



THE Bidvest GROUP LIMITED

Travel and Aviation – online sustainability report

Highlights

- Trading profit rises 32,3% to R274,2 million despite tough industry conditions
- ROFE to 20,5% reflecting rigorous asset management and higher profitability
- Cash generation improves
- Quest for corporate savings highlights Bidtravel's role as a cost-effective business travel solution-finder
- BEE scores improved, with four businesses achieving Level 3 status or better
- Bidvest Premier Lounges invests R7 million in new O.R. Tambo international facility and enjoys increased passenger numbers
- Bidair wins additional ground-handling contracts

Material issues

- Challenges of operating in a difficult economic climate
- Ensuring optimum utilisation of technology in travel
- Ensuring Bidair remains an industry leader for safety procedures and compliance
- Importance of on-going training and development
- Continued drive for efficiencies at Budget Rent a Car in highly competitive market

Business context

The new Bidvest Travel and Aviation division brings together existing ground-handling operations, airport lounges, the air cargo business, our travel management brands and Budget Car and Van Rental.

Our main focus was developing our business sustainability, including sustainable growth, profitability and sound business practices. We reorganised Bidair, creating a leaner, better-structured business that can focus on its operating efficiencies and client service. Revenue growth was good given a competitive market and our bottom line increased significantly as a result.

The reorganisation resulted in enhanced focus on training. For our ground-handling operation this sets the scene for a focused effort to achieve an IATA Safety Audit for Ground Handling Operations (ISAGO) accreditation this year.

Performance

Results in the context of challenging industry conditions were very pleasing. Revenue of R1,9 billion (2010: R1,7 billion) was up by 8,1%. Trading profit of R274,2 million (2010: R207,2 million) was 32,3% higher.

Despite competitor pressures, margins improved through better procurement and rationalisation of activities. ROFE improved to 20,5%.

Rationalisation within our travel management business continued. All teams engaged in focused efforts to manage expenses and drive efficiencies. Quality standards were not compromised in pursuit of savings.

Bidair won new ground-handling contracts, including two with African carriers, complementing our positioning as a supplier to some of the world's leading airlines.

Among other things, Bidair's service-level agreements involve measuring, among other things, the extent to which we deliver our services on time and how far we may be responsible for a given delay. Our on-time performance is very high, scoring well over 99% – an illustration of the quality of our service.

For the third year in succession, Bidair teams at Cape Town International Airport won the ACSA Feather Award as the best ground-handling service provider – testimony to the quality of our people and the effectiveness of the training effort.

Bidvest Premier airport lounges, part of Bidair, invested R7 million to completely refurbish its international lounge at O.R. Tambo International Airport. This brings total investment in the lounges in recent years to almost R40 million. Our product offering and service standards were dramatically improved and a hospitality mindset was introduced to all our lounges. Bidvest Premier is the only commercial lounge brand that has truly national representation.

People, training and skills

Transformation

Bidvest Travel and Aviation comprises nine operating companies, of which four are now at B-BBEE Level 3 contributor status or higher. The remainder are Level 4 contributors. Our performance is well balanced across the dti scorecard.

Employee engagement

Bidair employees are represented by unions. Engagement with our travel and car rental consultants is through a more personal interface. Wage negotiations are conducted separately for ramp-handling, passenger handling, cargo, lounge and grooming staff. The grooming staff are covered by the national negotiations conducted by the contract cleaning association. Well-functioning human resource departments conduct the interfaces not covered by national bargaining.

Training

Bidair employs over 3 000 people and works with international airlines in a highly regulated environment, necessitating a world-class quality of operation. In the air travel industry, safety is of overriding importance. This requires high training standards and strict adherence to procedure. We are also subject to strict auditing processes. In our sector, significant training spend is non-negotiable. Training investment measured as courses conducted increased by 50% in our ground-handling operation. All training is designed to meet our requirement of 'safe, reliable service'.

Our cargo operation successfully implemented a 'people's flight plan' designed to increase investment in all aspects of staff development.

