

# Comair

FLYING THROUGH TURBULENCE





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**Comair**

*Comair Ltd continues to deliver operational excellence and consistent profitability in what can only be described as an economic headwind: its CEO Erik Venter explains how*

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British Airways operated by Comair Boeing 737 800

**W**ho would invest in an airline? The industry is facing a lot of challenges right now with escalating fuel prices, reduction in passenger volumes caused by the global recession and arguably the growth of technology that allows people to communicate and confer without the need to travel. These are things that affect airlines all over the world, but in South Africa life is even more challenging for a private sector airline operator that

has to compete with the heavily subsidised national carrier South African Airways (SAA) and its low-cost brand Mango. The government, by taking a largely anti competition stance and allowing SAA to increase capacity in a shrinking market, has done no favours for the industry.

Such is the environment in which Comair operates. Dating back to 1946 the JSE listed company has been successfully operating in southern Africa for nearly 70 years. Since

.....  
*“We don’t have to go through major change management programmes every time we want to make an improvement!”*  
 .....

1991 it has been operating local and regional services under a licence agreement with British Airways, and in 2001 it launched South Africa’s first no frills airline kulula.com. Erik Rudolph Venter, a chartered accountant, joined the company 20 years ago and has been the Chief Executive Officer of Comair Ltd since 1 December 2011. He is a pragmatist, and entirely sees the point of the banks and investors who tell him they would never invest in the airline industry. “I





## Celebrating 21 years of successful Air Traffic Management

South Africa has come a long way since the inauguration of **Nelson Mandela** as president in 1994 and our inception as a **democracy**. Just as this country has **grown**, so has its ability to **connect** across borders through **expert air traffic navigation**. **Air Traffic and Navigation Services SOC Limited (ATNS)** has, much like our democracy, grown and changed for the better. This year we're celebrating **21 years** of ensuring **safer African skies**.

ATNS SOC Limited is responsible for air traffic control in approximately **10% of the world's airspace**. Our services extend further than the familiar air traffic control service, into the provision of **vitaly important** aeronautical information used for all flight planning purposes as well as search and rescue coordination activities and the maintenance of a reliable navigation infrastructure.

### ATNS offers the following services:

- Aeronautical Information Management
- African Regional Monitoring Agency Services
- Air Traffic Flow Management
- Airspace Design
- Billing and Collections Management
- Central Airspace Management Services
- Domestic and Regional VSAT Networks
- Education and Training
- Engineering and Technical Services
- File2Fly
- Flight Procedure Design and Cartography
- Maintenance Management Systems
- Risk, Security and Quality Compliance Services
- Safety and Regulation Assurance
- Upper Airspace Service Provision
- WGS-84 Surveying and Obstacle Evaluation

We aim to provide **safe, expeditious** and **efficient aviation solutions** that set us apart. For all your requirements call us on **+27 11 607 1000** or visit **www.atns.com**.







## Air Traffic and Navigation Services (ATNS) State-Owned Company (SOC)

▶ In our 21 years of existence, we have seen the growth of the South African and global aviation industries. We have faced a myriad of challenges. And we have achieved notable and significant milestones along the way. Be that as it may, we have discovered the most innovative ways of delivering world-class safety and operational performance.

ATNS is very concerned about the current aviation crisis resulting from the economic downturn, and how this could affect relations between ANSPs and airlines. Recognising the need to support the airline community in its efforts to reduce costs, we have since agreed to seek short-term initiatives, in close collaboration with our clients, including Comair. ATNS has also noted that airlines require reliable information, such as ATM and other ATM-related trends and developments. In this regard, ATNS is transparent at all times and offers proof of active cost and efficiency management to all its clients.

ATNS regularly interacts with COMAIR on all relevant operational matters. The two organisations have worked closely on numerous projects, such the implementation of the RNAV (GNSS) procedures at the King

Shaka International Airport in Kwa-Zulu Natal. As is procedure, the regulator requested trials to be conducted before these procedures could be implemented. Following a well-defined programme of action (POA, this process was undertaken without a glitch.

