

PRESENTATION TO PORTFOLIO COMMITTEE ON TRADE, INDUSTRY, AND COMPETITION

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KING SHAKA INTERNATIONAL

ACSA AIRPORTS EVOLUTION



The Airports Company South Africa SOC Limited (“ACSA”), established in terms of the Airports Company Act (Act No. 44 of 1993)

ACSA owns and operate the Republic of South Africa’s nine (9) key airports, which include the three major international gateways in Gauteng (O.R. Tambo International Airport), Western Cape (Cape Town International Airport), and Kwa-Zulu Natal (King Shaka International Airport).



Jan Smuts Airport in the 1960s and 1970s, Louis Botha and DF Malan in the 1960s and 1970s



AFTER



A nighttime photograph of an airport tarmac. In the foreground, a white British Airways cargo container is on a trailer, with the text 'AKE 18454 BA' and 'BRITISH AIRWAYS' visible. Behind it, a British Airways aircraft is parked at a gate. A long, illuminated jet bridge extends from the terminal building in the background. The sky is dark blue with some clouds. The overall scene is lit by airport lights, creating a high-contrast, industrial atmosphere.

INTERNATIONAL CIVIL AVIATION ORGANIZATION: AIRPORT ECONOMIC REGULATION

Economic Regulation of Airports pre Covid -19

THE LONG-STANDING ICAO POLICY AND REGULATORY FRAMEWORK

- ICAO Policies on charges (**DOC 9082**) lay out the framework on which airports charges are set.
- Approach followed is “**Building Blocks**” Model adopted as ICAO policy in 1974. Regulated Asset Base – Weighted Average Cost of Capital (RAB- WACC Model)
- Model 40 years old during which **period Nature of the Airport Business** has changed drastically. Airport competition has become long established, complex and multi-faceted reality.
- **Market Power** – the ability of given airport operators to set aero charges above marginal costs is significantly limited due to this increased competition and the presence of airline countervailing power.
- Unprecedented drop of airport traffic creates a unique opportunity to refocus the economic oversight of airports by ensuring the following principles are met :
 - › **Foster competition, protect consumers and incentivize investment in capacity and service capacity**

✓ **Financial situation**

Council notes that financial situation of airports, and air navigation services providers (ANSPs), are in a stage of evolution, and that the financial situation of their primary users, the scheduled airlines, generally fluctuates with the performance of national, regional and global economies.

✓ **Scope and proliferation of charges**

Council recommends that States:

- Permit the imposition of charges only for services and functions which are provided for, directly related to, or ultimately beneficial for, civil aviation operations; and
- Refrain from imposing charges which discriminate against international civil aviation in relation to other modes of international transport.

✓ **Charges Collection**

Essential that Airports and ANSPs establish a collection, or where applicable by a State, and that the following functions be up-to-date:

- national legislation; accurate invoicing; comprehensive and updated databases on airlines;
- a transparent cost recovery system with fair and equal treatment of all users;
- precise and correct accounting; credit control; and enforced recovery procedures

✓ **Economic Oversight**

States must consider exercising their economic oversight responsibilities clearly separated from the operation and provision of airports and air navigation services, with roles and powers clearly defined

Commercialization and privatization

Provision and operation of airports and air navigation services, the Council recommends that the main purpose of economic oversight should be to:

- Minimize the risk of airports and ANSPs engaging in anti-competitive practices or abusing their dominant position;
- Ensure non-discrimination and transparency in the application of charges;
- Ascertain that investments in capacity meet current and future demand; and
- Protect the interests of passengers and other end users.

To promote these objectives, consistent with the form of economic oversight adopted, States should ensure that airports and ANSPs consult with users and that appropriate performance management systems are in place.

Development of revenues from concessions, rental of premises and “free zones”

Council recommends that:

- with the exception of concessions that are directly associated with the operation of air transport services, such as fuel, in-flight catering and ground handling, thus:
 - the full development of revenues of this kind be encouraged while keeping in mind the need for moderation in prices to the public, the requirements of passengers, and the need for terminal efficiency.
- All possibilities for developing airport concession revenues should be studied, and ICAO should be kept informed of practices and conclusions in this regard so that the benefit of experience may be made available to all

A photograph of the George Airport terminal at night. The building is illuminated by warm yellow lights, and the words "GEORGE AIRPORT" are visible in large, illuminated letters on the upper right side of the facade. A bright streetlight on the left creates a starburst effect in the dark sky. The foreground shows a paved road and some landscaping.

GEORGE AIRPORT

AIRPORT CHARGES BENCHMARK

Charges Have Fallen in Real (Inflation Adjusted US\$) Terms

Global airport charges per passenger have on average declined by approximately **20%** in real terms in the 5 years up to 2019.



A Dramatically Evolved Aviation Industry

AIRPORTS

- Commercialization and/or privatization
- Customer experience
- Increased competition
- Growth of non-aeronautical revenue
- Capacity shortfalls
- Innovations in charges (from only landing fees to landing/passenger fees)
- Unbundled and granular airport pricing
- Introduction of incentive pricing and commercial contracts
- Focus on mitigating noise and environment impacts

