

AFRAA Annual General Assembly Sun City 2005

Staying Competitive in the
Evolving Liberalised African Air
Transport Market



The Competition

- After 9/11- focus on Africa
- African routes often most profitable
- Emirates- plan to dominate Africa



Liberalisation

- Africa highly regulated
- Push for Open Skies from non-African states
- YD- attempt to liberalise within Africa



Liberalisation

- Always favours the strongest player
- Further domination of African skies by foreign airlines



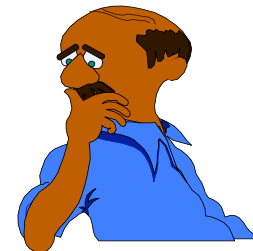
What Can We Do?

?



Traditional Methods have Failed

- Tight regulation not resulted in growth
- YD- limited success since 1988
- Majority of African airlines not commercially viable
- Government ownership rarely works
- Poor reputation for safety, security, service and reliability



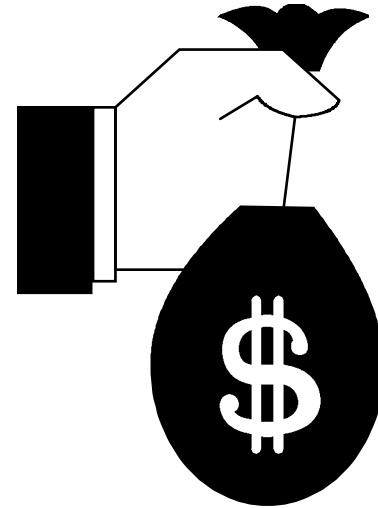
Why?



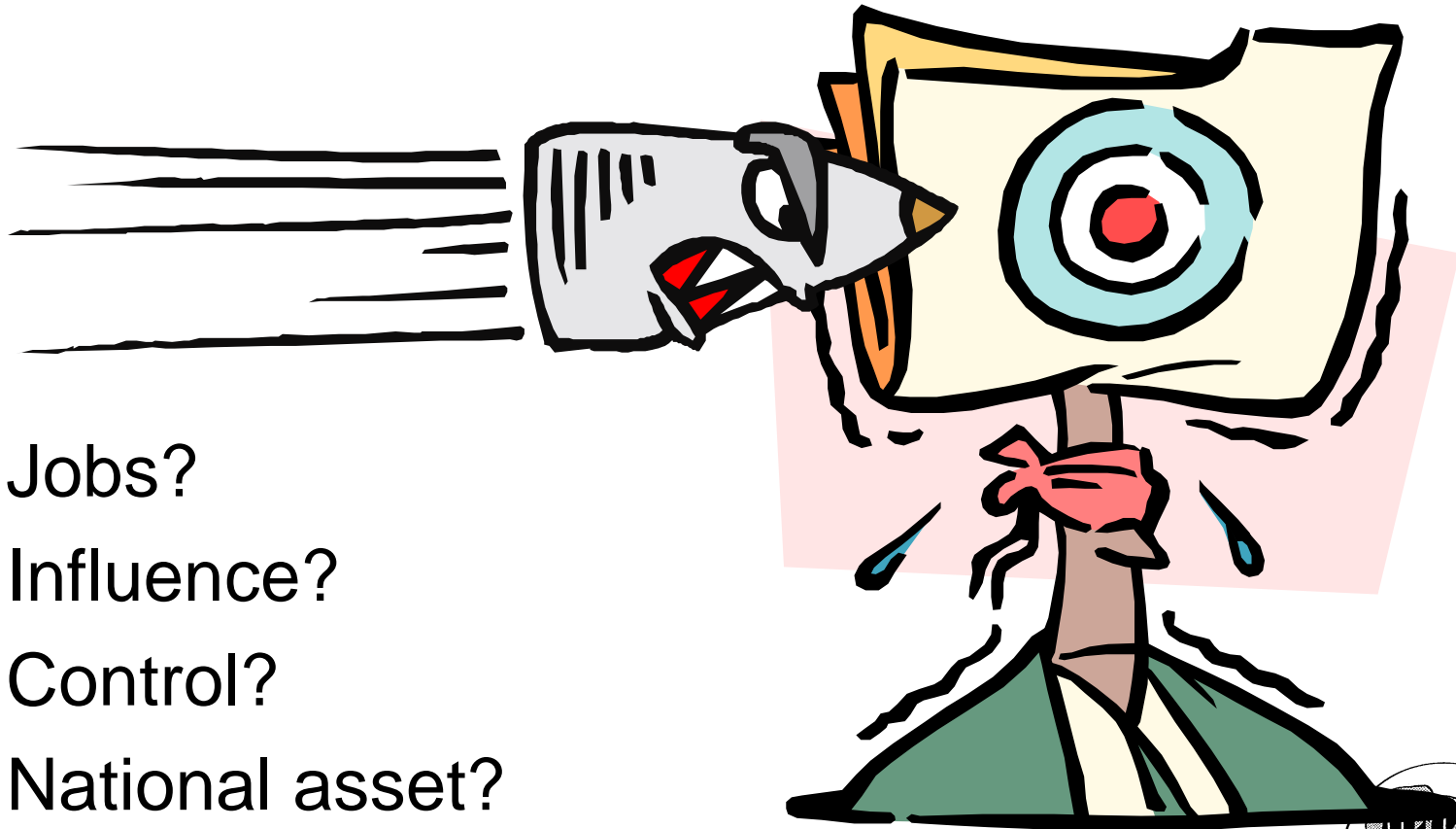
- Lack of money
- Lack of skills
- Lack of Govt support/interference
- Poor infrastructure
- Lack of will?

