

COMAIR

PUTTING THE EASE IN TEASE



PUTTING THE EASE IN TEASE

Running an airline is normally a deadly serious business but this South African operator has made a name for itself by poking fun at just about everybody

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Comair in South Africa could just well be the most unusual airline in the world. Operations director Martin Louw doesn't much care for the term Jekyll & Hyde but it's hard to deny there is something of the schizophrenic about Comair.

It's not the country's oldest airline—that distinction rests with the national flag carrier South African Airways—but it is certainly the longest surviving private commercial flyer. Started in 1945, at the cessation of WWII by a couple of ex-fighter pilots, it had a low key presence for years until the market was deregulated in 1994. "Governments of all shades," says Louw, "have always been very protective of SAA as it is considered much more than simply an airline. It is a symbol of the country's status. That meant for years Comair had to feed on the crumbs left over from SAA's table."

Some would argue that the scales are still heavily weighted in favour of the state airline. Since deregulation 12 airlines have been started and gone bust. In addition to Comair there is one other – Itime – but even that is struggling. While the private companies have had to rely purely on their own resources, SAA has a safety net in the form of funds from central government.

At least, though, since deregulation, Comair has been free to compete on routes it was banned from for many years. The real turning point came in 1994 when the turbo prop fleet Comair had been obliged to stick with started to be



The Comair operations centre

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ATM AND THE ENVIRONMENT

In the aviation industry, it is glaringly obvious that there is only so much sky. Balancing the increasing demands of air traffic with this finite resource falls to Hennie Marais, executive of air traffic management for Air Traffic and Navigation Services (ATNS)

“ATM is all about getting things done more efficiently and cost-effectively,” explains Hennie Marais. “The sky is only so big, and yet the need for air travel has increased over the decades as economies around the world have grown. Customers now have heightened expectations from the aviation industry, such as more flights between London and Johannesburg, for example. ATM tries to find better ways of doing things that not only increase capacity but also keep costs affordable. It’s about making the most efficient use of the airspace we have available.”

Given this long-term, strategic approach, Marais explains that everything that Air Traffic and Navigation Services (ATNS) does with regard to ATM is based on forecasts, taking into account economic growth (or decline), socioeconomic statistics and the resultant anticipated demand. For ATNS, the first draft operations plan for the 2010 FIFA World Cup was ready for evaluation in October 2008, and the planning for King Shaka International Airport took three years.

“During the planning, we take into account

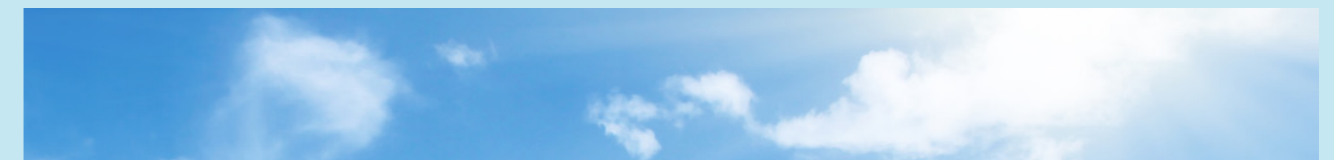
aspects such as airport and airspace capacity, and the projected needs of customers. But it’s a fine line, because while you have to create capacity about 12 to 24 months in advance, you cannot create too much capacity because this would incur unnecessary costs,” explains Marais.

It is often the small things that make the biggest difference. “Sometimes you can make an operation more efficient without spending a lot of money. Instead of building new runways or taxiways to reduce the amount of time airplanes remain in a holding stack, a small piece of added tarmac in exactly the right spot might allow airplanes to make a quicker turn. If this reduces the time of each airplane on the ground by 10 or 15 seconds, by the end of the day you have an extra hour, which means that 40 additional airplanes can be accommodated.”

Marais proudly recounts how, on 5 December 2011 during COP17, ATNS cut 35 minutes of flying time off an airplane flying from Dubai to Durban. “The airplane flew the same distance as always, but we implemented a totally efficient flight trajectory. The result was that we saved approximately 4,500kg of CO2 emissions and over a ton of fuel.”

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replaced with jet powered aircraft. On the strength of that move, Comair entered discussions with British Airways to become the internal franchisee of BA. Long haul routes in and out of South Africa remained the province of British Airways but Comair was able to operate on internal and regional routes wearing its colours and for the first time, giving SAA some competition.