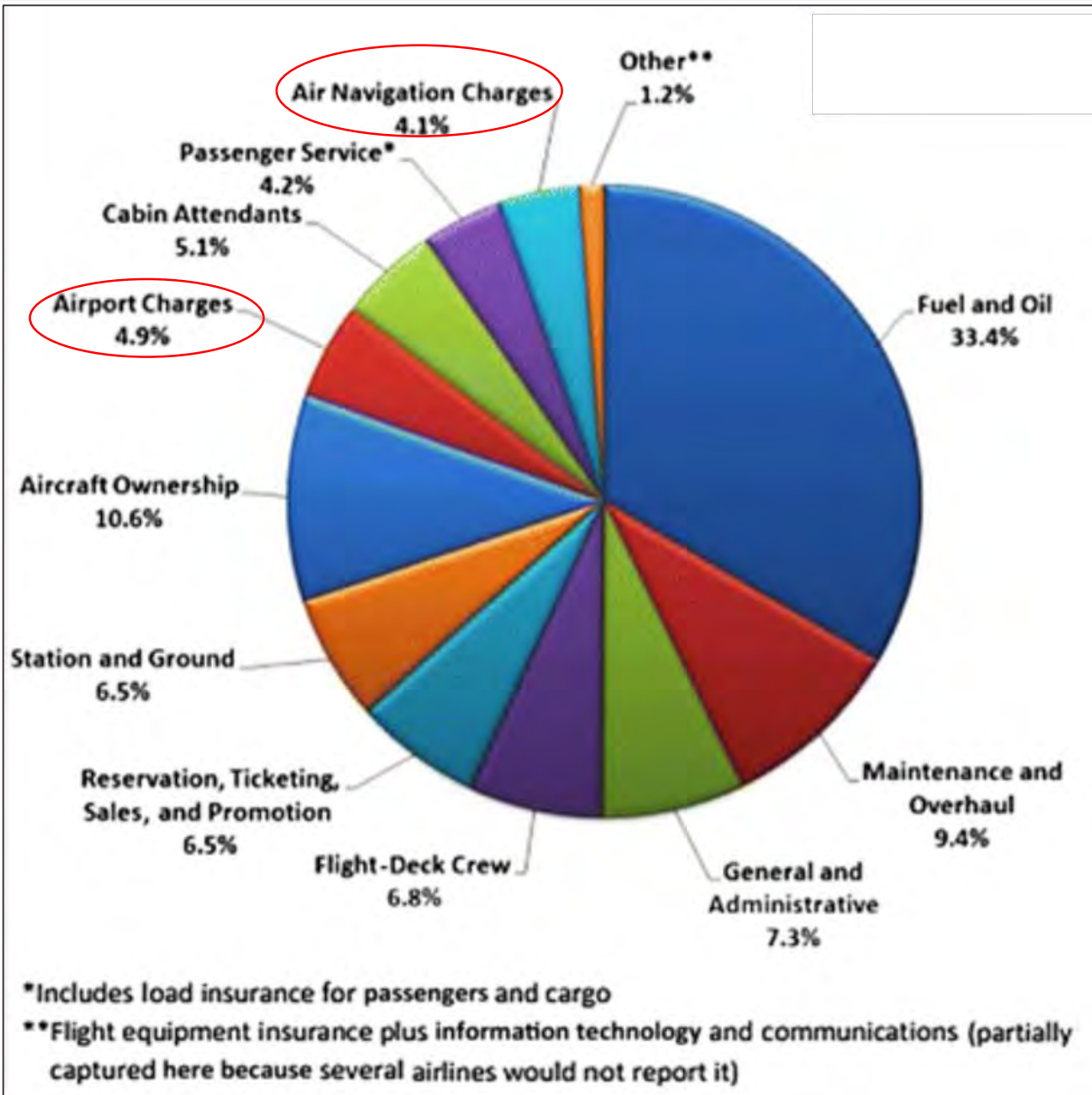
AIRLINES

- Deregulation
- Privatization
- Antitrust immunized alliances
- Consolidation
- Increased customer orientation
- Aircraft technology
- Massive growth in fleets and capacity
- Innovative pricing (fares)
- Unbundling services and introducing ancillary charges

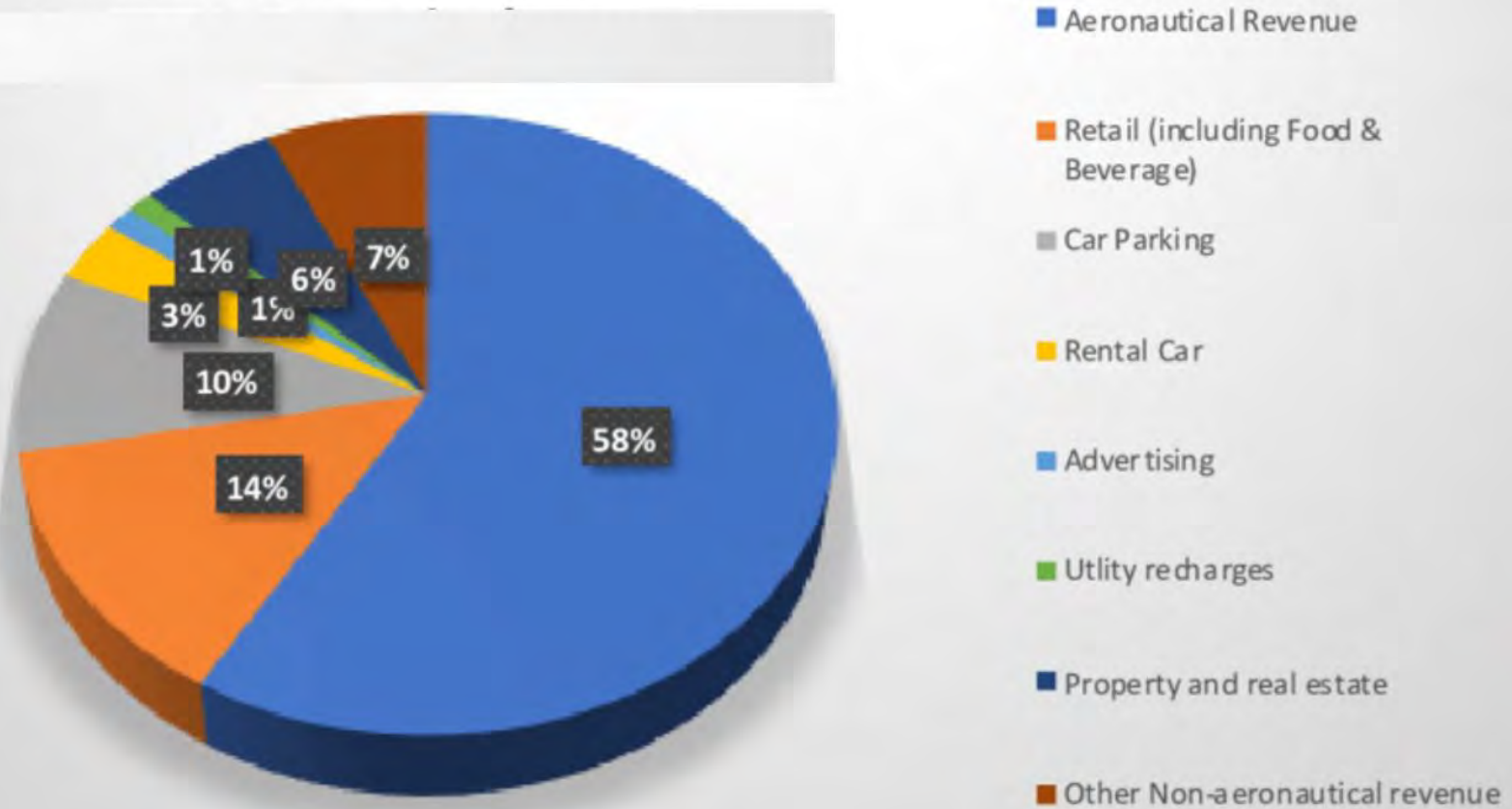
Airport Charges are a Small Percent of Airfares (US\$)



