

# Southern African News Features

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## REGIONAL COOPERATION TO HELP AIRLINES INDUSTRY

by Tinashe Madava

The southern African region is moving towards regional cooperation in the airlines industry to enable its national airlines to face off the stiff competition from big international carriers and also to boost profits.

The entry of the big international airlines such as British Airways into the regional routes, previously the domain of local airlines has resulted in stiff competition and analysts in the region have hinted that airlines in the region can benefit from working together in joint ventures to cover routes.

The SADC states recently ratified the Protocol on Transport, Communications and Meteorology, which stresses the importance of promoting social and business relations in SADC through air transport "with a view to improving levels of service and cost-efficiency in support of the socio-economic development of the region".

The protocol also seeks to recognise that in order to overcome the constraints of small national markets, market restrictions and the small size of some SADC airlines and further to ensure the competitiveness of regional air services in a global context, there is need for enhanced cooperation within the regional air transport.

In its civil aviation policy outline, the protocol emphasises the need for "regionally owned airlines". It calls for the "economic and concomitant institutional restructuring of the SADC airlines, airports and provision of air traffic and navigation services in a phased and coordinated manner."

The African Joint Air Services (AJAS) also wants viable joint venture operations in place to enhance business and competitiveness of regional air services. The Executive Director of AJAS, John Murray, said during the 23<sup>rd</sup> International Travel Congress and Travel Show that such operations could include the integration of some regional and national airlines. Murray said it was vital to establish a regionally owned carrier using existing aircraft capacity and route cooperation within the regions.

"It is our future objective to integrate with regional carriers in order to attain common approaches and objectives," said Murray, whose company runs the Alliance Air.

Murray reminded the delegates that in 1988 African countries signed the Yamoussoukro Declaration committing them to individually and collectively making efforts to achieve the integration of their airlines within eight years.

The AJAS director said the governments want to promote cooperation between their national airlines so as to amalgamate them into larger, more efficient and competitive entities. He said Uganda, Tanzania, Zambia and four other countries in 1987 declared their intention to go into use of wide body aircraft and consolidate their market.

"The government and their leaders recognised the uneconomic operation of the national airlines under the extreme competition of mega carriers and sought to combine the aviation markets in the region for large scale operations to ensure economies of scale," he said.

Meanwhile, plans by Air Namibia to purchase a controlling interest in the beleaguered Kalahari Express Airline (KEA) have collapsed and a local company, Namibia Harvest, took over the airline. Namibia

Harvest will now finance the entire project while South African Express, partly owned by South African Airways, will run the airline.

It was made clear in the advent of the deal that South African Express would not be buying KEA but would merely enter into a cooperation agreement, in terms of which SA Express would assist the young airline in management services, technical expertise and the lease of planes.

The Mozambican news agency, *AIM*, reports that the French air company Air France is to suspend its flights to Maputo, via Johannesburg, in South Africa, as from April 1999, for economic reasons. The company has also suspended its flights to Harare.

According to the company's director for southern Africa, Joel Routier, this decision is part of a restructuring of the company, to reduce the losses it has suffered over the last few years, particularly on this route.

Speaking at a press conference in Maputo recently, Routier estimated that the company has been losing at least US\$2.8m every year in flights between Maputo and Johannesburg because of the low number of passengers in the last three years.

Routier said that Air France is currently negotiating with LAM and with South African Airways (SAA) to harmonise the services of the three companies. The idea is that Air France will book seats in LAM and SAA flights from Maputo to Johannesburg, for those passengers who want to fly Air France on the company's direct Johannesburg-Paris flights.

Meanwhile the small new airlines in SADC have had problems in breaking even in the industry as they fail to acquire viable routes. The privatised light aircraft company TTA of Mozambique has found it difficult to break into the market and has asked the government to grant it the licence to operate on viable passenger routes.

The Mozambican cabinet made a resolution in February 1997 that no regular passenger routes should be granted to other operators until the national airline, LAM, was privatised. At that time the privatisation of LAM was expected to happen in 1997 but tender was cancelled when bidders failed to make acceptable bids. The government now plans to turn LAM into a joint stock company. The cabinet resolution is still in force.

According to *Mediafax*, the regional routes TTA wants are Maputo-Johannesburg, Maputo-Harare, Beira-Harare, Vilankulo-Johannesburg and Vilankulo-Harare. Vilankulo is in Inhambane province in Mozambique and is the airport for all the tourist resorts along the Inhambane coast and in the Bazaruto archipelago. LAM does not fly to Vilankulo.

On the other routes TTA would be competing with LAM. But there is clearly room for more flights between Maputo and Johannesburg, since the current LAM and South African Airways flights are often full. TTA also wants to operate regular services on three domestic routes that no other company is currently flying - namely, Tete-Lichinga, Beira-Nacala and Nampula-Nacala. Indeed, the northern port of Nacala is currently served by no regular flights at all.

But TTA also wants the right to operate regular services on what is currently the backbone of LAM's domestic business, the Maputo-Beira-Quelimane-Nampula route.

In an effort to necessitate regional cooperation of airlines in southern Africa, the SADC Protocol will also seek to encourage common approaches in respect of "airline operational planning, which may include standardization of equipment to facilitate work and service exchange so as to benefit from economies of scale, standardization of procedures, fleet sharing, joint scheduling, code sharing, joint market promotion, use of facilities for maintenance, training and fuel purchases." (SARDC)