

The aviation industry in South Africa: A historical overview

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Abstract

The insatiable needs of man necessitated his movement from one place to another and one major means by which he has been doing this is by flying in the aeroplane. The article traces the history of civil aviation in South Africa, exploring the various phases of development which the industry has gone through. It concludes that the aviation industry is indispensable to the development of tourism in South Africa and should therefore be given the proper attention it deserves.

Keywords: Civil aviation, Flying, Tourism, South Africa, History.

Introduction

The main objective of the article is to trace the history of the civil aviation industry in South Africa. It explores the genesis of the industry in the colonial period, the birth of South African Airways, the apartheid period and the subsequent post 1992 growth of the industry, as well as the economic impact on South Africa. Methodologically the article is based on a literature review supported by interviews with airline operators. Aviation practice began in South Africa in 1929, barely twenty six years after the Wright brothers' first flight in 1903 (Ssamula, 2014:226). Though it started as an airmail operation when Major Allister Miller founded the Union Airways in 1929, it gradually assumed the character of a passenger operation in the decades that followed (Pirie, 2006:9).

However, several forms of transportation had existed in South Africa before the advent of aviation (Bennett & George, 2004:117). The earliest form of transport (that is, water transport) had been occurring in the coastal areas of South Africa and provided avenues for economic exchange (Goldstein, 2001:230). Trade had been conducted between South Africa and other countries via the seas for centuries (Ssamula, 2014:226). Naturally, these goods needed to be transported to various locations throughout South Africa, leading to the development of roadways in 1854 (Brits, 2010:27).

In 1860 the first tracks for steam powered locomotives were laid down by the National Railway Locomotive (Pirie, 1990:237). This track was set to create a link between the city of Durban and the Harbour particularly for the transportation of freight and shipments from the ocean (Brits, 2010:27). Later, the introduction of electric power presented new opportunities to adopt mechanical modes of transport by means of trolley buses as early as 1867 (Lunsche, 1997:9). It promoted ease of travel between residential suburbs and the city centre (Ndlovu, 2001:92). In 1872 Cape Rail construction built a 72km track between Cape Town and Wellington

(Bennett and George, 2004:117). In 1898 although many provinces had started to develop their own tracks, all national networks linked up, creating a national transport network (Pirie, 1990:237). In 1910 the merger of four provinces to form what is now known as South Africa and created a more modernised rail network that was managed by the South African Railways and Harbours' Agency (Ssamula, 2008:11).

Air transport was a late comer to the scene (Ssamula, 2014:226). It was a transport system for the elite and wealthy businessmen; and was not suitable for the carriage of goods and minerals from the hinterland to the coast like the railways (Ssamula, 2008:11). From its very beginning therefore, air transport served as an exclusive preserve of the few (Ogbeidi, 2006:141). Today aviation plays a major role in the tourism industry and makes a huge contribution in South Africa's GDP (StatsSA, 2016:7). Its contribution includes direct, indirect and induced impacts, which are related to the total revenues of the air transport industry (SSA, 2015:20). It is against this background that this chapter seeks to discuss the development of the aviation industry in South Africa.

Early aviation history in South Africa (1929-1949)

In 1929 Major Allister Miller founded the Union Airways in Port Elizabeth after being awarded a government contract to fly airmail between Cape Town and the major centres in South Africa (Pirie, 1990:237). The airline was registered on 24 July 1929 and began airmail operations on 26 August 1929. On 3 September 1929, the Union Airways started carrying passengers (Mutambirwa and Turton, 2000:71). As both mail and passenger traffic increased Miller bought three more aircrafts on 29 May 1930 (Gavin, 2013:9). However, in 1931 two of the Union Airways' aircrafts crashed and were written off (Pirie, 1990:237). This marked the beginning of the airlines' struggles (Ndlovu, 2001:92). In 1932 the Union Airways struggled to make ends meet and little help was forthcoming from the South African government (Pirie, 1990:237).

