A DREAM DEFERRED? SANTACO AIRWAYS, A LOW COST CARRIER THAT NEVER LAUNCHED IN SOUTH AFRICA

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INTRODUCTION

South Africa is the first African country to have hosted a mega sporting event, the 2010 FIFA World Cup™ and the tournament increased the exposure and prestige of not just the continent but specifically South Africa. The increased arrivals envisaged for the tournament and after, there was an opportunity to ensure that the tourism supply-side (including accommodation, tourist safety, attractions, transports, events, etc) are upgraded which will in turn increase the competitiveness of South Africa for the long term (DEAT, 2005). Tourism plays an increasing role in South Africa and tourism (WTTC, 2012) contributes 2.7% of total Gross Domestic Product (GDP) in 2011 and is forecasted to contribute 5.7% in 2012. Tourism is developed to create jobs, distribute income and benefit small, and medium businesses and South Africa is known for its unrivalled wildlife, wine, justice tourism and according to Cornelissen (2005) the Western Cape province of South Africa is one of the country's premier tourist attractions. South Africa has been to host to the World Summit on Sustainable Development (WSSD) in 2001 and several other major conferences, exhibitions and meetings. Tourism generates in excess of R48 billion in revenue from foreign tourists each year and since, 2000 has been growing volumes at rates averaging between 4% and 6% according to *Airlift Strategy 2006* by the Department of Transport (2006). Van Schalkwyk (2012) noted that the tourism sustains one in 12 jobs globally and contributes 9% of worldwide gross domestic product. The tourism industry provides compelling reasons for its development in a country such as South Africa that has abundant wildlife, natural beauty and more than 2000 kilometers of coastline.

Tourism demand does create the incentive for the development of transport networks, and increasing frequency of service. In the lead up to the 2010 FIFA™ World Cup in South Africa, the projected increase in arrivals led to investments in infrastructure such as the widening of roads, improvement of airports and the fast-tracking of the Gautrain, a rapid rail link that linked the OR Tambo International Airport to the cities of Johannesburg and Pretoria. Burton (1995) advises that a tourist cannot make use of tourism resources unless they are accessible through a transport system of some sort that must link the tourist's home to their desired destination. In addition, because of different customer tastes, the type and frequency of the transport systems is also paramount to the success of the destination area. Frequency can be influenced by competition and the associated government regulations regarding transportation, particularly aviation.

THE HISTORY OF AVIATION

''Commercial air travel commenced in the late 1920s, but, because of the cost and limited passenger carrying capacities, did not have much on an impact on tourism until later'' Inskeep (1991:8).However, according to Whitelegg (2003) aviation is predominantly a tourism industry and the tourism industry benefits from the liberalization of the aviation industry. The majority of South African use mini-bus taxis as a means of public transportation and the public transportation sector remains commuter-orientated. This means that the transportation sector in South Africa does not cater for access to attractions and tourist accommodation as its commuter orientated as tourist interaction with certain parts of the city/town may be at night when its not operational. Public transport is a barrier to tourism transportation in South Africa as its unreliable, and service standards remain abysmal. These realities are more associated with the ground transportation legacies of South Africa with specific reference to the minibus taxi industry. Unlike other countries, transportation in South Africa is predominantly road biased, as opposed to rail, water and air travel. The spatial transport planning legacies of apartheid ensured that there is no integration of the transport systems in South Africa. Because of the legacy of apartheid and lack of change in apartheid city planning, there realities in South Africa are that (Behrens, 2004) there is a strong correlation between income, poor accessibility and race. The duality in the lives of South African is a key feature of the apartheid project; however, there is increasingly intra-racial progress amongst the Black African population.

