

How to subsidise your holiday

By [Kirby Gordon](#).

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If I asked you to think of ways you might contribute to the country's economy, jumping on a flight to your favourite holiday destination might not be the first thing that comes to mind. But each traveller that packed a bag and headed off on vacation this past Easter was not only enjoying a much-needed timeout, but also helping South Africa slowly inch its way to economic recovery. What many perhaps don't realise is that their recent air travel was effectively subsidised by their airline of choice - and will be for a while.



Kirby Gordon, chief marketing officer, FlySafair

The Easter period was a solid indication that South Africans are starting to plan holidays again. According to the eThekweni Municipality, 45,000 tourists made their way to Durban to take advantage of the long weekend. Hotel occupancy rates reached an average of 60% and the local economy was given a solid boost of around R60m in direct spending.

Similarly, South African domestic airlines managed to bring between 75% and 80% of their capacity back online. While this is a great step in the right direction, it's unfortunately still not enough for airlines to be viable. That 20%-25% of unutilised capacity still carries overhead costs that are weighing airlines down and unfortunately the average ticket prices airlines are achieving at the moment are not high enough to even think of making money.

Price takers

What many don't realise is that airlines are what economists call price-takers. The fares that we can achieve are effectively set by the market forces of supply and demand. Prices will climb when demand is high and supply is reaching its limits. This is what we're used to seeing over periods like the Easter Weekend and the December Holidays. This year however, that was not the case, because supply was plentiful and demand was low meaning that average ticket prices this year were about 30%-35% down on 2019.

At the moment airlines are flying with hopes to cover their operating cost and at least put a dent in their fixed costs, like aircraft leases. Given that the overheads in aviation are so high, this means that South Africa's domestic airlines are still operating at losses and in essence, these companies are subsidizing domestic air travel.

The picture is not at all one of complete doom and gloom. News that South Africans are once again exploring local travel options could not be more welcome. With the prospects of inbound international travel still so uncertain, hopes for tourism – and its vital contribution to the economy – lie with domestic travel. While the tourism sector provides around 1.5-million jobs and contributes R425bn to the South African GDP, the African Development Bank has also pegged cross-country mobility as key to economic recovery.

While the fight is far from over, there's no doubt that local airlines like FlySafair would rather be in the position we are today, than where we were this time last year. The message to consumers however is that with ticket prices as low as they currently are: there's simply never been a better time to get away.

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