The final nail in the Union Airways coffin came in 1933 when one of the Union Airways' aircraft crashed (Gavin, 2013:9). This was a major blow to the airline and forced Miller to approach the South African government to take over the operation (Ndlovu and Ricove, 2009:17). The South African government took over the assets and liabilities of the Union Airways on 1 February 1934 (Ndlovu and Ricover, 2009:17). The airline was named South African Airways (SAA) and fell under the control of the South African Railways and Harbours Administration (SARHA) (Ssamula, 2008:11). Pirie (2006:9) posits that from 1934 the air transport environment in South Africa was lightly regulated, though the powerful South African Railways and Harbours Administration (SARHA) sought to protect railway services at the expense of air travel. As a signatory (as part of the British Empire) to the Paris Convention of 1919, the South African air transport regulatory environment was based on the principle of air sovereignty (Ssamula, 2008:11).

Gavin (2013:9) avers that during the Second World War (1939-1945) all aircraft employed for civil aviation transport purposes in South Africa were transferred to military authorities and the country became totally dependent on foreign airlines for the provision of domestic air transport services. Pirie (1990:238) claims that foreign airlines provided domestic services at very reasonable rates during the war, but fares increased quite substantially after the war. The economic conditions that prevailed after the war could not support these fares and slight decreases were announced in March 1946 (Ssamula, 2008:11).

In 1946 a new private airline, Comair was established and started operations (Goldstein, 2001:230). However, to protect SAA, (as the flag carrier) from private airlines such as Comair, the International Air Services Act Number 20 was promulgated in 1949. According to the Act, airlines that wished to compete against SAA on the main domestic routes had to prove, amongst other things, that a need existed and that the incumbent airline was not delivering an

adequate service (Brits, 2010:27). These requirements were outlined in Section 20 of the Act and were virtually impossible to meet in the presence of the domination of SAA (Ssamula, 2008:11). The result was that SAA had complete monopoly on the high-density routes and controlled airports and landing slots (Gavin, 2013:9). Consequently, Comair was relegated to feeder routes (Goldstein, 2001:230).

Bennett (2005:419) asserts that since 1948, economic regulation protected SAA's position on the main trunk routes (trunk routes are profitable routes with a high demand) in South Africa similar to the protection of railway services provided by the South African Railways and Harbours (SAR&H). SAA was further left to develop the domestic air transport on its own.

“SAA was part of South African Railways. The Railways was entrusted with the development of a transport infrastructure for South Africa. As such, it was an instrument to carry out Government policy. Its business objective was not profitability but meeting the growing transport needs of a fast developing country. The Government protected this investment by shielding it against competition and uneconomical overlapping of services. This meant that SAA was not a true business concern. Certain uneconomical services were maintained for strategic reasons and also for reasons of national economy. Private airlines were not willing to operate these routes, until they were subsidised. The principle of cross-subsidization was accepted and the major routes were required to subsidise the less profitable ones. Being the only scheduled domestic airline, SAA obtained the rights to most of the major routes automatically. The development of air transport took place under these conditions and has led to SA Airways' domination in the domestic air travel market” (Vlok, 1992:20).

The apartheid era (1949-1991)

Domestic air services within South Africa were regulated in 1949 through the Air Services Act (Act No. 51 of 1949) (Pirie, 1990:238). As the flag carrier, SAA was protected from competition for over 40 years following the promulgation of the International Air Services Act, also known as the Air Services Act (Act No. 51 of 1949). In 1978 and 1979, two airlines were established, namely Link Airways (later known as SA Airlink) and Bop Air (later known as Sun Air) respectively, with both airlines focusing on secondary routes, bringing the number to four airlines that were active in the domestic market (Gavin, 2013:9). However, in the period between 1978 and 1984, SAA experienced cost pressures as airports, airlines and air space became part of a political strategy to cripple governments of the last minority white-ruled states in South Africa and the Rand weakened against foreign currencies (Pirie, 1990:238).

