



# **CONCEPT NOTE**

## **WORKSHOP**

**On**

**African Airlines Industry Consolidation**

**14 September 2021**

**Hosted by African Airlines Association (AFRAA)  
(in virtual format via Zoom)**



## 1. INTRODUCTION

The 30<sup>th</sup> Ordinary Summit of the African Union Assembly of Heads of States and Government summit held in Addis Ababa, Ethiopia in January 2018 adopted the Institutional and Regulatory Instruments of the Yamoussoukro Decision (YD) to launch the Single African Air Transport Market (SAATM).

The aviation industry has unquestionably remained one of the most ultra-competitive sectors within the world of business. Hence Airlines are struggling over squeezing margins.

The African airlines sector is fragmented and less profitable, and shows insufficient capacity discipline. Everyone wants a slice of the pie. The SAATM implementation will enhance competition among Airlines.

The history of consolidation within the aviation industry is mostly associated with the 1978 Deregulation Act in the United States. The free market did not work with a fragmentation of the sector, as evidenced by the United States market evolution. In 2018, the top four carriers controlled 74% of the market: American Airlines, Delta Air Lines, United Airlines or Southwest Airlines.

Between 2001 and 2010 the aviation world was buffeted by several crises starting the dot-com bubble burst, the 2001 9/11 attacks and lastly the 2007 - 2008 financial crisis. The above led to a global recession that negatively impacted the aviation industry. As a result, many previously formidable airlines shrunk. In the USA as many as 20 airlines declared bankruptcy. To weather the storm, a wave of airline consolidations emerged in America.

The trend was kick-started with American Airlines acquisition of Transworld Airlines in 2001. The culmination was the emergence of three airline powerhouses namely Delta Airlines, United Airlines and American airlines. The drive to partner was driven by a 'Survival for the fittest' instinct. No airline could withstand the effects of the crises without scale. True to this, by the time the mega consolidation came to an end the top three airlines controlled over half of the US market.

In Europe, the consolidation trend was equally picking though at a slower pace. The same crises that faced US carriers were equally witnessed in Europe leading to the collapse of several airlines. These include Flybmi (UK), VLM of Belgium, Primera Air (Denmark), Azur Air of Germany and FlyBe. Meanwhile, through a series of acquisition and partnerships Lufthansa, Ryanair, International Airlines Group (IAG) and KLM emerged as the top carriers in Europe and soared in profits and fleet numbers. Currently, IAG owns British Airways, Aer Lingus, Iberia and Vueling while Air France-KLM comprises of Air France, KLM and Transavia.

Lufthansa and its group form a 10-airline company, all based around Germany and its neighbors (Lufthansa, Swiss, Austrian, Brussels, Eurowings, Lufthansa, Lufthansa Cityline, Air Dolomiti, Edelweiss and EW Discover). In Britain, the current form of British Airways was formed in a consolidation process that has brought together various airlines at different



times: British Overseas Airways Corporation, British European Airways, Cambrian Airways, Northeast Airlines, British Caledonian, Dan-Air with the British Midland International being the latest addition in 2012.

Globally, airlines are constantly developing innovative ways to drive partnership benefits and African airlines should be no exception. The partnership options available are diverse and in some cases complex, involving increasingly integrated structures which require careful consideration and up-front due diligence. The extent to which African airlines have progressed along the partnership continuum is varied.

Africa has seen a growing number of equity partnerships and management contracts (Ethiopian Airlines-ASKY, Precision Air-Kenya Airways, etc.) as small airlines seek commercial, technical and management expertise from more established carriers either from within or outside Africa. Closer collaboration and consolidation among African carriers is viewed by many as a mechanism to overcome some of the challenges of sustainability of airlines in the continent.

## **2. OBJECTIVES OF THE WORKSHOP**

The main objective of the African Airlines Industry Consolidation Workshop is to:

- Analyse the current market situation in Africa, overcapacities and its consequences;
- Analyse the impacts of consolidation for African airlines, passengers, cargo, air transport growth and connectivity;
- Share consolidation experiences among African airlines to provide stakeholders an understanding of the attributes and challenges of consolidation;
- Discuss possible consolidation strategies for African Airlines;
- Sensitize stakeholders on the regulatory framework governing airline consolidation;
- Sensitize States, Regional Economic Communities, financial institutions, multilateral agencies and African airlines on the benefits and challenges of consolidation.

## **3. EXPECTED OUTCOMES**

In line with the objectives of the workshop, the following are the expected outcomes:



- Enhanced understanding of the consolidation in Airlines industry;
- Awareness of the challenges and benefits of consolidation;
- Awareness of the existing regulatory framework governing airline consolidation and the industry's developments at policy level;
- In the long term, provide capacity building on Airlines consolidation strategies.

#### 4. PARTICIPANTS

The following entities will be invited to participate in the meeting:

- a) African Airlines (both Members and non-members of AFRAA)
- b) States, CAAs
- c) Regional Economic Communities and
- d) AUC, AFCAC and other regional organisations/Associations
- e) Financial institutions, tax and legal experts
- f) Media

#### 5. PROPOSED TOPICS

The following topics will be covered by the workshop program.

Consolidation Topics	Proposed Resource Persons/States/Organizations
State of the Industry	AFRAA - Predictive Mobility - Lufthansa Consulting
Presentation of consolidation: benefits and challenges	Lufthansa Consulting
Airlines perspective	Selected Airlines
Sharing of Experiences	Selected Airlines
Regional Economic Communities perspective	An Aviation Expert in RECs, AUC
Consolidation Strategies	Lufthansa Consulting



## 6. DATE AND VENUE OF THE WORKSHOP

The Workshop will be hosted by the African Airlines Association (AFRAA) via Zoom (virtual format) from Week of 14 September 2021.

## 7. LANGUAGES

The workshop will be conducted in English and French.

## 8. FURTHER INFORMATION

For further information, please contact:

### **African Airlines Association (AFRAA)**

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