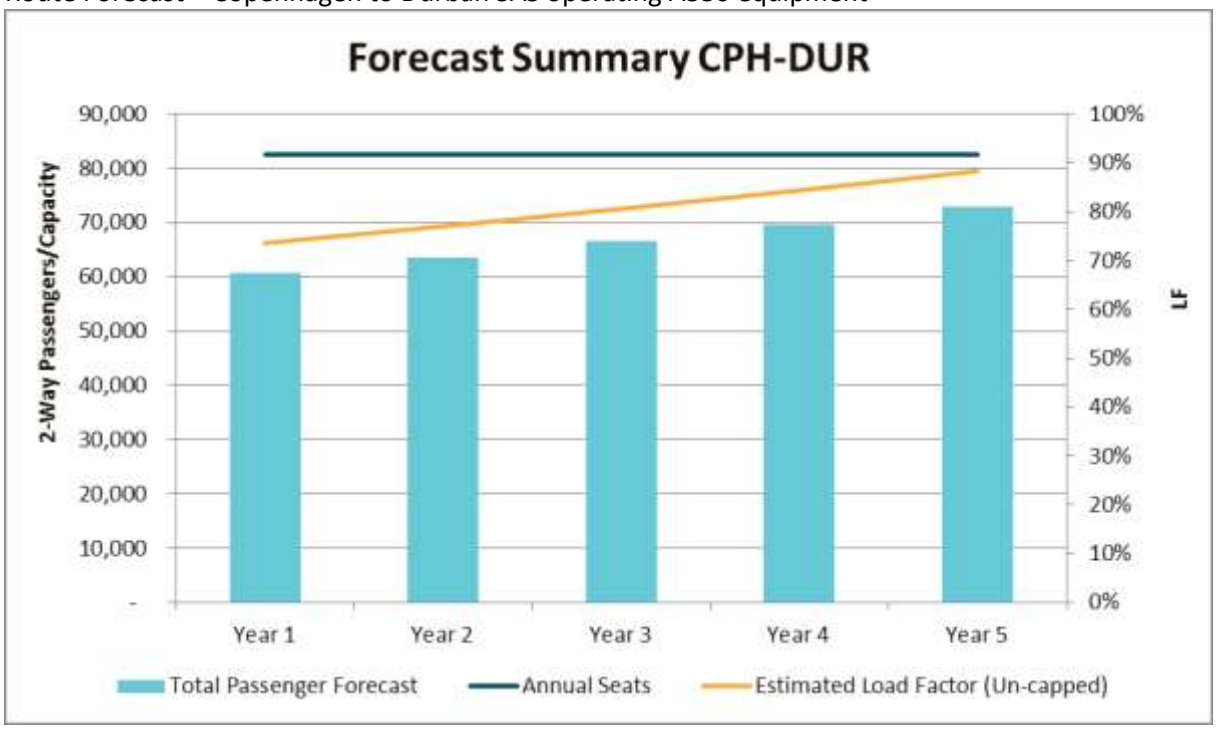


Forecast Summary ZRH-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local ZRH-DUR Traffic	9,517	10,031	10,523	11,028	11,557
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	4,754	4,979	5,214	5,460	5,718
Segment 3a - Behind ZRH 1 Stop Connecting Traffic	54,744	57,381	60,150	63,060	66,116
Segment 4 - Bridge/2 Stop Traffic @5% of Traffic	3,632	3,829	4,016	4,209	4,411
Total ZRH-DUR Forecast	72,648	76,220	79,903	83,757	87,802
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	72,648	76,220	79,903	83,757	87,802
Forecast Annual Growth Rates Segment 1	5.3%	5.4%	4.9%	4.8%	4.8%
Forecast Annual Growth Rates Markets Beyond DUR	10.3%	4.7%	4.7%	4.7%	4.7%
Forecast Annual Growth Rates Markets Behind ZRH	10.1%	4.8%	4.8%	4.8%	4.8%
Forecast Annual Growth Rates Total		4.9%	4.8%	4.8%	4.8%
Load Factors					
A/C Seats (A330)	229	229	229	229	229
Weekly Frequency	4	4	4	4	4
Annual Seats	95,526	95,526	95,526	95,526	95,526
Estimated Load Factor (Un-capped)	76%	80%	84%	88%	92%
Estimated Load Factor Local Only (Un-capped)	10%	11%	11%	12%	12%
Available Seat Km	846,053,109	846,053,109	846,053,109	846,053,109	846,053,109
Flown Passenger Km	643,429,830	675,061,858	707,689,333	741,818,509	777,649,831
Flown Passenger Km excl. 2-stop traffic	611,258,339	641,153,106	672,119,052	704,540,854	738,582,849