During this period South Africa was increasingly isolated as a result of the apartheid policies and economic prospects were not good, and to make things worse, both domestic and international market perceptions were not that good either (Ryan, 1992:9). Due to international condemnation of the apartheid regime during the 1980s, SAA itself faced hostility, with its offices being attacked; SAA's London office was daubed with red paint, while in Harare (Zimbabwe) its offices were badly damaged after protesters went on the rampage (Galli, 1997:18). The US Comprehensive Anti-Apartheid Act of 1986 banned all flights by South African owned carriers, including SAA (CAJ News, 2015:11). In November 1986, due to economic sanctions, flights to New York were suspended (Ryan, 1992:9). The following year in 1987, the SAA services to Perth and Sydney in Australia were ended, in light of the Australian Government's opposition to apartheid (Ndhlovu and Ricover, 2009:17). The Australian airline, Qantas, also stopped flying to South Africa, landing in Harare.

After SAA was banned from flying over Africa it made various strategic adjustments to reach certain European destinations (Pirie, 1990:238). First of all, SAA bought Boeing 707's which could fly around the west coast of Africa en route to London and other European destinations (Pirie, 2006:9). The airplanes made a refueling stop at Ilha do Sal in Cape Verde. These flights made SAA's routes to Europe longer than their competitors that were allowed to overfly Africa (CAJ News, 2015:11). Secondly, SAA made structural adjustments to reduce longer flying hours by forming alliances with Luxembourg Air to establish Luxavia airline (Luxair), which could fly over Africa (Pirie, 2006:9). By forming an alliance with Luxembourg Air, SAA avoided flying around the west coast of Africa and thereby reducing the flying hours and the fuel costs (Lunsche, 1997:9).

Vlok (1992:8) asserts that in 1986 due to economic sanctions domestic fares were increasing faster than the Consumer Price Index (CPI). Air travel was becoming an expensive mode of transport and the possibility existed that market share could be lost to other cheaper modes of transport (Ndhlovu and Ricover, 2009:17). The contribution from domestic air services had to be increased in order to achieve the financial objectives of the airline (SAA) as a whole (Federico, 2013:721). In the short term, a strategy had to be formulated to produce immediate financial results, with the long term perspective being the possible deregulation of the domestic air transport market (Galli, 1997:18).

In order to improve the performance of SAA the following strategic objectives were identified in 1988:

- Other overseas airlines and their unique situations were studied carefully, in order to find innovative ways of increasing market share in a market where no real competition existed.
- A new marketing strategy was developed, based on discounted fares to sell underutilised capacity and revised operating schedules to improve utilisation of aircraft (the load factor used in timetable planning was increased from 65% to 75%). The strategic objectives behind the above was to increase revenues without fare increases and where possible to decrease costs.
- Discounts were rationalised with two new discount fares being introduced, namely:
 - Flexi-fare, which was a 40% discount to travellers who reserved to travel on a particular day, but allowed the airline to indicate the specific flight within 48 hours before departure.
 - The "see South Africa" fare, which allowed 4 000 kilometres of air travel for only R360 (Vlok, 1992:4).
- The airlines' timetables were replanned, thus limiting the number of underutilised and non-profitable flights. The popular late night or early morning flights were increased as these had proved to be a new niche in the travel market.
- Business class services were introduced. The decision to adopt this travel class was based on the research which showed that a certain sector of the market was willing to pay for an increased level of service above that of the Economy Class, and
- The Frequent Flyer Programme (FFP), now known as Voyager, started in 1984. This was done to provide some form of individual recognition for frequent users of the airline, thereby creating loyalty and forming a database to communicate with this important segment of the airline's market. SAA's FFP was officially launched to the public in July 1987.

One year after the introduction of the above the results proved to be the following (Vlok, 1992:4):

- Passenger numbers increased by 14% in the 1984/1985 book year, compared to the 1983/1984 book year.
- Passenger revenues also increased by 16.5%.
- The targeted revenue was achieved and the airline made a profit of R2.2 million, and
- Due to the South African economy entering a severe slump, as well as political unrest influencing the tourism market during 1985, SAA's timetables had to be drastically revised, with flight frequencies being reduced dramatically to curtail costs (SAA is dependent on the SA economy and has had to cope with severe economic downturns, as well as exceptional growth in the past).

