COMMUNITY UPLIFTMENT

ACSA MAKES A DIFFERENCE AROUND LA MERCY

The development of a greenfield international airport at La Mercy has presented Airports Company South Africa (ACSA) with an ideal opportunity to ‘make a difference’ for the communities surrounding the airport. In line with the Company’s Corporate Social Investment (CSI) principle of empowering and sustaining South African communities, support is being provided across the spectrum of poverty alleviation, education, job creation and social upliftment. R28 million has been approved for expenditure during the construction phase of the La Mercy project, between 2007 and 2010. So far, about R18 million has been spent.

The Waterloo Community Centre has benefited through a R400 000 upgrade. As well as providing the normal facilities, the centre is used for labour recruitment for La Mercy and so has become a focal point for people seeking work.

Creating business opportunities has extended to creating an opportunity for the Waterloo Community Sewing Group to supply all the curtains for the site cabins at the airport construction site. This project is now complete, but to help make it a sustainable undertaking, the sewing group has received additional assistance from Illembe Consortium’s initiatives, with its stakeholders ACSA and DTP, through the purchase of additional sewing machines and training from the KwaZulu-Natal Institute of Technology.

Education has always been an important area of support, and R2 million of the CSI budget is going towards a mobile science laboratory, to be used in the KwaMashu and Tongaat areas, and a science laboratory at the Mzuvele High School. These two initiatives will give students in the area the opportunity to use effective, modern facilities in their science subjects.

Due to be launched in September 2009, a R1 million investment will be made in a computer laboratory, a media centre and a science laboratory at Waterloo Primary School.
An HIV/AIDS community project with a clinic, counselling, home-based care, education and skills training is being supported in Umhlali. Nearly R2 million has been allocated to the building of three family houses for rehabilitated street children in Illovo, on the KwaZulu-Natal South Coast. Rural communities are receiving support through the provision of a vehicle for the Umvoti AIDS Centre, to help serve home-based care programmes, and funding will also be provided for vehicles and clinical equipment for the medical professional organisation of Khanya Africa.

This substantial CSI expenditure is being intentionally dispersed over a selection of organisations and initiatives to bring support and encouragement to as broad a spectrum of deserving recipients as possible. Support is also being provided to other causes than those described.

**ACSA PROPELS ARCHITECT TO SUCCESS**

Born the son of an Evangelical pastor on a Sunday, which was also Christmas Day, he was gifted with the name Mangaliso, meaning ‘Wonder Boy’, Shabangu. Following matriculation in 1980, he joined 12 other black students at Wits Technicon, obtaining a higher diploma in architecture. This was followed by acceptance to study for a Bachelor of Architecture at the University of the Witwatersrand, resulting in graduation in 1992. The following year was hard for a new, black, architectural graduate, with eventual employment as a store planner for Edgars at the end of 1993.

An opportunity to join a new architectural firm in 1995 enabled Mangaliso to gain valuable experience, leading to the formation of his own firm, Shabangu Architects, in 1997. Turning one half of his home into an office, Mangaliso started with three staff members and obtained contracts for a school and a 120-house social housing scheme. Mangaliso’s determination was typified by his being contracted by Wits University to undertake the upgrade of a library after approaching them and telling them that it was all very well to train someone, but how about some work?

A successful joint venture with Osmond Lange for a prison in Klerksdorp led to work from Airports Company South Africa (ACSA) in 2004, which began with a study of the O.R. Tambo International Airport’s structure and operations. This is continuing with involvement in the main terminal building.

Expanding business brought Tapiwa Muvevi on board as a partner in 2004, with the specific brief of expanding the firm’s aviation business. Having studied the latest trends and developments at European airports enabled Shabangu Architects to tender successfully for design and supervision at the greenfield international airport project at La Mercy.

Extensive portions of the project have been designed by the firm, and include the air traffic control tower, the crash, fire and rescue facilities, five maintenance buildings, the ground handling buildings (with repair yards and workshops). Also included are the staff processing building, gate houses, the cyber port (communications) and buildings for the dog units from SARS, SAPS and the Department of Agriculture.

While government contracts for hospitals, clinics and prisons represented a significant proportion of the firm’s work in the early days, that balance has changed substantially, with aviation providing major growth in the firm’s business.

A partnership with a multi-disciplinary British firm has enabled Shabangu to provide technical analysis for developing national strategies for cargo and freight infrastructure and business cases. This has resulted in projects for the Department of Transport, other potential freight related business in South Africa and promising scope from the rapidly growing infrastructural and aviation programmes across Africa.

Shabangu Architects now has offices in Rosebank (Johannesburg), O.R. Tambo International, Durban and Thohoyandou. Growth has provided sufficient capacity to enter competitions, already having won the design of an office building. This diversification has extended to
include ‘environmentally conscious’ buildings, with a brief for a building at the Dube Trade Port at La Mercy to have the highest possible ‘green star’ rating.

In Mangaliso Shabangu’s words, “The partnership with ACSA has been invaluable. Our work with ACSA has allowed a small, black-owned firm to grow and gain visibility and reputation. This is particularly difficult where large, white-owned architectural firms have traditionally cornered the market. Because we have successfully delivered against ACSA’s requirements, we have been able to become aviation specialists, to grow and diversify our business.”

Mangaliso takes pride in the niche that his firm has created and its ability to compete with any other firm. His personal beliefs include a passion to benefit the broader community by using his skills to undertake pro bono design work. A family man with four children, Mangaliso sings in the choir at his church and is learning to play golf.

AIR MERCY SERVICE GETS BOOST FROM ACSA

The SA Red Cross Air Mercy Service (AMS) is an independent, non-profit organisation established by the SA Red Cross Society in 1966, in accordance with the principles and objectives of the International Red Cross and Red Crescent Movement.

The AMS plays a vital role, not only in providing emergency rescue and air ambulance services, but also in community outreach programmes, taking critically needed healthcare to remote rural communities. With headquarters in Cape Town and bases in Cape Town, Oudtshoorn, Durban, Richards Bay, Kimberley, Bloemfontein, Nelspruit and Polokwane, the AMS has a far-reaching ability to deliver its services, working in partnership with the provincial departments of health.

The ‘Flying Doctor’ and Rural Health Outreach Service flies medical and support personnel to outlying hospitals and clinics that serve rural communities. Doctors, nurses, dentists, specialists and allied healthcare workers – many of whom are volunteers - provide clinical services to thousands of patients each year. During the last financial year, 29 025 patients received specialist care in KwaZulu-Natal and the Northern Cape.

The provision of primary healthcare needs at community level in rural areas is a vital link in bringing services directly to the point of need. As well as providing these, the Outreach Service further strengthens the network by training local and medical personnel.

The Air Ambulance Service is complementary to the local road ambulance services and provides rapid aero-medical transportation of patients who are critically ill or injured.

Working closely with local metro and other rescue organisations, the AMS Rescue Service provides specialised medical, mountain and surf rescue services.

The permanent staff complement of the AMS is 108 and includes administrative, technical, medical and aviation personnel. Provision of the multiplicity of services provided by the AMS would be impossible without the army of approximately 700 volunteers, who are from all fields of expertise, including pilots and healthcare specialists.

Central to operations is the fleet of six, fixed-wing Pilatus aircraft, which are equipped with mobile intensive care facilities and can carry up to three stretcher patients. Eleven single-engined helicopters provide ambulance and rescue capabilities.

Operational costs are recovered from health departments, medical aids and other user organisations. However, the AMS relies upon additional support from the public and from companies, and it is here that the corporate social investment programme of ACSA plays an important role through its regular support of the AMS.
PREPARING ACSA AIRPORTS FOR ANY EMERGENCIES

Of paramount importance to ACSA is the safety and wellbeing of all airport users, whether they are passengers, service providers or staff. To ensure adequate provision of fire and rescue, medical and security services poses considerable organisational and logistical challenges, involving multiple organisations.

Each ACSA airport undertakes a comprehensive emergency simulation exercise, at least every two years. These are designed to address the broadest spectrum of potential accidents and threats to which airports and their users may be exposed. Included are aircraft crashes and fires, hijacking and terrorism events, bomb threats and airport evacuation, and all the associated requirements generated by each.

Planning for an exercise extends over many months, involving key personnel from ACSA, South African Police Services and many other organisations. Key to the success of either an exercise or ‘the real thing’ is an effective Emergency Control Centre (ECC), located on the airport premises. This, depending on the size and resources of individual airports, will have the capacity to support at least twenty operatives, with broadband, radio and telephone communications.

Linked to this may be a local or regional control centre, operated by an external organisation, such as a municipal emergency service.

Providing mobile, on-site support, each airport has a Field Command Post (FCP). Built around four-wheel-drive capability, an FCP carries rescue and communications capabilities to any point of need and operates as an ancillary to the ECC.

Each exercise is specifically designed to address multiple aspects of safety and security, and is operated and managed through a prepared script. Pre-knowledge of the details of the exercise is limited to those managing it, as opposed to those participating.

