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STUDY ON FLEET-PLANNING AND FINANCIAL STUDY ON THE JOINT CEPGL AIRLINE
- EXECUTIVE SUMMARY -

1. Background

1.1 Air Transport in CEPGL countries

1. The three countries of Zaire, Rwanda and Burundi which together forM the economic community of the countries of the Great Lake (CEPGL) own a national airline each. The current operations of these national airlines however are limited to domestic and regional routes. The international air transport requirement is essentially met by foreign airlines. Sabena, Air France, Lufthansa, Ethiopian Airlines etc. are some of such foreign airlines. There are also some Zaire based private airlines which operate from Zaire.

2. The national airlines of the three countries own a small number of fleet consisting of:

- One DC-10-30
- TW B737-200
- One DC8-54 belonging to Air Zaire. The DC10-30 has been grounded for a long time due to heavy maintenance
- Two Twin Others of Air Rwanda
- One Islander and One Twin Otter of Air Burundi.

3. According to sources from the three airline the technical personnel (pilots and aircraft technicians) are as follows:

Airline	Pilots	Aircraft Technicians
AIR Zaire	60	360
AIR Rwanda	2	5
AIR Burundi	8	10

1.2 Trade Relations

4. Passenger and freight traffic movements naturally follow trade routes. A look at the trade and economic ties of the CEPGL countries reveal that the sub-region enjoys close trade and economic ties with European countries. Significant export and import business transactions are conducted with Belgium-Luxembourg, France, Germany, Italy, the Netherlands and the United Kingdom. The United States, Japan and Canada are also important trade partners. Trade between CEPGL countries and other African countries has not developed. Some import and export commodity movement is taking place between Kenya, Uganda, Tanzania, the

Republic of South Africa and Zambia on the one hand and the CEPGL sub-region on the other hand.

1.3 Traffic Flow

5. Two patterns of air traffic (passenger and freight) flow are discernible to from the CEPGL sub-region. These are the flow between the CEPGL countries and Europe and between the CEPGL countries and other African countries. A historical figure for the year 1990 is shown on Table 1.3.1. An estimate of what these figures will look like in the year 2000 is also made.

Table 1.3.1 CEPGL - Europe v.v historical traffic 1990

Country	Passenger Number	Freight tons
Zaire	154,068	7,091
Rwanda	26,876	5,298
Burundi	26,876	5,298
CEPGL - Europe v.v Traffic Forecast 2000		
Zaire	170,701	8,467
Rwanda	40,836	3,846
Burundi	40,169	5,718
CEPGL - Africa v.v historical traffic 1990		
Zaire	62,678	6,037
Rwanda	29,380	1,109
Burundi	29,380	1,109
CEPGL - Africa v.v traffic forecast 2000		
Zaire	108,927	7,829
Rwanda	45,422	1,231
Burundi	54,177	1,674

6. The data for the period after 1990 is not reliable due to the political crisis that took place in the three countries. The year 1990 is taken therefore as a base in order to avoid the distortion that basing the forecast on more recent years would involve. The modern community heavily depends on air transportation for fast movement of passenger and freight. The dependence becomes crucial when the distance involved and hence the lapse time are longer. Furthermore lack of adequate means of other modes of transportation such as rail road and sea increase dependence on air transportation. This is exactly the situation in the landlocked CEPGL countries.

7. The unfriendly tropical climatic conditions as well as the long distance from the sea have hampered the development of surface transportation. The distance between the CEPGL countries and the outer world is also considerable. The need to fill this transportation gap will therefore remain the preoccupation of the Governments of CEPGL States for some time to come.

8. Two important conclusions could be drawn from the above:

- That air transportation is and will remain an important alternative means of linking the sub-region with the international community.

- That the role of the national carriers in this important mission and hence the control of the CEPGL States on air transportation is limited.

9. Before trying to identify what the solution should be let us look at some of the general characteristics of the air transport industry and the peculiar problems of the small African Airlines.

1.4 Industry Characteristics

10. The following are the industry characteristics:

- The air transport industry is capital intensive. Acquisition of new technology aircraft, spare parts, construction of infrastructures, airplane maintenance and operating them are very expensive.

