Aiming high in Africa

Demand for premium airline seats and for seats on long-haul routes is on the decline while numbers on domestic routes and low-cost carriers grow.

The May premium traffic monitor of the International Air Transport Association (Iata) showed that this market has been in constant decline since 2007.

In May the proportion of premium seat sales in total international air travel fell to just over 8% as business confidence, particularly in Europe, declined.

Iata also said air travel between Africa and Europe contracted by 4,8% between December 2010 and December 2011.

The number of people flying between countries in Africa held strong, however, underpinned by economic growth in parts of the continent.

While low-cost regional operators are increasing their activity between African states, long-haul operators are reducing capacity due to a drop in the number of incoming visitors.

SA Airways recently announced it had cancelled its Cape Town-London route due to a 24% decline in the market between UK terminals and Cape Town over the past five years.

At the same time, Deutsche Lufthansa announced it would be dropping its route between Cape Town and Frankfurt, Germany's financial and transport centre. Instead it plans to operate long-haul flights between Munich and Cape Town.

Demand for local flights remains resilient. Mango said last week it would be increasing the frequency of flights on its "golden triangle" routes between Cape Town, Johannesburg and Durban.

Mango CEO Nico Bezuidenhout says the decline in passenger numbers on international flights to Cape Town may be driving the increase in Mango's Johannesburg-Cape Town flights.

"On average we have five flights per day on each of those routes (golden triangle) and Lanseria has three," he says. "Shortly we'll have eight flights between Johannesburg and Cape Town.

"I suppose if long-haul carriers are pulling out of Cape Town then people will travel more between Cape Town and Johannesburg, but that wasn't the reason for us [putting on more flights]. There are high volumes of passengers, which justifies the level of capacity from our side."

Enter Fastjet

Last month Rubicon Diversified Investments announced it would launch Fastjet, a low-cost airline that will operate in Africa. Fastjet CEO Ed Winter says the airline, which plans to launch in October, will grow aggressively into one of the continent's largest operators.

"The countries we'll be operating in have a joint population of 100m," he says. "If only 3% were customers, we would achieve 12m journeys a year; that is the potential we have."

Rubicon acquired a 49,98% interest in Lonrho's aviation division for US85,7m. It is a reverse takeover in which Lonrho will retain a 73,7% interest in Rubicon.

Lonrho Aviation operates as a subsidiary of Lonrho, a diversified trading group with interests throughout Africa.

The aviation unit operates under the Fly540 brand. It serves destinations across Africa from three regional hubs in Kenya in East Africa, Angola in the southwest and Ghana in the west. It owns four aircraft and leases another six.

The East Africa hubs see about 40 000 passengers a month, and the Angola and Ghana hubs carry about 13 000 and 9000 passengers respectively.

Winter sees opportunities in 16 West African states, near the planned hub in Ghana, which are not served because of poor interconnectivity.

"The Accra route, for instance, needs much more capacity as travellers often have to first fly to Europe, Dubai or Johannesburg when travelling to neighbouring countries, which doesn't make much sense," he says.

He hopes the operator's low-cost model will ensure more passengers.

In the African air travel market, passenger load factors were down to 65,9% in April, lower than any other region.

"This is because most airlines are using the wrong model," he says. "Easyjet in Europe flies at 83% and Ryanair is similar."

Source: *Financial Mail* via I-Net Bridge