

KZN Air Passenger Arrival Trends

Tourism KwaZulu-Natal Occasional Paper No. 84
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1. Introduction

The management of Tourism KwaZulu-Natal (TKZN) have decided to issue occasional papers to the tourism trade on the core findings of its research and other projects. The purpose of these papers is to stimulate more debate regarding the findings or progress of such projects, as well as to ensure wider awareness of key research findings.

So – what’s been happening with the airline arrivals into Durban? Over the past few years there have been a number of highly significant factors and events which have had considerable effects on the numbers of air passenger arrivals into Durban. This paper seeks to describe, analyse and explain the variations in the numbers of passenger arrivals over the past 3 years.

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2. Background

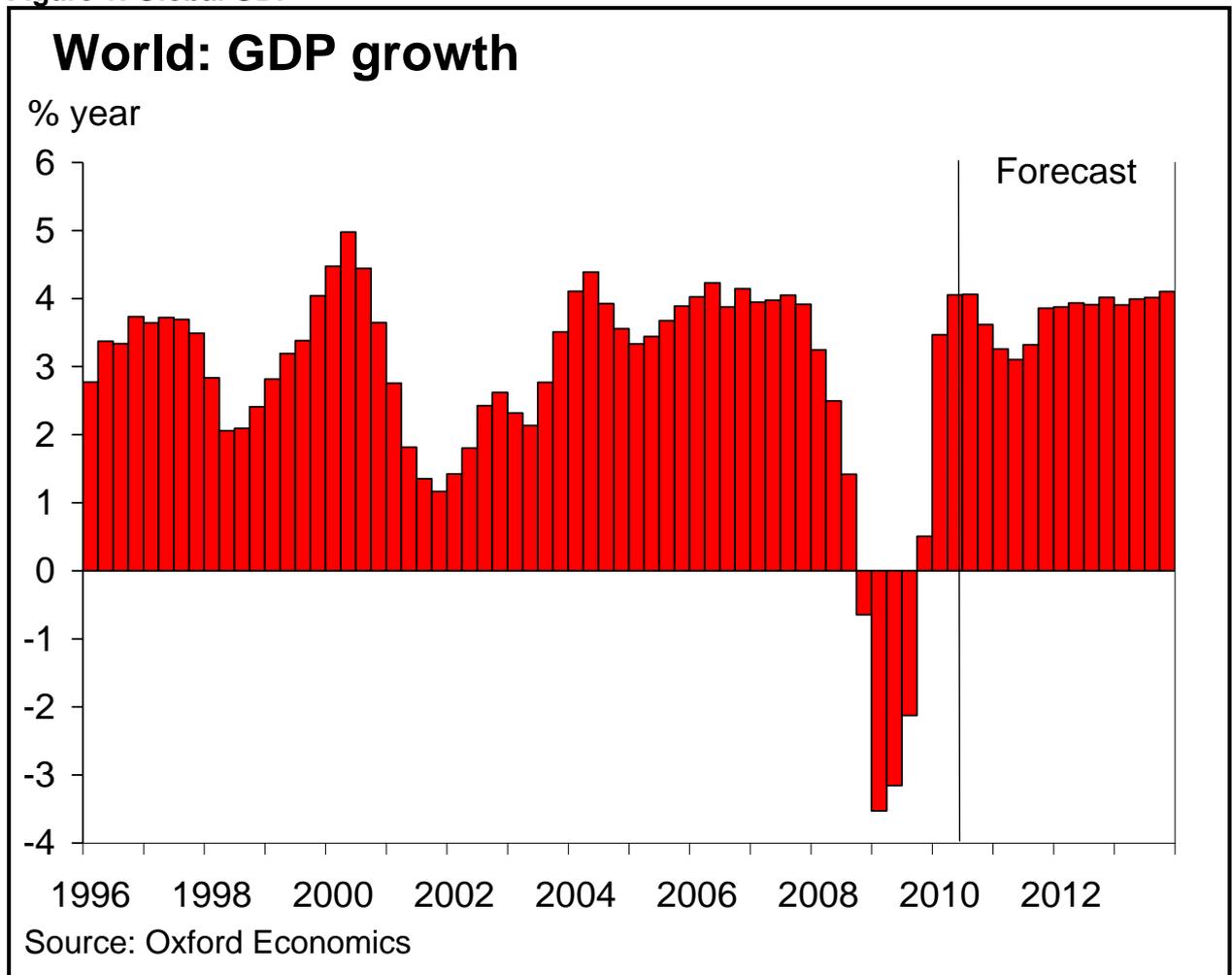
KZN has a number of airports including Virginia at a coastal site in Durban North, and the Pietermaritzburg airport. This paper concentrates on the international airport of the province. The original Louis Botha Airport in Durban became the Durban International Airport when the name-changing furore began. The airport was located some 20kms south of Durban on the flood plain of the Umbilo River, and adjacent to the Umbilo Canal and the Isipingo River. It was also bordered by the Sapref oil refinery and storage tanks on both sides. The runway was confined at the northern end by the canal, and on the southern end by the Isipingo River and hills, and it was some 3.2kms long. That was more than sufficient for the airplanes of the day.