Depending upon its nature, an exercise may last from 3 to 24 hours, with the first, or ‘golden hour’, being critical in attending to injuries. Each service or organisation taking part has an ECC management representative and ‘on-the-ground’ operatives and equipment. Overall management lies with ACSA, in close cooperation with relevant services.

Also attending these exercises are monitors, whose specialist skills and experience provide essential input to the review process. This is held within a few days of the exercise and provides an opportunity to evaluate the overall success of the operation and to identify aspects of it that require modification and improvement.

While we all hope that it is never necessary to test these activities beyond an exercise, it is reassuring to have confidence in the knowledge that the organisations responsible for providing fire and rescue, medical and security services are prepared and experienced in working together to address all manner of threats and situations.
The Aviation Services Division is responsible for long-term airport planning (master planning and land use planning), capacity planning and business planning for regulatory permission, infrastructure development (project management), aviation research and forecasting, standards on aviation safety and the environment.

AIRPORT PLANNING

As a result of the domestic and global economic outlook, Airports Company South Africa (ACSA) experienced a significant downturn in traffic numbers. The full extent and depth of this challenging period remains to be seen, but obviously will have an impact on ACSA and its business beyond the short term. This has been a challenge for the Company’s planners, who have been re-assessing the validity and sequencing of previous plans and development programmes.

Specifically, the capacity expansion increments, as suggested by development plans that were in place before the global economic crisis, have been reviewed. Revised forecasts, based on industry and expert input, were incorporated into analytical models to predict possible future capacity requirements once demand improves and to prepare scenarios that would respond to outcomes that are still uncertain.

In the case of O.R. Tambo International Airport, a multi-disciplinary team of professionals has been guided by Airport Planning in sketching those future development options and integrating them with other on-airport and external developments. This process targets the facilitation of business planning material and approvals in the short to medium term to ensure that ACSA is able to introduce the correct expansions when they are needed once the market recovers.
Detailed development plans that respect the airport’s master plans have been concluded for the Cape Town, George, Bloemfontein and Kimberley airports. These plans identify the respective future building blocks available to the airports, as well as their preferred spatial locations and expected costs. This process is continuing for other airports in the system.

Detailed and comprehensive master plans for the Port Elizabeth and East London airports also commenced during the past year.

INFRASTRUCTURE DEVELOPMENT

Developments at various ACSA airports progressed well during the year and were completed and commissioned for use during the review period. ACSA is confident that all infrastructure required for the 2010 FIFA World Cup will be completed and commissioned in time for the event.

During the review period the environment for infrastructure development changed dramatically, principally as a result of global economic conditions. There is still a skills shortage problem, but more human resources are available at a reasonable cost as demand for infrastructure developments has decreased. Easing of labour and material bottlenecks as well as a stable fuel price resulted in a slowdown in contractors’ input costs, which resulted in a moderation of the previously very high rate of post-tender escalation. Most of our developments were procured before the current economic situation, but these developments are now expected to benefit from lower escalation adjustments.

The decrease in overall building demand, both domestically and internationally, is expected to bring about keener tendering and a lowering of contractor profit margins. This is likely to result in a drop in tender prices year-on-year, benefiting new developments.

During the reporting period ACSA invested R5,997 billion in infrastructure developments. The major components of this were: R1,819 billion at O.R. Tambo International, R1,048 billion at Cape Town International, R2,388 billion on the new airport development at La Mercy, in KwaZulu-Natal, as well as R458.2 million at the domestic airports and R80.9 million at ACSA Corporate Office.

While development work is in progress at various airports, ACSA is committed to minimising the inconvenience of construction and continues to focus on customer care and safety to ensure that all airport users are accommodated in a safe environment and their experiences at ACSA airports are pleasant and memorable.

O.R. TAMBO INTERNATIONAL

Work on the R2,285 billion development of a new Central Terminal Building (CTB) has progressed during the review period to a stage where various portions of the building have been commissioned for public use. The new atrium at International Arrivals was opened in September 2008 for ‘meeters and greeters’ waiting for arriving international passengers. Additional retail facilities and an enlarged and remodelled food court were opened in October 2008. The enlarged Departures level, with 75 additional check-in desks, kerbside drop-off and associated security and emigration controls, was commissioned in April 2009. A month later the first phase of the new consolidated International arrivals area successfully processed international arriving passengers. With the provision of 90-metre baggage carousels in the new arrivals section, the airport has reached full compliance to accommodate the Airbus A380 aircraft. The CTB development has created a ‘one terminal building’ airport at O.R. Tambo International where passengers, and especially transfer passengers, can now circulate seamlessly between the different facilities.

The remainder of this CTB development, comprising the second phase of the International Arrivals terminal, an International to Domestic re-check facility and the reconfiguration of temporary facilities, will be completed by December 2009, well in advance of the 2010 FIFA World Cup.

Escalators and lifts from the new CTB to the Gautrain Station were completed in February 2009 and will be opened for operation once the Gautrain Station building has been completed by Bombela, the concessionaire for the rail link.

The R500 million, 5 200-bay second multi-storey parkade (MSP2) was commissioned in phases over two years, with the last phase completed.
The improvements to the entrance and exit road system commenced during February 2009 and are expected to be completed by April 2010. Pedestrian subways form part of the development, providing protection against rain and separating vehicles and pedestrians.

Work on the five additional narrow-body aircraft stands commenced during January 2009 and completion is expected in early 2010.

**NEW AIRPORT DEVELOPMENT AT LA MERCY**

The landscape on which the new airport is developed has undergone dramatic changes during the review period as work is being done simultaneously on all facilities of the 7,5 million passengers per annum capacity airport, being developed for R6.8 billion.

Progress during the review period was hampered by abnormally high rainfall, resulting in the contractor implementing measures to recover the time lost and to bring the development back on track for commissioning before the 2010 FIFA World Cup.

Major achievements as at May are the completion and beneficial handover of the Air Traffic Control Tower to the Air Traffic and Navigation Services Company (ATNS) and the commencement of the final asphalt layer on the runway.

An operational readiness and transfer programme is well advanced.

**PORT ELIZABETH INTERNATIONAL**

Runway refurbishment works worth R68 million were completed in August 2008.

**EAST LONDON**

Work on the terminal building refurbishment and expansion to the value of R98 million is progressing well, with portions of completed building being handed over for operation. Work is done in a phased manner, with the last phases being the new Departures and Arrivals areas, expected to be commissioned by December 2009.
Reconfiguration and upgrade of the landside parking to the value of R8 million was completed in March 2009.

BLOEMFONTEIN INTERNATIONAL

Work on the terminal building refurbishment and expansion to the value of R46 million progressed well. Completed check-in facilities and a Departures holding lounge were put into operation in January 2009 and the last phase of the project, the new Arrivals and associated public concourse, is due to be commissioned by mid-June 2009.

A runway refurbishment and upgrade worth R121 million was completed in April 2009.

UPINGTON INTERNATIONAL

Work on the R31 million upgrade and expansion of the terminal building is progressing well and the project is expected to be completed by December 2009.

KIMBERLEY

The R17 million upgrade to the terminal building, including parking and a new car rental building, is progressing well and is expected to be completed by December 2009.

AERONAUTICAL TRAFFIC PERFORMANCE

The passenger traffic numbers at the ACSA network of airports have declined by 7.7% during the year under review. The domestic market, which comprises 70% of the total passenger traffic, declined by 10.5%, the regional market grew by 0.5%, and the international market declined by only 0.8%. This has meant that the ACSA network of airports has processed 33.3 million passengers for the year under review, a reduction of 2.8 million passengers over the previous period.

In the domestic market the full-service carriers show a greater reduction in passenger numbers than the low-cost carriers as companies adjust their travel policies during the economic recession.

Aircraft movement (ATM) numbers, in line with passenger numbers, also declined by 3.8%. Airlines are restructuring their fleets as well as reviewing their route operations to maintain yields. This has reflected a shift to operations focused more on Africa and the Middle East. Domestic ATMs declined by 5.9%, regional by 1.2% and international by 0.7%.

SERVICE STANDARDS REPORTING AT ACSA AIRPORTS

ACSA continues to deliver service levels that are in line with the Airports Company Act and its mandate to report to the Regulating Committee on a quarterly basis. The focus on continuously improving service levels at airports was achieved where construction and congestion were not affecting customer satisfaction. Improvements made within the operational and commercial environments have been the key indicators resulting in higher service levels.

Targets and key objectives have been set in line with the standards of the International Air Transportation Association and recommendations of the International Civil Aviation Organisation. ACSA has continued to monitor, evaluate, benchmark and report on the service levels rendered by the respective operators at each airport, in an independent and objective manner. This was done using independent companies for monitoring and verification, including the internationally based Airports Council International and Transport Research Laboratory.

The two-fold approach that ACSA has adhered to in line with the Regulating Committee’s request has been to monitor service levels through a qualitative (perception research) and quantitative (observation of services rendered) approach. The qualitative approach consisted of interceptive surveys conducted with passengers travelling through the airports relative to the profile and passenger traffic performance of the specific airport. The targets set to be achieved for the year were between ‘good’ and ‘very good’ levels of satisfaction and were generally achieved.