In 1987, the White Paper on Privatisation and Deregulation advocated that the air travel industry be deregulated, based on the American experience (Goldstein, 2001:230). The thinking was that competition would lead to more efficient airlines and lower passenger fares, while also benefiting the country's economy in the long term (Ssamula, 2009:7). Furthermore, airline sanctions against South Africa eased from 1990 when the country's last minority government abolished statutory apartheid (Ndlovu, 2001:91). The step ended South Africa's political isolation and its status as a world pariah. International diplomatic, commercial, cultural and sporting links were resumed (Pirie, 2006:9). Pirie (2006:9) asserts that 1990 marked a period of political transition that featured withdrawal of bans on cross-border aviation between South Africa and her continental neighbours, and between South Africa and many overseas countries. Several African and international carriers landed in the Republic for the first time, or after a long absence (Bennett and George, 2004:117). Re-equipment and maintenance of national flag-carrier aircraft became less problematic while South African orders for custom-built sanctions busting ultra-long-range wide body jets ended (Ssamula, 2008:11), and airline sales offices were reopened beyond the country's borders (Pirie, 1992:345). Consequently, this period of political transition marked the beginning of liberalisation for both the domestic, and the South African intra-African markets (Bennett, 2005:419). This period coincided with that of overseas airlines such as KLM, BA and so forth serving South Africa being confronted with deregulation, privatisation, mergers, alliances, technological shifts and route reconfiguration (Pirie, 2006:4). In 1991 South Africa's domestic aviation market was deregulated, providing a level playing field for airlines to compete against SAA (Pirie, 1992:345). There was to be free entry into markets, promotion of choice and competition, and the encouragement of private airlines (Shaw, 2011:35).

The first phase of deregulation saw the creation of several new start-up airlines (Ssamula, 2008:11). The first airline to enter the market after deregulation was Flitestar in October 1991 (Chingosho, 2005:17). Flitestar chose to challenge SAA and to price its services similar to those of SAA and the airline targeted the business market and the upper end of the leisure market (Harris, 2001:32). Comair, nevertheless, held back and operated on the trunk routes, leaving it to Flitestar to challenge SAA on its home ground (Bennett, 2005:419).

However, with a long-standing in the industry, strong existing relationships with airports and suppliers, plus the unseen hand of Government ownership, SAA was somewhat insulated from the worst effects of deregulation on its bottom line (Ssamula, 2008:11). Therefore, SAA continued to 'bully' private airlines in services for which it had a monopoly over (Bennett, 2005:419). According to Pirie (1992:345) SAA continued to control airports and allocated landing slots to other airlines which made it very difficult for new airlines entering the market. Ssamula (2014:22) concurs that access to air transport infrastructure and related facilities was identified as an advantage to SAA, due to the airlines' dominant position in the domestic

market for so many years. New entrants had to be satisfied with less than ideal positions, for example, the allocation of landing slots (Chalmers, 2001:11). Furthermore, SAA was also the only airline that had a licence to operate the luggage conveyor belts at South African airports (Bennett, 2005:419). This meant that Flitestar's luggage would not be handled quicker than that of SAA. Flitestar also shared the SAA Saafari central reservation system (Bennett, 2005:9).

Galli (1997:18) claims that in 1991 various allegations of unfair pricing were made by Flitestar against SAA. Lunsche (1997:9) posits that the provision of aviation infrastructure, for example, CRS and supporting services at airports (for example, ramp handling services) by SAA to new entrants was not done on the basis of cost-related pricing, but was rather seen as a way of SAA providing an over-priced service to such airlines (when compared with prices charged in the international market). At the time Flitestar entered the domestic market, SAA was the only airline authorised to conduct ground handling services at airports (Kemp, 2001:19). New entrants, like Flitestar, had no choice but to enter an agreement with SAA for the ramp handling of all its A320 flights (Smith, 1998:422). Therefore, SAA overcharged these services to airlines like Flitestar to increase the airlines' operating costs (Galli, 1997:18).

