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# AFRICAN SAFARI

## CONTINENT'S CARRIERS ON THE HUNT FOR NEW OPPORTUNITIES

Many Africa-based airlines  
are modifying their operations  
to leverage the continent's  
growth potential.

By Maher Koubaa | *Ascend* Contributor

Investors and corporations including airlines are beginning to take great interest in the African continent, with its many areas for growth potential.

Like their counterparts in Europe and the Gulf, airlines based in North and South Africa seek opportunities to position themselves in the African sky, which was historically restricted or limited to major or flag carriers.

These carriers are conquering the African sky by establishing new commercial strategies and/or alliances and partnerships, reflecting a more attractive African marketplace.

Several carriers such as British Airways, Lufthansa German Airlines, Air France/KLM, Kenya Airways, South African Airways, Royal Air Maroc, Afriqiyah Airways, Emirates, Air Algérie, Tunisair and Air Senegal International are tun-

ing their business plans to conquer or regain a prominent position in the African market.

But several questions still remain: Why is the African market becoming more attractive? Are Africans traveling more within and outside the continent? Is there a more prosperous and secure business environment? Are regional and small companies able to withstand pressure from major network alliances? Is there a possibility



that Africans from north to south can agree on building strategic alliances or commercial partnerships to combat this pressure?

The region's carriers hope the changing local industry conditions will mark the end of the onerous trip conditions that require passengers traveling from one African region to another to connect through Europe.

Last year, the continent's international passenger traffic in terms of revenue passenger kilometers rose approximately 10 percent and cargo recorded strong growth that exceed-

ed 15 percent. Capacity expansion was at 10 percent, resulting in passenger load factors averaging 65 percent.

A similar growth pattern was observed recording a substantial transversal traffic increase among African countries that previously had no trade links.

The increase in traffic and demand is not the only reason for the attractiveness of this continent. Africa is still protected from the ills of the North American and European market-places, such as reduced yields, industry con-

Maghreb (Northwest Africa) as well as Europe, the Middle East and North America. Departing Casablanca, today the national flag carrier flies directly to Mauritania, Senegal, Ivory Coast, Guinea, Mali, Gabon and Niger.

The multiplication in flights offered and greater frequencies have made it possible to procure substantial improvement in traffic for Royal Air Maroc.

The number of passengers transported to Senegal increased by more than 61 percent. The same increase was reported for the Ivory



Photo courtesy of Airbus

**Royal Air Maroc acts as a strategic and technical advisor in an initiative to launch several new central African carriers for six of the region's states.**

**Operating its fleet of Airbus A320s, Afriqiyah Airways flies to 14 destinations from its Tripoli hub. The airline's destinations are linked, through its home base, to several European cities, including Paris, Brussels, Geneva and London.**



**HIGHLIGHT**

**There is a significant amount of revenue improvement available if the African carriers improve business practices, which represents an opportunity for the region and for individual carriers.**

solidation, capacity reduction and the incursion of low-cost operators.

Yield is relatively high in Africa despite general impressions, and elasticity is low.

A significant amount of African demand is being spilled; African carriers attempt to serve more destinations with fewer pieces of equipment.

There is a significant amount of revenue improvement available if the African carriers improve business practices, which represents an opportunity for the region and for individual carriers.

The current condition of the African market represents an opportunity for local carriers to penetrate these underserved and undeveloped markets.

**Royal Air Maroc**

Recently, Royal Air Maroc reported record traffic in Africa thanks to boosting flights on that continent by up to 25 a week. The Royal Air Maroc network to Africa is centered on the Casablanca, Morocco, hub as a platform for transit from other parts of the continent to the

Coast. For other markets, the growth registered between 10 percent and 26 percent.

The activity recorded showed a jump of 120 percent from 2000 to 2004 — a growth of 25 percent a year, reaching a turnover of 550 million MAD (US\$62 million) last year.

In 2004, transit traffic departing Africa via the Casablanca hub increased by more than 55 percent compared to 2003.

Passengers coming from and heading to Africa via the hub to the Maghreb, Europe and North America represented 60 percent of the airline's traffic, up 10 percent from the previous year. With the Casablanca hub, this performance places the carrier in international competition with other European hubs.