A TYPICAL DISTRIBUTION OF AIRLINE COST



Airport Revenue Breakdown



- **Aeronautical revenue** forms the core financial foundation of airport operations, directly supporting infrastructure, maintenance, and service delivery.
- Airline activities are the key driver of **non-aeronautical revenue**, as passenger traffic stimulates spending on retail, parking, ground transport, and other commercial services.

Airport charges

Airport	Other charges (USD)
Mogadishu	2090.56
Lusaka	1451.88
Luanda	1282.76
Conakry	1074.21
Casablanca	1029.42
N'djamena	1026.97
Tunis	949.43
Bangui	919.48
Malabo	899.39
Bamako	885.29
Lome	864.08
Brazzaville	807.67
Moroni	801.48
Dakar	788.37
Harare	775.00
Niamey	763.12
Ilha De Sal	737.99
Kinshasa	735.91
Douala	725.55
Cairo	722.27
Lagos	720.43
Cotonou	690.61
Accra	678.00
Ouagadougou	674.29
Bissau	613.66
Freetown	587.38
Abidjan	565.71

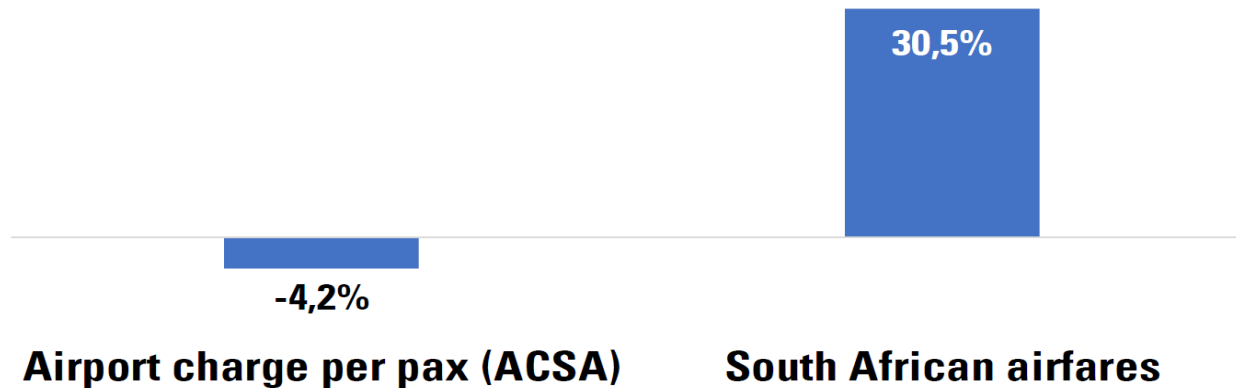
Airport	Other charges (USD)
Libreville	558.49
Kigali	515.08
Monrovia	497.40
Djibouti	494.85
Banjul	492.09
Johannesburg	484.72
Entebbe	481.08
Maputo	480.75
Dar Es Salam	461.50
Tripoli	458.09
Addis Ababa	457.65
Asmara	426.25
Bujumbura	392.45
Sao Tome	392.32
Saint Denis de la Reunion	389.59
Lilongwe	380.20
Antananarivo	304.94
Windhoek	298.96
Nairobi	298.00
Mauritius	296.47
Gaborone	233.22
Mahe Island	180.38
Algiers	157.96
Maseru	47.05
Khartoum	42.81
Manzini	19.69
Average	624.58



Source: AFRAA / IATA ACIC

Airport Charges vs. Air Fares [South Africa]

% Change 2021/22 vs. 2019/20



Airport charges have experienced a real decline both before the pandemic and amidst the pandemic

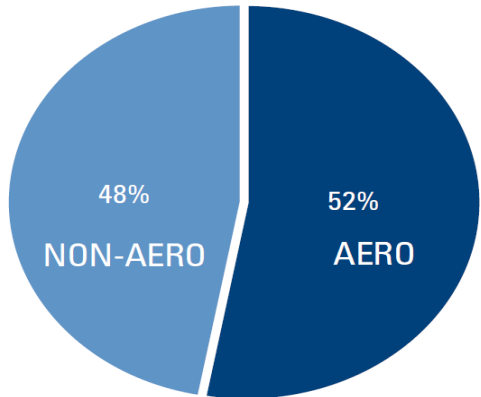
Source: ACSA Permission Application 2024-2028 / Oxford Economics (IATA / Tourism Economics), Last updated (Mar. 2023)

Airports Council International World

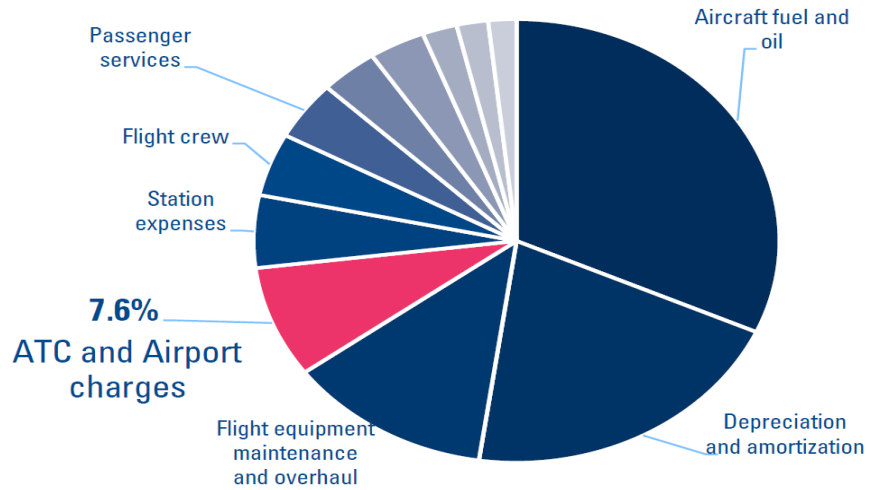


Impact of Airport Charges [Airports vs. Airlines]