“The role of BA franchisee,” says Louw, “was not uncommon at the time but these days, apart from Comair, we believe there



Overview of Comair's training centre

is only one other left – a very small scale operation in Denmark. To earn the right to act as BA's representative we pay a small franchise fee and the more successful we are in expanding the passenger base, the

THE BOEING COMPANY



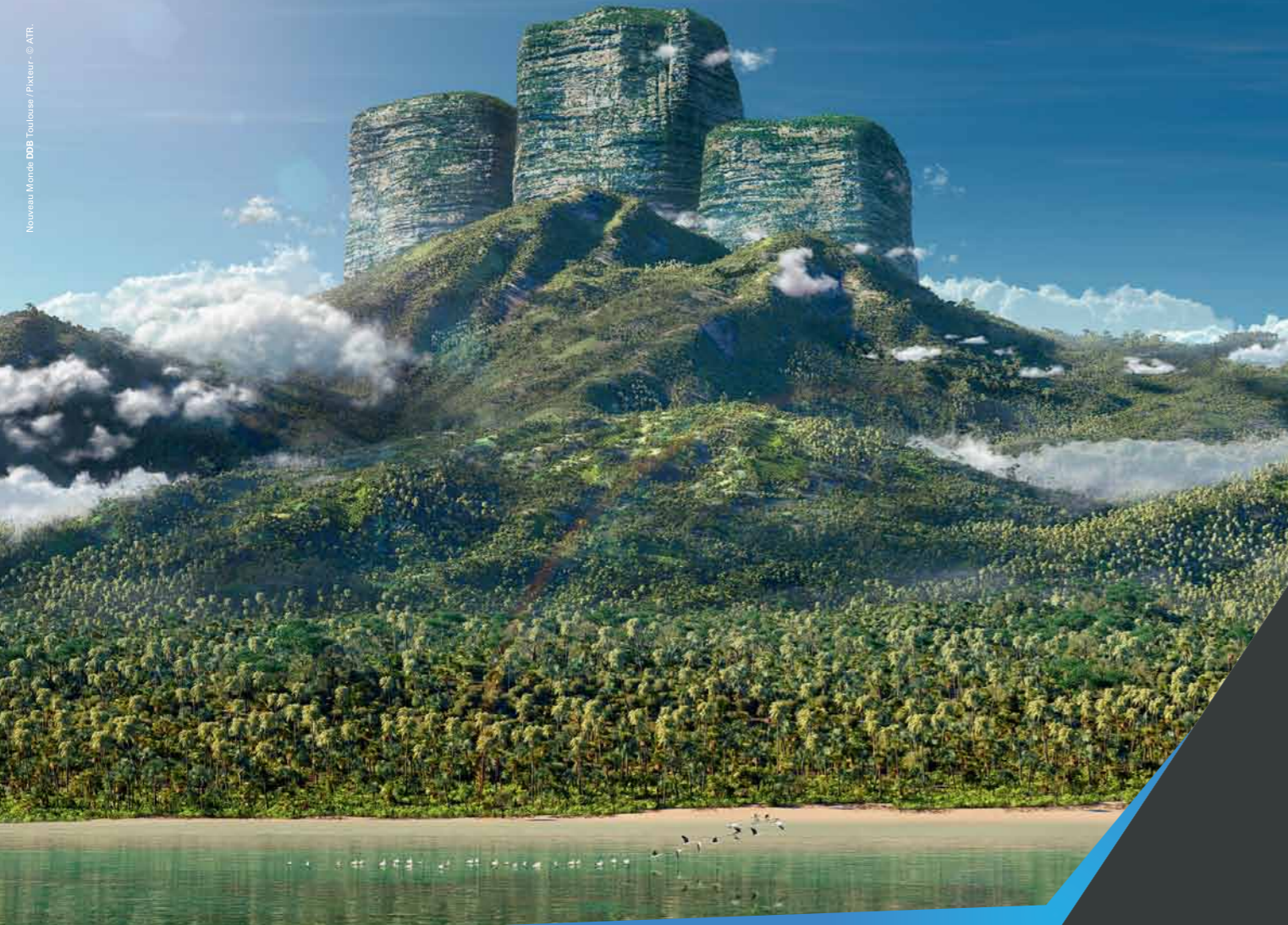
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lower this fee becomes. Other than this, we have a free hand. We take responsibility for all running costs but also take all profit."