- Aircraft technology suffers from high rate of obsolescence compared with the investment that goes into their acquisition.

- Airline operation in terms of fuel costs, insurance premiums, passenger and aircraft handling charges etc. is very expensive.

- The industry has become very competitive since there are much more aircraft seats and cargo capacity in the market than the number of passengers and tons of cargo ready to occupy them.

- Economies of scale works in favour of bigger airlines allowing them route cross-subsidization, bulk transportation over long haul routes. It works against small airlines which operate lesser capacity and older model aircraft. The latter are pushed to secondary markets as feeder airlines. Deregulation and liberalization of the air transport industry and the creation of mega carriers accelerate this trend - the trend of the bigger getting bigger and the small getting smaller.

11. In addition to the above global phenomenon African airlines are also subjected to their unique predicaments:

- The air transport markets of most African countries are small and are not able to support viable schedule services of their national airlines.

- African airlines face unequal competition from major airlines of the developed countries.

- The inability to raise sufficient fund to phase-in new technology aircraft has forced small African airlines to get stuck with old model, fuel inefficient and maintenance heavy aircraft.

- Scarcity of trained and experienced personnel result in importation of expatriates at the cost of paying huge salary and allowances.

- Government ownership of the national airlines usually lead to interference by Government officials in the day to day activities of airlines. This denies the airlines the autonomy and independence which are prerequisites for business enterprises to run efficiently. The appointment of senior management members on the basis of their political acceptability rather than on their competence in another example of interference.

1.5 The Objective of the study

12. The main objective of the study is to find ways and means of creating a joint airline which will meet the air transportation needs of the CEPGL countries. There are also sub-objectives which should lead to the achievement of the main objective. These are:

- To determine the passenger and cargo traffic potential of the CEPGL countries.

- To design the air transport network to meet the requirements of the sub-region for scheduled air services.

- To identify the best alternative legal formula for creating a jointly owned CEPGL airline that operate the said route network.

- To develop a fleet plan in order to determine the aircraft types and categories which will best suit the planned route structure and the traffic density.
- To develop the investment place.
- To draw the financial plan (cash flow for the first five year plan 1997-2002).

2. Formation of CEPGL Joint Airline

2.1 Alternative Approaches to form a Joint Airline

13. There should not be any illusion that the national airlines of the CEPGL countries could, in their present form, provide adequate air transportation services for the sub-region. Both industry and local hurdles as mentioned above, are beyond their individual capability to overcome. The solution lies in a cooperative approach to form a single joint airline to operate international schedule services on behalf of the three countries.

14. The political will for this purpose was expressed in the Treaty of Gisenyi which was concluded by the three states of the sub-region on September 20/1976. Subsequent to the conclusion of the treaty Air Zaire, and Air Rwanda and Air Zaire and Air Burundi had signed commercial agreements which provided for joint operation of certain routes, common use of aircraft capacity and pooling of traffic rights. Air Zaire had also proposed a tri-partite cooperation, in the spirit of the Yamoussoukro Declaration, to establish a multinational airline which will be mandated to operate international services on behalf of the three countries. Despite lack of progress, these efforts indicate the existence of a strong community of interest between the three countries to solve the air transportation problems of the their sub-region. This study fully subscribes to the common and cooperative approach of establishing a jointly owned multilateral airline.

15. In the search for a suitable mechanism to establish a joint airline four alternatives have been considered in detail. These are:

I. CEPGL airline to be jointly owned by Air Zaire, Air Burundi and Air Rwanda.
II. CEPGL airline to be owned by Air Zaire, Air Burundi and Air Rwanda and the private sector.
III. CEPGL airline to be owned by the private sector alone.
IV. CEPGL national carriers to jointly use aircraft.

16. The second alternative of forming a CEPGL airline as a share company with the three national airlines of Zaire, Rwanda and Burundi as well as the private sector, as shareholders is recommended in this study. The reasons are:

- Wider market base which will bring together the potential passenger and freight traffic of the three countries. The combined market will warrant the use of wide body new technology aircraft with better seat occupancy and higher daily utilization rate.

