

CPTS

AN ALTERNATIVE TO THE ATNS WEIGHT BASED TARIFF STRUCTURE

Presented to the Aviation Industry on 15 August 2005

First there was the Need for a new tariff structure.

- The 2004/2009 Permission required ATNS to:
 - Address the Subsidisation by the Airlines
 - Implement “User Pays”

And Then...the need was addressed by the current weight based model.

- The Implementation :
 - Weight Based tariff structure of complex nature
 - Little Consultation
 - Little or No Economic Impact Study.
 - Communications breakdown at various levels

The Reaction by GA...

- High Emotions
- Became Organised.
- Five Representative groups unified.
- Clear Action Plan Formulated and Implemented.
- Fundraising started.
- Repeated attempts to communicate with ATNS and Higher Authorities.
- GA now unified.

Why the Reaction?

- The new Tariff Structure is effectively an Tax. Users have little choice in whether to use the services or not in some cases.
- Any Tax should :
 - Acceptable to the Majority of users.
 - The Rate should not encourage avoidance.
 - Collection should be administratively easy.
 - Be Fair and equitable.

In General...

- New Tariffs are seen as discriminatory.
- It has given rise to unsafe operations.
- Economically unwise (Potential job losses).
- The quantum of the recovery from GA does not warrant the negative effects.
- Unaffordable to a large sector.
- Undermines quality of training and delays transformation.
- Does not recognise strategic importance of GA as enunciated by the Minister. Not in line with the objectives of NEPAD.

And more Specifically

- Aircraft will Depreciate in Value.
- Traditional training institutions will disappear. (Some already reporting 70% drop in turnover.)
- Second tier of GA suffering. (AMO's)
- A air of despondency has set in leading to a further reduction in flying - hence a downward spiral.
- Tourism will suffer.

Where are we now?

- The Third Gazette (Refinements) came into effect on 1 August 2005.
- We are hoping that the initiative started by Ms Stander will bear fruit.
- The GA sector is waiting with a great deal of expectation.

How Did We Get Here?

(Other than a breakdown in communication)

- Consultation started during 2nd half 2004.
- Gazette published Dec 2004 eff 1/4/2005.
- Information Briefing Feb/Mar 2005.
- Greater GA becomes aware of Quantum.
- Complaint to Regulator 31 March 2005.
- Implementation of tariffs 1 April 2005.
- 2nd Gazette backdated to 1/4 issued 13/4.

And...

- Refinements released 15/4 effective 1/8 (3rd Gazette)
- Numerous further written submissions to the Regulator – no reply.
- Final request to the Regulator to respond on 5/5/2005 – No response.
- SP 's Speech at Sun City – 18/5.
- Minister's Speech in Parliament 20/5.
- Written request to the Minister of Transport for an audience submitted 23/5. On hold for now.

And...

- Ms Stander extends invitation to meet with GA on the 23rd of June 2005.
- Meeting concludes with the formulation of a Roadmap.
- Today's Workshop with Industry.

Why Must we find a Solution?

- Political

- Socio-Economical impact on Aviation :

- Job Losses.
 - Transformation adversely affected.
 - The Goal of South Africa as the oasis of Africa will be more difficult to achieve.
 - Airlines will Not Gain.

- Constitutional :

- Discrimination.
 - Freedom of choice with regards to activity.
 - Right to practise profession of choice.

Why Must we find a Solution?

- Operational

- Safety is compromised. Controlled Airspace will be avoided and pilots will operate in “stealth mode.”
- Consequent detours not efficient.
- Standards of training compromised. (Depth of training) Therefore Long Term Safety affected.
- Culture and Ethics of New Pilot Corps could change due to the replacement of ab initio training establishments. (99% Of the training of a good pilot occurs on the ground and starts the day that pilot is born. Removing existing structures such as the club environment introduces a wild card).

Mandate to Fix It

- Minister of Transport's Speech in Parliament on 20 May 2005, "GA must be protected because of its strategic importance"
- State President's speech at Sun City in May 2005, "Every village should have access to an airstrip"
- Interests of NEPAD.
- RSA 's role of providing the lead to Africa's GA sector.

Which brings us to...

- C - Commercial
- P - Payload
- T - Tariff
- S - Structure

A different look at “User Pays”, specifically at an alternative to weight as a determinant. Defining the Beneficiary as the Actual User.

Features of CPTS

- The Structure incorporating VC, BSC, FC remains unchanged.
- Weight as a determinant is replaced by Commercial Payload ON BOARD. (Field 18 or 19 on Flight Plan)
- Same formulas apply to all aircraft. Cargo will use a standard weight divisor. (100kg?)
- No square root and “patches” are used leading to a simpler solution .
- Under 5700kg only commercial flights under Parts 135,127 and Military flights pays. (N,S or M in Field 8)
- Above 5700kg all flights pay excluding SAR, calibration.
- Other exceptions and rebates will remain essentially the same.