Privatisation?

- Source of capital
- Ownership and control



The Magic Bullet



- Jobs?
- Influence?
- Control?
- National asset?

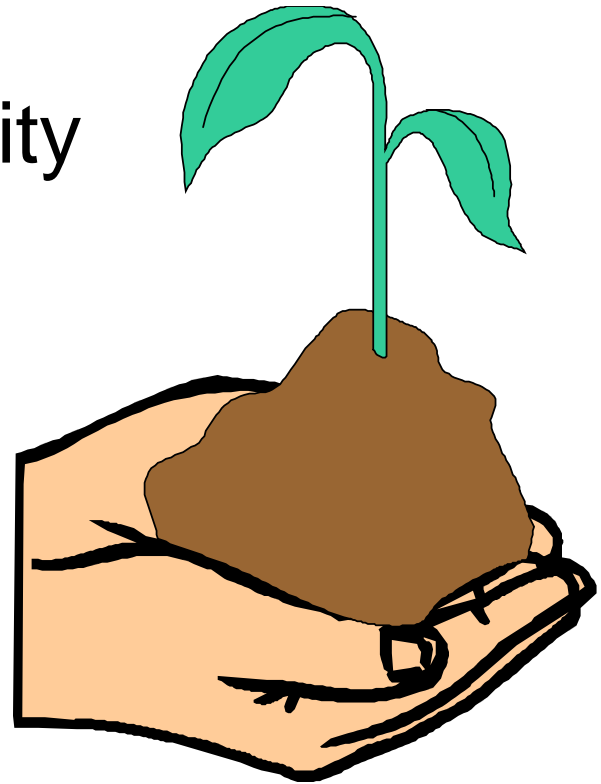
Why is Privatisation Successful?

- Freedom to make logical business decisions
- Freedom to FAIL



Enabling Environment

- Government responsibility
- Competition
- Legal
- Regulation
- Financial
- Infrastructure



Competition

- Limited protection has benefits, but
- Interests of the nation must come first
- Building a network
- Encouraging partnerships
- Equal opportunity
- Improving return