- The expanded market base will also provide better scope for expansion and growth of the joint airline.

- The status of the joint airline as a share company with strong participation of the private capital will give it complete autonomy and independence from government interference.

- The joint airline will rationalize the international routes of the three airlines by combining them in order to improve the load factors of the longhaul flights.

- As the international flag carrier and the designated airline of the three countries, the joint airline will enjoy the full support and patronization of the three states.

- Due to its status of commercial airline the joint airline will get a better support from financial institutions for loans to meet capital investment.

- It will also have access to the qualified technical human resources of the three countries.

- The joint airline will have an opportunity to raise equity capital from the private sector. Additionally it will benefit from the business experiences and public relations influences of the private shareholders some of whom may even serve as members of the Board of Directors.

2.2 Common Aviation Policy

17. The creation of a joint airline by the three countries presupposes the establishment of a common aviation policy. The objective of the common aviation policy will be the removal of any legal hurdles which may hamper the smooth operation of the joint airline. It may, in fact, be necessary to promulgate policies, rules and regulations that will facilitate the operations of the joint airline. This objective should be implemented through the creation of a sub-regional Civil Aviation Commission.

18. Among other things the Commission will:

- Negotiate, on behalf of the sub-region, Bilateral Air Services Agreements.
- Renegotiate the conditions of existing Bilateral Air Services Agreements to which the three partner countries are members.
- Standardize and implement a single aviation policy in such areas as certification, licensing, aircraft registration, safety etc.
- Abolish all traffic rights restrictions within the sub-region by effecting the conclusion of a single multilateral air transport agreement.
- Conclude an agreement to designate the joint airline as a role designated airline of the three CEPGL countries and to operate international flights on their behalf.

2.3 Management and Organizational Set up

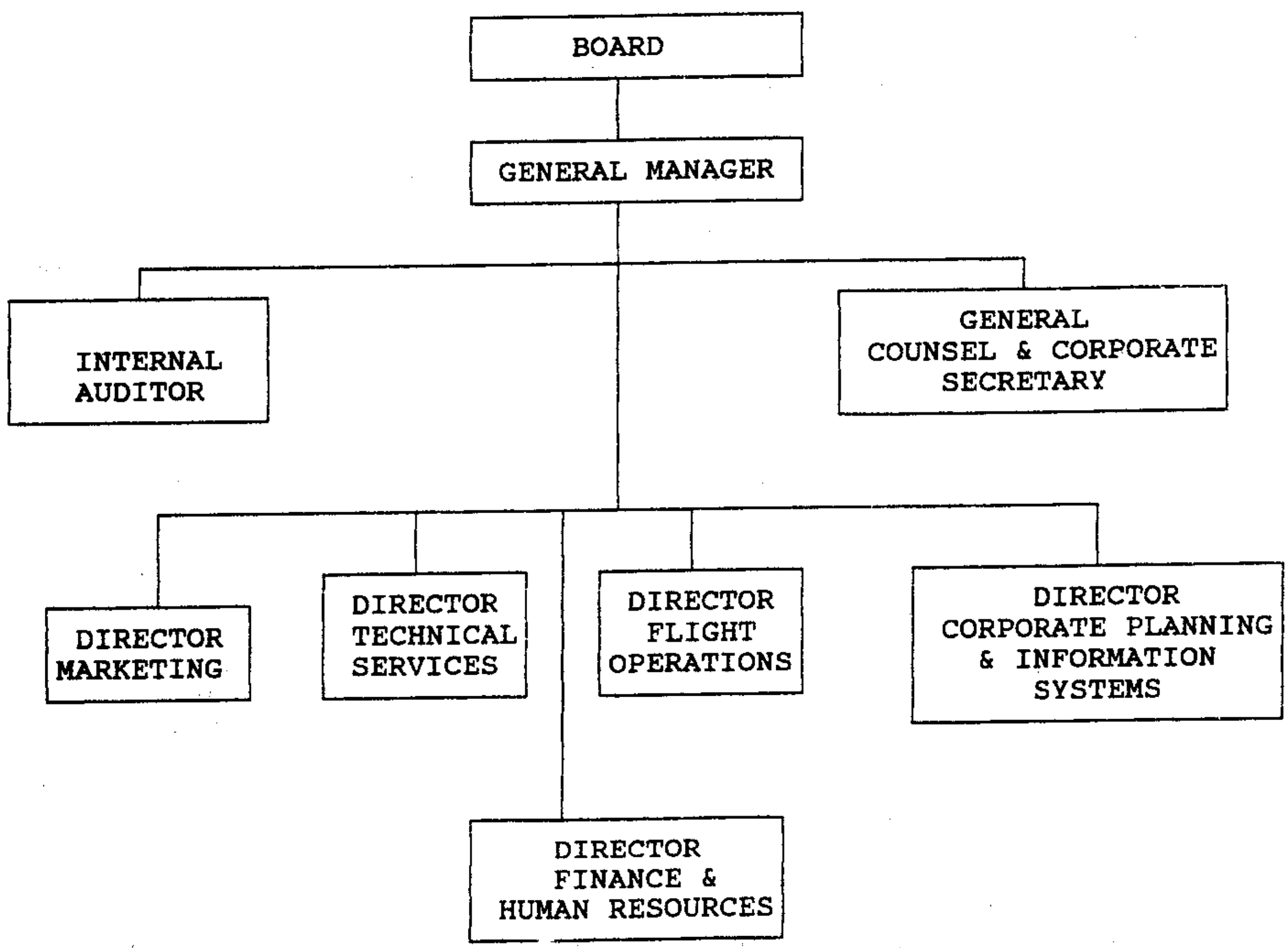
19. Representing the shareholders and as its highest policy body, the joint airline will have a Board of Directors. The members should consist, as much as possible, of well experienced and successful businessmen who are well versed in modern business management in general and air transport business in particular. The Board of Directors will set major goals and objectives and issue policy guidelines. It will constitute the management team, oversee their performances and approve the annual budgets of the joint airline.