The airport underwent a major upgrade in 2007 with a new 30-storey parkade being built, and substantial changes to the main airport buildings also. However, at very long last there were strong indications that a new, larger airport was finally going to be built north of the city on the site at La Mercy, a site which had been identified for the new airport almost 20 years ago!

With enormous pressure placed upon the construction teams by the fact that South Africa had won the right to host the 2010 FIFA soccer world cup in June 2010, all stops were pulled out, overtime was extended even further, and the new King Shaka Airport was opened on the 1st of April 2010, some six weeks prior to the initial arrivals for the 2010 event. This new facility cost the country some R7.2 billion (Mercury, 18.2.2011).

On a less positive note, the whole world had been caught up in a major and far-reaching economic recession and its effects were just being felt in the southern hemisphere at about the time of the World Cup event. This is clearly depicted in the figure below:

Figure 1: Global GDP



Source: WTTC, 2011

The latter part of 2007 already showed signs of a declining world economic situation and by 2009, the crisis had reached its lowest ebb.

3. World Movements

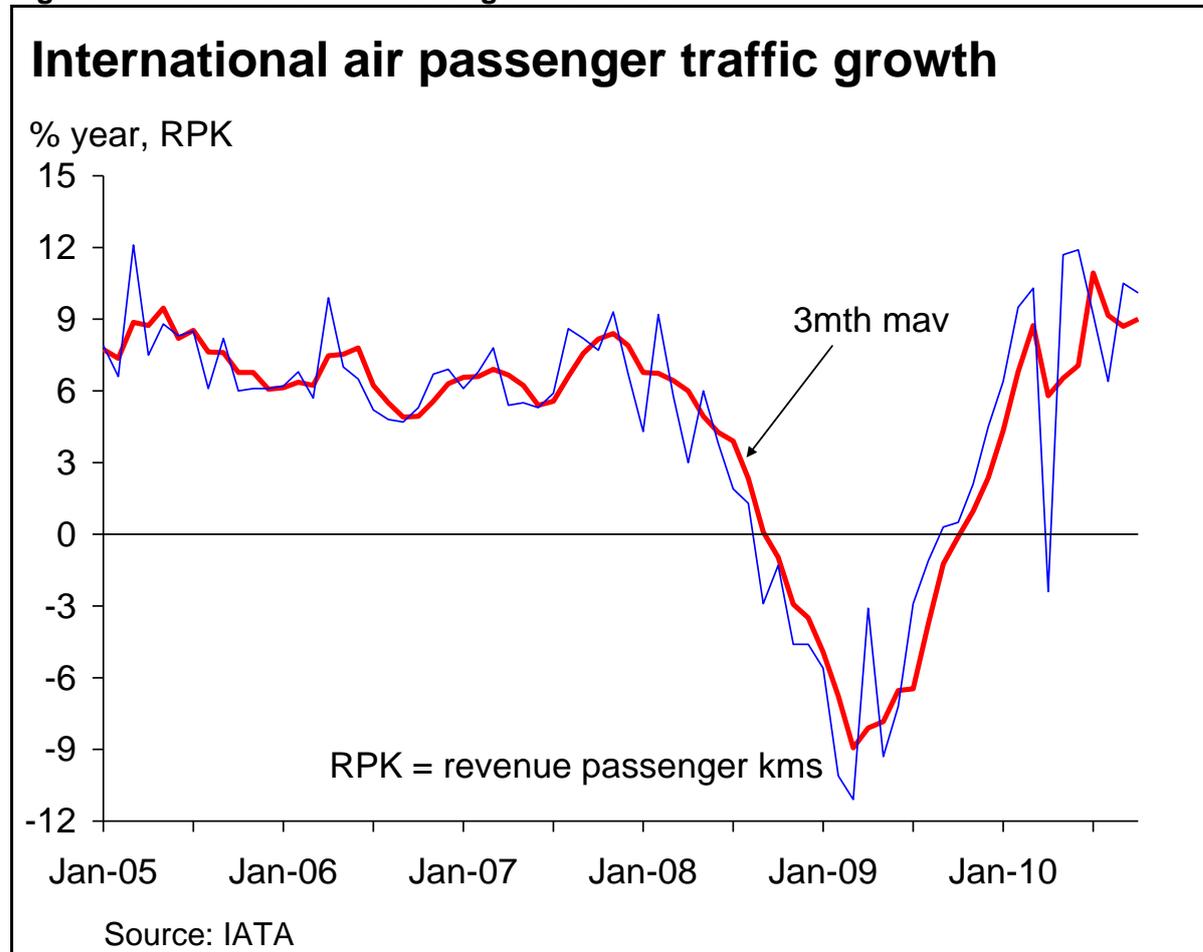
Airports and airlines handled some 952 million international passengers in 2009, and this is estimated to increase to 1.3 billion in 2014, an annual growth rate of 5.9% (IATA, 2011). If these numbers are combined with travellers in domestic markets, the numbers are substantially higher.