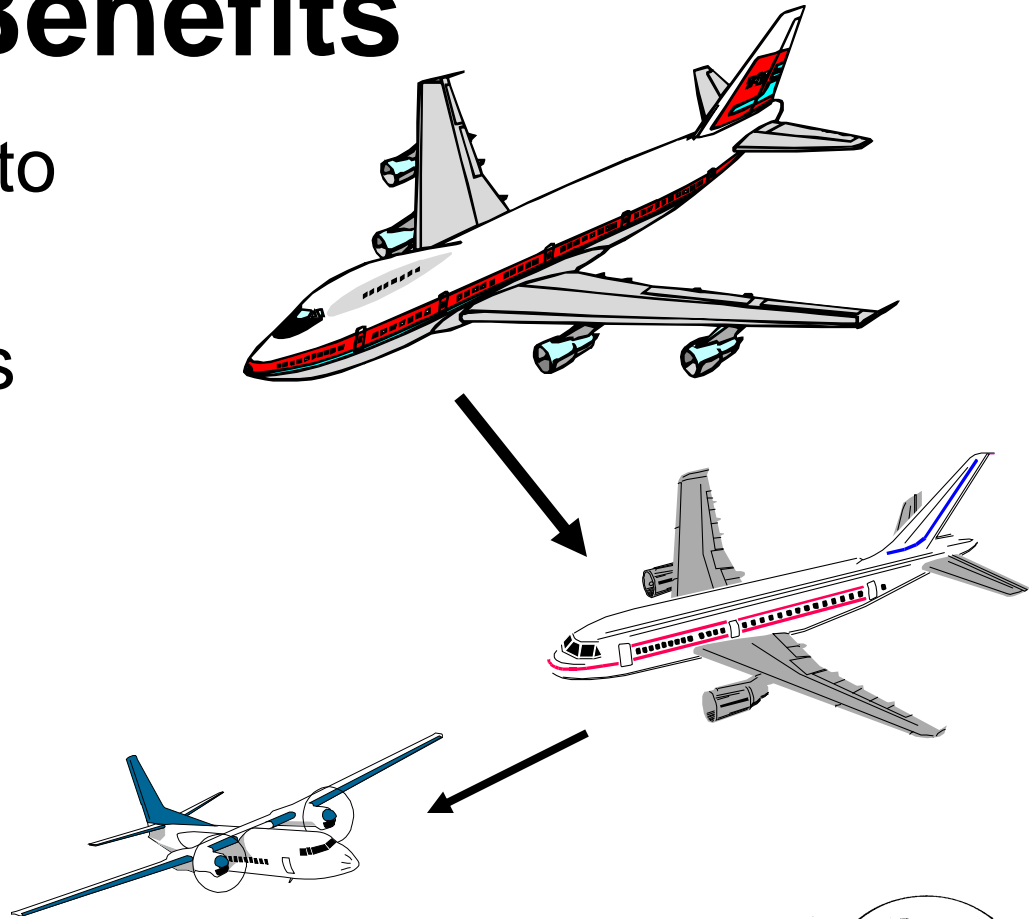
Competition

- If you cant beat them- **join them!**
- KLM/KQ
- BA/Comair
- Virgin Nigeria



Access to Partnership Benefits

- Secondary links to alliance groups
- Geographic hubs
- Expertise



Legal Framework

- Cape town Convention
- Autonomous CAA
- Respect for international law
- Company law- insolvency



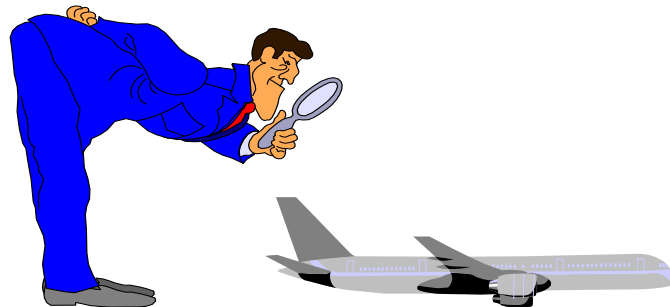
Regulation

- Technical/safety – world class
- Economic – supportive, transparent
- Aviation policy, balanced,



Safety

- Improving, but Africa 6.6 times worse than global average
- FAA/ICAO Cat 1 safety oversight
- IATA – IOSA
- IATA partnership for safety



Safety

- IOSA- 140 airlines audited, 62 on register
- **ONLY ONE AFRICAN AIRLINE ON REGISTER**