We focused all training efforts internally and ceased providing any training to external parties. Tighter focus and increased spend yielded excellent results.

Bidtravel's customers are South Africa's major corporates and government departments. Training is designed to ensure our travel consultants meet customer service expectations and requirements.

Budget Rent a Car is primarily end-user facing. Skills and training required for Budget employees include strong emphasis on customer service. Modules cover induction, personal mastery and development, specific skills for specific market segments and adherence to regulatory requirements such as the Consumer Protection Act and Occupational Health and Safety. Training in the travel and car rental industries is essential in order to remain competitive.

Social investment

Strategy for aligning our business with the communities we serve devolves to our decentralised teams, who are responsible for their own initiatives. Focus areas differ. Social investment increased by 52% to over R1,1 million.

Environment

The high level of regulation within which Bidair operates leaves relatively little room for a change of practice towards more environmentally friendly methods. We endeavour to reduce idling times of our equipment and maintain it on site where possible to minimise unnecessary transport. Care is taken to dispose of tyres in the most environmentally sensitive manner. To ensure the highest possible levels of safety, regulations require that equipment is only used for a predetermined period before it is replaced.

In our offices, managers are taking the initiative to limit their use of paper and to maximise the proportion of waste that is recycled. Initiatives are in place to reduce electricity, fuel, paper and water consumption and to recycle paper and tyres in an environmentally responsible manner. All businesses have stepped up these efforts. We will focus on water in particular, in response to a 32,6% increase in consumption.

Human rights

Human rights issues such as freedom of association and the proscription of child labour and forced or compulsory labour are well legislated under various acts and our sector is not at significant risk. Incidents of discrimination are monitored. There were no incidents to report.

CCMA cases involving Bidvest Travel and Aviation occurred mainly at Bidair and were extremely well controlled through rigorous adherence to procedure. As a result, very few cases were lost. Bidvest Travel and Aviation incurred no fines from the Department of Labour for non-compliance.

Anti-competitive behaviour

Every board meeting includes an agenda item on the risks of anti-competitive behaviour and conflicts of interest to confirm that neither takes place. It is the responsibility of individual board members to monitor their own areas of responsibility and carry this message and mentality to their operations. There were no instances.

Product responsibility

Bidair luggage-handling services have a high reputation. Our systems ensure responsible handling. Bidair is responsible for luggage custody from airport check-in to pick-up carousel. We employ internal security staff to monitor outsourced security officers, creating a double-monitoring system that

minimises the chance of damage or pilfering. Our luggage-handling standards are maintained at levels considerably higher than the international and local benchmarks.

Customer complaints are monitored and reported in board meetings, helping to ensure excellent customer service standards. In the lounges, complaints received through the in-house system (using a designated cell phone number) are escalated immediately, enabling us, if possible, to react while the customer is still in the lounge.

Future

Economic recovery is expected to continue, albeit slowly. We foresee a modest increase in travel volumes and in airline frequencies and cargo business. We target a revenue increase in line with this year's. Asset management will remain rigorous. We will seek operating profit growth in the region of 10% off the higher 2011 base as we derive further benefits from this year's efficiency efforts. Further improvement in ROFE is also projected. However, much depends on the general economic environment.

Company summaries

Bidtravel

The search for greater operating and technology efficiencies continued. Pressure on business travel budgets is unlikely to ease as economic recovery gains traction. The trend entrenches the need for travel management expertise. Volumes are expected to continue their slow recovery from an improved base, but pressure on client revenue is expected to continue.

Budget Car and Van Rental

The business faced a challenging year as industry-wide discounting continued unabated. There were welcome improvements in volumes and rate growth well above that achieved in the industry. Trading profit benefited from the vehicle fleet's reduced holding costs. Continued growth will be sought in 2012.

Bidair

Customer retention was good and underpinned a highly creditable performance. Modest growth in flight frequencies will be sought as the airline industry begins to recover and business travel continues its slow revival.