Still on procedures, Lanseria Airport Management has contracted ATNS to design instrument flight procedures for its new runway, which includes the Advanced RNP procedures. These procedures enable aircraft to access airport with terrain and airspace limitations. This is a first of its kind in Africa. Kulula - a low cost airline under Comair - is currently trialing the Advanced RNP and preliminary results indicate that these procedures will be approved for use at Lanseria Airport - in the last quarter of this year (2014). This is an exciting milestone for which Lanseria Airport management should be commended. In the main, the airline operators will benefit significant by using the advance RNP, in that it will reduce the operating costs, noise and CO2 emissions. Kulula.com operates daily flights from Lanseria International Airport to Cape Town, and Durban.

ATNS continues to serve the ATM community by deploying leading technologies with foresight,



as well as on the continual improvement of safety levels. We have prioritized sustainable development by minimizing our own carbon footprint, and seek to continue developing and helping our stakeholders to minimize the environmental impact of their operations through flight efficiency programmes and other best practice initiatives.

While our Vision is to be the preferred supplier of air traffic management solutions and associated services to the African Continent and selected international markets, our mission, that of providing a safe, expeditious and efficient air traffic management solutions and associated services, has been a building

block in our quest to capture the market share within the continental aviation sphere.

To all our valued stakeholders, engagement and collaboration are deeply embedded in our quest to keep our skies safe. And that is through proper maintenance of sound relations with them. The effective maintenance of such carries with itself proper understanding of the “issues” that we are addressing. And that’s exactly what we’re doing with Comair. ■

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Comair  
ticketing staff

wouldn't invest in a fund of airlines either!"

So is he in the wrong job? Not a bit of it. Comair not only outperforms other airlines but a lot of other industries that are not seen as high risk. It has an astonishing record of declaring an operating profit in every one of its 68 years of existence, remarkable enough in itself but quite extraordinary in the South African climate of the last few years. So think again, investors, he says. Look at the company not the industry!

The chief explanation he has for Comair's success is its people. "We hold on to people for a very long time. Long service awards for ten years service or more are held by about 25 percent of our staff at any one time. There is a lot of experience here compared with our competitors in the market." And the reason they stay is related to the flexibility and adaptability to change that is at the heart of the corporate culture. In the aviation industry more than most, he believes, it is essential to build that flexibility into people's contracts and instil a continuous improvement mindset: "Everyone is used to the fact that things are always evolving, and we don't have to go through major change management programmes every time we want to make an improvement!"

People and the flexibility they bring to the company are probably the two main reasons Comair has dealt so well with the volatility of the airline market says Venter. The cost environment has imposed a harsh discipline on airlines and not all have been able to adapt. "Look at our 14 year history since 2001: costs have risen by about 168



British Airways operated  
by Comair Boeing 737 800

percent against a consumer price index rise of around 98 percent in South Africa over the same period. At the same time the average air fare has increased only by 37 percent, so we have had to close that gap and that requires constant innovation and improvement." More efficient aircraft, better route planning, working with air traffic management to improve landing patterns, saving weight on the aircraft - these are all strategies that have been adopted.

Comair's full service offering is flown in the livery of British Airways (BA) under a licence agreement dating back to 1996. The British Airways brand brought with it a rich heritage of stylish travel, reputation for service excellence and a wide range

**Did you know?**

**68**  
Profitable years  
for Comair  
.....

**26**  
Boeing planes  
in its fleet

of products such as the prestigious Executive Club frequent flyer programme. Some years ago there were a number of similar franchise arrangements round the world, though now Comair is one of only two airlines to remain in the scheme. "It has been a very successful arrangement both for Comair and for BA in South Africa - we are able to make all the operational decisions and tailor the service to local requirements, while benefiting from the reputation of the top brand in the business."

In 2001 Comair added another brand, the low-cost, green-liveried kukula.com (slogan: Full-on Travel). Today most of the popular domestic routes in South Africa are served by both carriers. The major routes

*"We hold on to people for a very long time. Long service awards for ten years service or more are held by about 25 percent of our staff at any one time"*



are Johannesburg to Cape Town (the tenth busiest route in the world with 4.5 million passengers a year), Johannesburg to Durban, Durban to Cape Town and Johannesburg to Port Elizabeth. "After these," says Venter, "the numbers get smaller, especially when we look at the various African destinations we serve, though some, like Harare, Mauritius and Victoria Falls are quite busy."