“By 2014, airlines will handle 3.3 billion travellers, up by 800 million from the 2.5 billion in 2009, and 38 million tonnes of air cargo, up 12.5 million tonnes from the 26 million tonnes in the same period, according to the International Air Transport Association (IATA) industry consensus forecast” (Abadilla, 2011). Abadilla goes on to say that some 45% of the estimated new travellers in 2014 will be on Asia Pacific routes, and of those, over 59% will be associated with China.

Giovanni Bisignani, IATA's Director General and CEO, notes that effects and results of the global economic recession are expected to remain over parts of the industry for some time to come. Sluggish growth rates in Europe and North America appear to be not only the result of being mature markets, but are also affected by lingering consumer debts, high unemployment and austerity measures (in Abadilla, 2011).

The picture, nonetheless, is changing, and growth is definitely positive.

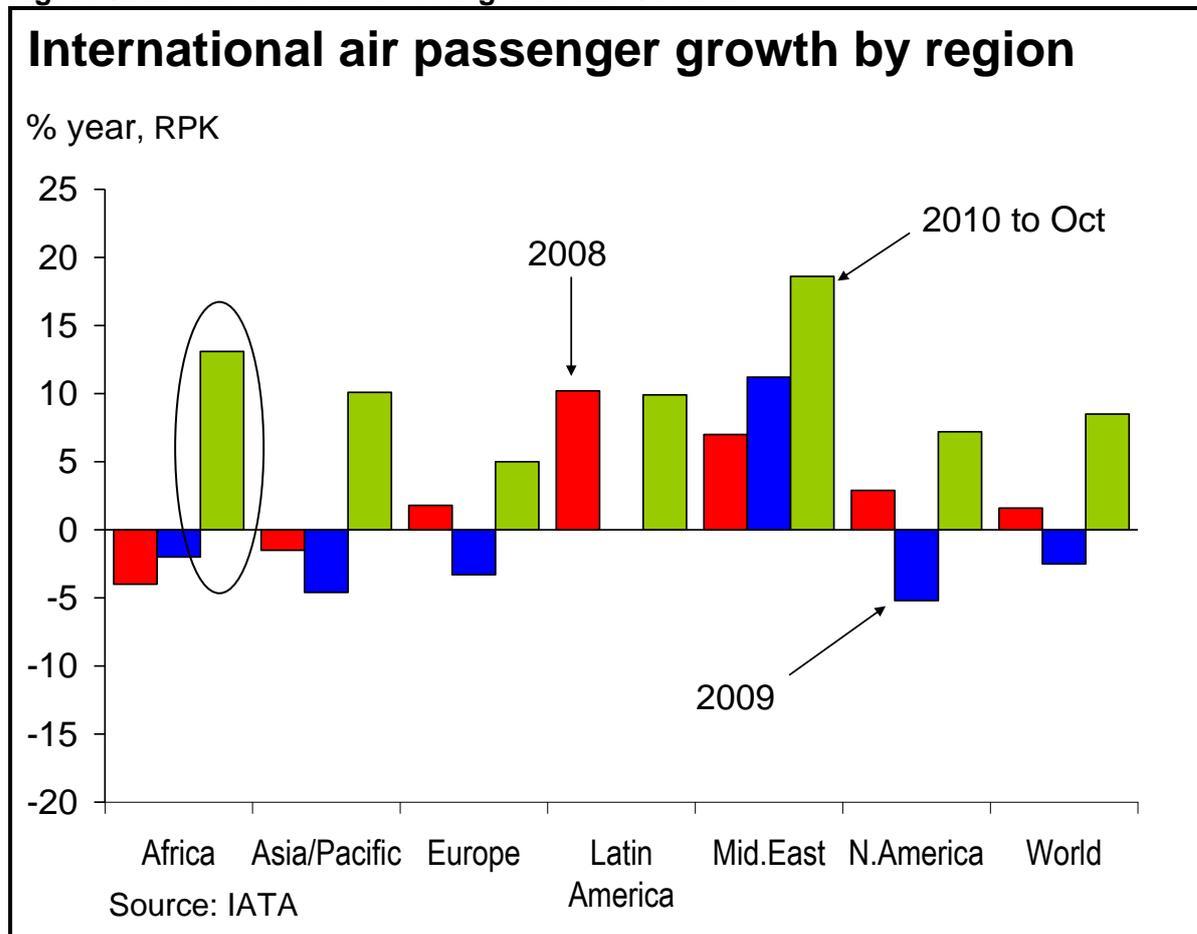
Figure 2: International Air Passenger Traffic Growth