ACSA has further improved on service standards through interactive relationships established through quarterly workshops held with the
Waste management programme

During the year under review, the total waste generation for the Group increased as a result of the increased facilities provided, even though there was a decrease in passenger traffic volumes. However, general waste disposed to landfill sites decreased due to an increase in recycling, particularly at Cape Town and Durban international airports.

Local air quality programme

The strategy is based on direct measurements and environmental monitoring rather than predictive modelling at O.R. Tambo and Cape Town international airports and the new airport at La Mercy. This involves full air quality assessments to ensure and demonstrate that any future growth at these airports can be accomplished without an unacceptable impact on air quality.

The measuring and collation process began in 2006 at O.R. Tambo International and in 2008 at Cape Town International, following the installation of state-of-the-art air quality monitoring equipment in the vicinity of the airports. It is intended that the air quality monitoring programme will run in combination with the local authorities’ monitoring programmes in the area. The following air pollutants are being monitored:

- Particulate matter less than 10 μm in aerodynamic diameter (PM10);
- Oxides of nitrogen (NOx), nitrogen oxide (NO) and nitrogen dioxide (NO2);
- Sulphur dioxide (SO2);
- Carbon monoxide (CO);
- Ozone (O3); and
- Benzene, toluene, ethylbenzene and xylene (BTEX).

The airports operate a number of operational management initiatives to reduce emissions attributed to ground operations, including:

- Continued improvement of aircraft taxiing routes and procedures;
- New fire training facilities (liquid petroleum gas fired, not oil); and
- Use of fixed and mobile ground power units.
The existing wetlands on the site will be rehabilitated and maintained.

Waste management will be based on an integrated waste management methodology. The approach is based on waste minimisation, incorporating reduction, recycling, re-use and disposal where appropriate.

Water waste management

The sewerage plant will be technologically cable of treating water so that soaps, oils, greases, hydrocarbons and other chemicals will be removed from the effluent.

Fauna and flora management

The airport was designed so that it would not attract birds and other wildlife. A bird detection radar system will be installed at the airport to monitor bird movement at and around the airport. Landscaping of the airport will utilise indigenous species, with careful consideration taken not to create roosting sites for birds when planting trees.

Vegetation disturbed during the construction will be rehabilitated, utilising only vegetation indigenous to the area.

Perhaps the biggest contributor reducing the impact of emissions from road traffic to and from the airport will be the opening of the Gautrain railway link, which includes a station at O.R.Tambo International and is planned to be operational in 2010.

O.R. Tambo fuel spill

In 2008 a plan was developed to rehabilitate the areas that were affected by the clean-up of the aviation fuel that leaked from the airport’s fuel system in 2005. The fuel had leaked into the storm-water system, which flows into the Blaauwpan Dam. A Basic Assessment was also conducted, in accordance with the requirements of the National Environmental Management Act, 1998, which has been submitted to the Department of Water and Environmental Affairs for approval.

Airport at La Mercy

As part of the development of the new airport at La Mercy, an environmental impact assessment was carried out in accordance with the requirements of the National Environmental Management Act, 1998.

The Record of Decision (ROD) required that an environmental management plan (EMP) be developed and an environmental control officer (ECO) be appointed before the commencement of construction activities. The ECO was appointed and has been monitoring the project compliance with the ROD, environmental legislation and recommendations of the EMP.

Key environmental considerations taken into the design and construction of the airport:

Water management

Mitigating measures will be implemented to prevent possible contamination of storm-water.

The storm-water system has been designed to ensure the continued ecological and hydrological functioning of the adjacent wetlands at current levels of functioning with respect to water quality and quantity, and the composition and dynamics of species.
The key function of Airport Operations Division is to ensure efficiency and customer service throughout the airport logistics platform, and to standardise these approaches, processes, procedures and systems across the network of airports. In addition, the division aims to achieve continuous growth in the aviation business by ensuring that Airports Company South Africa (ACSA) is able to attract airlines into the airport network and that ACSA complies with all relevant licences to operate, together with regulatory and legal requirements.

WORLD CUP 2010 PLANNING

ACSA is preparing to host one of the largest sporting events in the world, the 2010 FIFA World Cup. A key consideration when hosting a large event is to ensure that all systems and processes are utilised optimally. All South African airports are working together to ensure the efficient processing of passengers, on-time departures of aircraft and minimal ground delays.

ACSA has completed detailed operational plans for each airport and these plans are continually updated as information becomes available. Furthermore, ACSA is represented on the Aviation Sub-Sector Task Team (ASSTT), which is responsible for co-ordinating the activities of all stakeholders in the aviation sector.

The first test for ACSA airports to efficiently and successfully process large numbers of passengers will be the hosting of the FIFA Confederations Cup in June 2009.

OPERATIONAL EFFICIENCY

The European Union implemented a concept called ‘collaborative decision making’ (CDM) a few years ago to manage increased air traffic movements. The concept is the aviation community’s
attempt to manage all flight movements from end-to-end. It requires the involvement of all stakeholders in day-to-day operations, including managing flights and the normal delays associated with airports and airspace. In Europe, it was also agreed that the next logical step would be to roll out the CDM concept to airports because that was where the main constraints would occur.

ACSA decided two years ago to embrace the concept of CDM and has implemented Airport CDM at O.R. Tambo International through the Airport Management Centre (AMC). This involved getting buy-in from all stakeholders to manage all activities in the airport environment in real-time. They form a community that takes responsibility for the functioning of the airport, thereby improving passengers’ experiences.

An example is when the airport experiences a baggage system problem. A decision will be made to either delay all associated flights or maintain the flight schedule and ship baggage to the destinations on the next available flight. This is what is known as a multi-flight event. These events are the most difficult to deal with as they affect many passengers and can lead to huge rotational delays.

Single-flight events involve a specific flight, for example, a delay in the re-fuelling of an aircraft. The flight might be delayed for a period of time but the recovery process is less complicated. One would consider all rotations — the next route to which that particular aircraft would fly — and then try to make up time at the destination airports or even consider an aircraft change on subsequent flights.

Following the successful implementation of the CDM model at O.R. Tambo International role players are now involved in managing all airport activities in real-time. This includes the domestic airlines in the main, the ramp handling agents, Air Traffic and Navigation Services as well as the government departments involved in the efficient processing of passengers.

During the last six months of the financial year, ACSA saw a notable improvement in on-time performance and average delay minutes per passenger. The latter is a measure that quantifies the effect of delays and indicates how many people are affected. At O.R. Tambo International the average delay minutes per passenger peaked at 21 minutes and then decreased to less than seven minutes in the last six months of the financial year. It has been a huge achievement to reduce the airport-related delays and the challenge is to maintain these high levels of service.

The ultimate goal is to provide a seamless, predictable experience for passengers using ACSA facilities. In recent surveys, done both locally and abroad, passengers have indicated that on-time performance is one of the most important issues when travelling.

Another key element, which is now quantified, is the hub status of O.R. Tambo International. The airport is the driver of air travel in the country and any delays affect all other routes. Delays out of Cape Town International have less of an influence, and in many cases the network can recover from delays out of the smaller airports.

This is positive for the travelling public but many travellers will also see a much stricter enforcement of rules in future. Individuals will no longer be allowed to delay flights by late check-in and the late boarding of flights. However, the whole airport community will benefit and the regime will ensure the sustainability of the industry.

CUSTOMER CARE

In recent years, ACSA has focused on becoming a world-leading airport business. This has meant developing a strategy focused on improving the experience of our customers throughout their stay at our airports. The Customer Care approach at ACSA has been designed to focus on customer centricity, efficiency and a seamless airport experience offered by all of the airport stakeholders. ACSA recognises that passengers judge an airport’s performance on the collective performance of stakeholders providing a seamless and hassle-free service. Synergies are created when an airport’s performance exceeds customers’ needs and expectations. ACSA is committed to consistently ensuring that these needs and expectations are well met.
Leading world airports in customer service were visited and studied to assist in the design and framework for the ACSA Customer Care strategy. The current phase of the four-part Customer Care strategy is aimed at changing attitudes so that, with our key industry partners, we take collective responsibility for the customer experience.

The four-part Customer Care strategy, by design, is progressive and comprehensive, and aims to address the following key attributes:

- Developing a customer-centric approach;
- Participation and compliance with standards to offer consistent quality service throughout the airport experience;
- Energising and engaging all airport employees and stakeholders; and
- A communications programme in line with the ACSA branding strategy.

A consolidated communications platform called the Viewing Deck was launched for all ACSA airports. The Viewing Deck gives customers the opportunity to communicate with ACSA via various platforms: SMS, email, telephone, fax, the ACSA website, call centre, etc. The Viewing Deck ensures a standardised approach throughout all ACSA airports when customers communicate with the Customer Care department at each of the airports. The Viewing Deck gives ACSA a multi-functional and diverse view of customers’ end-to-end experience. Vodacom gave the Viewing Deck an award for the ‘most innovative product of 2008’.