To offer a world network departing Africa, Royal Air Maroc signed a codeshare agreement with Emirates for continued flights to Dubai. Royal Air Maroc also has a codeshare agreement with its subsidiary Air Senegal International. The codeshares have helped the airline expand beyond Dakar using Air Senegal International and from major African markets to Dubai via Emirates.

After launching its low-cost carrier, Atlas-blue, and successfully creating Air Senegal International, Royal Air Maroc continues its efforts to establish a series of new central African carriers under the provisional holding company Air Cemac International.

The project involves establishing airlines for six Central African states: Chad, Cameroon, the Central African Republic, Congo, Equatorial Guinea and Gabon. The initiative is being pursued by the economic arm of these states, known as CEMAC, with Royal Air Maroc acting as a strategic and technical advisor. The venture will cover domestic operations within the CEMAC countries, services between the countries and the immediate surrounding African states, plus intercontinental routes.

### Afriqiyah Airways

Afriqiyah, the old name of North Africa, means African in Arabic. Afriqiyah Airways is a young airline working to create a pan-African network, linking Africa to the world. The carrier chose to compose its logo and identity theme using the numbers 9-9-99, denoting the proclamation of the African Union by the African Heads of State Summit held on Sept. 9, 1999.

Afriqiyah Airways operates a fleet of Airbus A320s on its 15 destinations. The African destinations include Lome, Togo; Cotonou, Benin; Abidjan, Ivory Coast; Niamey, Niger; N'djamena, Chad; Bamako, Mali; Khartoum, Sudan; Ouagadougou, Burkina Faso; Accra, Ghana; and Lagos, Nigeria. The African cities are linked through the Tripoli hub to European cities, including Paris, France; Brussels, Belgium; Geneva, Switzerland; and London, England.

For the past two years, Afriqiyah Airways recorded a year-over-year traffic increase exceeding 25 percent, mainly due to its attractive connections and better trip conditions.

Building on its expansion success, Afriqiyah Airways plans to expand its operations to more prominent African and European destinations and to consolidate routes using larger aircraft. To facilitate travel needs for its

passengers, the airline has interline and code-share agreements with several European airlines to ensure passengers get to their destinations in comfort and with less difficulty. In Africa, candidate destinations include Entebbe, Uganda; Lusaka, Zambia; Douala, Cameroon; Nairobi, Kenya; and Kano, Nigeria. In Europe, potential destinations include Amsterdam, The Netherlands; Rome, Italy; Manchester, England; and Vienna, Austria. The airline is also considering complementary cities in the Middle and Far East.

### HIGHlight

**Carriers that have put in place commercial structures and strategies in tune with the rapidly changing operating environment are already reaping substantial benefits.**

### Collective Network and Route Development

There is need for African airlines to develop routes to additional destinations while consolidating their networks.

Currently, most operations to South America are routed through Europe. Direct flights through some African hubs should facilitate trade with these valuable partners in South America.

African airlines have limited operations to the Middle East and Asia, which may account for the presence of many foreign carriers attempting to fill the void in this growing market. There is also a need to form partnerships among African airlines or in association with Middle East or Asian carriers to increase operations to this rapidly developing market.

Despite the signing of a number of open skies agreements between some African states and the United States, operations to the United States are limited, resulting in most passengers still transiting through Europe. Today, there are significant opportunities for cooperation among African carriers to develop the U.S. market via some African hubs.

African airlines must be restructured and repositioned to take advantage of these opportunities. Carriers that have put in place commercial structures and strategies in tune with the rapidly changing operating environment are already reaping substantial benefits.

Rather than working in isolation, African carriers need to build alliances among themselves to withstand the pressure from international alliances. They should also jointly exploit future growth opportunities, taking advantage of the lucrative African markets. One of the objectives of the African Airlines Association is to increase the cooperation among the carriers while promoting the development of safe, economical and efficient air transport services. Other than collective procurement, a concept such as Arabesk — an Arab Air Carriers Organization initiative to develop a collective network for member airlines — may be beneficial for these carriers to provide better service to the African traveler. Most of these carriers complement each other, and the real competition comes from network carriers. None of the carriers represent an excellent fit for an alliance. Cooperation among the region's carriers will be a plus. **E**

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