He is constantly looking for new opportunities. There is undoubtedly a lot of growth taking place within many economies

of sub-Saharan Africa, but it is growth from a low base, he warns, and even respectable percentages resolve into low volumes. "I don't think Africa is quite there yet in terms of potential for passenger volume growth. A lot of hurdles remain to be overcome." A cautious approach to expansion that will sustain the company's profitability record.

More immediate returns are being generated in certain aspects of diversification. Taking a travel business approach Comair is developing its revenue

*"It has been a very successful arrangement both for Comair and for BA in South Africa"*



Kulula Boeing 737-800  
in flight



Happy staff stading in front of  
the new airport ticket counters at  
OR Tambo International Airport

streams from car hire, hotel bookings and other value added services. "That segment of the business is starting to grow quite nicely. We have done a successful job of developing our airline lounges and we see possibilities in developing conference facilities and dedicated lounge facilities for other partners." The company has also set up its own catering facilities at Johannesburg and Cape Town and is applying for licences to do third party catering for other airlines, he adds. "We are finding we can run a much more efficient catering operation than some of the legacy catering businesses were able to provide."

Another important revenue stream over the years has been third party pilot training. With simulator facilities for Boeing aircraft as well as ATR regional jets, Comair can offer

training at a much better rate than anything available in Europe or the USA. This is a service with potential for expansion. But Comair understands training. "We have to train almost everyone ab initio for Comair whether front line staff, finance staff, or cabin crew." Extensive facilities at the Comair training centre next to O.R. Tambo International Airport provides the knowhow and instils the soft skills vital to the Comair culture.

As with any airline Comair needs to keep its assets up to date, and this is the largest area for investment, with an ongoing programme to completely renew the 26 strong Boeing fleet, or at least the 18 that it owns rather than leases. Though it's a big balance sheet item the replacement of Boeing 737-300s with the larger 800s resulted in a 15 percent increase in capacity that was a major factor





Flight simulator at the  
Comair Training Centre (CTC)

*“We are finding we can run a much more efficient catering operation than some of the legacy catering businesses were able to provide”*

in the 23 percent rise in revenue over the first half of the current financial year. Being more fuel efficient these aircraft also offset escalating fuel prices. Four new Boeing 737-800s were introduced into the kulula fleet last year, and four more will be delivered by the end of 2015 followed by further orders by 2020, he says.

Another important ongoing investment is in the migration to a new enterprise solution platform. Says Erik Venter: “We have implemented the Sabre airline solution system, which has already delivered benefits both in revenue and cost efficiency. The basic inventory hosting went live in July 2012, though that in itself does not deliver huge benefits. It’s the bolt-on modules that bring measurable efficiencies. We have been continually adding improvements and new functionality over the last 24 months and will continue to do that.” As with any ERP platform, there’s huge suite of upgrades and new products to choose from – Comair will avail itself of the most relevant functionality.

These days TV and newspaper advertising are in rapid decline, with the rise of instant access to news and the ability to skip ads when watching programmes by satellite. Social media have stepped into the resulting space, and Comair is determined to make full use of the new platforms. “It’s essential to keep up to the minute with what is happening in that space especially in Africa with the reliance of so many people on mobile devices to stay in touch. It is a whole new way of thinking and requires a very different strategy. You get instant response from customers and

instant feedback compared with the old ways of communicating with customers.” It has meant getting social media addicts onto the marketing team, who understand the dynamics of the twittersphere: “People respond at 3.00 on a Sunday morning, and by 8.00 you have a trend growing across social media channels – if you are not alive 24/7 you will miss it!”

As the last remaining independent privately owned domestic scheduled airline operator in South Africa Comair has a responsibility to its employees, customers and shareholders to secure a level playing field in what is after all an over-traded market, concludes Erik Venter. While in no way challenging the position of SAA nor arguing it should not be subsidised, he feels that it should share the risk as well as the rewards, and be subject to the same rules of competition that protect the industry in other jurisdictions. Things may change after the general election in May but even in the present climate the message is loud and clear – Comair is a great investment, as proved by its confident declaration of an interim dividend based on its results in the half year to December 2013 – resulting in a ten percent rise in its share price. **BE**

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