The iHELP programme was launched in conjunction with the opening of the Central Terminal Building at O.R. Tambo International. The programme consists of placing visible and knowledgeable iHELP staff at pre-identified decision points to assist customers. The programme has achieved the objectives of improving way-finding and increased the visibility of helpful and friendly ACSA staff. The programme will be extended to three other airports for the British and Irish Lions Tour and Confederations Cup.

AVIATION SECURITY

Aviation security continues to receive priority attention at ACSA and remains a core focus area. There continued to be a positive downward trend in the number of security incidents across all ACSA airports is evidence of this focus. Furthermore, ACSA has improved its internal quality control mechanisms by introducing structured aviation security audits at each airport in accordance with national aviation security regulations.

ICAO security screener certification

The International Civil Aviation Organisation (ICAO) recently introduced an updated security standard called the National Screener Certification Programme. Essentially, this programme is intended to improve aviation security. The Screener Certification Programme applies to all persons and entities in any aviation security process. It is aimed at identifying and detecting weapons, explosives or other dangerous devices, articles and substances that may be used to commit a civil aviation-related crime. The programme addresses recruitment, selection criteria, screener task, functions, screener supervision and screener management.

The benefits of implementation are to enhance on-the-job performance, optimise the effectiveness of training, increase job satisfaction and reduce turnover. All potential screening staff will be assessed and only those meeting the requirements will be certified, resulting in improved systems at all our security checkpoints. The implementation date of this programme is to be announced by the South African Civil Aviation Authority (SACAA). The ACSA training centre is well equipped and ready to deliver this programme to all ACSA security staff.

Security equipment upgrades

As part of the initiative to ensure that our security teams operate state-of-the-art detection equipment, ACSA concluded an agreement to procure the latest security detection equipment for the passenger screening points. The total number of units procured to date is 55, at a cost of R38 million.

The new units improve carry-on bag screening detection as they provide clearer, high-definition X-ray images that improve security officers’ ability to detect potential threat items.
Baggage pilferage

Theft from passenger baggage at airports is a worldwide problem. It is therefore pleasing to note that progress continued to be made in reducing baggage pilferage incidents at O.R. Tambo International. The airport processes about 20 000 pieces of checked-in luggage (departing) each day, and a similar amount of arriving baggage.

The global benchmark against which baggage pilferage is measured is 1 bag per 1000 bags handled. This statistic falls within a category called ‘mishandled bags’ and includes pilfered, short shipped, lost and damaged bags. O.R. Tambo International achieved a rate of 1 bag per 2000 that is 0.06% during the period under review. This is a significant improvement against the worldwide benchmark. This success was achieved by developing closer links with all partners in the baggage handling chain, enhancing CCTV surveillance of critical areas and establishing a Baggage Protection Unit.

The unit has played an important part in reducing pilferage through visible policing by the reaction team and surveillance operators. The unit’s efforts are further supported by South African Police Service officers and ground handling companies’ security officers.

AVIATION SAFETY

Safety is the overriding consideration in all ACSA’s activities. This is reflected in the safety policy statement, policies, procedures and effective implementation of a comprehensive safety management system (SMS), which is a requirement of the International Civil Aviation Organisation (ICAO). ACSA is among a small number of airport operators worldwide that have implemented a safety management system prescribed by the ICAO throughout its network.

Implementation of the safety management system consisted of an organised approach to managing safety, which included the proper organisational structures, accountability, policies and procedures. Safety management, based on regulatory compliance, was changed to a performance-based approach, which consists of meeting targets and measurable performance objectives. Safety measures implemented during the year under review include performance indicators and targets for accidents and incidents on the airside, prevention of runway incursions and control of bird and wildlife strikes. Performance indicators and targets are set by the number of incidents or accidents per 1 000 aircraft movements and are benchmarked against standards published by Airports Council International. ACSA is pleased to report that its initiatives have led to a greater understanding of aviation safety and that the occurrence rate is below the ACI average rate of airside incidents.

Bird and wildlife strike targets are specific for each airport due to the complexity of factors affecting bird and wildlife activities. Targets were set from historical data in conjunction with professional advice from our strategic partner, the Endangered Wildlife Trust. This partnership has resulted in many innovative and effective ways of minimising bird strikes and wildlife hazards at our airports.
The Commercial Services Division generates non-aeronautical revenue through property leases, concessions, management contracts and consultancy fees that leverage Airports Company South Africa (ACSA) airport infrastructure and brand. It earns commercial revenue from retail, property and advertising activities at ACSA airports and consultancy fees outside ACSA’s network of airports.

Retail revenue is derived from duty-free and retail stores, parking and car hire. Property income is derived from rentals earned on ACSA-owned properties and developments undertaken in partnership with developers. Advertising income is generated from advertising opportunities granted to advertising concessionaires and/or advertisers, both outdoors and inside ACSA’s terminal buildings. ACSA’s international revenue arises from the Company’s strategy to participate in airport development in Africa and the developing world.

In line with the ACSA strategy to build an efficient and customer-focused business, the Commercial Services Division is concentrated on maximising revenue from both new and existing contracts. ACSA seeks to achieve a minimum of 40% of total revenue from commercial activities, in line with the practice of leading airport businesses around the world.

OVERVIEW

The remarkable growth of non-aeronautical revenue has contributed significantly to ACSA’s financial success over the years. In the financial year ended 31 March 2009, non-aeronautical revenues contributed 54% (2008: 51%) of total Group revenues. The commercial revenues increased by 20% (2008: 23%) to R1,7 billion (2008: R1,4 billion).
AIRPORT RETAIL

Retail revenue grew by 29% to R562 million (2008: R434 million) in the financial year under review. The strong growth of R128 million is attributable to annual escalation growth on the on-going leases of approximately R44 million, income associated with opening of new areas in the Duty-Free Mall Extension and Central Terminal Building at O.R. Tambo International of R14 million and added turnover rental of R18 million by accruing, in line with ACSA’s financial year-end as opposed to the lease period of the core duty-free operator.

Higher rentals received on re-tendering of foreign exchange bureaus of R20 million, straight lining of leases following the issuance of new leases of R17 million and additional rental income arising from increased spending that arose from focused marketing and promotional activities of R16 million also contributed to the growth.

The retail marketing calendar included the promotion of ‘loss leaders’ in the core duty-free and electronics product categories. The on-airport marketing of uniquely South African offerings, in partnership with rural crafters, proved especially popular with foreign travellers. A new concept, in the form of Kids’ Play Parks, gave parents and caregivers the opportunity to shop in comfort while their children were being entertained under supervised care. Through a variety of opportunities – such as special occasions and sports events – ACSA’s three international airports were also positioned as shopping destinations, a strategy that will continue into the future.

In addition, the continued strengthening of all major foreign currencies against the South African Rand resulted in foreign passengers spending more on premium products as well as on the basket of goods. The growth in turnover was constrained by the decline in passenger volumes when compared with the previous year, but spend per domestic and international passenger increased over the previous period.

In August 2008, 22 new stores were opened at O.R. Tambo International, comprising about 3 000 square metres in the Duty-Free Mall Extension.

Tenders for retail space at the new airport at La Mercy and the Terminal 2010 at Cape Town International Airport will be awarded in June 2009.

In preparation for the 2010 FIFA World Cup, two FIFA 2010 stores were opened at O.R. Tambo International and FIFA 2010 merchandise will be offered from retail carts at the other airports. In addition, the Customs Department of the South African Revenue Service is finalising legislation for the approval of inbound duty-free, where passengers can buy duty- and VAT-free products in the arrivals area at the international airports before Customs declaration. This legislation will be implemented in time for the commencement of the 2009 FIFA Confederations Cup.

CAR PARKING

Parking revenue grew by 5% to R304 million (2008: R289 million). This growth was adversely impacted by the decline in passenger volumes.

The introduction of the bay detection system at O.R. Tambo International has resulted in a vast improvement in the service-level ratings. Problems relating to the accuracy of the bay detection signage are continuously monitored and corrected.

The final phase of the second multi-storey parkade at O.R. Tambo International, consisting of 3 000 parking bays, was completed in March 2009. The second multi-storey parkade at Cape Town International, consisting of 4 000 parking bays, is expected to be completed by the end of the 2009 calendar year. Early handover of 400 of these parking bays took place in December 2008.

CAR RENTAL

Car rental revenue grew by 1.5% to R128 million (2008: R126 million). Similar to car parking, this growth was limited by the decline in passenger volumes.
New car rental buildings at Bloemfontein and East London airports were commissioned during the year, resulting in increased kiosk space.

During 2008 the opportunity to operate car rental concessions at all ACSA airports was offered through a public tender process. All the existing operators were successful and new operators were awarded concessions at all the airports. At O.R. Tambo and Cape Town International airports, Woodford and Capital Car Hire were awarded concessions to operate. Dollar Thrifty was successful at the domestic airports, where it was not previously represented.