It's a win-win situation. British Airways has a South African presence that would otherwise be prohibitively expensive to maintain and a greater chance of picking up long haul passengers by virtue of having routes timed to connect with scheduled flights. Comair carries overseas passengers internally and regionally who might otherwise have travelled in some other way to their final destination.

"Having BA flights at our disposal," says Louw, "also helps with the other side of our business, giving us greater operational flexibility."

The other side of the business he refers to is kulula.com—the Mr Hyde to British Airways' Dr Jekyll. "The 1990s saw a mushrooming of low cost air travel," says

Louw, "and our view was that we could either watch some other organisation fill that slot in South Africa or take the initiative ourselves."

So in 2001, kulula was launched onto the main domestic routes linking

1994

Airline industry deregulated in South Africa

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Johannesburg with Cape Town, Durban, Port Elizabeth and George in the Western Cape. It has to be remembered that at the time, the promise of low cost travel under the original advertising slogan “now everyone can fly” was a truly novel proposition. Until then, crossing the hundreds of miles between Johannesburg and anywhere else by air had been the privilege of the middle classes. Now ordinary people could swap the hours on a train or behind the wheel for a one to two hour flight.



Operations control

Last year, between the traditional BA and the low cost kulula, Comair had revenue of R4.3 billion. It operates two fleets of Boeing 737s – 14 for BA and 10 for kulula with a total of 182 pilots and 420 cabin crew from a grand workforce of 1800. At its peak, the schedule contains 130 flights a day.

Low cost competition for the dominant SAA would no doubt have been sufficient to make kulula a success but the joint chief executive at the time decided to make the brand utterly unforgettable by taking a most un-PC approach to marketing.

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BidAir Services is an integral member of the Bidvest Travel and Aviation Division of the Bidvest Group. Providing a full spectrum of ground handling services, BidAir Services is in the unique position of being the only wholly South African ground handling company operating in the South African market. BidAir Services provides handling services to more than 20 international and domestic airlines at Johannesburg, Cape Town, Durban, Port Elizabeth, East London and George airports and since March 2008 has handled in excess of 850,000 flights. BidAir Services is proud of the fact that the first three airlines to operate scheduled A380 services to South Africa were all

clients of ours. Having handled in excess of 1,200 A380 turnrounds we can quite proudly say that we are the most experienced handler of this aircraft type on the African continent. Due to the acquisition of Comair’s in-house ramp handling services provider our association with Comair pre-dates 2008 and we are honoured to play a significant role in the success achieved by the airline. Ramp and grooming services are provided to more than 5,500 Comair flights a month and we are justifiably proud of the sustained high levels of service given to the airline.

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“AT THE FRONT OF HOUSE, WE NEVER TAKE OURSELVES TOO SERIOUSLY AND WE INVITE PASSENGERS TO ENJOY THE JOKE WITH US”

“Kulula,” explains Louw, “is the Zulu word for ‘easy.’ We aim to inject this same feeling of ease into the way we run the business. Behind the scenes, kulula is run exactly like any other airline. In our case, all pilots and 50 percent of the cabin crew are interchangeable. But at the front of house, we never take ourselves too seriously and we invite passengers to enjoy the joke with us.”

Rather than striving for corporate grandeur in the planes’ livery, kulula’s

fuselages are covered in cheeky captions indicating which are the doors and where the black box (which they point out is actually orange) is located. Passengers are shown that the big cheese is on the left of the cockpit and the other pilot with the PA system is on the right.

Working as part of kulula’s cabin crew gives free rein to all wanna-be comedians. The safety instructions they are obliged to recite are sent up mercilessly. Passengers who can’t figure out how to use the seatbelts,

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As part of FWP, Comair employees also have access to Member Support Services (MSS)—designed to help retirement fund members make good financial and investment decisions at certain life events, such as retirement and resignation.

By partnering with SMEs through to large corporate employers in South African industry, Old Mutual Corporate provides leading solutions to help South Africans achieve their financial goals. Our solutions include retirement investments, savings, risk management and retirement fund administration products and services as well as actuarial and consulting services. Through Old Mutual's SuperFund, we cater for all businesses with Easy Benefit Plan, Orion and Evergreen umbrella funds.

