

PART A – 30 MARKS
MULTIPLE-CHOICE QUESTIONS
ANSWER ALL QUESTIONS

- **ANSWER PART A (MULTIPLE-CHOICE QUESTIONS) ON THE MULTIPLE-CHOICE ANSWER SHEET ON THE LAST PAGE OF THE ASSESSMENT SCRIPT (ANSWER BOOK). IGNORE E IF YOUR MULTIPLE-CHOICE QUESTIONS ONLY COMPRISE OF A, B, C AND D**
- **MARK YOUR ANSWER WITH A CROSS (X) IN THE BLOCK**
- **NO MARK WILL BE GIVEN IF MORE THAN ONE ANSWER HAS BEEN CROSSED**

1. Scheduled airlines are defined by offering:
 - a. Rentals of planes for specific purposes
 - b. Air links according to a published schedule
 - c. Only point-to-point services

2. Members of the International Air Transport Association (IATA) are:
 - a. The governments of most countries
 - b. The CEOs of most airlines
 - c. Most of the world's airlines (passenger and cargo)
 - d. All scheduled airlines

3. The 'Load Factor' is:
 - a. The total number of passengers booked on a flight
 - b. The total number of available seats on a flight
 - c. The ratio of available seat miles and revenue passenger miles
 - d. The sum of available seat miles and revenue passenger miles

4. Which of the following offers the best opportunity for an airline to recover from service failure associated with a cancelled flight?
 - a. Customer service team at head office.
 - b. Rapid diagnosis of customer needs and appropriate solution to problem.
 - c. Money-off vouchers for future use.
 - d. Letter of apology from the airline Chief Executive.

5. In which year was IATA formed?
 - a. 1945
 - b. 1954
 - c. 1974
 - d. 1985

6. Air cargo dangerous goods are divided into nine classes.
 - a. True
 - b. False

7. There nine freedoms of air service. ICAO characterises all 'freedoms' beyond the fifth as 'so-called' because only the first five 'freedoms' have been officially recognised as such by international treaty.
- a. True
 - b. False
8. International air services are subject to the authority of one of the governments where the air services will be conducted.
- a. True
 - b. False
9. _____ offer a complete service, including surface transportation, consolidation of shipments, air carriage, customs clearance, deconsolidation and distribution by means of both air and surface transport.
- a. Line haul operators
 - b. Niche operators
 - c. Integrated operators
 - d. Low cost operators
10. Which of the following is not an economic contribution of air transport?
- a. Improves the efficiency of business and government activity by expanding the potential geographic area of personal contact, communication and supervision of activities.
 - b. Improves the efficiency of commerce by providing fast delivery of cargo from supplier to user.
 - c. Enables individuals to respond quickly to personal emergencies by travelling great distances in a matter of hours.
 - d. Supports travel-related industries, such as hotels, rental cars and travel agencies and promoting economic development of entire regions.
11. Which of the following is an air transport benefit related to general aviation?
- a. Hotels and motels
 - b. Ground transportation (taxi, limousine, car rental and so forth)
 - c. Air carrier helicopter services
 - d. Aerial photography and mapping
12. Which of the following is a value associated with this timeliness of air travel?
- a. Quicker on-the-spot decisions and action
 - b. Not door to door (terminal-bound)
 - c. Low carrying capacity
 - d. Terminal congestion
13. Which of the following is a determinant of elasticity of demand for air transport?
- a. Preferences of passengers, number of passengers and price
 - b. Financial status and income of levels of passengers and price
 - c. Trip purpose
 - d. Passengers' expectations of future prices

14. When demand is _____, a decrease in price results in a decrease in total revenue and an increase in price results in an increase in total revenue.
- elastic demand
 - inelastic demand
 - derived
 - dependent
15. Which of the following is not a value associated with this timeliness of air travel?
- Greater mobility and usefulness of trained, experienced executives;
 - Development in geographically isolated areas (mining, oil, timber)
 - Decentralised production and distribution;
 - Being able to expand market areas through more effective use of management and sales executives.
16. Which of the following are the basic determinants of air transport demand?
- Price, schedule frequency and passenger service
 - Preferences of passengers, number of passengers and price
 - Financial status and income of levels of passengers and price
 - Price of competitors and related travel expenses, competition, distance
17. Company X and Company Y are competitors in the provision of air passenger transport services. If Company Y increases its air fares the quantity demanded of Company Y's seat will _____ while the demand for Company X's seats _____.
- increases; increases
 - decreases; increases
 - decreases; decreases
 - increases; decreases
18. When airlines reduce prices, they anticipate that the price drop will be more than offset by a larger percentage increase in consumers, thereby filling seats and cargo capacity and increasing total revenues. This means that the demand for the airline's seats is:
- elastic demand
 - inelastic demand
 - derived
 - dependent
19. Firms in oligopolistic industries typically require large-scale production to obtain low unit costs. Which economic characteristic of the airline industry does the following statement describe?
- Substantial economies of scale
 - Growth through merger
 - Mutual dependence
 - Price rigidity and non-price competition
20. Which of the following is a barrier to entry in the airline industry?
- The difficulty of obtaining terminal space at many hub-airports and the risk of competing with an airline at one of its hubs.
 - All of these are barriers to entry in the airline industry.
 - It is difficult competing with a major carrier during start-up because the major carrier has inherent advantages, some resulting from the scope of its operations, others from marketing.
 - Airport terminal capacity also limits entry for new and existing carriers.