Transport infrastructure and transport operators form part of the important link of accessibility to the destination. Infrastructure has a catalystic role in growth and development of commerce and industry (Fedderke & Bogetic, 2005) by facilitating private investments by lowering production costs and opening up new markets, thereby creating new production, trade and profit opportunities. These in turn reduce transports costs, thereby reducing the cost of doing business and making firms more efficient, effective and competitive. The absence of infrastructure has allowed Chinese companies filling the infrastructure gap in many African countries. It would be in the long-term interest of China to build the infrastructure to facilitate trade with African countries. As noted by Corkin *et al* (2010:2) '' it's not coincidental that some of the most extensive infrastructure operations are in the more resourced-endowed African countries such as Angola and Zambia''. These minerals act as raw material that would be exported to China and the availability of reliable and quality infrastructure is imperative to ensure they can be transported easily and cheaply. The availability of different means of transport can put one destination at an advantage when compared to another destination especially when a consumer is comparing. Small island countries and landlocked countries usually experience higher costs for transportation that disadvantaged their products in terms of pricing due to the higher costs. These higher costs, can curtail the ascent of a small island countries and landlocked countries from a cycle of poverty.

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Private aircraft were useful in business as noted by Anderson (2001) in a report titled *Business Aviation in today's economy: A shareholder value perspective* indicated that increased mobility ensured that executives could visit hundreds of locations in a year with the flexibility inherent in being able to control the aircraft schedules and routes. This increased the productivity of the company, therefore the value to shareholders as the company performed better by saving time, and costs. Increasingly cities are becoming centres of consumption instead of production and cities are increasingly competing for business against each other in the age where development is localised. As noted by Otiso *et al.* (2011) airline links are an important component of a city's aspirations to world class city status. ''The crucial importance of transport for economic and social development also emanated from the fact that transport provides services to all sectors of the economy of a country…and is undoubtedly a precondition to effective participation in the increasingly competitive global economy'' Economic Commission for Africa (2009:3). From a tourism perspective on transportation (DEAT, 2005) the tourism industry ranks public transport as one of the most important priority investment areas towards enhancing competitiveness. Unlike other countries, the public transport system in South Africa is not tourist friendly. The majority of South Africans use the minibus taxi as a means of transport, which for reasons associated with safety, service and responsiveness to the needs of tourists, remains a transport means not encouraged for use by tourists. Its primarily the metered taxi industry that caters for tourists, which is characterised by higher levels of charges that the minibus taxi industry. In an ideal situation, tourists would be able to use the minibus taxis as they are faster, have higher frequency and service almost all areas. In addition, there is low automobile access as noted by Behrens (2004) that in South Africa only 39% of middle-income have access to a car, whilst 50% of middle class were without private automobile access. Insurance costs are generally higher because of inherent risks such as hijacking, pirates and lawlessness on the continent. Aviation provides the only rapid worldwide transport network which makes it essential for global business and tourism (ATAG, 2012) The development of aviation is usually challenged by regulatory impediments imposed by various government.

LOW COST CARRIERS

Airline deregulation causes a rise in frequencies, a decrease in prices, and increase in load factor according to Schipper *et al.* (2003).''In 2005, the number of scheduled passengers travelling by air exceeded 2 billion, a number that is almost a third of the global population'' Dowdall *et al* (2010:96). According to Hussain (2010) in recent years the airline industry has undergone dramatic changes, including mergers, bankruptcies, alliances, and the spread of new business models like that of low-cost carriers (LCCs). The advent of LCCs has also ensured that air travel is not elitist by offering a no-frills travel service to the bulk traveling market. This would obviously translate to mode switching from slower means of transport to LCCs. LCC presented an opportunity to unlock the leisure tourism market amongst the black population, which has largely not developed at a pace expected by the industry.

Therefore in the context of South Africa, LCCs have also spurred the growth and development of secondary airports especially with reference to Lanseria International Airport (LIA) located just outside Roodepoort. kulula.com, the LCC subsidiary of Comair/British Airways signed an exclusive agreement that allowed kulula.com to land there as an additional airport to OR Tambo International Airport. The service at LIA was tailored to advantage kulula.com and because of lower congestion and faster service, it was at an advantage to OR Tambo International Airport. As the prices of air travel has increased, there would be a potential benefit for LCCs as there may experienced heightened demand as legacy operators have higher costs of operation, therefore charging higher fares. The aggressive marketing and price discounting by LCCs (Whyte, 2007) has resulted in mode substitution for transportation from cars and coaches to planes and in the case of Australia one coach operator Deluxe collapsed.

