



Lufthansa Consulting



Press release

15 September 2021

Beyond the crisis: Leveraging Airline Consolidation for Air Transport Industry Sustainability

Air transport plays a fundamental role in Africa's socio-economic development. The sector is a catalyst for promoting tourism and fostering trade and regional development. However, Africa represents less than 3% of global air traffic and over the past 15 years, the continent has had the lowest level of market consolidation compared to the other regions in the globe.

The African Airlines Association (AFRAA), Lufthansa Consulting and Kenya Airways staged a high level workshop on 14th September 2021 on African airlines consolidation to discuss the reasons for few partnerships and limited airline consolidation, the challenges and benefits of consolidation and measures for action by industry stakeholders to address the situation.

Mr Abdérahmane Berthé – AFRAA Secretary General, in his remarks stated: “The aviation sector is reeling from the impacts of Covid-19 pandemic. We need to devise new approaches of doing business in the face of increasing concerns on the sustainability of African Airlines. A crucial element in the success of the African airlines is consolidation and collaboration. The engagement of States, airlines and all the relevant stakeholders is necessary to effectively achieve the required outcomes on airline consolidation in Africa.”

Speaking during the workshop, Kenya Airways CEO Allan Kilavuka said: “It is crucial to retrace and learn from the footprints of consolidation from different parts of the world as we reset Africa's aviation towards our collective dream for flying to a better future. Consolidation and collaboration are essential ingredients for resilience and sustainable business operations of airlines. The ripple effect of strengthened collaboration amongst airlines will be an increase in the industry's contribution to the sustainable development of Africa and therefore we must elevate the tenor of discourse and make the airline industry matter in and for Africa”.

Ms. Catrin Drawer - Head of Market Africa, Lufthansa Consulting stated: “We require to meet the challenges of the “New Normal”, a reset in our thinking and approach. We require new business models, meaningful innovations in operations, adaptive management open to change, a growing true synergistic relationship between airlines and other relevant stakeholders. New challenges need new solutions now and in future to bring both resilience, and sustained success. Thus, synergy and meaningful partnering, whether

through existing contracts and alliances or new agreements, will be essential. We cannot bring back yesterday but we may together shape the future.”

Lufthansa consulting experts provided an in-depth analysis and background of consolidation of airlines from a global to an African perspective. The impacts of consolidation for African airlines, passengers, cargo, air transport growth and connectivity were discussed. Case studies were presented at C-level by Kenya Airways, Air Afrique and Ethiopian Airlines to enrich the discussions with first-hand experiences on the challenges, benefits of consolidation as well as the lessons learnt.

Industry recommendations

The forum articulated the following recommendations for action by the industry:

- i. Consideration of various models of consolidation including equity partnerships between two airlines or across a group of investments, cooperation between two or more well-matched airlines, or the formation of a new common airline. The concept of “Air Afrique” remains a valid consideration for Africa.
- ii. Implementation of appropriate corporate governance structure is necessary for consolidation. Political interference in the airline management is to be avoided.
- iii. Call to Development Finance Institutions (DFIs) to finance the feasibility study of consolidation models.
- iv. Call for uniform implementation of harmonized regulations and the establishment of an enabling working relationship between regulators, airlines and Regional Economic Communities (RECs).
- v. Enhancement of cooperation among African airlines (alliance of airlines, pooling resources, code sharing and interlining).
- vi. Call for support and commitment from Governments for airline consolidation in Africa.
- vii. Urge airlines to carry out careful evaluation of potential consolidation/partnerships based on factual data.
- viii. Exploration of cargo opportunities for air cargo consolidation.
- ix. Call for government and private sector collaboration to achieve concrete steps in airline consolidation.
- x. “Walk the Talk” - translate ongoing discussions into action in the interest of delivering accelerated benefits to the aviation ecosystem

The important workshop brought together over 200 participants comprising airline CEOs, C-level representatives from airports, CAAs and other African air transport decision makers as well as the media.

About AFRAA

The African Airlines Association, also known by its acronym AFRAA, is a trade association of airlines from the member states of the African Union (AU). Founded in Accra, Ghana, in April 1968, and headquartered in Nairobi, Kenya, AFRAA's mission is to promote, serve African Airlines and champion Africa's aviation industry. The



Lufthansa Consulting



Association envisions a sustainable, interconnected and affordable Air Transport industry in Africa where African Airlines become key players and drivers to African economic development.

AFRAA membership of 46 airlines cuts across the entire continent and includes all the major intercontinental African operators. The Association members represent over 85% of total international traffic carried by African airlines. Follow us on [Facebook](#), [LinkedIn](#), [Twitter](#) and [YouTube](#).

About Lufthansa Consulting

Comprehensive advisory services - Aviation is our business

Lufthansa Consulting is an aviation and management consulting company, which is dedicated to assist international clients from the aviation sector and related industries to meet the challenges of the future successfully. Since 1988 the company has provided services and solutions to the air transportation industry in more than 3500 projects worldwide and is an independent subsidiary of the Lufthansa Aviation Group (Deutsche Lufthansa AG).

Lufthansa Consulting is in the unique position of offering comprehensive consultancy and expertise to aviation specific client groups: air carriers, airport authorities, civil aviation authorities, governments, investors, financial institutions, manufacturers, other industries and service related entities. We know the aviation business and we take pride in implementing our solutions.

Visit our [website](#), follow us on [LinkedIn](#) and [Twitter](#) and listen to our podcasts on Spotify, Apple Podcast and Amazon Music

About Kenya Airways

Kenya Airways, a member of the Sky Team Alliance, is a leading African airline flying to 41 destinations worldwide, 34 of which are in Africa and carries over four million passengers annually. In 2020 KQ was named Africa's Leading Airline by the World Travel Awards. It continues to modernize its fleet with its 32 aircraft being some of the youngest in Africa. This includes its flagship B787 Dreamliner aircraft. Kenya Airways services cargo flights including London, Amsterdam, Guangzhou, Sharjah, Mumbai and over 25 intra-Africa routes in addition to its passenger network. The on-board service is renowned and the lie-flat business class seat on the wide-body aircraft is consistently voted among the world's top 10. Kenya Airways takes pride in being at the forefront of connecting Africa to the World and the World to Africa through its hub at the new ultra-modern Terminal 1A at the Jomo Kenyatta International Airport in Nairobi.

For more information visit www.kenya-airways.com

Follow us on [Twitter](#), [Facebook](#), [LinkedIn](#) and [Instagram](#)