Appendix 11 - Route Forecast SAS

Route Forecast – Copenhagen to Durban SAS operating A330 equipment

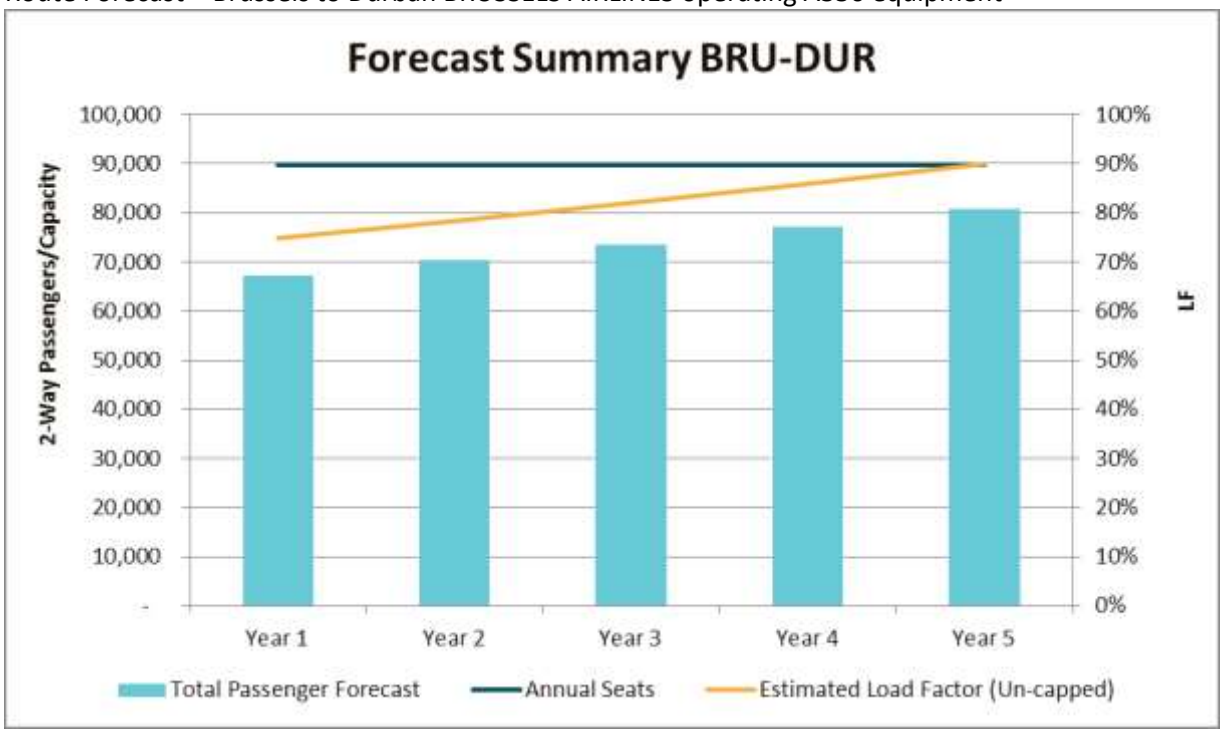


Forecast Summary CPH-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local CPH-DUR Traffic	6,266	6,523	6,797	7,089	7,394
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	7,724	8,056	8,402	8,763	9,140
Segment 3a - Behind CPH 1 Stop Connecting Traffic	43,758	45,861	48,071	50,392	52,829
Segment 4 - Bridge/2 Stop Traffic @5% of Traffic	3,039	3,164	3,297	3,439	3,586
Total CPH-DUR Forecast	60,786	63,604	66,566	69,682	72,949
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	60,786	63,604	66,566	69,682	72,949
Forecast Annual Growth Rates Segment 1	3.3%	4.1%	4.2%	4.3%	4.3%
Forecast Annual Growth Rates Markets Beyond DUR	8.5%	4.3%	4.3%	4.3%	4.3%
Forecast Annual Growth Rates Markets Behind CPH	10.1%	4.8%	4.8%	4.8%	4.8%
Forecast Annual Growth Rates Total		4.6%	4.7%	4.7%	4.7%
Load Factors					
A/C Seats (A330)	264	264	264	264	264
Weekly Frequency	3	3	3	3	3
Annual Seats	82,594	82,594	82,594	82,594	82,594
Estimated Load Factor (Un-capped)	74%	77%	81%	84%	88%
Estimated Load Factor Local Only (Un-capped)	8%	8%	8%	9%	9%
Available Seat Km	795,514,513	795,514,513	795,514,513	795,514,513	795,514,513
Flown Passenger Km	585,467,914	612,605,261	641,140,993	671,151,960	702,618,276
Flown Passenger Km excl. 2-stop traffic	556,194,518	582,131,656	609,387,497	638,033,063	668,075,267

