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No drastic steps needed at SA airlines

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Companies Editor

LOCAL airline companies said last week they were unlikely to take the sort of drastic measures some global carriers have implemented to survive a severe downturn in business, despite predictions by an industry body that African carriers could lose as much as \$600m this year.

Executives at South African Airways (SAA), Comair, and an industry body representing travel agents said while passenger numbers had fallen, it was too early to sound the alarm.

Last week, the International Airlines Association (Iata) said the global airlines industry was "in intensive care" and estimated African airlines would lose \$600m this year, six times as much as they did last year.

Worldwide, the losses would be \$4,7bn compared with the \$2,5bn Iata forecast in December.

Some carriers in Europe, Asia and the US have cut operating costs to the bone, mothballed aircraft and dropped unprofitable routes in addition to putting workers on unpaid leave or retrenching them altogether.

Comair joint CEO Gidon Novick said while times were tough, the airline was working to retain market share, cut costs and win customers, particularly the corporate market, which provides the bread and butter of the passenger business.

"We are now looking at being creative and we have to be very aggressive to protect (rather) than merely grow market share," Novick said.

SAA shrugged off the predicament of some airlines and said it was prepared for the downturn because it was benefiting from a restructuring exercise started well before the aviation industry hit turbulent times.

"The most significant challenge is to ensure that costs remain sustainably under control in the current tough environment and that we continue to root out cost inefficiencies as we have done during the restructuring," spokeswoman Robyn Chalmers said. SAA was cutting unprofitable routes while aggressively looking for opportunities to grow, particularly on selected African routes.

"More importantly, we need to ensure that we take advantage of new opportunities and move quickly into new markets and routes that can be sustained from a profit point of view," Chalmers said.

Novick said Comair was encouraged by business out of Lanseria airport, which was experiencing an increase in passenger volumes as people moved away from OR Tambo International Airport. "The big variable now is the demand side apart from the pressures of running an airline like fuel, which adds to the cost pressures," he said.

Comair was working with corporate clients to help them save money by, for example, suggesting that they fly during off-peak periods.

It had been also upgrading its fleet to use more fuel efficient aircraft, he said.

Low-cost airliner 1time, while hoping for improved business in the period to June this year, said last year was probably the worst trading period for the aviation industry.

CEO Glenn Orsmond said last week domestic passenger departures fell 6% from 13,1-million passengers in 2007 to 12,3-million last year — the first such contraction after an average 15% annual increase for the previous five years.

The CEO of the Association of Travel Agents, Robyn Christie, said statistics from members showed there had been a dramatic fall in airline seats booked, and the corporate sector had been particularly aggressive in cutting back.

"We have people who used to travel first or business class now flying economy, and some airlines cutting routes," she said.

Chalmers also said tough times had changed travelling habits. "Corporate and leisure travellers are certainly becoming more savvy with their travel spend ... looking for the best price when travelling."

Novick said more drastic measures might have to be taken if market conditions deteriorated further, although there were no indications that this would happen in SA.

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