The entry of additional (Detzen *et al.*, 2012) airlines may create a positive network expansion through economies of scope and increased industry wide connectivity. ''The high cost of business travel today is forcing organisations to find new ways of reduce travel expenses'' Douglas & Lubbe (2006:1130). This has led to the use of technology such as teleconference and videoconference, whilst both these methods can never replace the intimacy of human contact. LCCs are increasingly being used by business people and leisure tourists and LCC can stimulate domestic air travel that contribute to tourism volume as noted by Koo *et al.* (2010). As noted by Mason (2001) LCCs were primarily created to cater for the price elastic leisure market and are now used more and more by business people. LCCs operate on a low-cost model that seeks to achieve high load factor hence the aggressive marketing and provide no complimentary in-flight meals/snacks and offer only one class of seats, economy class seats. According to Pierce (2012) premium class travel had shrunk by 25% from its pre-recession high when compared to economy class seats. Premium class air travel is provided by legacy airlines as opposed to the all-economy seats provided by LCCs. In addition, the LCCs by using point-to-point operational systems are able to eliminate the costly hub-and-spoke system operated by the legacy operators. Hub-and-spoke systems are according to De Wit & Zuiderberg (2012) the operational complexity and vulnerability in terms of costly baggage handling systems, long aircraft turnaround times, rapid increase of costly no-connection rates in bad weather conditions, high airline labour costs at the hub. According to Morrell (2005: 303) noted that the response by full-service airlines has been as follows:

- *The establishment of ''low cost' no frills division or 'airlines within airlines' (applying all or some elements of the new business model)*
- *Attempts to remove a significant amount of cost from their operations, without changing their business model or reducing service levels to their business passengers.*

The only truly LCC in South Africa were 1Time and Velvet Sky (both liquidated), whereas kulula.com (Comair/British Airways), and Mango (SAA) were developed by legacy operators to cater for the growing market for low cost travel. SAA's Mango followed by Velvet Sky was the last to enter the LCC bandwagon, whereas Velvet Sky has already been liquidated. The fact that SAA and its subsidiaries are funded by taxpayers has been a major point of conflict in aviation politics in South Africa. Former kulula.com CEO, had been able to use full use of public relations, as he become the media darling arguing that the state funded SAA and its subsidiaries where distorting aviation demand. The successive bailouts that SAA has received from Treasury has been major point rallied that SAA must be privatised and stop receiving taxpayers money. The possibilities that SAA would be privatised are minimal as the current leadership in the governing party, the African National Congress (ANC) is more left-leaning than the ANC and government led to Thabo Mbeki who was one of the architect of the neo-liberal macro-economic policy called the Growth, Employment and Redistribution Strategy (GEAR).In as much as GEAR is still government policy, its implementation is not being followed because privatisation of state owned enterprises (SOEs) has been put on ice. SAA has been transferred from the Transnet to the Department of Transport as part of Transnet restructuring that was started by Maria Ramos. SAA remains important to government and its increasingly being expected to increase aviation access in Africa. SAA may therefore play an increasingly diplomatic role by opening up access to African cities within the continent, a move that would alleviate the poor African connectivity.

Besides LCCs, aviation has seen the rise of full service Arabian Gulf carriers (such as Emirates, Eithad and Qatar) that are cannibalizing the traditional flows between Asia and European hubs and by connecting secondary cities by exercising the 6th freedom traffic right. The Middle East's creation of a hub, supported by aviation infrastructure investments and airlines that would create capacity has ensured that the Middle East embraces tourism and preparing for a post-oil reality. Advances in technology have resulted in new, ultra-long range aircraft (InterVISTAS, 2007) that can operate nonstop flights to points without stopping to refuel. To offset the negative effects of a fluctuating jet fuel price, designs of aircraft have evolved to ensure that they are lighted, faster, and quieter. The fact is that the planes are getting larger and can accommodate more people as indicated (Dowdall, 2010) in 2007 the Airbus A380 became the first commercial airline capable of carrying over 800 passengers in all economy configurations. According to Peleman (2001) apart from airworthiness and safety checks for planes, the threat of terrorism and air piracy has traditionally been the main security concern. The credit card companies have readily benefited from these aviation relates sales that would require the use of credit card transactions, outside of using the travel agency for aviation business. Over the past few years, there has been an increase of distribution outlets for purchasing airline tickets to include the Money Market sections of the food retailer Shoprite and Checkers group. This has broadened the access for purchasing airline tickets and created ''access'' for a new markets that are maybe not connected to aviation consumption. The terrorist attacks that occurred on the 11 September 2001 in New York shock the international world and this has led to increased security, and security checks at airports.