August Tariff Structure

Airport	Cost Component	Formulas & Coefficients		
		Aerodrome Charge	TMA Access Charge	Area Charge
FAJS, FACT & FADN ≤ 5 000 kg	VC	R14,44	R14,44	
	BSC	R58,65/10 000.MCM	R58,65/10 000.MCM	
	FC	R30,95	R57,17	
1 200 kg > all airports ≤ 15 000 kg*	VC	R14,44	R14,44	R14,44
	BSC	R58,65/10 000.MCM	R58,65/10 000.MCM	R58,65/10 000.MCM
	FC	R61,90/10 000.MCM	R11,43/1 000.MCM	R8,21/100 000.MCM.d
All Airports	VC	R14,44	R14,44	R14,44
	BSC	R71,83/100.√MCM	R71,83/100.√MCM	R71,83/100.√MCM
	FC	R75,82/100.√MCM	R140,05/100.√MCM	R100,56/10 000.√MCM.d

CPTS

Airport	Cost Component	Formulas & Coefficients		
		Aerodrome Charge	TMA Access Charge	Area Charge
	VC	R15,45	R15,45	R15,45
All Airports	BSC	R1.71xPAX	R1.71xPAX	R1.71xPAX
	FC	R1.804xPAX	R3.4263xPAX	R0.02285xPAX xD

Advantages of CPTS

- Addresses almost all the complaints against the current system.
- General acceptance by GA and probably the low weight carriers. (Airlink)
- SA GA will not lose momentum wrt providing training to Africa.
- Streamlined billing – lower cost of admin.
- Financial Relief to GA and marginal operators.
- Lower weight airliners will not be penalised any more.
- The Politicians will be able to get some work done.
- The Safety issues will disappear.
- Little Mathematical “Patching” required.
- The cost will be minimal.

Possible Criticisms/Problems

- Why should a large part of GA be exempted? How much revenue is lost?
- Airlines are in dire straits. They say they need the relief offered by the current tariffs. Do they get the relief?
- Changing the momentum of the current process. Is Passenger taxing as a method of revenue recovery used elsewhere?

Are the Needs of the various groups addressed by CPTS?

■ General Aviation

- Aviation Action Forum - Supports it Fully.
- Aero Club of South Africa – Supports it Fully.
- AOPA – Supports it Fully
- AWAC – Supports it Fully
- CAASA – Supports it Fully

Are the Needs of the various groups addressed by CPTS?

- The Airlines
 - The Low weight carriers – Will benefit by lowering cost per passenger mile.
 - The Medium weight carriers – Slight lowering of cost in general.
 - The Heavy weight carriers – Slight increases and decreases. International flights benefit.
 - Costs are more Direct

Are the Needs of the various groups addressed by CPTS?

■ ATNS

- CPTS uses a streamlined structure of their existing tariff model and hence supports the concept of “payment for services rendered” with minor exceptions.
- “Commercial Payload Pays” is a form of “User Pays” – The ATNS system was created for the passengers to allow for their efficient and safe transportation.
- Lower Administration costs.
- Fewer Dissatisfied clients – allowing them to get on with their work.
- Projections and Budgeting simplified.

Are the Needs of the various groups addressed by CPTS?

- The Government

- CPTS addresses the long term Political, Strategic, Economical and Social requirements of the RSA
- It will allow for an in-house solution which will reduce negative media exposure which could harm aviation.
- SA will retain it's safety ratings in the eyes of the international aviation community in the period leading up to the SWC.

So where is the money coming from?

- With no ticket price increases :
 - Previous conservative growth projections.
 - Government Grants/Funding.
- With minimal increases of ticket prices ?
 - The Passengers.

What if?

- All GA should Pay!
 - System was created for the Airlines. Due to the location of airspace we have no choice in using it or not.
 - The difference in revenue recovery **does not balance the cost to the Country if the GA industry fails.**

If We Find Agreement...

- We will be able to sell it to our members and the problematic situation we currently find ourselves in will disappear overnight.
- The situation will not require Ministerial intervention.
- Safety will not be further compromised.

The Assumptions

- All projections were made using data supplied by ATNS, ACSA, IATA, RATI, ICAO, CAA and others.
- This proposed alternative tariff structure merely represents the starting point based on the data provided.
- In the event of any inaccuracies in the data we received we reserve the right to continue the negotiation process with regards to the tariffs.

Why are we part of the same team?

“We are part of something noble, something bigger than each of us. It is about the love of flying , integrity and the promotion of flight safety. It is about earning the respect of the flying public and our fellow pilots and aviation professionals, not personal interest or private ambition.”

- An Aviator