Source: WTTC, 2010

The emerging markets showed significant recovery:

Figure 3: International Air Passenger Traffic Growth



Source: WTTC, 2011-02-21

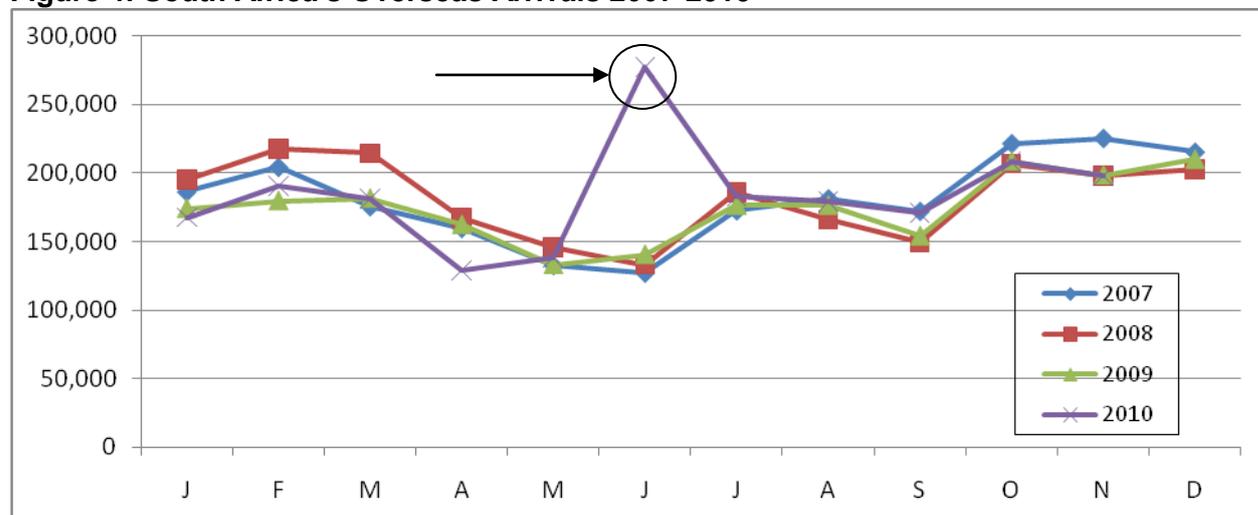
Africa, for example, circled in the figure above, went from almost a 5% decrease in passenger growth – negative growth as compared to the year before – to upwards of 14% by October 2010.

4. South Africa's Air Passengers

By comparison, South Africa's international air arrival numbers appear quite small. Nevertheless, international air arrivals account for significant numbers as well as substantial tourism income. The overall foreign tourism market was worth R79.4 billion (excluding capital expenditure, or Capex) to the country in 2009. This, however, includes both air and land arrivals.

Through using South African Tourism's Table As, of overseas international arrivals from 2007 to the end of 2010, the following graph can be constructed:

Figure 4: South Africa's Overseas Arrivals 2007-2010



Source: SAT, 2011

It must be stressed that, for the above graph, only the overseas arrivals per month were considered, not the overall arrival figures.

What stands out immediately is the extraordinary peak in June of 2010. The substantial increase in air passenger arrivals into the country for the FIFA World Cup event is obviously the most likely cause of such an increase.