According to Smith (1998:422) following a survey by Flitestar in Europe to determine the relationship of costs to ramp handling for different aircraft types, like Boeing 737s, Airbus A320s and Airbus A300s it was found by Flitestar that SAA was particularly expensive as far as the specific aircraft operated by Flitestar (the Airbus A320s) was concerned. With the approval of the licence application of Safair, an agreement was entered into with Safair for the handling of Flitestar's Airbus A320 aircraft at a cost of ± R72 400 per round trip, which was much lower than that offered by SAA. This amount equated to a monthly saving of nearly R600 000 for Flitestar – while Safair was achieving its desired returns (Vermooten, 1995:17). Similarly, other airlines felt that SAA was not operating autonomously, without any government interference, neither was it operating as an economically viable business entity either (Lunsche, 1997:9). According to Bennett (2005:419) SAA's financial results were published as part of the Transnet group, without the detailed explanations normally required in terms of the Generally Accepted Accounting Practice (GAAP). This made it almost impossible to determine whether any cross-subsidisation had taken place between other departments or sections of Transnet and SAA, or between the airline's international and domestic services (Goldstein, 2001:230). SAA also scheduled Boeing 747 aircraft from their international fleet for domestic services, thereby achieving a cost advantage over other operators (Gleeve, 2014:3).

Growth of the airline industry (1992-2000)

This era was characterised by the entry, as well as the exit, of many air transport service providers (Pirie, 1990:238). In May 1992 Link Airways ceased operations paving way for the formation of SA Airlink. Therefore, SA Airlink began operations in 1992 following the collapse of an alliance between Magnum Airlines, Border Air and City Air, that operated as Link Airways, due to financial problems (Smith, 1998:9). In 1992 Flitestar filed a complaint with the Competition Board accusing SAA of unfair competition (Lunsche, 1997:9). The Competition Board found that since Flitestar's entry into the market the pricing policy of SAA appreciably affected Flitestar's profitability and viability (Grobler, 1996:1). This had the effect of restricting Flitestar's entry into the market and therefore also restricting effective competition between the two airlines (Bennett, 2005:419). It was noted that SAA reduced airfares to below levels where its competitors could operate profitably (Ryan, 1992:1). Furthermore, SAA did not decrease its seating capacity but increased the number of flights which were scheduled in close proximity to those of Flitestar (Federico, 2013:721; Galli, 1997:18). This excess capacity created by SAA was also regarded as anti-competitive behaviour (Ssamula, 2008:11). Consequently, in May 1992 and April 1994, SA Airlink and Flitestar ceased to operate respectively (Bennett, 2005:419).

After the demise of SA Airlink and Flitestar, four new airlines, SA Express (SAX) (it was started by SAA), Sun Air, Phoenix Airways, and Nationwide Airlines started operations in April, November and December 1994 and December 1995, respectively (De Waal, 2001:29). In 1995, three privately owned domestic airlines (Sun Air, Phoenix Airways and Nationwide Airlines) filed a complaint with the Competition Board against SAA, accusing the airline of predatory behaviour (Galli, 1997:18). The three airlines argued that SAA's large capacity increases on a number of domestic routes combined with pricing policies were clearly below cost and constituted predatory behaviour on the part of a dominant market shareholder (Ssamula, 2008:11). The airlines charged that on the Johannesburg-Durban route, SAA increased flight capacity by 50 percent and charged prices that could not even cover its costs (De Waal, 2001:29). Phoenix Airways began services (in December 1994) using elderly Boeing 727-100s (Orlek, 2010:14). Without the start-up capital of Flitestar, unviable low fares, obsolescent equipment and foreign dollar for lease payments, Phoenix survived less than a year and the end result was a take-over by the charter service airline Atlantic Airways in August 1995 (Henama, 2014:7). After a few months in operation, Atlantic Airways also ceased operations. Another airline, Sun Air could also not sustain its operations and was wound up in 1999 (Ndhlovu and Ricover, 2009:17).