**PROPERTY**

The Group property revenue grew by 28% over the previous financial year to R476 million, (2008: R372 million). This growth is particularly pleasing in view of the negative impact of the current economic crisis. The Group strategy is to restrict investment to high-yielding, low-risk, aeronautically-related properties balanced by joint ventures and property partnerships in non-core investments. This is manifested by the investment property portfolio now being valued at R1,204 billion above its historic costs at financial year-end. In terms of the accounting policy, all rental-earning properties are considered investment properties, other than the property facilities within the terminal building. These premises, whilst earning rental income, are part of owner-occupied and operational areas.

The Group performance was enhanced by the first full year of rental income of R61 million from the Denel properties, (2008: R33 million) and Airport Logistics Property Holdings contributing R6 million (2008: R5 million) as the result of a full year from Phase 2 at O.R. Tambo International and the last quarter rentals received from the Cape Town International development. The Airport Sun Intercontinental Hotel continues to achieve occupancies and average room rates above the industry average and was able to increase revenue by 15% to R109 million in the current financial year.

The strategy of building a profitable, sustainable property business through low-risk, high-yielding property developments remains in focus.

The creation of logistics hubs is an integral part of this strategy, and two new developments on Precinct 2 at Cape Town International located to the north-west of the terminal buildings were added to the portfolio in the current financial year.

The Bidvest Group, in a joint venture with ACSA, successfully completed a warehouse development with offices in December 2008 at Cape Town International. The development encompasses 18 300 square metres of warehousing and offices at a total cost of R112 million, including land value of R12 million. The development is fully occupied by subsidiaries of the Bidvest Group.

The second development situated on three hectares at Cape Town International was undertaken by the developer, Friedshelf 173 for Massmart Holdings. Construction of the 19 500 square metre facility, comprising 18 600 square metres of warehouse and 900 square metres of office space, was completed at the end of the financial year at a total cost of R107 million, including the land value of R15 million. The tenant has taken occupation.

At O.R. Tambo International income growth was driven by additional new office and lounge space, primarily taken up by exiting tenants in the Central Terminal Building and Terminal A Departures Upgrade projects. Further growth in income was realised by existing leases being renewed on favourable terms.

Lease income of R3 million was realised on the cargo, trade, agri-zone and joint venture areas leased to the Dube TradePort, an agency representing the Department of Economic Development, KwaZulu-Natal, at La Mercy.

Leasing of parking areas for the mothballing of aircraft at Upington International contributed significantly to the income growth generated by smaller airports within the ACSA network. In addition, several major leases at the smaller airports were renewed and re-negotiated at a high value, driven by the unique offerings and location of these airports.
uneconomic agreements from the prior year were terminated in the current financial year. Infrastructure development at ACSA airports continued to pose a challenge. A substantial number of advertising billboards had to be removed to make way for infrastructure development at O.R. Tambo and Cape Town international airports.

As a consequence, the Commercial Services Division has embarked on a strategy to grow the revenue potential of the portfolio and simultaneously pre-let the new infrastructure.

AIRPORT MANAGEMENT SOLUTIONS

During the current financial year, Airport Management Solutions focused on providing airport operation and management support to Mumbai International Airport. Since commencement of the concession in 2006, ACSA has been instrumental in the formulation, monitoring and regular reviews of business plans for the airport operations.

Mumbai International Airport has progressively delivered higher-quality airport infrastructure and services over the past three years, providing visible and tangible improvements to the passenger travel experience despite intensive construction. This is reflected in the continuous improvement of the Airport Service Quality (ASQ) ratings.

PROPERTY OUTLOOK

The relocation of Durban International to La Mercy required a comprehensive audit of the accommodation requirements of the tenants to ensure there is a seamless transition from the existing site. Sufficient capacity has been developed to meet both the current and growth needs of tenants.

The strategy is to sell the Durban International site at the optimal price on decommissioning of the airport.

Following a Request for Proposal process, City Lodge Hotels was awarded a 30-year lease agreement to design, develop, construct and operate hotels at O.R. Tambo, Port Elizabeth and Bloemfontein international airports.

At Cape Town International, efforts will be concentrated on securing suitable new developments for Precinct 3 on the eastern side of the airport, with the zoning application now complete. Further income growth is expected from new space as the Terminal 2010 project nears completion.

New property development opportunities at the smaller airports present the opportunity to substantially grow the ACSA property portfolio. At Port Elizabeth International, north-east of the terminal buildings, the bulk services enablement of land for the 13 400 square metre business park has been completed and marketing to prospective tenants and developers has commenced. At George Airport the similar enablement for about 45 000 square metres of land is programmed to commence by July 2009.

ADVERTISING

In the financial year under review, ACSA’s advertising revenue increased by 2% to R128 million (2008: R125 million). The growth in the portfolio was constrained by the previous year including the collection of turnover rental that did not materialise in the current financial year. In addition,
HUMAN RESOURCES

The Human Resources Division (HR) focuses on creating an enabling environment, through its people, within which Airports Company South Africa (ACSA) can excel.
Optimal resourcing serves as a top priority, whilst the continuous growth and development of our staff, focused on the achievement of our business objectives, is an ongoing process.

In a competitive labour market the management of our talent is integrated into all management processes, ensuring attraction and retention of top-calibre talent. The Human Resources function also plays an important role in facilitating the further strengthening of a performance-driven culture amongst our employees, supported by a reward and recognition system that appreciates outstanding performance and customer service. The cultivation of a stable employee relations environment is an area of continued focus and the well-being of our employees underpins our approach.

**TALENT MANAGEMENT**

Dictated by our business requirements, we have as strategic imperative the attraction, development and retention of the best talent available, and it is for this reason that a best-practice talent management system was fully integrated into our Human Resources processes. A Talent Board, consisting of members of the Executive Committee of ACSA, accepted full responsibility for this key HR strategy and meets regularly to review the way forward, in the context of the company’s business strategy.

The main purpose of our talent management approach is to build a future leadership pipeline, and the focus areas include development priorities, retention priorities, succession planning and the management of any possible talent risks. With the aim of sharpening our focus on acquiring necessary skills and attributes where we do not already have them, we have procured market-leading assessment instruments to guide us in recruitment and selection processes.

Succession planning serves as a high priority and development initiatives, focused on critical positions in the company, are continuously implemented to ensure succession readiness of internal employees.

During the 2009 financial year, the talent management skills of our managers were further improved through focused training and development interventions. Personal Development Plans exist for our managers, ensuring development interventions which will improve competencies, technical skills and experience required. Some of the key interventions implemented during the year under review include:

**MANAGEMENT DEVELOPMENT PROGRAMME**

ACSA continues to develop its middle to senior management capability and in this regard partnered with the Gordon Institute of Business Science more than three years ago. In addition to developing sound academic management foundations the programme is also focused on knowledge application within the work context, specifically noting innovation and efficiency. A total of 19 members of management completed the programme during the 2008/9 financial year.

**SUPERVISORY DEVELOPMENT**

A Supervisory Development Programme (SDP), also focused on the development of ACSA talent, was successfully launched during the year under review and a total of 60 supervisors, across all airports and functions, successfully completed the programme. The SDP is an accredited Supervisory Skills Programme, where learners, who are assessed as competent, are able to earn credits towards the Generic Management Qualification at the NQF level 4.

**MENTORING AND COACHING**

The development of coaching and mentoring skills amongst ACSA management is key to our approach and an intervention to achieve this was successfully implemented in the year under review, with 24 managers successfully completing the programme. In pursuit of management excellence the mentioned programmes will continue in future years.
PERFORMANCE MANAGEMENT

Creating an environment within which our employees can demonstrate performance excellence, focused on business strategy implementation, a best practice performance management system is embedded within the day-to-day management approach.

The company business strategy is integrated into individual performance contracts for all staff, ensuring that the efforts of our employees are focused on realisation of business objectives. Performance discussions are held on a regular basis, focused on employee performance improvement, and skills and knowledge development.

Performance management is also entrenched into the company orientation programme for all new employees and is supported by a career progression tool, which was designed and implemented to allow employees easy access and reference to career opportunities within ACSA.

The drive towards a performance-oriented culture is supported by appropriate reward and recognition programmes, which include market-related guaranteed remuneration and employee benefits, long-term and short-term incentive schemes and employee recognition programmes.

TRAINING AND DEVELOPMENT

ACSA Training Academy

The Company recognises that its human resources are one of its greatest assets and therefore promotes the principle of investing in its people for the benefit of both the Company and the employee. A Learning and Development Strategy was designed to strategically position training and ensure continuous capability transformation within ACSA. The ACSA Training Academy is at the heart of this critical business imperative and, through several national and international partnerships, runs on-site and off-site skills-development programmes and courses for ACSA staff and for the aviation industry in general.

In the reporting year, the academy facilitated training for ACSA staff, developing technical know-how and behavioural skills as well as leadership capability. Learning and Development was guided by the needs of ACSA employees in line with the Performance Management System, Talent Management System and Workplace Skills Plan.

Through its accreditation with the International Civil Aviation Organisation (ICAO), the academy trained local and international professionals in various fields related to aviation safety and security. As an accredited Regional Training Centre in the Airports Council International’s (ACI’s) Global Training Hub, the Training Academy was also able to facilitate skills development in several airport operations management fields, including an ACI Safety Management Diploma.