The graph also indicates that the end of 2007 and beginning of 2008 were not bad months in terms of overseas arrivals. However, by April 2008, the picture was beginning to look dismal, even though it was following the overall trend of low overseas arrivals in our winter season. Even by April 2010, the figures were still not very encouraging. This was mainly due to the overall global economic recession which left little disposable income in peoples' pockets. As tourism and certainly overseas travel, is a luxury, it is one of the first options to be avoided and the reduced disposable income spent on necessities.

The upturn in arrivals which began in May and peaked in June was obviously due to the World Cup event in South Africa. Overall overseas arrivals continued to look quite promising until October 2010, and November indicated fairly low arrival numbers. The figures for December have not yet been released by SAT.

5. KwaZulu-Natal's Growth Trends

South African Tourism's international surveys for 2009 revealed that approximately 23% of all African air departure and overseas tourists to South Africa visited KwaZulu-Natal (SAT, 2010). It is estimated that approximately 2 095 235 overseas and African air arrival tourists visited South Africa in 2009. Approximately 23% of these visited KZN. Thus, roughly 476 421 of these tourists visited KwaZulu-Natal, arriving by air. These tourists had originated mainly from the UK, USA, France, Germany and the Netherlands.

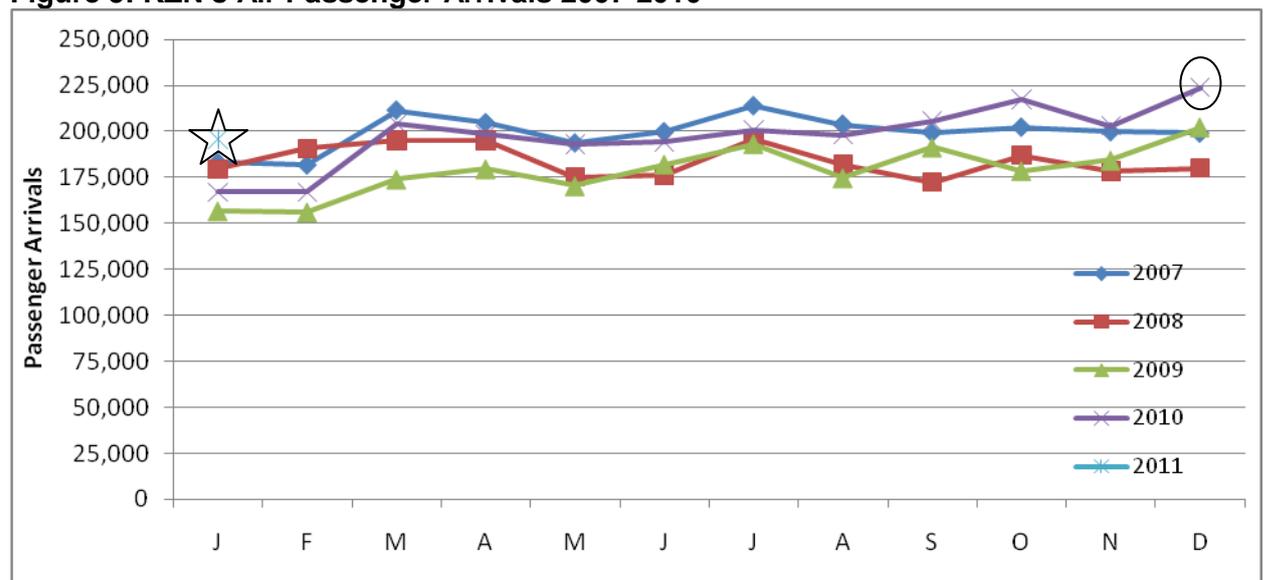
Growth in air passenger arrivals in 2010 showed a 20% increase over arrivals in 2006. By 2008, however, the picture had changed. There was instead a 7.7% decrease in passengers arrivals by the end of 2008 compared to 2007. In 2009, there was again a decrease in numbers of arrivals, but this time only by 2.9%. This was a small indication that the downturn's trajectory had begun to change its path and the rate of decline slow down. By the end of 2010, a reversal in the trend had occurred and figures at last showed a 10.6% growth in air passenger arrivals to Durban.

KZN's new King Shaka International Airport reported a total of 397 781 passengers in January 2011 including both arrivals and departures, representing a 17% increase over arrivals at the old Durban International Airport in January 2010, when 340 474 passengers used the airport. In the ten months from April 2009 to January 2010, the old DIA handled 3.6 million passengers. In the past ten months, the new KSIA handled an increased 4 million.