21. The phasing out of older, noisier aircraft will increase the cost of entry by reducing the supply of used aircraft and increasing the cost of operating used aircraft.
- a. True
 - b. False
22. _____ is the introduction of a promotional fare designed to attract passengers during an otherwise slack period.
- a. Off-peak pricing
 - b. Peak pricing
 - c. Pricing in relation to load factor
 - d. Yield pricing
23. Indirect operating costs, such as landing fees and the costs of passenger meals, are fixed costs because they do not depend in the short term on the amount of flying undertaken.
- a. True
 - b. False
24. Which of the following is not ideal to transport using air cargo?
- a. Live animals
 - b. Footwear
 - c. Sporting goods, toys and games
 - d. Zinc
25. Shipping commodities by air is the most desirable form of distribution when the following characteristic is present.
- a. Perishable
 - b. All of these factors are ideal for transportation using air cargo
 - c. Subject to quick obsolescence
 - d. Required on short notice
26. Which of the following affects airfreight rates?
- a. Rate of economic growth in a country
 - b. Level of incomes of passengers
 - c. Directionality
 - d. Level of income tax
27. When locating an airport, which factor must not be taken into account?
- a. Atmosphere and climatic conditions
 - b. Forecasts for cruise ship tickets
 - c. Kind of development around the proposed airport as well as the planned development
 - d. Land available for future expansion
28. The size of an airport is not influenced by primary factors as:
- a. land use planning
 - b. performance characteristics and size of aircraft expected to use the airport
 - c. anticipated volume of traffic
 - d. meteorological conditions (wind and temperature)

29. Parking provision at an airport does not cater for?

- a. Airline passengers
- b. Visitors accompanying passengers
- c. People employed at the airport
- d. People working in close proximity to the airport

30. Which of the following is not a value associated with this timeliness of air travel?

- a. Greater mobility and usefulness of trained, experienced executives
- b. Development in geographically isolated areas (mining, oil, timber)
- c. Decentralised production and distribution
- d. Being able to expand market areas through more effective use of management and sales executives

PART B – 70 MARKS
NARRATIVE AND DESCRIPTIVE QUESTIONS
ANSWER ALL QUESTIONS

SA holidaymakers looking for a European summer, be warned of airport chaos – and consider postponing

Travellers wait in a long queue to pass through the security check at Heathrow in London, England. The aviation industry is struggling to recruit staff after waves of layoffs during the COVID-19 pandemic. Airports across Europe are chaotic, with flight delays, cancellations, and lost luggage leaving travellers stranded.

Europe's post-lockdown travel boom this summer comes after airports cut staff, like baggage handlers, security, and check-in services, during the height of the pandemic. These gaps have not been filled, and airports are now severely understaffed. Interest among South Africans looking to visit Europe has surged by 30% compared to pre-pandemic levels, with searches for flights to London having increased by 145% alone. South African holidaymakers have been advised to hold off on their European sojourns until September.

Major airports throughout Europe have been plunged into chaos amid a post-lockdown travel boom that has resulted in delays, cancellations, and lost luggage. South Africans looking for a summer holiday abroad have been advised to postpone their trips or, at the least, plan very carefully. European airports are buckling under the pressure of pent-up travel. The pandemic halted most holiday plans for the past two years. Now, with travel bans lifted and the European summer in full swing, passengers are flocking to their favourite destinations.

And while this is good news for the airline and tourism sectors, remnants of pandemic-induced lockdowns have left airports in poor shape to deal with the surge. Industry-wide job cuts made during the height of the pandemic, impacting baggage handlers, security personnel, and check-in services, have left airports severely short-staffed. Swissport, for example, which operates at 285 airports globally, cut around 30% of its workforce to save costs amid travel restrictions, according to the Financial Times.

Making matters worse, recruitment drives to restaff airports have not been majorly successful while remaining employees are striking over poor working conditions and lockdown-era pay cuts. This perfect storm, of increased post-lockdown travel coupled with short-staffed airports, has led to thousands of flight cancellations.