20. The airline will be headed by a professional Chief Executive Officer who will be appointed by the Board of Directors. He will be responsible for the execution of the goals and objectives of the airline as well as its days to day management. The Chief Executive Officer will be assisted by high calibre professional management team and skilled technical personnel.

21. Initially the major activities of the joint airline are recommended to be as shown in the organizational chart:

Figure: 2.3.1

Organization Set-up of the Joint Airline



22. Detail job descriptions of the incumbents of the major departments are included in the main study.

2.4 Marketing Strategy

23. A clear definition of the marketing strategies, methods and techniques for achieving the revenue goals and objectives of the joint airline is essential. The following are some of such strategic issues.

2.4.1 Marketing Organization

24. Logical division of the duties and responsibilities of the marketing department into distinct, quantifiable and hence controllable sections and units has important strategic values. It helps to establish accountability, makes the jobs manageable and promotes efficiency.

25. The marketing activities of the joint airline are therefore recommended to be divided under the following sections:

- Passenger and cargo marketing in charge of market plan, research, analysis, development of fares and rates etc.
- Marketing services responsible for ground and in-flight services, sales promotion and training of marketing personnel.
- Marketing operations responsible for field sales, reservations, ticketing, the management of branch offices, revenue quote distribution and control.

2.4.2 Schedule Pattern

26. As one of the products of airlines, schedules have important strategic value, constant monitoring and improvement of schedules is necessary in order to make that they meet passenger convenience and are in line with the short- and long term objectives of the airline. Hub and spoke operations, convenient interline connections as well as days of operations, departures and arrival hours that suit the travelling public should be pursued.

2.4.3 Marketing out-lets and Traffic Handling

27. It is recommended that the joint airline makes more use of General Sales Agents and Travel Agents as its distribution channels at least initially, Traffic and aircraft handling are also recommended to be contracted out to Handling Agents. The airline should assign a coordinator who will liaise between the field agents and the Headquarters.