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Capt Martin Louw, Director
Operations of Comair Limited

for example, are told that perhaps they shouldn't be out alone. The instructions relating to the use of oxygen masks include directions to stop screaming and pick a favourite child to look after.

Pilots also get in on the act. They might be heard to urge their plane to "whoa there big fella; whoa!!" There are often jokes about landing in the wrong place and even VIPs aren't immune. Puppets of Nelson Mandela and Archbishop Tutu have been enlisted to help advertise the airline while kulula took the Mickey out of the polygamous President Jacob Zuma by announcing a special offer for the 4th wife to travel free.

This kind of irreverent humour goes down well with South Africans but kulula knows it is a difficult act to manage



AIRPORTS ARE VITAL TO ECONOMIC GROWTH

Airports Company South Africa's nine principal airports play a key role in the broader transport sector, so vital to the health of our economy. Over the years, Airports Company South Africa has successfully transformed its airports into effective global competitors through infrastructure development and efficiencies, and award-winning passenger service levels. This enables South Africa to link people efficiently with their business and leisure destinations, whilst at the same time facilitating trade around the globe. There is no doubt that our airport

services underpin our efforts to drive economic development for all our people.

Today, some 51 airlines fly into South Africa, up from a mere 18 in 1993 when the company was formed. Passenger traffic has also grown from 12 million in 1993 to reach some 36 million passengers a year currently.

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and get right. “We do get complaints from frequent travellers,” admits Louw, “that they have heard all the lines too many times. So our crew will probably turn down the humour on early morning business flights but lay it on thick for less frequently travelling leisure passengers.”

Of course, all this talk of out of control planes and bumpy landings can only work if the airline has absolute faith in the professionalism of its crew and the airworthiness of its aircraft. Here, Comair draws no distinction between the two brands. “Our safety record speaks for itself,” says Louw.

Comair is a pilot oriented airline. It was started by pilots and even Captain Louw prefers swapping his administrative duties for the flight deck. All Comair’s pilots are trained in-house and in fact, the company runs quite a profitable side business offering its instructors and four flight simulators to more than 30 airlines throughout Africa and the East.

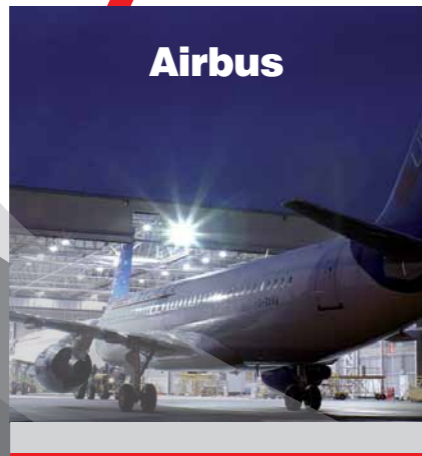
AIRPORTS COMPANY SOUTH AFRICA

Formed in 1993 to own and operate South Africa’s nine principal airports, Airports Company South Africa inherited aged and basic infrastructure. Over the years, airport infrastructure has been upgraded, but it was the recent five-year, R17 billion expansion and upgrading programme that propelled our airports to world-class status. The programme included the building of the greenfield King Shaka International Airport, which serves the Durban region. In parallel with this investment was a strong focus on customer service and this has resulted in numerous awards from Airports Council International and SKYTRAX for the quality of passenger service. Airports Company South Africa truly lives up to its vision of being a world-leading airport business.