The internet (O'Connor, 2011) allows passengers to purchase airline tickets directly from the airlines bypassing the traditional travel agent. The use of technology also extends to the check-in process. According to Dowdall *et al.* (2010) passengers can now check-in and print their boarding pass online or at a self-service check-in kiosk (SSK). According to research by Otiso *et al.* (2011) direct bookings via the Internet are estimated to cost an airline US$1 while bookings through travel agencies cost an estimated US$10 and LCCs specifically restrict to direct sales to reduce costs associated with using global distribution systems (GDS) such as Amadeus, Sabre, Galileo. The changes brought by the internet revolution had altered the distribution of tourism products forever. Airline carriers have been steadily decreasing the amount of commission paid to travel agencies as payment for selling their tickets and this has threatened the existence of the travel agents. These commissions represent a cost and airlines have been pushing for reducing their costs and travel agent (Alamdari, 2002) groups were complaining about airline effects to steer customers towards Internet bookings and (Yoon *et al.* , 2006) there is a strong incentive to reduce these commissions. The Shoprite Group serves a divergent consumer market, with Checkers catering for the more well off sections of society; whereas Shoprite serves the mass market. The increasing penetration of Shoprite into black locations put the Shoprite group at an advantage and an excellent platform through its Money Market outlets to distribute retail airline tickets. In as much as distribution through Money Market outlets is a later development, it has increased the visibility of aviation to other market segments of society, especially amongst the black population. As noted by 1Time Holdings (2007) less than 10% of South Africans travel by air which presents great untapped potential. The loss of airline commission has been mitigated by charging service fees by travel agents to customers. ''Travel agents were viewed as agents for the supplier who was paying them a commission for selling their services. The revenue earned from airline sales made up the major source of income for the agent'' Lubbe (2005:385). The Internet access challenges in South Africa has not allowed the airlines to use the Internet only option when booking tickets but have allowed the use of call centres as a means also of selling tickets. ''The Internet only option requires the existence if a high-level of Internet penetration and a technologically advanced society'' (2005:360). The associated call centre were imperative for customer service as well as playing a sales role. According to Hansson *et al.* (2001) the twin impacts of the terrorist attacks on September 11 and the global recession provided conditions for financial distress by airlines which create opportunities for consolidation in the aviation sector. The price of many aircraft dropped due as aftermath to the terrorist attack, and this presented value buying opportunities that led to the emergence of the 1Time, a no frills airline in South Africa.

The transport sector is also a major polluter whilst (Friends of the Earth, 2005) aviation is the fastest growing contributor to climate change. Currently, the global emissions from international aviation transport account for about 1% of total anthropogenic CO2 emissions. As noted by Van Schalkwyk (2012:2) '' slowing down aviation and tourism growth to reduce carbon emission will be in no-one's interest. It will destroy jobs and undermine our efforts to reduce poverty''.The South African Treasury has announced the introduction of a nation-wide carbon tax as part of the 2012 budget. This prompted the IATA Director General to lobby the Minister of Transport to reconsider the issue of carbon tax as this will have a detrimental effects on aviation as this carbon tax will deprive the industry of the financial resources to invest in emission reducing measures (Bisignani, 2011). South Africa was introducing the tax, joining the aviation taxing bandwagon that has seen many countries seeking to introduce emissions taxes on aviation, seen as a ''cash cow'' for the climate change taxation disproportional to other sectors of the economy. Aviation is a transnational industry and therefore requires a global solution to double counting and double taxation of emissions according to Van Schalkwyk (2012). The regulatory costs such as emission taxation by each individual country may be devastating and threatening the existence of the aviation industry, most of these taxes implemented unilaterally. As noted by