A team of interested and influential people including members of Tourism KZN worked extremely hard and managed to convince Emirates of the economic benefits of bringing in daily flights direct from Dubai to Durban. These direct international flights have contributed significantly to the increased use of the Durban airport and passenger numbers. Presently work is continuing with the aim of attracting several more airlines to include direct international flights into Durban.

The passenger arrivals into Durban from 2007 until the end of 2010 are depicted in the graph below:

Figure 5: KZN's Air Passenger Arrivals 2007-2010



Source: SAT, 2011; TKZN, 2011

There are several noteworthy points on the graph above. The 2010 line indicates quite clearly that December 2010 saw the largest number of air passenger arrivals since July 2007. That month, together with October, appear as indicators that air passenger recovery is occurring, certainly as far as KZN is concerned. The years 2008 and 2009 were poor years in terms of air arrivals. From the graph it is clear that 2009 was particularly poor. Towards the end of 2010 then, and into 2011, all indications appeared to be that the recession was largely over, and travel patterns were increasing. The arrival figures for January 2011 (the most recent data available) are at the highest level since 2007, as is highlighted by the star in the graph above.

By January 2011, passenger arrivals totalled 223 982, a massive 34.2% increase over the same period in 2010.

This graph roughly mirrors the picture created by the overall air arrivals to South Africa as a whole, as may be seen in section 4 above. However, the overall trends also indicate that KZN is less affected by foreign air arrivals than the country as a whole. This is in line with its popularity as a domestic tourism destination. Domestic tourists tend to fill the 'troughs' in arrivals created by a dearth of foreign visitors during the winter season. Such domestic tourists also increase overall air passenger arrivals during school holiday periods.

It is interesting to note that there was only a slight decrease in arrival numbers between March 2010 and April when the old airport was decommissioned and the new one brought into operation. The longer runway of the new airport makes it possible for the new wide-body planes to land in Durban. Emirates Airlines also began direct flights into Durban on a daily basis, further increasing arrival numbers. The new airport together with the adjacent Dube Tradeport provide a most attractive combined facility to bring in more direct overseas flights for both passengers and freight. It will be interesting to see how the picture changes as the recovery from the recent recession occurs.

6. Conclusions and Recommendations

Air passenger movements are sensitive to and dependent upon a range of factors. Many factors on a variety of levels affect air travel behaviour. The recent global recession had a significant effect on air travel and international tourism. Simply put, with disposable income stressed, air travel decreased.

The Durban area did indeed benefit from the 2010 World Cup event. Furthermore, all indications are that passenger numbers are not only recovering from the recent economic slump, but are also beginning to increase beyond levels seen prior to that event. The recent news (Mercury, 16.2.2011) that all indications are that Durban's old airport site will be used to create more port capacity as it will be turned into an additional dug-out port facility means greater opportunities for business in the area. If the old airport site is to be used as a dug-out port, it is highly likely that the air force base will also have to move, and probably out to King Shaka International Airport. However, this also means that the very existence of the original DIA is in question, and the facility may, in all likelihood disappear, rather than be used as a secondary airport.

There remain questions as to what, if anything, will be done about the small internal airport at Virginia. This land is prime real estate in terms of a city hungry for land. However, many large cities, both in South Africa and elsewhere, have two airports, and perhaps Virginia will be transformed into a local or regional airport serving intra-regional flight needs. If not, there is also a possibility that at least part of the old airport site could be used for an intra-regional airport, thus freeing up the coastal land presently being used by Virginia Airport.

In any event, TKZN, the DEDT and other determined stakeholders are working towards increasing the number of direct overseas flights, and airlines into KSIA, and this will in turn increase passenger numbers into the area. Perhaps the new KSIA will go some way to allowing recovery of direct overseas passenger numbers to levels last seen in 1999 when 95% of the direct international flights into Durban were cancelled due to SAA's hub and spoke policy.

This paper has shown the effects of both the global economic downturn on air passenger movements, and a major international sporting event such as the FIFA Soccer World Cup on the

region. The airline industry was hard hit by the first, but showed remarkable and almost immediate recovery with the second. Continued recovery appears certain, supported by the arrival figures from KSIA for January 2011, the highest arrival figures for that month for some years. The KSIA and associated Dube Tradeport provide a substantial, world-class facility, capable of dealing with both air passenger and air freight increases for decades into the future. It remains for those marketing the region to continue to attract an increasing number of direct international flights and thus increased air passenger numbers into KZN.

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