British Airways workers based at Heathrow have voted to strike in a dispute over pay. Members of the GMB and Unite backed industrial action. The unions said holidaymakers face disruption, warning of a summer of strikes. Workers, including check-in staff, will now decide on strike dates, which the union said were likely to be held during the peak summer holiday period.

More than half of all flights to and from London's Heathrow have been delayed in July, with the airport recently introducing a cap of 100,000 passengers flying each day and calling on airlines to stop selling summer tickets. And Heathrow doesn't even rank in the top 10 worst airports in Europe at the moment, according to data from the Official Aviation Guide. Brussels Airport tops that list, with 72% of flights delayed, followed closely by Germany's Frankfurt International, with 68% of flights delayed and nearly 8% of all flights cancelled. Airports in the Netherlands, Portugal, and France are also among some of the worst.

Source: <https://www.businessinsider.co.za/south-africa-travel-to-europe-tips-to-deal-with-airport-chaos-and-flight-cancellations-2022-7>

QUESTION 1

25 MARKS

Read the case study above and answer the following questions.

- 1.1 Discuss the factors that influence the demand of air passenger travel. (15)
- 1.2 In your opinion, is Europe's post-lockdown travel boom a result of change in demand or a change in the quantity demanded (elasticity of demand) (1). In addition, identify and explain which factors of demand/elasticity of demand this is attributed to in the context of the case study above? (4)
- 1.3 As an airline operator operating at the London Heathrow airport, explain how your airline can differentiate its services from those of other airlines. The aim of the service differentiation is to attract the maximum number of passengers using your airline to fly to London Heathrow after the introduction of the daily cap of 100,000 passengers flying? (5)

QUESTION 2

25 MARKS

Africa sees the fastest recovery in air cargo – with new record highs – but passengers scarce

Global air cargo demand reached an all-time high in March 2021, with African airlines posting the fastest recovery and increasing freight volumes by 24.6% compared to the same pre-pandemic period in 2019. Following a dismal 2020, when global air cargo volumes dropped by 10.6% – the largest decline in 30 years – the freight industry has shown a remarkable recovery in the first quarter of 2021.

Measured in cargo tonne-kilometres (CTKs) – multiplying the number of revenue tonnes of cargo carried by the distance flown – air freight volumes breached pre-pandemic levels in January. African airlines have led the charge, posting consistent year-on-year gains (2021 versus 2019) since then. Africa's international CTKs expanded by 22.4% in January, 44.2% in February and 24.6% in March, according to data presented by the International Air Transport Association (IATA).

This growth spurt, especially in February, has been attributed to increased demand along the Africa-Asia trade lanes which more than doubled in February compared to the same month in

2019. Airlines in North America and the Middle East have also recovered well, while CTKs of European and Asia-Pacific carriers remain stunted, hovering just above pre-pandemic levels. Latin American airlines are struggling to bounce back and are the only carriers which have reported consecutive CTK contractions in 2021.

And while the latest data reinforces optimism surrounding the cargo industry's recovery and growth, freight alone will not be enough to save flailing airlines, explained IATA CEO Willi Walsh. "Cargo strength will be insufficient to offset passenger market weakness," said IATA's outlook for the global airline industry in April.

"Overall, airline operating revenues will rise this year by 23%. But that is only 55% of 2019 adding to the challenges for the industry which needs to stop cash burn." And although Africa has shown the swiftest recovery in air cargo demand, it is also the only region to report a month-on-month decline in Revenue Passenger Kilometres (RPK) between February and March. RPK measures the number of kilometres travelled by paying passengers.

African airlines' traffic is still 73.7% down compared to pre-pandemic levels. "This marked a deterioration compared to a 72.3% decline recorded in February compared to February 2019," noted IATA. Africa's RPK levels remain higher than global growth rates – which stood at 87.8% in March, compared to 2019 – but international recovery may outpace the continent's if the local COVID-19 vaccine rollout fails to gather pace. "Africa has relaxed international travel restrictions by more than other regions, but vaccination is very slow, which is likely to restrict the rebound of international markets," notes IATA.

Source: <https://www.businessinsider.co.za/africa-sees-the-fastest-recovery-in-air-cargo-with-new-record-highs-but-passengers-scarce-2021-5>

Using the case study above as the basis of your answer, explain how the COVID-19 pandemic has impacted each of the following determinants of air cargo and has resulted in an increase in demand for air cargo in 2021 as cited in the article above.

- i. Time
- ii. Frequency and timing
- iii. Security of product
- iv. Reliability
- v. Quality of service

QUESTION 3

10 MARKS

Discuss the environmental factors that must be considered carefully in the development of a new airport or the expansion of an existing one.

QUESTION 4

10 MARKS

Discuss the objectives of land-use planning for an airport.

END OF PAPER