2.4.4 Services

28. Airline customers are buying services; tickets and airway bills being entitlement certificates to such services. Service in airline activity has a large spectrum ranging from ticket/reservation offices to cabin service. It includes such elements as proper flight information, customer handling with courtesy and smile, on time flight departures, aircraft cabin cleanliness, good quality and sufficient quantity of food and beverages to be served in flight, reading materials, entertainment, aircraft seat comforts etc.

2.4.5 Interline Partnership

29. Special Interline Partnership or marketing alliance is extensively used as a marketing strategy. Such partnerships provide market access to airlines which otherwise would be out of their reach. The joint airline should identify partner airlines with complementary services and conclude special interline agreement or alliance. Special prorate agreements, code sharing, schedule coordination etc. are the means to foster such partnership.

2.4.6 Advertising and Sales Promotion

30. This is of particular importance during the first years of the operation. The advertising should target such items as schedule convenience, services, touristic destinations etc.

2.4.7 Pricing and Yield Management

31. The price that a passenger is required to pay for purchase of tickets and airway bills is a strong competitive element to influence his decision to travel with one airline and not with the other. The joint airline should be able to quote competitive prices. The use of on-line computer reservation system which gives the yield manager an on-line facility to monitor the seats and the traffic mix of each flight is essential. Competition in price becomes meaningful only if the overall revenue yield (unit revenue) is maintained at more than unit cost.

3. OPERATIONAL STUDY

32. According to the 1994 issue of Boeing Market Outlook the world economic recovery is in progress and long term prospects for airlines are positive. Cited among the factors that will stimulate long term world economic performance are the structural adjustment of the OECD countries, the conclusion of the GATT and the signing of the NAFTA.

33. Forecast of the GNP trends from 1994 to 2013 lists China, the Indian Sub-continent and Asian NICs with the highest growth of rates 6.7%, 5.0% and 5.5% respectively. Africa's growth rate is forecast as 3.6%. In the same period the air transport business market growth for Europe-Africa is forecast to grow at 4.3% while the highest growth will be Asia-Europe at 7.2%. During the period the industry will experience more competition, as liberalization continues and the global airlines consolidate their markets through mergers, equity exchange and out-right acquisitions of other airlines.

34. In the CEPGL sub-region 1991-1994 was a period of political unrest and social commotion and as a consequence the traffic was abnormally depressed. Therefore the traffic forecast was largely based on the earlier period of 1983-1990. Furthermore 1995 and 1996 will be used as preparatory years and therefore no traffic forecast has been made. In the immediate term the Joint Airline will serve the following points in its Intercontinental and Intra-Africa scheduled flights. Europe; Geneva, Paris, Frankfurt and Brussels. Africa; Nairobi, Dares-salaam, Entebbe, Johannesburg, Luanda, Libreville, Douala, Lagos, Abidjan.

35. The traffic forecast assumes that the political stability and economic growth of the sub-region will be achieved. Furthermore it is assumed that world economic situation will be favourable for air transport business. Summary of Global Traffic Forecast for the plan period 1997-2002 is given in Table 3.0.1

TABLE 3.0.1 CEPGL COUNTRIES GLOBAL TRAFFIC FORECAST

	1997	1998	1999	2000	2001	2002
Passenger						
To from Europe	186,656	201,325	209,618	220,376	231,686	243,578
% growth		7.9	4.1	5.1	5.1	5.1
To from Africa	154,111	165,794	174,939	184,597	194,798	205,572
% growth		7.6	5.5	5.5	5.5	5.5
Freight						
Total (in tons)	23,774	24,695	25,653	26,652	27,695	28,782
% growth		3.9	3.9	3.9	3.9	3.9

Summary of CEPGL Joint Airline Traffic Forecast for the plan period 1997-2002 is given in Table 3.0.2

TABLE 3.0.2 CEPGL JOINT AIRLINE TRAFFIC FORECAST

	1997	1998	1999	2000	2001	2002
Passenger						
To from Europe	**86,387**	**93,108**	**96,965**	**101,938**	**107166**	**112,663**
% growth		**7.8**	**4.1**	**5.1**	**5.1**	**5.1**
To from Africa	**127,077**	**133,873**	**139,452**	**145,340**	**151,554**	**158,114**
% growth		**5.3**	**4.2**	**4.2**	**4.3**	**4.3**
Freight						
Total (in tons)	**16,642**	**17,287**	**17,957**	**18,657**	**19,386**	**20,148**
% growth		**3.9**	**3.9**	**3.9**	**3.9**	**3.9**