Appendix 12 - Route Forecast Brussels Airlines

Route Forecast – Brussels to Durban BRUSSELS AIRLINES operating A330 equipment

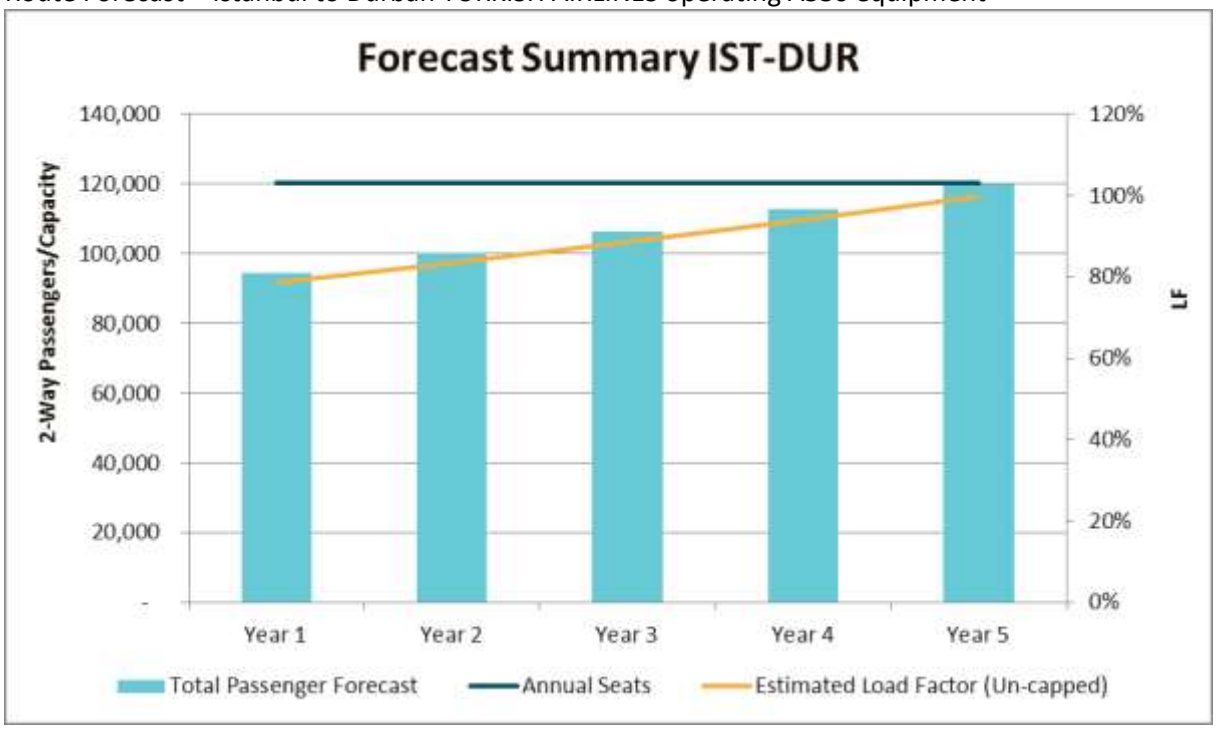


Forecast Summary BRU-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local BRU-DUR Traffic	7,651	7,979	8,347	8,730	9,132
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	14,135	14,785	15,465	16,177	16,921
Segment 3a - Behind BRU 1 Stop Connecting Traffic	41,989	43,995	46,101	48,312	50,634
Segment 4 - Bridge/2 Stop Traffic @5% of Traffic	3,357	3,501	3,662	3,830	4,007
Total BRU-DUR Forecast	67,130	70,260	73,574	77,050	80,694
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	67,130	70,260	73,574	77,050	80,694
Forecast Annual Growth Rates Segment 1	3.3%	4.3%	4.6%	4.6%	4.6%
Forecast Annual Growth Rates Markets Beyond DUR	9.1%	4.6%	4.6%	4.6%	4.6%
Forecast Annual Growth Rates Markets Behind BRU	10.1%	4.8%	4.8%	4.8%	4.8%
Forecast Annual Growth Rates Total		4.7%	4.7%	4.7%	4.7%
Load Factors					
A/C Seats (A330)	215	215	215	215	215
Weekly Frequency	4	4	4	4	4
Annual Seats	89,686	89,686	89,686	89,686	89,686
Estimated Load Factor (Un-capped)	75%	78%	82%	86%	90%
Estimated Load Factor Local Only (Un-capped)	9%	9%	9%	10%	10%
Available Seat Km	835,939,766	835,939,766	835,939,766	835,939,766	835,939,766
Flown Passenger Km	625,707,800	654,878,372	685,770,791	718,162,297	752,128,107
Flown Passenger Km excl. 2-stop traffic	594,422,410	622,247,710	651,639,119	682,460,568	714,784,099

Appendix 13 - Route Forecast Turkish Airlines