Ratio of Airport Revenue Structure [ACSA]
2018/2019



Airline Cost Items Breakdown [Africa]
2019



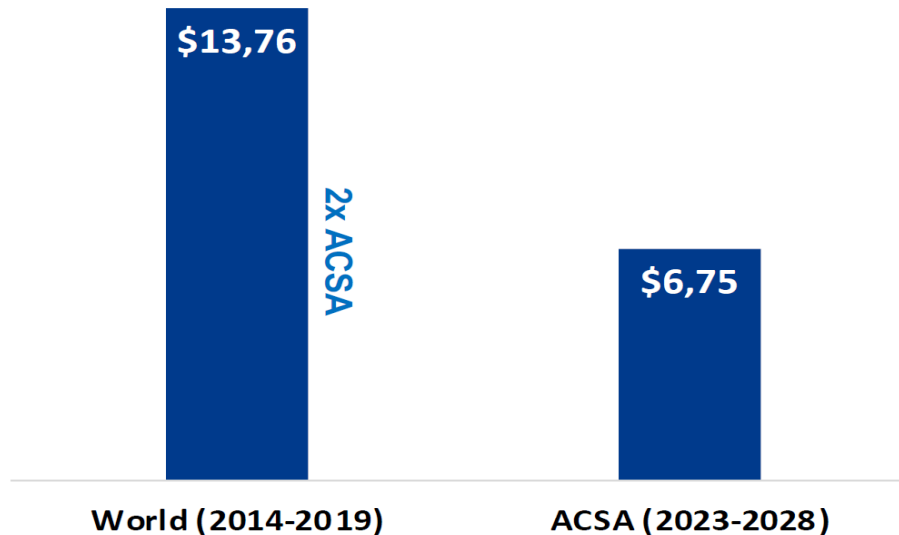
Airport charges represent a small proportion of airline costs and have a minimal impact on passengers. In the meantime, the revenue generated from aeronautical charges represents as much as 52% of total ACSA's airport revenues.

Source: ACSA 2018/2019; IATA World Air Traffic Statistics



Undervaluation of aeronautical services

International benchmarks – aero revenue per pax
(Single till airports)



The full ACSA's unit aeronautical revenue is 2x less than the airports worldwide with a single till system

Source: ACI World Airport Key Performance Indicators 2021 / ACSA Permission Application 2024-2028

Airports Council International World

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A TYPICAL AIRLINE TICKET IN RSA

Component	Amount (ZAR)	Description
Base Fare	0 – 5K	On Domestic - Covers airline operational costs (crew, aircraft, maintenance, etc.)
Fuel Surcharge	\$1 - \$30	Per Flight - This is a revenue stream for airlines , designed to protect against fuel price volatility without frequently adjusting base fares.
Passenger Service Charge - ACSA	R103	Per Passenger - Paid to ACSA for terminal and airport facility usage
Landing Fees - ACSA	~R8k	Per Flight - This is based on a narrowbody aircraft – Based on Boeing 738, Airbus 319/320 aircraft type etc.
SACAA Safety & Regulatory Fees	~R32.19	Per Passenger - Compliance fee for Civil Aviation Authority
Hold Baggage Screening (HBS) Fee (ACS)	R24	Per Passenger - Security fee collected by Airport Coordination Service (ACS) for baggage screening
Air Navigation Fees - ATNS	~R10K	Per Flight - Paid to ATNS for air navigation services – Based on Boeing 738, Airbus 319/320 aircraft type etc.
SACAA Fuel levy	R0,23	Per Litre - Payable by consumers (including wholesale distributor) on the sale of all aviation fuel which is manufactured, distilled, imported or sold in the Republic (Equivalent to ~R700 on a B738/A319/A320: Using JNB-CPT leg as a proxy)
Parking Fees	~R1K	Per 24Hrs - Payable to ACSA for parking of Aircraft at its airports – Based on Boeing 738, Airbus 319/320 aircraft type etc.
VAT (15%)	15%	Of the Total - Tax applicable to domestic flights
Booking & Payment Fees	Varies	Charged for credit card payments or third-party bookings

A nighttime photograph of an airport terminal and tarmac. The terminal building on the left has a large glass facade that is brightly lit from within, showing interior structures. The tarmac in the foreground is dark with yellow and red painted markings. A black and yellow striped curved bollard is visible in the lower center. In the background, several aircraft are parked at gates, with their tail lights visible. The sky is a deep blue.

ACSA'S AIRPORT CHARGES GUIDING PRINCIPLE

Two main Revenue Streams:

- **Aeronautical Services** – Revenue generated from landing fees, passenger service charges, and parking of aircraft, through-putter fuel fee
- **Non-Aeronautical Services**
 - **Core** - Income from retail concessions, car parking, logistics warehouses, industrial property, hotels, fuel service station, car rentals, valet parking, and advertising
 - **Non - Core Services** – advisory and consulting, management fees for aeronautical & non-aeronautical activities, concessions fees, training academy

ACSA is regulated by the Economic Regulating Committee responsible for issuing a permission to ACSA which covers:

- (a) **Price/tariff Regulations:** which consists of regulating maximum level of tariff increases and level of tariff structures to ensure delivery of services at an affordable cost while ensuring the long-term financial viability of companies, timeous provision and maintenance of infrastructure and service delivery.
- (b) **Quality of Service Regulations:** which entails the adherence of agreed upon levels and standards of service, related to quality, technical requirements and provision of reliable infrastructure. It is important to protect user interests in terms of service quality and ensure continuous and reliable services at an affordable and cost-effective manner.
- (c) **Economic Regulations:** to ensure that ACSA does not abuse its monopoly power and to protect the interests of users and the public.

ACSA imposes landing fees on airlines for using its airport facilities. These fees are based on the aircraft's Maximum Take-off Weight (MTOW) and are categorized based on the flight's origin:

- **Domestic landing fee** – Applied to flights originating within South Africa.
- **Regional landing fee** – Charged to flights from Lesotho, Namibia, Eswatini, and Botswana.
- **International landing fee** – Applies to flights arriving from all other global destinations.