Button (2005) the air transportation industry, generally seen as a luxury good is a convenient subject for taxation and the collection of such taxes is convenient and inexpensive. Taxation is usually though to discourage the use of something, like alcohol or cigarette, in the case of aviation, it may actually lead to increased transportation costs and the price elasticity of tourism demand may mean lower tourists visiting a destination. The general increase of aviation tax has a detrimental impact on travel for business and increases the cost burden to tourists. In other words, aviation taxation does more harm than good. In addition, Whitelegg (2003) noted that traffic congestion can be caused by the aviation industry; in this regard Manchester airport is responsible for 20% of the congestion in Manchester. Jet fuel whose price is not stable forms a bulk of the costs of the aviation industry and according to Winkler & Marquard (2011:57)'' the more a firm spends on energy as a share of its total costs, the more sensitive it would be to a carbon tax, other things being equal''.

Fuel costs have generally replaced (O'Connell, 2011) labour as the largest expense of running an airline. To mitigate against the high fuel prices many airlines now pass on the fuel increases to customers, in a form of fuel surcharges. Besides using more fuel efficient planes, airlines are also mitigating high fuel prices by (Morrell & Swan, 2006) hedging fuel costs using physical or derivative markets as airlines that hedge outperform those that do not hedge their fuel costs. The increasing share of energy costs as a percentage of total costs has an impact on the competitiveness of prices, depressing profits, and may also lead to damaging price wars. The airline industry have been affected by the recession, sub-prime crisis and austerity measures that impacted the major economic block of the European Union (UN). After the heavy losses of 2008-2009 for airlines (Pierce, 2012), there was an improved cash flow for airlines in the year 2010. As noted by BTC (2008) skyrocketing fuel prices are the most immediate challenge for airlines everywhere in the world which would mean higher fares and less traffic volume. Oil producing regions of the world are geographically located in volatile regions such as North Africa, West Africa and the Middle East. The decrease of oil production usually leads to spikes in the price of oil at times breaching the $100 per barrel price. The increase such increases affecting all aspects of society.

In addition to aviation taxes, landing fees going up can distort aviation demand by driving up costs, acting a form of taxation. O'Connor (2011) indicates that the decision by the Civil Aviation Authority to increase landing fees had driven up the operating costs of British Airways by 50% compared with the Middle East rivals. According to Ryler & Davidson (2008) in 2004 Ryanair transferred 70% of its services from Birmingham International Airport to East Midlands airport because Birmingham required Ryanair to pay 100% more for airport charges. ACSA in South Africa has already applied and been granted inflation exceeding increases in landing fees which will drive up the costs of doing business in aviation. The landing fees that the airlines are paying are justified in the case of ACSA because they don't represent the true costs of ACSA servicing the airlines. ACSA, with a virtual monopoly on the provision of airport infrastructure is a state owned enterprise that through its business practices is increasing the cost of air travel to the detriment to the economy. ACSA has provided world-class airport facilities and infrastructure that would benefit the aviation industry and benefit the economy. The higher costs factors would ensure that the higher costs will lead to higher prices, affecting the price elastic tourists. As suggested by Gomez-Lobo & Gonzalez (2008) airport services can be funded from the general budgeting by the government and the funding by charges and rates would simply substitute the funding from taxation sources.

SANTACO AIRWAYS

The ground public transport system in South Africa is dominated by minibus taxis that according to Vegter (2012) account for 65% of public transport users. In South Africa there are two types of taxis (Czegledy, 2004) personal and communal. The communal taxis are the infamous minibus taxis that are notoriously unroadworthy and a major cause of road carnage. It's projected that it has an industry turnover in excess of R1 billion (Ahmed, 1999), been vital for the survival of the motor industry (Khosa, 1994). The minibus taxis in South Africa are popular and a feature of the pre-1994 transport regime which was racially segregated. According to Indaba (2012) the minibus taxis originated from a need to provide an alternative to the state-run buses and trains. Black ownership of minibus taxis could have been also been a solidarity initiative that ensured that people preferred to use a transport system owned and managed by black South Africans. The South African mini-bus taxi industry is a multi-million rand industry that has the majority of the ownership in the hands of black people. It provides thousands of people with transportation and for (Behrens, 2004) segments that cannot afford the costs associated with vehicle ownership and is therefore captive to whatever public transport services are provided.