ACSA spent a total of R13 million on training for the year under review, which focused on areas such as educational support, management development, supervisory development, coaching and mentoring, behavioural training including customer care and technical and functional skills development.

WOMEN EMPOWERMENT

ACSA places great emphasis on gender representivity and development and as part of this philosophy introduced several interventions including a Women Empowerment Programme. The programme has been running for four years, not only providing networking opportunities but assisting our women to develop and grow.

FUTURE TECHNICAL CAPABILITY

Efforts to build capability focused on future needs are integrated
within ACSA and are focused on our core business. Interventions, amongst others, include the following:

- Internal bursaries, focused on the core business of ACSA and dictated by career objectives;
- External bursaries, focused on the key business requirements of ACSA;
- Internal and external graduate support for experiential learning, for example engineers, project managers and planners in training;
- The integration of learnerships, specifically focused on the electrical and fire & rescue environment; and
- The integration of internships focused on providing students with practical work experience.

During the year under review, several projects were undertaken that included the introduction of an electrical engineering apprentice programme. This is focused on developing ten of our employees based at O.R. Tambo International to gain the required qualifications and experience to progress in their careers towards qualified electricians.

ACSA is also supporting 15 students by providing bursaries to obtain formal qualifications in areas such as engineering and finance. Upon completion of their qualifications ACSA will employ these students on a full-time basis, allowing them to build their careers in ACSA.

**EMPLOYMENT EQUITY**

ACSA is committed to implementing the Employment Equity objectives as outlined in the EE Act and related amendments, supported by the ACSA Human Resources policies and procedures. In an effort to achieve employment equity objectives, both qualitative and quantitative, several initiatives and actions were implemented, noting amongst others the following:

- Continuous implementation of and compliance with EE policies and procedures;
- Local airport forums are operational at each airport as well as the corporate office;
- A National EE and Training Forum is operational and provides national guidance to local forums noting full support from union structures;
- An auditing framework, noting EE policies and procedures was provided to all airports for implementation thereby ensuring compliance and standardisation; and
- Audit of airports and the corporate office against EE Codes of Good Practice and approved ACSA policies and procedures takes place annually.

ACSA has made considerable progress in transforming the employment equity profile of the organisation. The following two graphs highlight the progress made over the past three years as at the end of the year under review. Of the 2,332 staff permanently employed by ACSA, 85% are black.
The programme provides confidential and professional counselling and advice services to assist employees and their families in areas such as personal and work-related problems, relationship problems, trauma, HIV/AIDS, marital counselling, depression, parenting, health issues, substance abuse and dealing with change.

We believe that this intervention is having a material effect on the personal welfare of our staff, improving their lives and contributing to increased productivity.

In addition, ACSA prides itself on having a stable and productive working environment for its staff and in this regard a multi-year agreement was concluded with the representative union determining wage increases for employees up to September 2010.

HIV/AIDS SUPPORT

As an employer ACSA takes the HIV/AIDS epidemic very seriously, and over recent years, ACSA has enhanced its response to minimising the number of its employees who are infected by the HI virus, and to also prolong the lives of those employees who are already living with the virus.

To achieve this goal, the company has created an environment whereby employees have access to empowering HIV/AIDS information-sharing at the workplace. They also have access to appropriate supplementary and therapeutic medications through the company-subsidised medical aid schemes. Lastly, they have access to appropriate counselling services through an external company that has been contracted to provide private and confidential services.
IMPROVED HUMAN RESOURCES DELIVERY

The Human Resources Division is actively seeking to improve services delivery and to positioning itself as a strategic business partner. The implementation of an HR Shared Services Centre was embarked upon, allowing repetitive administrative processes to be integrated in a single processing centre. This allows expert HR resources to spend more time performing value-added responsibilities.

Creation of Centres of Excellence is being implemented to ensure the provision of specialist and value-added HR services that are advisory in nature. This allows for the design and development of HR policy, programmes and critical interventions focused on the implementation of the Company strategy.
Corporate governance may be defined as the guardianship of a company’s standards, integrity and dedication to the interests of all stakeholders, including investors, customers, employees and broader society. Research has indicated that companies with transparent dealings, augmented with good governance practices, show a stronger investment profile. Therefore, success in the modern business environment is inextricably linked to the implementation of sound governance procedures.

Airports Company South Africa Limited (ACSA) is registered as a public company under the Companies Act and is listed as a major public entity in terms of Schedule 2 of the Public Finance Management Act (PFMA).

ACSA is committed to continually enhancing its corporate governance processes in line with best practice in a manner which facilitates the development and management of world-class airports, whilst ensuring that operations are ethically conducted within the regulatory framework.

ACSA’s approach to corporate governance is based on six fundamental principles: accountability, transparency, responsibility, independence, ethical fairness and social development. These principles enhance ACSA’s values expressed in the acronym PRIDE (Passion, Results, Integrity, Diversity and Excellence). Furthermore, ACSA has a Code of Ethics and Business Conduct approved by the Board and monitored by the Audit Committee as well as behavioural standards specified in an employee manual.

With effect from 1 June 2009 a new position of Group Executive: Governance and Assurance was created to oversee the Company Secretarial, Legal, Internal Audit and Risk Management departments, with the objective of strengthening governance and compliance.
The composition and number of Non-Executive Directors ensures that their views carry significant weight in Board decisions. The Directors have unfettered access to Company information and may seek independent professional advice when required.

The Directors’ Affairs Committee recommends to the Board the co-option of outside committee members where it has identified a lack of specific skills. Induction courses for new Directors are held on a regular basis.

The Company Secretary, who is appointed by the Board and administratively reports to the Managing Director, ensures that procedures and regulations are followed and is responsible for compliance with principles of good corporate governance and relevant legislation. The Company Secretary also offers the Directors guidance on their duties in terms of the Companies Act and other relevant legislation.

The attendance of Directors at Board meetings during the financial year under review is reflected in the following table:

<table>
<thead>
<tr>
<th>Board meetings</th>
<th>9 Apr</th>
<th>8 May</th>
<th>11 Jul</th>
<th>26 Aug</th>
<th>25 Nov</th>
<th>29 Jan*</th>
<th>24 Feb</th>
</tr>
</thead>
</table>

**Non-Executive**

- FA Sonn – Chairman
  - √  
- SV Zilwa – Deputy Chairman
  - A  
- NP Galeni
  - √  
- A Kekana
  - √  
- R Persad
  - A  
- MD Ramagaga
  - √  
- NTY Siwendu
  - √  
- WC van der Vent
  - √  

**Executive**

- MW Hlahla
  - –  
- BP Mabelane
  - –

√ = Includes attendance through teleconference facilities

A = Absent with apology

* = Unscheduled

R = Recusal

^ = On special leave
BOARD COMMITTEES

The Board has established seven committees that report directly to the Board to focus on key functional areas where specialist expertise is required. With the exception of the Executive Committee, which is chaired by the Managing Director, all the committees are chaired by a Non-Executive Director and their members are Non-Executive Directors. Executive Directors who are not members of a specific committee attend meetings by invitation. The Company Secretariat provides secretarial services to all committees.

To ensure that the Terms of Reference of the committees remain current and comply with best practice, they are continually reviewed and, where necessary, updated in conjunction with a specialist consultant.

AUDIT COMMITTEE

This committee meets at least quarterly to consider annual and interim financial statements, accounting policies and safeguarding of assets, audit plans and the findings of external and internal auditors. The committee also monitors governance and ethical standards. The monitoring of financial risk management and tariff regulation is assigned to a separate, dedicated committee, namely the Treasury and Economic Regulation Committee.

All members of the committee, including the Chairperson, are Non-Executive Directors. Both external and internal auditors have unrestricted access to the Chairperson and may meet privately with the committee when required, but formally at least once a year. The two firms of joint external auditors are appointed or reappointed at the Annual General Meeting following an Audit Committee and Board recommendation.

The Auditor-General also sanctions the reappointment of the external auditors on an annual basis.

Attendance at the Audit Committee meetings was as per the table below.

TREASURY AND ECONOMIC REGULATORY COMMITTEE
(formerly Finance, Investment and Regulations Committee)

This committee’s role is to concentrate specialist skills on important areas such as investment, funding, budgeting and tariff regulation.