These charges contribute towards airport maintenance, infrastructure development, and operational efficiency, ensuring seamless air travel services.

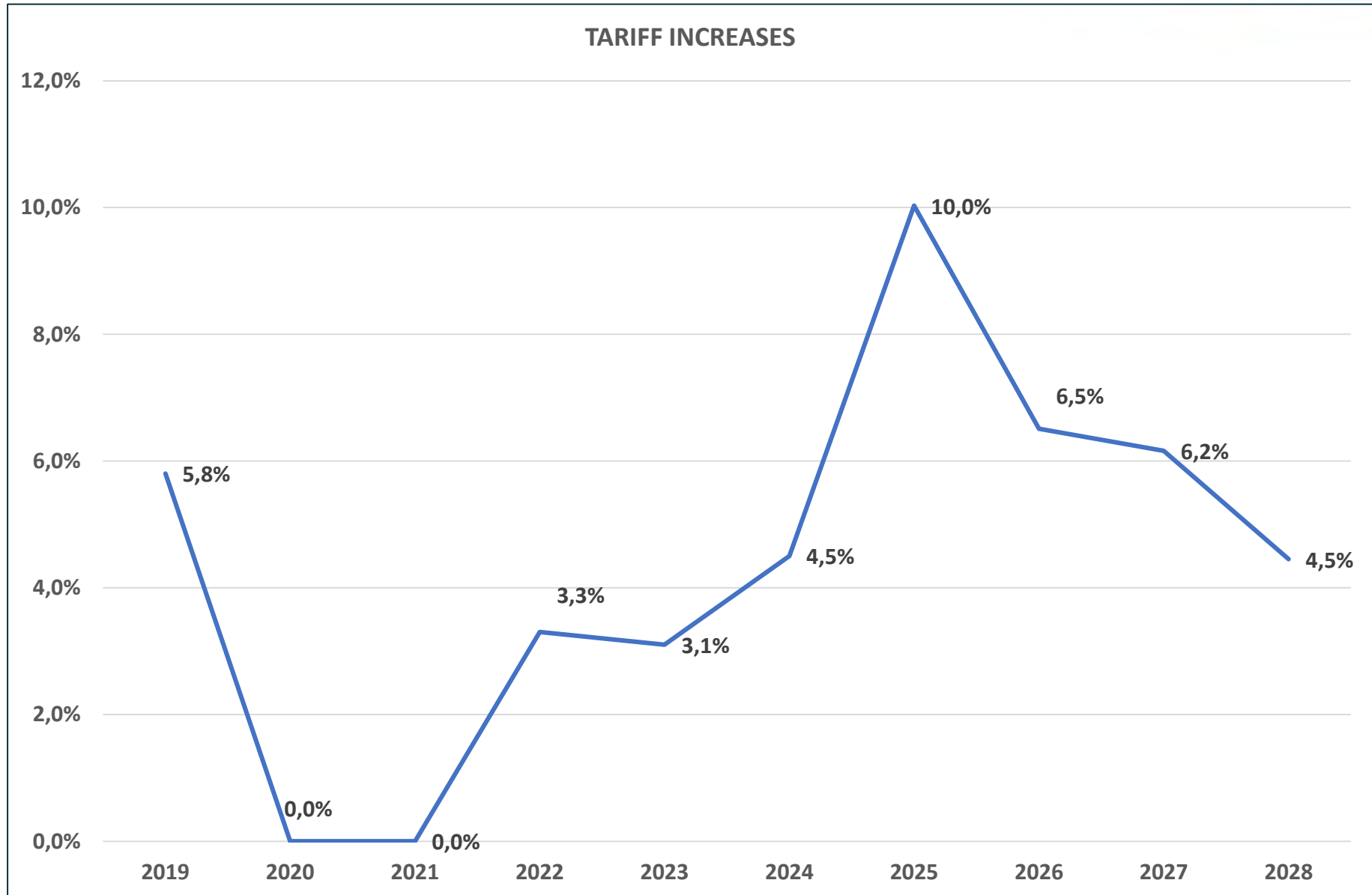
ACSA applies the same charges to all airlines, regardless of whether they are low-cost or full-service carriers.

The landing fee is calculated based on multiple factors, including:

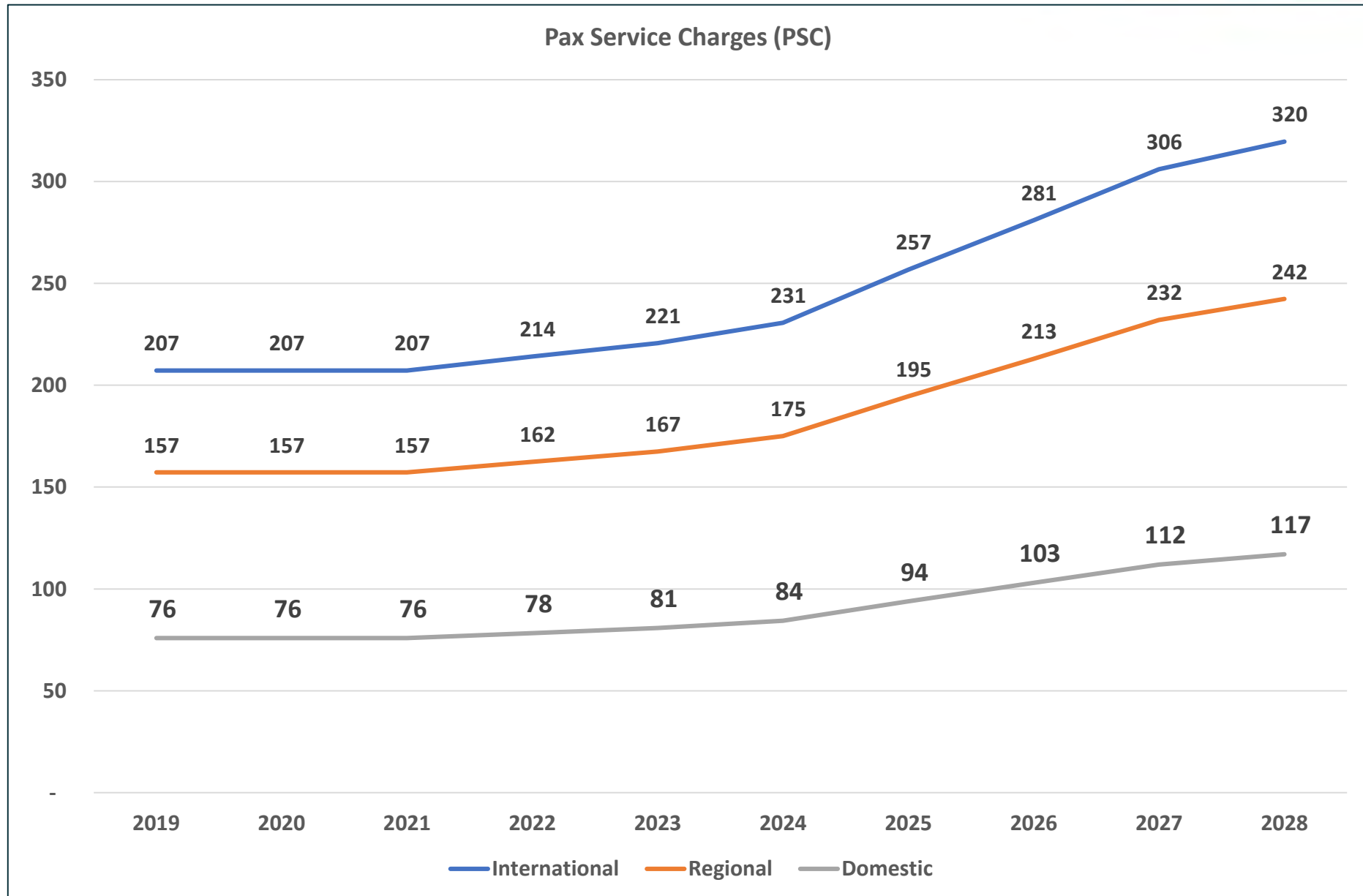
- **Operational Costs** – Covering airport management and maintenance expenses.
- **Capital Expenditure (Capex) Requirements** – Funding infrastructure upgrades and expansions.
- **Non-Aeronautical Revenues** – Balancing income from retail, parking, and other sources.
- **Investor Returns** – Ensuring reasonable returns for stakeholders.
- **Asset Depreciation** – Accounting for wear and tear on airport infrastructure.
- **Traffic Forecast** – Projecting passenger and aircraft movements to optimize fee structures.
- **Efficiency Factor** - The efficiency factor is to encourage ACSA to run its operations efficiency with the given resources.
- **Correction Measures** - Clawbacks which result from the Capex underspend.

The Regulating Committee exercises its own discretion and make the final decision on all matters for the five year permission.