36. CEPGL Joint Airline traffic forecast was based on the following Market Share for each regional market:

Passenger Traffic	To from Europe	45%
Passenger Traffic	To from Africa	52%
Freight Traffic (Total)		70%

37. The route plan for the CEPGL Joint Airline consists of the following four trunk routes:

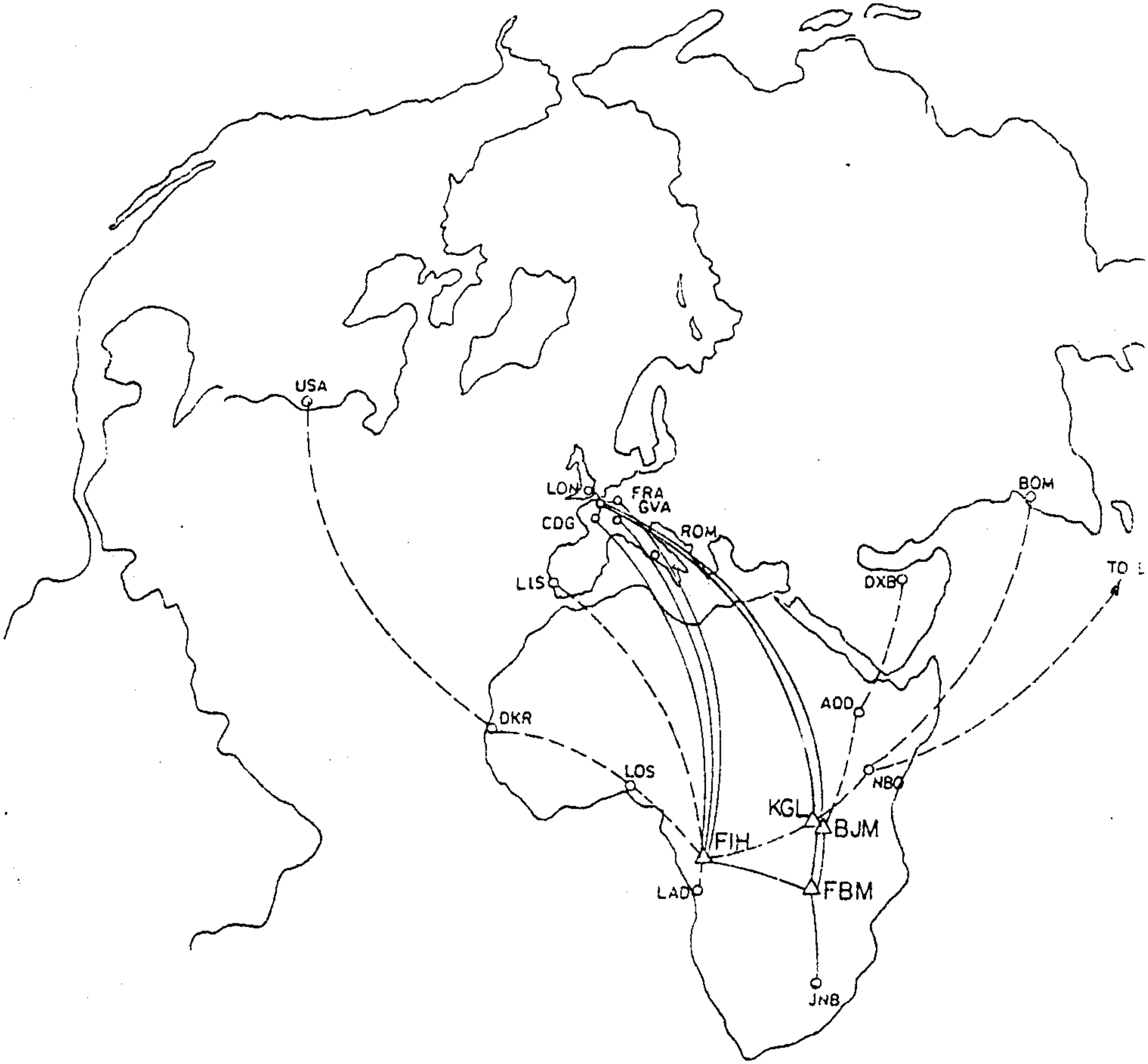
1. CEPGL - Europe
2. CEPGL - East Africa
3. CEPGL - West Africa
4. CEPGL - Southern Africa