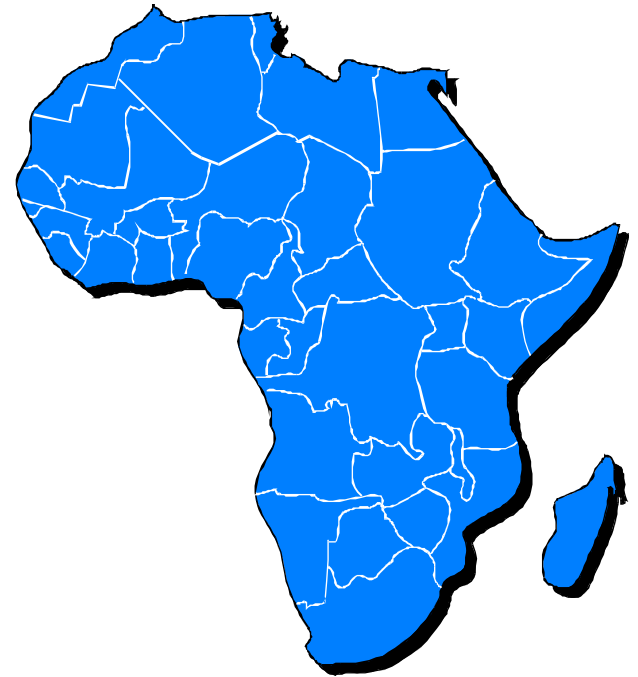
Safety

- Infrastructure is a Govt responsibility- but
- Airline safety is the CEO's responsibility
- **Safety is a competitive issue**
- **Safety is a leadership issue**