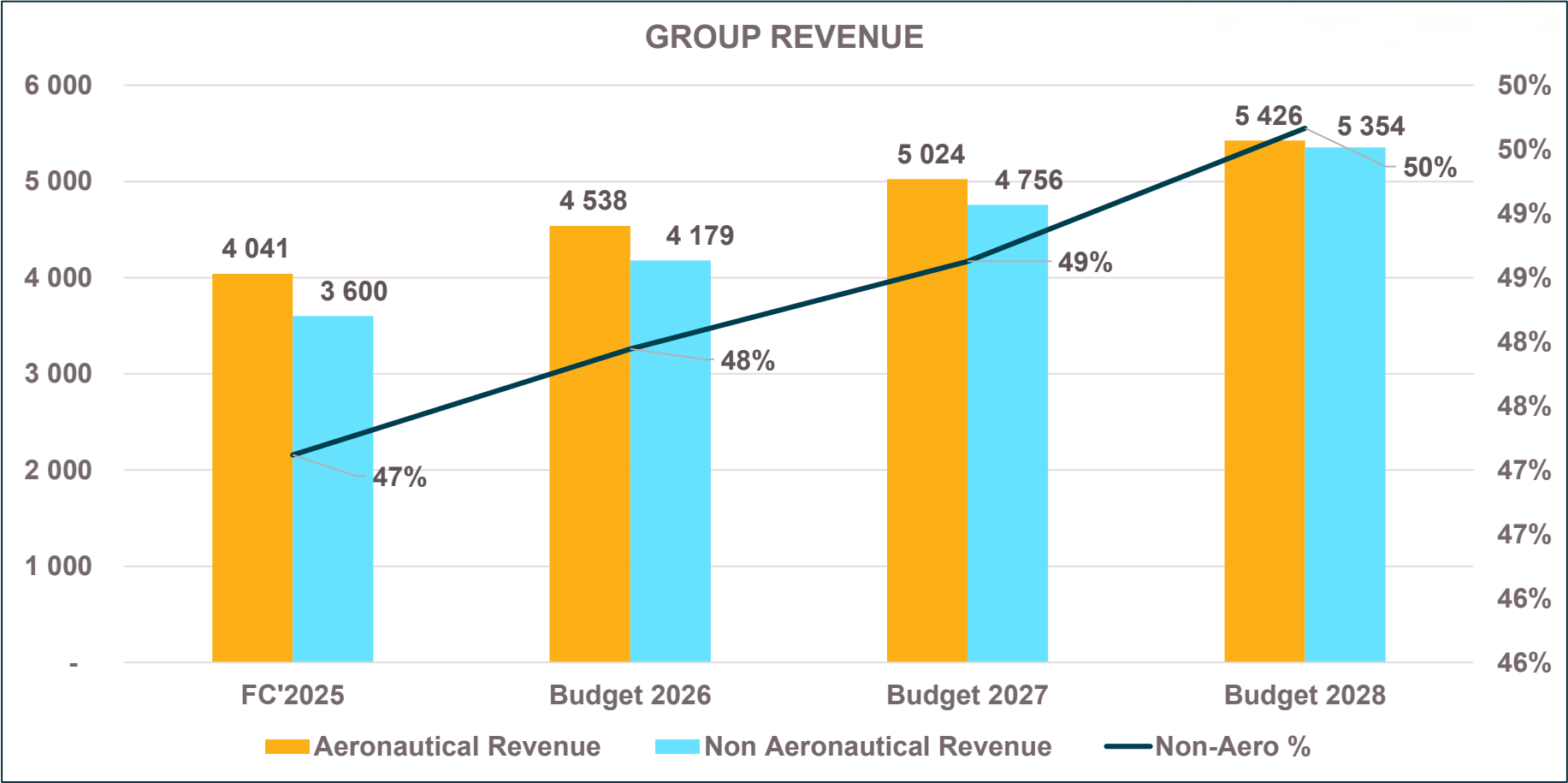
ACSA APPROVED TARIFF INCREASES BETWEEN 2019 AND 2028



ACSA APPROVED TARIFFS FOR DEPARTING PASSENGERS SERVICE

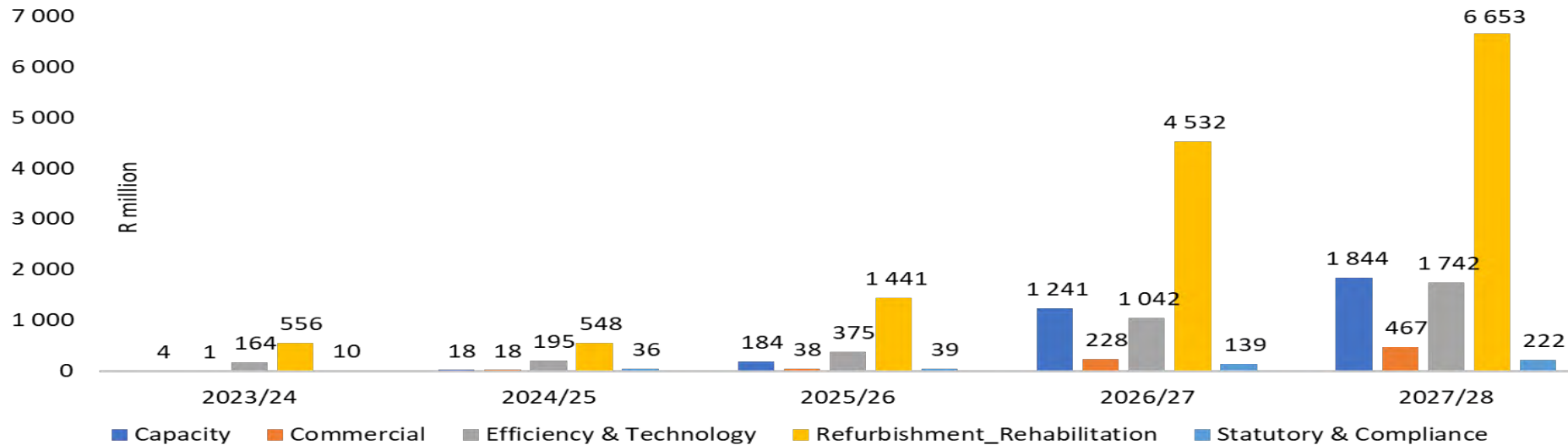


ACSA REVENUE DISTRIBUTION 2025 TO 2028



Annual Growth	Budget FY2026	Budget FY2027	Budget FY2028
Aero Revenue ▲	12%	11%	8%
Non-Aero Revenue ▲	19%	14%	14%
Total ▲	16%	12%	11%

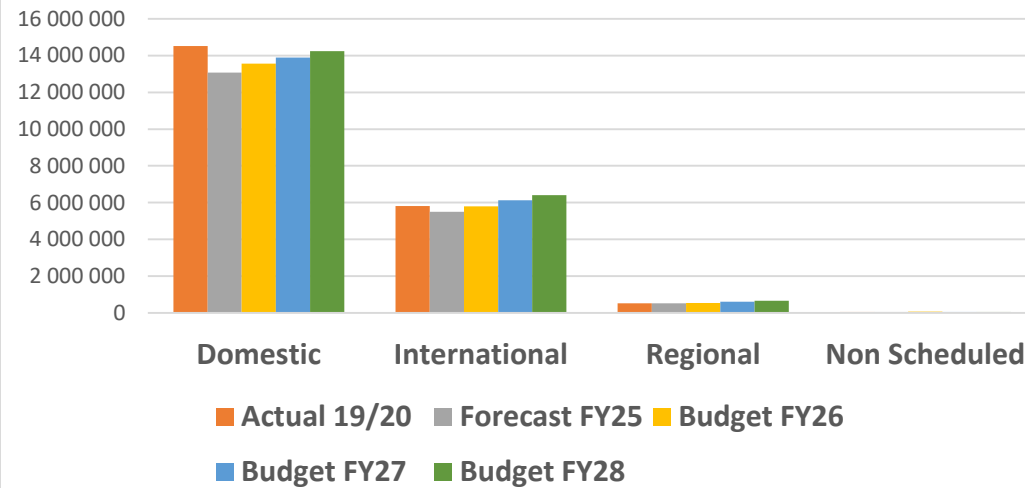
ACSA APPROVED CAPITAL EXPENDITURE PROGRAMME



Division	T_Budget_2026	T_Budget_2027	T_Budget_2028	T_Budget_2029	T_Budget_2030	total T_Budget (5Yrs)
CIAM	608 774 015	3 755 097 406	6 967 622 679	7 643 815 990	7 061 516 506	26 505 505 009
ESC	487 650 536	457 329 553	1 780 767 580	1 570 150 102	754 076 545	5 062 862 413
IT	464 462 095	473 340 973	590 218 550	776 584 406	737 649 495	3 235 218 221
OM	697 151 866	1 173 006 620	3 183 324 278	5 805 116 558	5 269 626 423	16 757 166 612
CBD	55 000 000	492 000 000	846 143 442	1 174 982 982	806 827 053	3 379 953 476
Grand Total	2 313 038 513	6 350 774 553	13 368 076 530	16 970 650 038	14 629 696 022	54 940 705 731