38. The above trunk routes interconnections with the CEPGL traffic hubs of Kinshasa, Lumumbashi, Kigali and Bujumbura are shown on route Maps Figure 3.0.3 and Figure 3.0.4.

39. Based on the traffic forecast and ranges along the route structure the fleet plan was made for the plan period with the outcome of 2 B767 type aircraft for the Intercontinental Routes of CEPGL - Europe, 2 B737-200ADV for Intra-Africa passenger traffic and 2 B757-200PF for overall cargo operation.

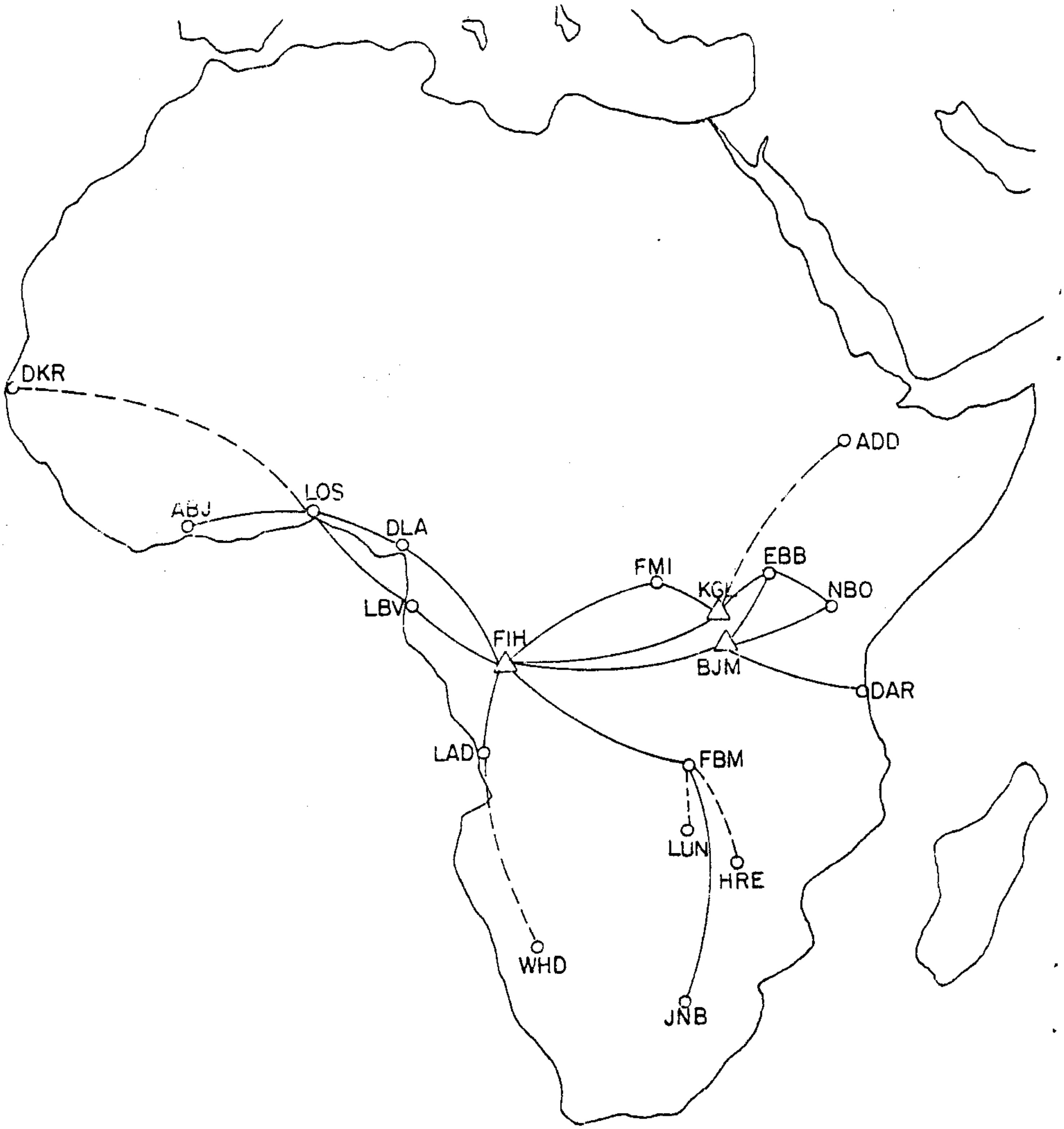
40. Only the Boeing aircraft series were considered in the study because of limited time available to the consultants and readily available data on these airplanes as shown in Appendix I of the main report. When the loan document is prepared subsequent to this technical report, other series of aircraft such as A310, A320, as well as McDonnel Aircraft series should be included.