Route Forecast – Istanbul to Durban TURKISH AIRLINES operating A330 equipment



Forecast Summary IST-DUR

Forecast Summary	2015 Year 1	2016 Year 2	2017 Year 3	2018 Year 4	2019 Year 5
Segment 1 - Local IST-DUR Traffic	10,854	11,972	13,169	14,434	15,819
Segment 2a - Beyond DUR 1 Stop Connecting Traffic	4,583	5,008	5,473	5,981	6,537
Segment 3a - Behind IST 1 Stop Connecting Traffic	74,273	78,047	82,025	86,220	90,645
Segment 4 - Bridge/2 Stop Traffic @5% of Traffic	4,722	5,208	5,729	6,279	6,881
Total IST-DUR Forecast	94,432	100,235	106,396	112,913	119,882
Post Forecast Stimulation	-	-	-	-	-
Total Passenger Forecast	94,432	100,235	106,396	112,913	119,882
Forecast Annual Growth Rates Segment 1	10.0%	10.3%	10.0%	9.6%	9.6%
Forecast Annual Growth Rates Markets Beyond DUR	20.5%	9.3%	9.3%	9.3%	9.3%
Forecast Annual Growth Rates Markets Behind IST	10.8%	5.1%	5.1%	5.1%	5.1%
Forecast Annual Growth Rates Total		6.1%	6.1%	6.1%	6.2%
Load Factors					
A/C Seats (A300)	288	288	288	288	288
Weekly Frequency	4	4	4	4	4
Annual Seats	120,137	120,137	120,137	120,137	120,137
Estimated Load Factor (Un-capped)	79%	83%	89%	94%	100%
Estimated Load Factor Local Only (Un-capped)	9%	10%	11%	12%	13%
Available Seat Km	942,793,787	942,793,787	942,793,787	942,793,787	942,793,787
Flown Passenger Km	741,070,948	786,606,590	834,955,403	886,103,046	940,792,851
Flown Passenger Km excl. 2-stop traffic	704,017,400	745,736,527	789,998,334	836,830,098	886,789,700

Appendix 14 - Airline / Strategy Matrix