However, Comair remained undaunted by the events which saw SA Airlink and Flitestar close down (primarily as a result of deficient management, route restrictions, landing slot allocations, and competition with Government-owned airlines, such as SAA and SA Express) (Bennett, 2005:419). Comair had been operating a small collection of scheduled routes since 1945 and was initially careful in entering into the trunk routes. Instead it kept to its core business of secondary scheduled services and only operated new routes where they could be profitable (Ssamula, 2009:9). It focused on low cost travel and grew heavily from 1992 to 1997 (carrying 100 000 passengers in 1992 to over 1 million in 1997). To summarise, Comair identified critical success factors, concentrating on the routes which had profit potential, and which did not cause too much trouble (Ndhlovu, 2001:92). According to Ssamula (2014:225) in 1992 it was noted that the control of air transport infrastructure and related facilities by SAA was giving the airline an unfair advantage over its competitors. It was therefore recommended that these facilities and services be transferred to a separate company that would be in a more 'neutral' position to provide such services to both SAA and other private sector participants on an unbiased/equal basis (Federico, 2013:721). The result was the introduction of ACSA in 1993 (Ssamula, 2014:226). SAA eventually lost control of the major airports when the Airports Company Act of 1993 established the Airports Company of South Africa (ACSA) in 1993 (Pirie, 2006:9). The objectives of ACSA were the acquisition, establishment, development, provision, maintenance, management, control and/ or operation of an airport, or part of an airport, or a facility or service at an airport crucial to the functioning of such an airport.

The objectives meant that ACSA:

- May not have any direct or indirect financial interest in the provision of an air service.
- May not discriminate against the users of airports (which are part of ACSAs property).
- Must administer its business in such a way that it won't be regarded as harmful/anti-competitive in terms of the Maintenance and Promotion of Competition Act of 1979.
- May not change the level of any airport charge more than twice in a given financial year.
- Must publish any changes in airport charges at least three months prior to it coming into effect by way of a notice in the Government Gazette, and

- Must take the necessary steps to assist government departments in their daily activities at an airport belonging to the company.

In 1996 Comair signed a franchise agreement with British Airways (BA), one of the leading international airlines (Luke and Walters, 2013:126). This agreement for a franchise operation with British Airways proved to be a shrewd move giving it access to BA's transit passengers, whilst enabling it to have a sound financial base from which to grow (Ssamula, 2009:9). In terms of the franchise agreement Comair is entitled to use the British Airways livery on all its aircraft, while staff uniforms and the interior of the aircraft were also changed to those of BA (Cochrane, 2001:53). The two companies worked closely together in the areas of marketing, sales and yield management. The Comair/BA franchise agreement provided for the following arrangements between the two airlines:

- Comair will remain a separate, independent South African company.
- All Comair aircraft will change to the BA logo that is displaying the BA trademark.
- No equity investment will be made by BA.
- The on-board livery and cabin crew uniforms will change to those used by BA.
- Comair will no longer offer Economy class services only, but the airline will upgrade its aircraft and services to include a Business Class service (which will be similar to that of SAA, but at a much lower fare). Therefore, Comair's economy class fares remained the same, while its business class fares matched SAA's economy fares, and
- Comair passengers will be given access to BA's FFP called BA Executive Club (Heinz and O'Connell, 2013:76).

After the Comair/BA alliance SAA lodged a complaint with the Domestic and International Air Services Licencing Councils, stating that the agreement violated the right of a national carrier to operate on domestic and regional routes. However, Piet van Hoven, Managing Director of Comair, defended the legality of the Comair/BA agreement as follows:

"The arrangement is nothing other than a marketing alliance with British Airways and the company has in no way changed its management operating philosophies or shareholding, and it must therefore be seen exactly similar to a franchise such as Coca-Cola, McDonalds and KFC" (Federico, 2013:721).