On the other hand Barrett (2003) indicates that it is part of the informal economy in that the majority of operators do not register as tax payers and do not register their employees or comply with labour legislation. In addition because the industry is not regulated and has shown little in being regulated, it does not benefit from subsidy from the Department of Transport (DoT). The taxi industry has also had its own ''liberation struggle'' as the apartheid government sought to suppress its growth. The taxi industry began in the 1950s when black owned large sedan cars began providing public transport in the townships until the regulations were relaxed permitting a maximum of eight passengers according to PEW Centre on Global Climate Change (2000). These changes heralded the birth of the minibus taxi that increased capacity from eight seats to later 16 seats. Lack of regulation lead to oversaturation of the market and associated violence for routes, permits and low roadworthiness of the vehicles. The taxi industry recapitalization was a strategy to reduce the excess capacity by introducing new vehicles with more seats, 18 seater and 35 seater. Replacement of old, unroadworthy taxis was also a noble initiative of the taxi recapitalization programme. According to Khosa (1998) the Welgemoed Commission of Inquiry suggested that government ban minibus taxis and replace them with 4-seat sedan taxis, and this recommendation was opposed by powerful lobby groups. The taxi industry has adapted to the changing conditions presented by the change of government and today SANTACO is the representative voice of the taxi industry. The need to formalize the industry was necessary to ensure that governance and management of the industry was streamlined in terms of registration of associations and operators, enforcement of permit requirements, roadworthiness and traffic rules and the recapitalization of the taxis. The latter stages was the introduction of BRT and the taxi industry acting as a feeder to the BRT system as it was rapidly implemented in the lead up to the FIFA™ 2010 Soccer World Cup. Much has been done to professionalise the minibus-taxi industry, to comply with tax legislation by offering amnesty as an incentive for compliance.

According to Mmadi (2012) taxi owners did not consider the rights of taxi drivers forcing them to work daily, for long hours up to 16 hours depriving them of social and leisure time off. The mini-bus taxi industry is a permanent feature of the spatial realities of apartheid planning and provide voyage mainly from townships to the centre's of commerce and industry. The taxi industry has many entrepreneurs who have an incentive to make a profit is higher than the motivation to supply a reliable public service to the public according to Van Zyl and Labuscagne (2008). Minibus taxis are notorious for their erratic driving habits, overloading and attempts to travel faster than other vehicles, breaking all laws of the road. The segregation policies of apartheid meant that the public transport was also segregated along racial lines and the taxi industry was established as an alternative to state run buses and trains. Because the taxi, where black owned, they easily benefited from support and sympathy from black commuters. The introduction of the minibus taxi changed the industry forever and the industry reached near saturation point. The saturation point leads to serious violent conflicts between rival taxi grouping over the lucrative routes. The taxi industry under its umbrella organization, SANTACO announced that they will be entering the aviation market. Any entry of a new aviation player is welcomed considering that South Africa is characterised by high levels of concentration and lack of competition. The lack of competition leads to high prices that may not represent the true value of the product being offered in a monopoly. The

According to a report by the Organisation for Economic Co-operation and Development (2003) high market concentration has been a characteristic not only of scale-dependent heavy industries but also of some consumer products. The virtual exclusion of apartheid South Africa meant that many industries could dominate due to sanction and the dis-investment by many companies. As a result in the aviation industry (Naledi, 2001) air travel in South Africa is dominated by SAA. Competition brought about y private investors in the aviation sector have faced stiff competition and many airlines have failed in their competition to SAA. SANTACO surprised the markets when it indicated that it will launch an airline, SANTACO Airways. SANTACO as a transport operator encouraged its members to fund the airline and they shall become shareholders and according to Hawkridge (2011) R 100 million has been used to set up SANTACO Airways. The funding for the airline will be attained from selling shares to SANTACO members which will be the taxi owners. The shareholding by taxi drivers is not well presented, as SANTACO represents the interests of the taxi drivers as opposed to the taxi drivers, who are employees in this industry. Capital accumulation has been a key feature of the taxi industry with owner-drivers increasingly being replaced by entrepreneurs that would own a fleet of taxis. SANTACO would seek to gain market share by operating from the secondary airport, Lanseria International Airport just outside (Ramela, 2011) Roodepoort and to Bhisho airport, in the Eastern Cape. SANTACO Airways will be following in the footsteps of kulula.com that was the first commercial airline to operate out of Lanseria International Airport. However, as for the decision of using Bhisho Airport can be maybe influenced by the fact that it is the seat of the provincial government in the Eastern Cape. As for the condition of the runway and the availability of facilities, much is less known? Mthatha Airport is gaining more traffic as the South African National Defence Force (SANDF) is involved.