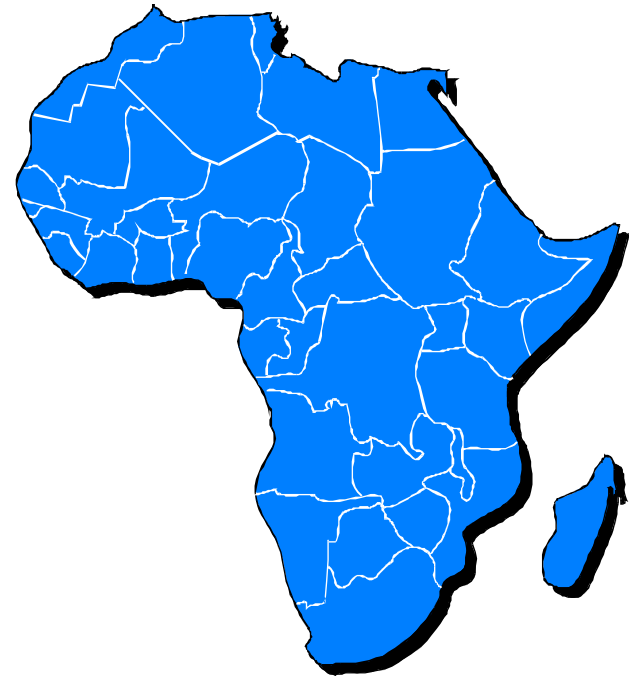
The African Solution to Competition

- Give the customers what they want



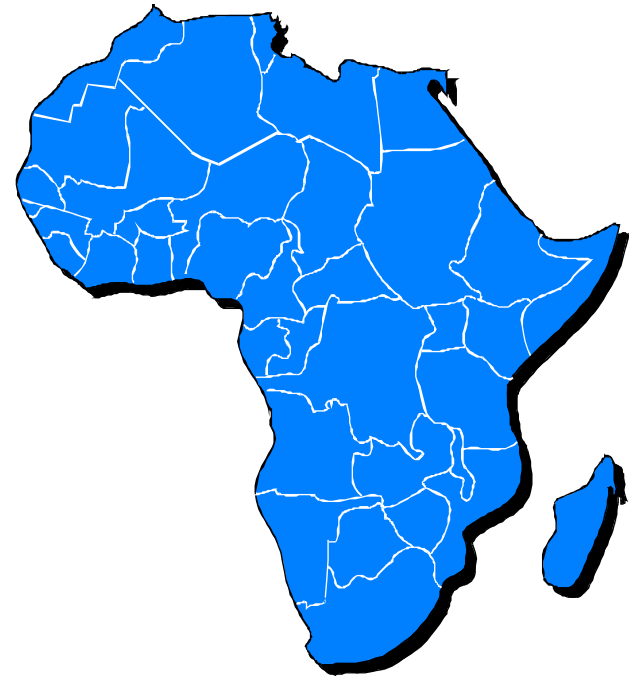
The African Solution to Competition

- **Schedule**
- **Service**
- **Safety/reliability**
- **Price**



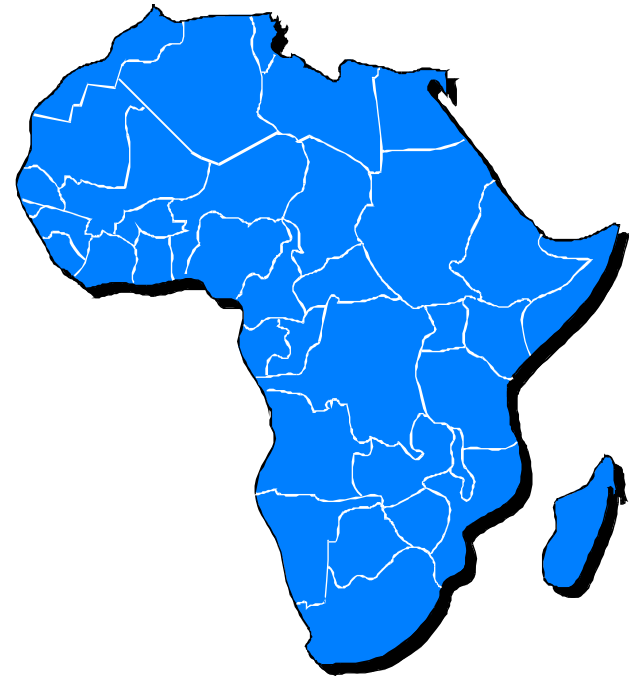
The African Solution to Competition

- **Schedule-** 1x7 is better than 7x1
- **Service-** through people, not technology
- **Price-** follow rather than lead?
- **Safety/security-** is a must



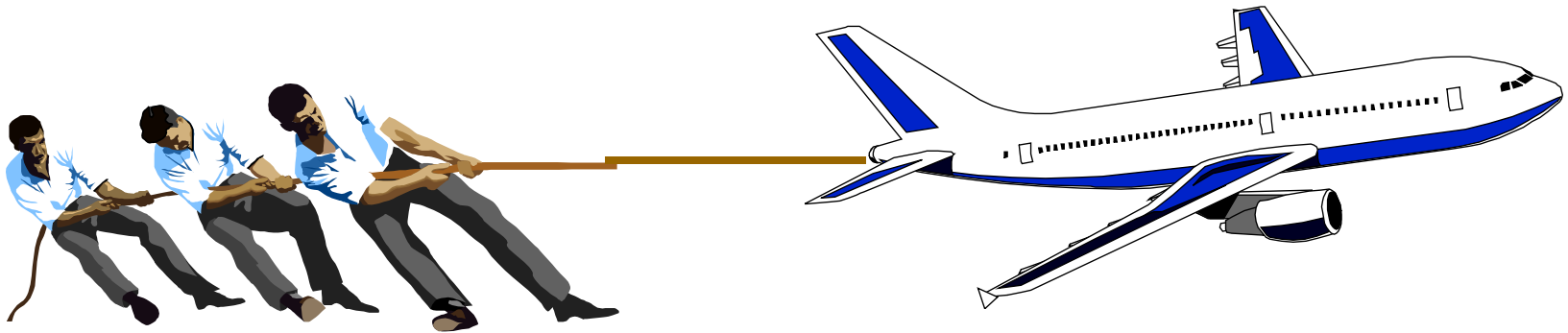
The African Solution to Competition

- **Competition cannot be stopped**
- **Embrace it- don't fight it**



The African Solution?

- Mistrust
- Politics
- Lack of focus



The African Solution

- Many examples of success
- Learn from successes
- **Focus on the things that are important to our customers**