Of critical importance was the fact that the alliance now provided BA with direct access to the domestic market via Comair, while Comair now had a firm link to international routes (Ndhlovu and Ricover, 2009:17). In doing so the two airlines avoided the restrictions of being denied the right to operate domestically or internationally respectively. In February 1997 a strategic alliance which is governed by a franchise agreement was formed between SAA, SA Express and SA Airlink (Chalmers, 2003:9). In March 1997 SAA unveiled a new corporate identity with its aircraft tail designed to reflect the colours of South Africa's new national flag: red, blue, gold, black and green (Pirie, 2006:9). In 1997 Nationwide Airlines, like Comair, signed a strategic partnership with a European airline (in this case SABENA World Airlines of Belgium) (Chingosho, 2005:17). Consequently by the turn of the century, of the seven airlines that had the potential to challenge SAA's dominance three had failed, two were in alliance with it and only Comair and Nationwide remained to provide real competition both on international and domestic route networks (Ndhlovu and Ricover, 2009:17).

The entry of low-cost carriers in the airline industry (2000-2016)

The deregulation of the South African airline industry in 1991 paved the way for the entry of a number of low cost carriers (LCCs) in the domestic air transport environment (Business Day, 2012:3). The first low-cost carrier to enter the market was Kulula.com, established by BA/Comair. Kulula.com began operations in August 2001 (Bennett & George, 2004:117). In October 2006, SAA launched its own low cost airline, Mango Airlines. In pursuance of the African market, SAA acquired a minority 49% share in the privatisation of Air Tanzania early in 2003 (Chalmers, 2003:9). In 2003, Nationwide Airline, the other full service independent airline, began international services (Mondliwa, 2015:3). In 2004 another low cost airline, 1Time started operations whilst CemAir started operations in March 2006 (Shaw, 2011:35). In April 2008 Nationwide halted operations (Chingosho, 2005:17). In March 2011 another low cost airline, Velvet Sky, also started operations, however it only lasted a year before folding in February 2012 (Ensor, 2016:11). In February 2012 Fly Go Air started operations whilst in November 2012 1Time collapsed. In October 2014 another low cost airline, FlySafair, started operations (previously FlySafair operated as a freight, charter and aircraft-leasing company in South Africa between 1970 and 2012). In March and September 2015 Skywise and Fly Blue Crane started operations, respectively. However, a few months later in December 2015 Skywise ceased operations (Ensor, 2016:11). Consequently, of the fifteen airlines to enter the industry between 1991 and 2016, only seven are still in operation (Steyn and Mhlanga, 2016:7). Other privately owned airlines such as Nationwide, Velvet Sky and 1time operating from 1995 to 2008, 2011 to 2012 and 2004 to 2012, respectively, have exited even after remaining in the market for significant periods (Mncube, 2014:11). The national carrier, South African Airways (SAA), has also suffered losses over the past decade requiring several government bailouts and guarantees, including one in January 2015 (Ismael, 2015:6). This is indicative of a difficult operational environment specifically for newcomers and a testimony to failed dreams, ambitious business plans and the complexity of running airlines in southern Africa (Steyn and Mhlanga, 2016:7).

Table 1 reflects the history of airlines operating in South Africa, and only two airlines, namely SAA and Comair, have been operating for a lengthy period of time (82 years and 70 years, respectively) while the majority had very short life-spans, some of them survived for only a matter of months (See table 1 below).