From Bhisho, the airline would depart for Cape Town International Airport after an initial stop in Bhisho. As noted by Detzen *et al.* (2012) the legacy airlines use a hub-and-spoke network seeking maximum connectivity while leaving smaller routes the regional carriers and LCCs. What is however clear is that SANTACO Airways would want to benefit from the migrant labour market that would usually use buses or automobile. However, the choice of Bhisho is suspect as load factor must be sufficient to incentivise the investments to operate on the route. In as much as many airline routes remain overpriced, there is currently no commercial route operating to and from Bhisho. Mthatha has limited route frequency but it would be a better business decision to use it in the absence of compelling research outcomes that point to Bhisho. Government business would key to the success of the route as both Mthatha Airport, East London and Port Elizabeth airports are quiet a distance from Bhisho, the seat of the provincial government. The hub-and-spoke network reduces costs and its clear that SANTACO Airlines will not follow this network. By using Lanseria, it will be a regional or secondary airport with the exception of Cape Town International Airport. This new route would be ''off-the-beaten-track'' and SANTACO Airways would most probably attain an immediate monopoly on this route. Lanseria International Airport is a secondary airport as well as Bhisho airport. Lanseria International Airport has been able to increase aviation access in Gauteng and benefited customers that want a less congested airport when compared to OR Tambo International Airport. It's clear that SANTACO Airways will be using secondary airports first as a positioning strategy, because they offer lower costs, and are less congested. Both these airports are not ACSA airports .

The Lanseria-Bhisho-Cape Town route was chosen to cater for people that have fewer transport choices which exclude air travel. SANTACO Airways potentially wants to benefit from government business as Bhisho remains the provincial capital of the Eastern Cape, and in terms of distance is favourably placed when compared to the East London airport. Being the seat of government, means that many government officials may use the airport. These are potentially the reasons that Bongani Msimang, SANTACO CEO (Child, 2011) believed that the airline would have higher load factor than other airlines flying to and from Eastern Cape. The Bhisho airport would be a growth-point that would attract more investment in the region due to increased aviation traffic and can be regarded (Whitelegg, 2003) as engine of the local economy. In addition, another contribution not quantified is that productivity gains and cost saving can be attained when using the Bhisho airport instead of at times booking accommodation in East London, and hiring cars for officials to make their way to Bhisho. The taxis will apparently transport customers straight from their doors steps to the respective airports, where they would catch the flight. There are little to no details on how this will unfold considering that the taxi drivers have a job to perform, not related to SANTACO Airways. Its quiet clear that SANTACO Airways will use a cost-leadership strategy to undercut the existing aviation operators to the Eastern Cape. Child (2011) noted that the projected ticket for a one-way ticket to the Eastern Cape would be more than R800 and definitely less than R2,600 which is charged by other airlines. Safety has been an issue that had been raised because of the notorious driving manners of taxi drivers. SANTACO has been at length explaining that it would not be taxi-drivers that will be operating the ''taxis onto the runway''.

On the 16th September 2011, SANTACO Airways took to the sky on a maiden voyage as plans were still in place to launch it commercially. The test flight was a great milestone in the metamorphosis of the taxi-industry and it gained lots of media attention, a great rags-to-riches story. ''The first flight was overbooked, on board being President Zuma, Gauteng MEC for Roads and Transport Ismail Vadi, Transport Minister S'bu Ndebele, Eastern Cape Premier Noxolo Kiviet, other Members of Parliament and SANTACO bosses'' Cole (2011:1). This was a milestone, even though largely symbolic for a industry associated with lawlessness and lack of compliance to operate in an industry that sought the direct opposite. The tourism industry was still challenged by lack of compliance to Black Economic Empowerment (BEE) legislation as the (Naledi, 2003) beneficiaries of tourism are a concentrated group of monopolies. When it was launched, it was the fifth LCC after Velvet Sky (has since been liquidated), 1Time, kulula.com, Mango. The maiden flight took off with people singing ''*Shosholoza*'', a traditional African song that has become commonplace in rugby games according to Tshetlo (2011). The test flight was able to raise the awareness of the airline, potentially preparing the company for the commercial launch and most importantly it was a successful public relations exercise that got SANTACO Airways a lot of press coverage.