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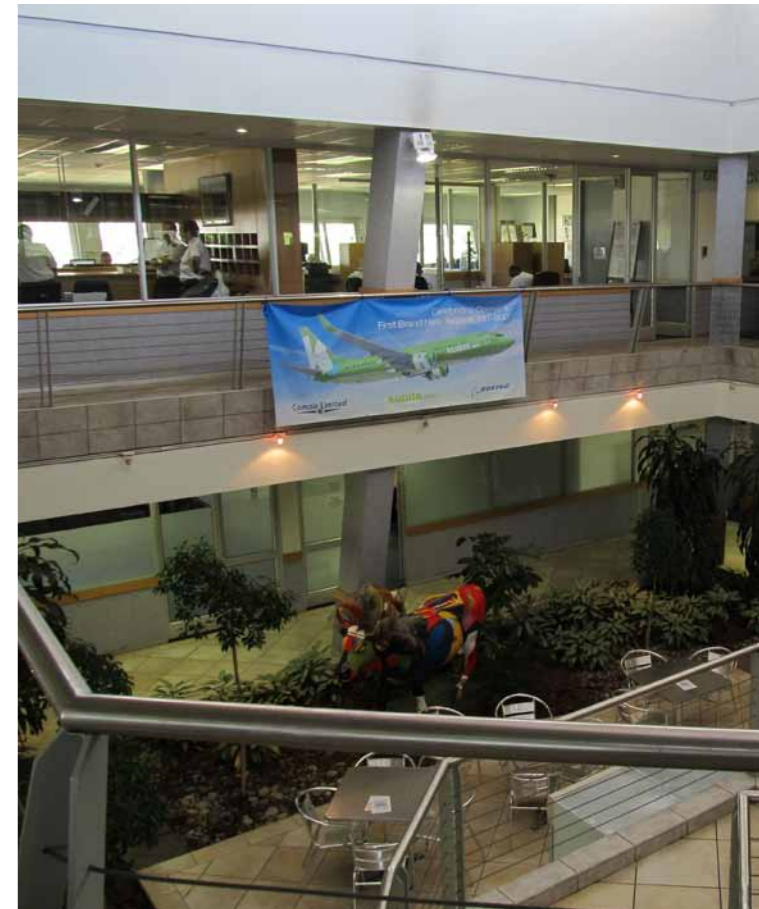
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67

Number of years Comair has
 been trading



Inside Comair’s operations centre

LANSERIA INTERNATIONAL AIRPORT



The ability to rapidly handle arriving and departing aircraft and passengers is one of the core values entrenched

in the business model applied by management at Lanseria International Airport.

“We focus on the stringent application of management controls,” says Lanseria International Airport manager Gavin Sayce. “Safety and security is of paramount importance and for that reason we adhere meticulously to tried and tested international operational safety and security principles. We focus on training, on certification and on rigorously regulating access to operational areas.”

Lanseria International Airport’s ability to maintain international standards can be gauged by the airport’s success in being

awarded an open tender by the British Government to operate the St Helena international airport from 2015 for a period of 10 years.

The high standard of Lanseria International Airport’s emergency service department has resulted in the department launching a service to provide training for emergency staff from various airports in South Africa and other parts of Africa. For the last three years Lanseria International Airport’s fire department has won a national fire fighting competition against teams from municipalities with staff complements of more than 1200 people.

One of the challenges being addressed by Lanseria International Airport is the provision of infrastructure to meet both current and anticipated growth in demand.

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“WITH FUEL ACCOUNTING FOR 40 PERCENT OF OUR COSTS, IT IS CHEAPER NOW FOR US TO BUY BRAND NEW, MORE FUEL EFFICIENT PLANES”

For every one of Comair’s 67 years of trading, it has made a profit although the past 12 months have been as difficult as they have ever been. The recession and global difficulties, together with vastly increased charges, have produced a perfect storm. A breakdown of a typical BA fare to Cape Town reveals the extent of fees and taxes that the airlines have to pay. An R1258 flight, for

example, has an R490 flight component and R768 of charges. “We’ve been hit with a 70 percent increase in airport fees,” says Louw, “and even air traffic control has increased its charges by 35 percent. Such way above inflation charges hit us much harder than the government owned SAA.”

To counter these and ever increasing fuel costs, Comair is investing heavily

20%

Cost saving per passenger with
a Boeing 737-800

in new aircraft. “For many years,” says Louw, “company policy was to lease pre-used aircraft. But with fuel accounting for 40 percent of our costs, it is cheaper now for us to buy brand new, more fuel efficient planes than struggle on with the old. The new Boeing 737-800 gives us 20 percent cost saving per passenger. So we’ve ordered eight new replacements – four we’ll get this year and a further four over the next couple of years.”

The final link in the efficiency chain has been to replace a mix of computer programs with Sabre – a single IT package to handle everything from reservations to operational matters. BA will continue with its own portal but the two can communicate and it is possible to book a BA flight on the Kulula website.

It seems as though the government has no interest in whether or not private airlines survive but with investments on the scale that Comair has made, it’s clear that they intend to give SAA a run for its money for many years to come. **BE**

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