



Africa And The National Carrier Question

THE SEARCH FOR ALTERNATIVES

By Monday Ukoha



The Government of South Africa recently canceled the agreement with Takatso Consortium on 51% stake in SAA

The recent announcement by the Government of South Africa cancelling its agreement with Takatso Consortium on 51% stake in South African Airways has once again brought to the fore the unending failures of governments in Africa to establish national carriers. Coming after the recent fiasco about the Nigeria Air project, it is not hard to see the challenge that has befallen many governments in Africa. When the two largest powerhouses are struggling to set up or sustain national carrier, it mirrors the unpalatable situation across Africa.

National Carrier Vs Flag Carrier

The argument has continued in Africa on whether there is indeed need for national carriers in Africa or countries should just designate flag carriers which could either be divested national airlines, existing private carriers or Special Purpose Vehicles set up for that purpose. No matter the side of the divide one chose to argue from, the basics are that governments in Africa, in respect of their national carriers, are having a tough time.

Firstly, many governments have not been able cut their losses and move on. In many parts of Africa, there are many voices calling on governments to hands off those airlines.

Secondly, these national carriers employ many citizens of these countries and many governments are not ready for the political fallout of job losses from closing down airlines. In fact, the Department of Public Enterprises of South Africa, has assured workers of SAA that their employment would not be impacted by the cancellation of the Takatso deal. Furthermore, many governments have been unsuccessful in privatizing their national carrier or forming quasi flag carriers.

In the presence of weak transport infrastructure, many African governments have found usefulness in the national carrier providing connections that promote economic activities which private carriers may not be amenable to provide due to profit considerations.

A Litany of Woes

Whether the huge investments and drain of the public purse that these national carrier projects have come to represent can justify these investments remain to be seen and is the discussion for another day. For instance, Kenya Airways has been supported severally by the government of Kenya thankfully, it was profitable in 2023. South African Airways, once the largest airline on the continent, is not only a shadow of its former self but has received over \$2.2 billion in support in ten years according to the Minister of Public Enterprise as quoted in a BBC report. Across Africa, many national carriers depend on governments to pay their debt and carry on as going concerns. In Nigeria, the government had equally spent huge sums midwifing a national carrier which is in comatose currently.

Many of national carriers in Africa are small of size and therefore do not benefit from economies of scale and most often do not have the supporting infrastructure to run sustainably thereby leaving questions as to the benefit of their continued existence. There is also perennial government interference in management, mismanagement and in some cases outright corruption. Only a few are profitable.

Any Way Out for Governments?

In this regard, it is quite easy to see some commentators' love for Ethiopian Airlines. Bucking the trend, ET has continued to grow exponentially and more often has become the example for those supporting the establishment of national carriers in Africa. It is well run, does not have government interference in its management (or not enough to affect its proper running), has a tested and proper succession plan and has put in place strategic framework for future growth. Royal Air Maroc and EgyptAir are also examples of airline doing well, and these successful examples have provided backing for those in support of continued existence of national carriers in Africa. Other African governments may wish to study the examples of these national carriers. It is therefore convenient to postulate that African countries that have the capability to run their national carriers efficiently may go ahead. Its doubtful, though if many will be seen.



KQ and SAA are partnering to create a bigger airline



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In the search for solutions, it is equally important to underscore, and many governments need to hear this, that not all African countries can have economically sustainable national carriers or flag carriers domiciled in those countries. For some, the market is just too small to sustain full scale network carriers. The push to establish national airline at all cost will lead to many more airlines failing in Africa. The difficulties in setting up of successor national or flag carriers in Ghana, Nigeria and elsewhere are significant pointers. This is even one of the benefits of the Single African Air Transport Market, SAATM as it seeks to increase flights into African countries through its renewed focus on 5th Freedom routes activation.

Importantly, stakeholders have called for airline consolidation. Speaking at the African Airlines Association Annual General Assembly (AGA) in Kampala in 2023, the Managing Directors of Kenya Airways and Safarilink, Mr Allan Kilavuka and Mr. Alex Avedi, respectively made the call for consolidation to create bigger airlines, and enjoy benefits including economies of scale. KQ and SAA are already collaborating in this line. And one hopes that the partnership will grow to include other airlines across Africa.



ET has continued to grow exponentially and is a great example of a thriving national carrier



Mismanagement has been a major blame on why National carriers fail

Privatisation is another option and attraction of strategic investors have been proposed by others. But the experiences including the Nigeria Airways have shown too that this has its limitations in Africa.

Another option often floated by others (not directly in relation to national carriers) including the past Director General of Nigerian Civil Aviation Authority, Capt. Musa Nuhu, is to turn the entire West African region air transport industry into a domestic market for airlines of the sub-region. Ditto for other regions. This will not only help to harmonize and reduce charges, remove limitations on frequency, but also increase the market size, and offer the assurance of connectivity to governments and deemphasize national airline ownership. It will also ensure that successor airlines in the region will find sufficient market to thrive. However, it does appear that for the African situation, the best option may be to designate thriving private carriers to provide air services across the regions, these flag carriers will be availed favourable operating environment.

This option will lead not only to thriving air transport market but also free governments' resources to be invested in direly needed social and physical infrastructure. This if paired with the concept of a single domestic African market will create large markets and stronger carriers.

Final Words

South African Airways issue has once again amplified the position of naysayers to national carriers. The case of SAA



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as indeed many other national carriers is to say the least a sad commentary on government ownership and management of airlines, especially in Africa. And as always mismanagement has been blamed. It begs the question; will any new national carrier not face the same malaise that killed their predecessors? As the South African government seeks ways forward from this latest setback, the task remains that SAA has to attract fresh injection of financing to continue its comeback.

The road looks long, or even bumpy but for South Africa and other African governments and national carriers, there are plenteous examples to learn from, to succeed or fail. And decision time is now. □