Due to the lack of aviation expertise according to Ramela (2011) AirQuarius which works with other domestic airlines were the initial managers of the airline and their expertise include aircraft management, training and development of pilots, aircraft sales, leasing and charters, and aircraft maintenance. AirQuarius will project manage SANTACO Airlines until they have build enough capacity and institutional knowledge until SANTACO can takeover operations. However, the launch of SANTACO Airways has been characterised by a series of delays and it is yet to operate. SANTACO Airways seems to be a dream deferred as the financial equity to start the operation may be higher than envisaged. The competitive nature of the aviation industry in addition to the high associated costs makes entering the industry unattractive. The ever changing regulatory costs associated with aviation, are a further deterrent to competing in the aviation industry. If SANTACO Airways eventually takes off, it would be a great transformation project for the aviation industry and change the face of aviation in South Africa forever. It would be a great business diversification for the taxi industry to operate in another sector of the transportation industry. The lack of progress and lack of information in the launch of SANTACO Airways would be similar to the promises made by SunAir Holdings, an unlisted share peddler company that has been selling unlisted shares to the public with the promise of listing on the JSE and launching operations. Unlisted companies usually exhibit low levels of corporate governance because they are not listed and people are usually advised not to invest in unlisted companies as they show little to no regard for shareholders and corporate governance principles.

CONCLUSION

Bhisho airport and the surrounding area would benefit from aviation traffic and this can be a catalyst for more development and economic benefit for the region. Airports usually act as growth points for any region they are developed in and Bhisho would benefit especially since the SANDF has already taken the upgrade of the airport. SANTACO Airways seems to be a dream deferred as there is no indication that the airline will eventually launch in South Africa. Operating an airline is not an easy task as noted by SANTACO President Jabulani Mthembu (Child, 2011) that the aviation industry was a tough one to break into''. The effects of the global financial crisis have led to a dampening of aviation traffic at the time that the industry least needs a reduction in demand. The high fuel costs are an unavoidable feature of the industry, and must be contained by using new generation planes that use less fuel. The increasing regulatory costs associated with increases in landing and parking fees in addition to nautical services are outside of the influence of the airlines. It is industry bodies such as International Air Traffic Association (IATA) that can play the role of lobbying government policy to be favourable to the aviation industry. The price sensitivity of airline passengers used to LCC fares must be considered before launching an airline. The business know-how of airline operation is by far the most critical as in the case of 1Time, the airline was only liquidated after the founding CEO resigned from the airline. If SANTACO is to launch an airline it must ensure that it has good human resources headhunted from the aviation industry. An independent board that will perform a fiduciary responsibility, whilst allowing the CEO to carry out business strategy without interference cannot be overemphasised. The role of SANTACO shareholders who will be the support the CEO and play their supporting role to the board of directors, in case the company needs capitalisation, as in the case of SAA waiting almost two months to get a capital injection from the Ministry of PubIic Enterprises. The resultant delay led to the AGM being postponed, financial statement not being prepared in time, and resignations by board members that included the chairperson of the board and the CEO including several executives. The airline business is tough, dynamic and forever faced by new challenges, and its an industry that requires patience. In the event that SANTACO Airways finally launches it would have been an empowerment success story as BEE deals are usually funded from debt, by black capitalists without any capital. In the event that SANTACO finally decides against operating an airline, immense opportunities exist in the real estate industry especially around taxi ranks where SANTACO can own taxi ranks and become landlords and thereby earn rental income. The demise in 2012 of two LCC, Velvet Sky and 1Time may have unsettled the potential investors, to Booij-Liewes (2012).The expectation of boarding a taxi-on wings remains a dream deferred.

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