Table 1: The history of airlines in the South African domestic market on a timeline

Source: Steyn and Mhlanga (2016:5)

	AIRLINE	OPERATIONAL	
		FROM	UNTIL
1	Union Airways Ltd	August 1929	February 1934
2	SAA	February 1934	Still operating
3	Comair	February 1946	Still operating
4	Link Airways	April 1978	May 1992
5	SA Airlink	March 1992	Still operating
6	Bop Air	July 1979	September 1992
7	Flitestar	October 1991	April 1994
8	SA Express (SAX)	April 1994	Still operating
9	Sun Air	November 1994	August 1999
10	Phoenix Airways	December 1994	August 1995
11	Atlantic Airways	August 1995	October 1995
12	Nationwide Airways	December 1995	April 2008
13	Kulula.com	August 2001	Still operating
14	1time	February 2004	November 2012
15	CemAir	March 2006	Still operating
16	Mango	October 2006	Still operating
17	Velvet Sky	March 2011	February 2012
18	Fly Go Air	February 2012	Still operating
19	FlySaFair	October 2014	Still operating
20	Skywise	March 2015	December 2015
21	Fly Blue Crane	September 2015	Still operating

From Table 1 it is clear that during the development of the airline industry in South Africa from 1929 to date, twenty one airlines have entered the airline industry, eleven have folded up and ten are still operational. Various factors have impacted upon the demise and success of airlines during the development of the airline industry in South Africa.

The economic impacts of the aviation industry in South Africa

The importance of aviation to the socio-economic development of any nation cannot be over-emphasised (Ogbeidi, 2006:141). Indeed, the open skies agreement which many nations are currently signing all over the world is a testimony to the fact that nations have come to realise that billions of dollars in revenue can be generated from aviation services (Luke & Walters, 2013:126). Already, the European single sky option is holding out good promises for all the members of the European Union. The United States is also currently reaping huge revenue from the open skies agreements it has signed with many countries. In Africa, due to the lack of African government's general support of open skies policies, African airlines have not been able to realise the billions of dollars in revenue from aviation and South Africa has also been affected (Ismael, 2015:6).

Despite the lack of an open skies agreement in Africa, the Tourism Satellite Account for 2013 (SSA, 2015:4) indicated that aviation constituted an estimated 3.1 per cent of the tourism industry's contribution towards the gross domestic product (GDP) of South Africa and provided for 227 000 jobs or 2.6 per cent of the South African workforce in 2014. The annual value added (or GVA) by each employee in air transport services in South Africa was R721 132, over 4 times higher than the South African average of R163 901 in 2014 (StatsSA, 2016:7). The airline subsector pays nearly R6.0 billion in tax (StatsSA, 2016:7). Taxes paid by aviation firms and employees contribute around R3.5 billion towards this figure, with passenger departure taxes including VAT contributing a further R2.4 billion (SSA, 2015:20). It is estimated that an additional R5.0 billion of government revenue is raised via the aviation sector's supply chain and R2.3 billion through taxation of the activities supported by the spending of employees of both the aviation subsector and its supply chain (CATHSETA, 2015: 6). The airline subsector therefore, plays a significant role in South Africa's economy as a modern day engine of economic growth (SSA, 2014:3). Despite the significant role of the aviation sector in South Africa its full potential has not been fully realised (Ismael, 2015:6). This has been compounded by the ailing status of the national carrier, SAA which relies on government bailouts and thereby affecting the competitiveness of the industry (Enzor, 2016:11). SAA has continued to 'bully' other airlines hence the high failure rate of airlines in the domestic market. Therefore, the South African government should realise that government owned flag carriers are expensive and "over-protection breeds inefficiency and kills" (Njoya, 2016:6).

Conclusion

The importance of the aviation industry in any country cannot be underestimated. In South Africa, the industry has been growing slowly but steadily since the apartheid era and today, virtually all the cities with airports are commercial nerve centres. Those with international airports like Johannesburg, Cape Town, Durban, Port Elizabeth and Nelspruit have greater economic edge over those with only domestic airports. Airports and aviation infrastructure affect the lives of inhabitants in many ways. For instance, aviation business provides jobs for both skilled and unskilled labour. In these diverse ways, the aviation industry has contributed and it is still contributing to the socio-economic development of South Africa.

However, from the foregoing analysis, the industry could do much more if properly organised and its potential carefully harnessed. Government involvement in the airline industry has lately been the focus of many critics and there is growing pressure to privatise the national flag carrier which may or may not be a good idea.

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