<table>
<thead>
<tr>
<th>Audit Committee</th>
<th>22 Apr</th>
<th>30 Jun</th>
<th>25 Aug</th>
<th>3 Sep</th>
<th>17 Sep</th>
<th>13 Nov</th>
<th>11 Dec</th>
<th>23 Feb</th>
</tr>
</thead>
<tbody>
<tr>
<td>SV Zilwa (Chairman)</td>
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<tr>
<td>M Janse van Rensburg ø</td>
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<td>N Maila°</td>
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<tr>
<td>MD Ramagaga</td>
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<tr>
<td>NTY Siwendu</td>
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<td>n/a</td>
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<td>n/a</td>
<td>n/a</td>
<td>A</td>
<td>√</td>
</tr>
</tbody>
</table>

A = Absent with apology
ø = Co-opted member
√ = Includes attendance through teleconference facilities

* = ADRIASA (PIC) appointed member
° = Special Audit Committee meeting
n/a = Either recently appointed or retired from the Committee
Attendance at the Treasury and Economic Regulatory Committee meetings was as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>16 Apr 2008</th>
<th>30 Oct 2008</th>
<th>29 Jan 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>NP Galeni (Chairman)</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>M Janse van Rensburg ø</td>
<td>n/a</td>
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<tr>
<td>A Kekana^</td>
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<td>ø</td>
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<tr>
<td>MD Ramagaga</td>
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<tr>
<td>NTY Siwendu*</td>
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<td>A</td>
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</tbody>
</table>

= Includes attendance through teleconference facilities
A = Absent with apology ø = Co-opted member
^ = On special leave n/a = Recently appointed

OPERATIONAL RISK MANAGEMENT COMMITTEE
(formerly: Risk Management Committee)

This committee focuses on the management of enterprise-wide risks within the risk management framework. The main risk areas addressed are traffic, market, operational and sustainability of commercial activities.

Attendance at the Operational Risk Management Committee meetings was as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>14 May 2008</th>
<th>18 Sep 2008</th>
<th>12 Nov 2008</th>
<th>5 Feb 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTY Siwendu (Chairman)</td>
<td>√</td>
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<td>√</td>
</tr>
<tr>
<td>A Kekana^</td>
<td>A</td>
<td>A</td>
<td>√</td>
<td>A</td>
</tr>
<tr>
<td>R Persad</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<tr>
<td>C Smith ø</td>
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<tr>
<td>SV Zilwa</td>
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</tr>
</tbody>
</table>

= Includes attendance through teleconference facilities
A = Absent with apology ø = Co-opted member
^ = On special leave

HUMAN RESOURCES AND TRANSFORMATION COMMITTEE

This committee focuses on matters of employment equity, human resources policies (taking into account market trends and best practice benchmarks) and remuneration of executives and staff, including staff incentive schemes and wage negotiations.

The committee is further tasked with ensuring that the transformation objectives and strategies of the Company are integrated into its overall business strategy and that employment practices and conditions of service are implemented that eradicate discriminatory practices and facilitate support and career opportunities for previously disadvantaged staff members.

A further responsibility of the committee is to improve organisational efficiency by setting measurable employment targets and monitoring statutory compliance relating to employment matters.

Attendance at the Human Resources and Transformation Committee meetings was as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>20 May 2008</th>
<th>15 Oct 2008</th>
</tr>
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<tbody>
<tr>
<td>R Persad (Chairman)</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>FA Sonn</td>
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<tr>
<td>WC van der Vent</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>SV Zilwa</td>
<td>A</td>
<td>√</td>
</tr>
</tbody>
</table>

= Includes attendance through teleconference facilities
A = Absent with apology

COMMERCIAL COMMITTEE

The Commercial Committee deals with the operation and development of ACSA’s commercial and real estate business, including retail and
advertising portfolios, in order to deliver customer service and increase shareholder value. The committee’s main responsibility is to review and monitor the role, objectives and strategic plans of the commercial business unit, which is a major contributor to ACSA’s profitability.

This committee also reviews and recommends to the Board major capital expenditure projects and investments in airports in other countries.

The Group Executive: Commercial and senior staff from the Commercial Division attend committee meetings by invitation.

### Attendance at the Directors’ Affairs Committee meetings during the year was as follows:

<table>
<thead>
<tr>
<th>Directors’ Affairs Committee</th>
<th>10 Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member</td>
<td>2008</td>
</tr>
<tr>
<td>FA Sonn (Chairman)</td>
<td>✓</td>
</tr>
<tr>
<td>SV Zilwa</td>
<td>✓</td>
</tr>
</tbody>
</table>

✓ = includes attendance through teleconference facilities

A = absent with apology

### OTHER BOARD RELATED MATTERS

The Board also considers matters relating to procurement and capital expenditure which are above the delegated levels of authority of Executive Management.

### INTERNAL CONTROLS

Internal controls comprise the methods and procedures implemented by Management to achieve the objectives of safeguarding Company assets, efficient and effective employment of resources, the prevention and detection of errors and fraud, ensuring the accuracy of accounting records, and the timely production of reliable financial and operational information.

The Board is responsible for the design, implementation and maintenance of appropriate internal controls in mitigation of the inherent risks of the Company.

### INTERNAL AUDIT

The internal audit function, which is independent of Management, examines and evaluates the Company’s activities, with the objective of assisting Executive Management and the Board in the effective discharge...
of their responsibilities. The other major areas of activity are monitoring the system of internal control as elaborated above, identifying and reporting on error, fraud and discrepancies and monitoring corporate governance.

The Group Executive: Internal Audit reports administratively to the Managing Director and functionally to the Chairman of the Audit Committee.

COMPLIANCE WITH REGULATORY FRAMEWORK

Compliance with all relevant legislative and regulatory requirements, including the Airports Company Act 1993 (ACA), as amended, the Public Finance Management Act 1999 (PFMA), as amended, and the Companies Act 1973, as amended, is regularly assessed by Internal Audit. The division also monitors compliance with the recommendations of the King Codes on Corporate Governance read together with the PFMA and ACA.

To comply with specific provisions of the Companies Act and to manage conflicts of interests, both Directors and Management are required to declare their interests in contracts at Board, Committee and Management meetings.

ENTERPRISE RISK MANAGEMENT (ERM)

Airports Company South Africa’s (ACSA) integrated risk management strategy and process is one of the organisation’s focus areas. Risks and opportunities, against business objectives, are identified during risk assessments. Risk integration between airports and business units is reviewed by various committees to ensure a coordinated approach to risk mitigation strategies.

ACSA’s adopted enterprise-wide risk management (EWRM) framework is evolving and is supported by a set of risk-based operating standards, which established the rules and instructions on enterprise-wide risks that require common treatment across all business units. ACSA’s risk philosophy on risk management is conservative in the current economic climate, with a low appetite for risk to prevent the erosion of shareholder value.

A key element of the risk management process is ACSA’s risk profiling methodology. The methodology determines the threats to the achievement of business objectives as identified by our internal clients to deliver to our customers the best seamless experience in our airports. This methodology is also geared to our internal clients as our strategy is to align the risk tolerance levels of the organisation and risk appetite parameters for each functional area in our business.

The process of risk management, including the system of internal control, is the responsibility of the Board. Management is accountable to the Board for the design, implementation and monitoring, and integration of risk management into the day-to-day activities of the organisation. Specific attention is given to ACSA’s key business risks, which are of strategic importance to the organisation and are regularly reviewed by the Executive Management team on a regular basis and monitored by the Board.

In the delivery of our risk management strategy we endeavour to protect the interests of our shareholders and stakeholders in our business by safeguarding their investments and the Company’s assets. ACSA continues to align itself with the recommendations of the King II and III guidelines and the Code of Practice of South Africa.

SOME OF THE KEY RISK AREAS AFFECTING ACSA’S ENVIRONMENT

Due to the current global economic climate, which is characterised by declining economic growth and illiquid financial markets worldwide,
these are some of the key business risks that continue to be managed with the Board’s oversight.

Funding risk

There is a risk that ACSA might not get access to affordable and long-term financing on time to deliver the capital expansion programme as approved by the Regulating Committee. A Treasury framework and policy has been developed, aimed at implementing a robust Treasury management system and controls; maintenance and improvement of the credit rating will ensure optimisation of the balance sheet and improve the gearing ratio.

Compliance risk

ACSA has to comply with numerous legal and regulatory requirements critical to our airports being licensed to operate and conduct our business. The Company has to comply with international and local aviation laws, regulations associated with its licence to operate airports of various categories within its network of airports. A more robust compliance matrix is being developed to improve the management of compliance across business units as well as the level of accountability.

Human capital

ACSA has found it difficult to attract and retain needed skills within the Company, especially critical, aviation-related skills that are scarce within South Africa and around the world. ACSA has a continuous review of talent management practices focused on retention and succession planning to ensure relevance to changes in the operating climate and environment. Every year ACSA compares its skills, reward and recognition approaches with benchmarks to ensure they are appropriate for retention and motivation of staff.

Traffic risk

ACSA bears traffic risk as per the reigning economic regulatory approach. In the current economic climate, which is anticipated to last longer than the new financial year 2009/10, ACSA runs the risk of average traffic growth rates falling below the Permission forecast of 7,2% average growth rate in 2008/09 and 7,5% in 2009/10. Any loss of revenue related to decline in traffic numbers would not be compensated through tariffs.

Fitch rating/debt rating

The impact of unfavourable economic regulatory determination, compounded by increased cost of capital, 2010 FIFA World Cup deadline and continuing decline in traffic numbers, has led to lowering of the ACSA debt rating from zaf AA to zaf AA-. There is a real possibility that this will result in a further increase in the cost of capital in an already constrained operating climate, placing huge pressure on our funding risk.