APPROVED TRAFFIC FORECAST

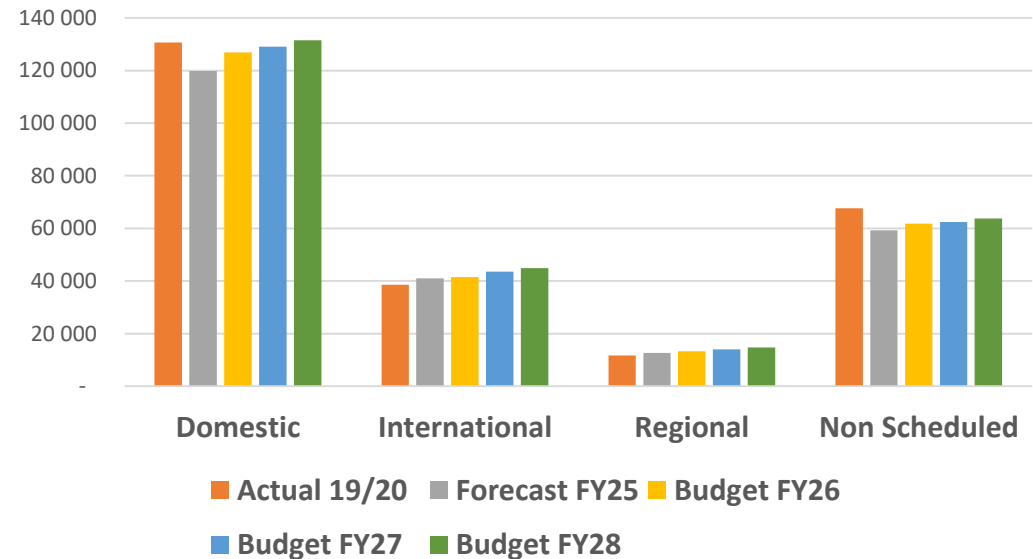
PAX volumes



Pax Service Charge	% Variance FY20	% Variance FY25 to FY26	% Variance FY26 to FY27	% Variance FY27 to FY28
Domestic	-7%	4%	2%	2%
International	-1%	5%	6%	4%
Regional	5%	4%	13%	9%
Non Scheduled	10%	7%	-8%	-2%

Aircraft Movements	% Variance FY20	% Variance FY25 to FY26	% Variance FY26 to FY27	% Variance FY27 to FY28
Domestic	-3%	6%	2%	2%
International	8%	1%	5%	3%
Regional	14%	5%	5%	5%
Non Scheduled	-9%	4%	1%	2%

Aircraft Movements





RSA TRANSPORT ECONOMIC REGULATION

Economic Regulation of Transport Bill, 2020

Purpose of the **ERT Bill is to consolidate the economic regulation** of transport within a single framework and policy; to establish the Transport Economic Regulator; to establish the Transport Economic Council; to make consequential amendments to various other Acts including the ACSA Act.

TRANSPORT ECONOMIC REGULATOR

- Promote the **development of competitive industry**;
- Promote development of integrated system of economic regulation of transport of passengers and goods, by air or through airports or ports or road and rail;
- Establish **appropriate institutional arrangements** and procedures to support consistent economic regulation
- Promote **appropriate investment in transport infrastructure**;
- Develop complaints and dispute resolution mechanisms
- Promote development small and medium enterprises
- Achievement of **equality through measures designed to advance BBBEE** in operation of and access to transport facilities and services
- Establishment of the **Transport Economic Regulator, 6 member Board and CEO**;
- Relationship with other regulatory authorities including Competition Commission.

TRANSPORT ECONOMIC COUNCIL

- Establishment of the Transport Economic Council to deal with complaints against regulated entities;
- Referrals **of consent agreements** in terms of Consent orders on matters investigated by the regulator
- Appointment of **inspectors and investigators**, power of subpoena, enter and search under warrant,

AIRPORTS COMPANY ACT

Implication of the **Economic Regulation of Transport Bill**, has lead to consequential amendment effect on the Airport Company Act as follows:

- Change Regulating Committee established by section 11 of AC Act to mean..... Transport Economic Regulation of Transport Bill of 2020;
- Deletion of Section 5 of AC amended by deletion from subsection 2 para (e) and (f);
- Section 12 of AC Act amended by substitutions of subsection (1) by the following;
- Company shall not levy any airport charge at any company airport [**unless it is in possession of a valid written permission thereto**] except in accordance with a price control approved and published in terms of the Economic Regulation of Transport Bill.
- Amendment of Section 13 on closure or sale of an aerodrome.... Submit to [**Committee**] Minister;
- Section 2 [**Committee**]Minister.. Implications of intended action transport system, users, community;
- **Transport Economic Regulator to ...Make recommendations to Minister;**
- Amend Section 5 on **lodging complaint with Committee. Now with Transport Economic Regulator**

A red Jungheinrich forklift is in the foreground, with an operator visible inside. The operator is wearing a cap and a high-visibility vest. In the background, there is a large industrial building with a glass facade and a row of blue and silver pallet racks. The scene is lit with a cool, blueish light.

CONCLUSION

- ACSA's economic activities are regulated under the ACSA Act, with the Airport Economic Regulating Committee, providing oversight.
- Charges are determined in line with ICAO principles, as outlined in ICAO Doc 9082, ensuring transparency and cost recovery.
- Airport and air navigation charges globally, including in South Africa, contribute less than 8% to an airline's direct operating costs.
- ACSA applies uniform charges to all airlines, whether low-cost or full-service, with differentiation based only on flight segments: domestic, regional, or international.
- Airport charges consider operational costs, capital expenditure, asset depreciation, traffic forecasts, and reasonable investor returns.
- Regulatory framework ensures a balance between financial sustainability and competitive pricing while maintaining airport infrastructure and service standards.

These principles align with global best practices and support a sustainable aviation ecosystem in South Africa.



A large digital departure board at an airport terminal. The board is titled 'Departures' and shows a list of flights with their destinations, times, gates, and status. A large, semi-transparent 'THANK YOU' text is overlaid on the right side of the board.

Flight	Destination	Time	Gate	Status	New Time
HM060	Seychelles	13:58	A11	Closed	
SA028	Harare	14:55	A01	Final Call	
SA060	Laikipia	15:00	A05	Gate to Gate	
SA0062	Naseru	15:00	A19	Closed	
BP206	Gaborone	15:00	A15		
SA1775	Gaborone	15:45	A35		
FN8336	Harare	15:50	A21		
SA0086	Manzini - King Msw	16:05	A29		
SA0156	Ndola	16:05	A27		
SA0164	Lusaka	16:20	A19		
SA0102	Harare	16:20	A23		
DT578	Luanda	16:35	A07-08		
SA266	Hong Kong	16:50	A05		
SA0458	Gaborone	17:00	A10		
K0763	Nairobi	17:30	A16		
TK043	Istanbul	18:10	A05		

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