Credit worthiness of partners

Related to the current economic climate is the economic condition of our key business partners. Several of ACSA’s key partners in both aeronautical and non-aeronautical sectors run the risk of bankruptcy based on similar conditions of the increased cost of capital and declining revenues. A review of key contracts will be undertaken starting the last quarter of the financial year, to assess the level of risk to ACSA.
Reputation risk

This is the potential or actual risk to ACSA’s brand value as a result of incidents or events in the course of business. ACSA strives to improve operational efficiency and customer service in the areas that affect our business, for example, airport service levels, crime management, and safety and security in our network of airports.
ACSA’s CSI allocation of R24 million was disbursed in line with the business’s focus areas, with an additional R6,3 million used for Enterprise Development purposes.
Airports Company South Africa (ACSA) has made tremendous strides in contributing to the social and economic development of our society during the period under review. Understanding that South Africa’s development challenges require collaboration between various social partners, ACSA used its Corporate Social Investment (CSI) and Enterprise Development (ED) programmes to leverage critical partnerships to make a difference in the lives of ordinary South Africans. While doing this, we remained focused on areas that our business affects, and the communities that are located close to our operations.

ACSA focuses on reaching people with disabilities, the environment and communities around our airports, poverty elimination, job creation and enterprise development.

ACSA’s CSI allocation of R24 million was disbursed in line with the business’s focus areas, with an additional R6.3 million used for Enterprise Development purposes.

In disbursing the funds, there was increased focus on contributions towards meeting the needs of people with disabilities (physical), with a special focus on children of school-going age, growing our flagship wheelchair tennis programme, developing strategic partnerships for the protection and better management of our natural environment and providing our airports with much-needed support in partnering their surrounding communities for social and economic development. The programmes supported were deliberately biased towards women, children and youth.

WHEELCHAIR DONATIONS

The number of wheelchairs donated this year is lower than last year, mainly due to attention paid to specialised equipment and infrastructure rehabilitation (ramps and related assistance devices) at institutions on our database. More money was spent on special types of wheelchairs than on ordinary ones.

This table shows how the programme has performed in the past five years:

<table>
<thead>
<tr>
<th>Area</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>33</td>
<td>99</td>
<td>98</td>
<td>179</td>
<td>109</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>20</td>
<td>16</td>
<td>234</td>
<td>152</td>
<td></td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>30</td>
<td>21</td>
<td>98</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td>Western Cape</td>
<td>8</td>
<td>15</td>
<td>45</td>
<td>89</td>
<td></td>
</tr>
<tr>
<td>Kwazulu-Natal</td>
<td>24</td>
<td>40</td>
<td>41</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Free State</td>
<td></td>
<td></td>
<td>179</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td>North West</td>
<td></td>
<td></td>
<td>147</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>Mpumalanga</td>
<td></td>
<td>15</td>
<td>15</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Limpopo</td>
<td>15</td>
<td>91</td>
<td>58</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>85</strong></td>
<td><strong>215</strong></td>
<td><strong>134</strong></td>
<td><strong>1 029</strong></td>
<td><strong>720</strong></td>
</tr>
</tbody>
</table>

Our target for 2008/09 was to donate 800 wheelchairs, focusing more on quality than quantity. This will also be the trend in the coming year.

WHEELCHAIR TENNIS DEVELOPMENT

Wheelchair tennis has grown from 18 players in 2004, the first year of funding, to 248 in 2008. The number of participants is growing as the sport expands its grassroots base. Wheelchair tennis is also growing in stature and is gradually becoming a sport of choice within a disabled community. The table below summarises this growth.

<table>
<thead>
<tr>
<th>Total no of players</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>16</td>
<td>48</td>
<td>103</td>
<td>134</td>
<td>152</td>
</tr>
<tr>
<td>Female</td>
<td>2</td>
<td>12</td>
<td>41</td>
<td>69</td>
<td>96</td>
</tr>
<tr>
<td>Gauteng North</td>
<td>4</td>
<td>6</td>
<td>17</td>
<td>26</td>
<td>35</td>
</tr>
<tr>
<td>Gauteng Central</td>
<td>12</td>
<td>17</td>
<td>43</td>
<td>58</td>
<td>67</td>
</tr>
<tr>
<td>Gauteng East</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Western Province</td>
<td>1</td>
<td>5</td>
<td>8</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Eastern Province</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Border</td>
<td>0</td>
<td>12</td>
<td>23</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Free State</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>North West</td>
<td>0</td>
<td>4</td>
<td>8</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Limpopo</td>
<td>1</td>
<td>19</td>
<td>42</td>
<td>60</td>
<td>68</td>
</tr>
</tbody>
</table>
WORLD WILDLIFE FUND PARTNERSHIP

ACSA’s relationship with World Wildlife Fund SA (WWF) started with a once-off donation of R100 000 in 2007 in aid of their Ecoregion Programme. This contribution was, at the time, a gesture of goodwill on ACSA’s part. However, in 2008, ACSA decided to forge a much more strategic relationship with WWF, especially given the critical role WWF plays within the environmental NGO sector. We can now confirm that our relationship with WWF has matured into a trusting, sustainable environmental management partnership that is of benefit to both ACSA and WWF.

During the past year ACSA contributed R1,1 million towards WWF, through support of the Living Landscapes unit. WWF, on the other hand, has advised ACSA on its contributions towards the environment, and facilitated engagement between the South African National Biodiversity Institute’s (SANBI) Grasslands Programme, Ekurhuleni Municipality and ACSA. ACSA’s strategic input into supporting the core unit of the Living Landscapes programme has leveraged more than R30 million in support to over 80 conservation projects throughout South Africa. This strategic support places us at an important level of supporting intellectual leadership towards positive change in South Africa. It is for this reason that ACSA wishes to continue strengthening this partnership, and will maintain its financial contribution.

PUBLIC-PRIVATE PARTNERSHIP FOR THE GREENING OF THE ENVIRONMENT

In September 2008, ACSA partnered Johannesburg City Parks, the Department of Water Affairs and Forestry (DWAF), and the Ekurhuleni and Emfuleni Municipalities in a greening campaign executed during Arbor Week and beyond. Through these partnerships ACSA aims to leave behind pockets of green spaces that can truly change the face of, especially, townships, and make them not only environmentally sustainable, but attractive living spaces. To date, ACSA has contributed a total of 1 500 trees to Soweto’s 16 June tourist route, Evaton in the Vaal and Vosloorus in Ekurhuleni.

Further, and as part of our environmental education campaign, ACSA distributed more than 9 700 seedlings of the Tree-of-the-Year, 2008, at O.R. Tambo International to our arriving passengers in the domestic terminal during the first week of September. In the same week, we joined DWAF and Ekurhuleni Municipality in the cleaning and greening of the Kaalspruit River, a highly polluted stream that runs through Tembisa township.

ACSA also partnered DWAF and Emfuleni Municipality in hosting the main Arbor Week event at Evaton Golf Course, Gauteng. This included tree planting in the Evaton area, an exercise that was designed to support the Evaton Renewal Project.

Durban International also ran a successful campaign with key local stakeholders and established a solid base for future partnerships through these events. Besides the R1,1 million contributed to this greening campaign in 2008, ACSA has pledged to support the efforts to keep the environment clean into the future, and build on the partnerships already established.
JOB CREATION AND ENTERPRISE DEVELOPMENT

For the first time during the period of under review, ACSA’s CSI budget has been able to accommodate projects that have the potential to grow enterprises that stand to create the much-needed jobs in especially marginalised local economies. The following projects have been accommodated, and are now in initiation phases.

Project description and budget allocation

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Budget Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hlurile Glass Beads Manufacturing Project in Giyani, Limpopo. This is a project run by rural women and intended to bring them into mainstream economic activity</td>
<td>R2,3 million</td>
</tr>
<tr>
<td>Sebokeng Tree Nursery Project, in the Vaal. This community-based project will grow indigenous trees, and the plan is to support greening projects in the Vereeniging area and Gauteng by supplying grown trees to the various greening initiatives in the region</td>
<td>R2,4 million</td>
</tr>
<tr>
<td>Ubuntu Plastic Recycling Project, whose scope encompasses the collection and sourcing of waste plastic raw material, sorting and purifying the material for manufacturing and re-use</td>
<td>R1,6 million</td>
</tr>
</tbody>
</table>

AVIAN RADAR SYSTEM TO WARN PILOTS IN REAL-TIME
– A WORLD FIRST FOR ACSA!

A Merlin bird detection radar unit procured from DeTect Inc tracks bird movements on and around the La Mercy airport site. The primary purpose of the radar is to monitor the Barn Swallow flocks in the early morning and late afternoon. The bird detection radar will however also provide invaluable additional information for general bird control purposes.

Bird hazard risk conditions will be relayed directly to the air traffic control tower. The bird risk condition will indicate either green for normal operations or red for special operations. During special operations the bird control officer on duty will communicate information regarding the height and location of the bird risk to the air traffic controller, who will in turn advise pilots.

This will be a world first, where information from a bird detection radar is used in real-time to warn pilots at a commercial airport about a bird strike risk condition.