Figure· 3.0.3



CE PGL JOINT AIRLINE
INTER CONTINENTAL ROUTE NET WORK
SHORT TERM : GVA, CDG, FRA, BRU
MEDIUM - LONG TERM : LIS, ROM, LON, DXB, BKK, BOM, U

Figure: 3.0.4



CE PGL JOINT AIRLINE

INTRA AFRICA ROUTE NETWORK

——— SHORT TERM : ABJ, LOS, DLA, LBV, LAD, EBB, DAR, JNB

41. The selected aircraft fleet operation over the designated Intercontinental and Intra Africa route network identified produce annual operating parameters of RPK, RTK, block hours, etc., summarized in Table 3.0.5.

TABLE 3.0.5

OPERATING STATISTICS SUMMARY
CEPGL JOINT AIRLINE
{1997-2002}

SYSTEM

	1997	1998	1999	2000	2001	2002
RPK's {000's}	693,631.8	739,800.6	769,014.0	805,129.0	843,139.1	883,144.0
RTK'S {000's}	77,503.9	80,537.6	83,697.0	86,988.9	90,419.5	93,994.7
ASK's {000's}	1,075,012.1	1,155,757.0	1,171,550.0	1,384,501.0	1,450,603.0	1,582,808.0
ATK's {000'}	432,150.6	492,737.5	553,333.6	613,939.1	614,272.8	674,898.1
Block Hours	8,382.4	12,037.3	12,386.2	13,880.2	14,292.0	15,289.3
Stage Length	2,472.8	3,285.8	3,347.6	4,074.9	4,280.9	4,757.2
Load Factor Pax.	64.5	64.0	65.6	58.2	58.1	55.8
Load Factor Frt.	50.0	50.0	50.0	50.0	50.0	50.0
Fleet All						
B767-200ER	1	1	1	1	2	2
B737-200ADV	1	2	2	2	2	2
B757-200PF	1	1	1	2	2	2
TOTAL FLEET	3	4	4	5	6	6

4. FINANCIAL ANALYSIS

42. The operating statistics given in Table 3.00.5 coupled with the financial parameters (unit revenues and unit costs) given in the financial analysis section of the main report are used to determine the profitability of the operation of the new CEPGL Airline. Sensitivity analysis has not been made since the financial parameter assumptions are conservative.

43. The new Joint Airline will have to make investments in the purchase of aircraft, spare parts and ground support equipment in order to start the operation. Facilities that are currently been owned by Air Zaire, Air Burundi and Air Rwanda are assumed tod be transferred to the New Joint Airline and only up-grading and expansion of these facilities have been considered in the Investment Plan shown as Table 4.0.1.

44. The CEPGL Joint Airline Investors will be required to raise the 20% portion of the total investment while the rest will be covered through loans from Commercial Banks. Average interest rates over the plan period is assumed to be 11% per year. Interest and principal payments will be made on semi-annual basis over 12 years for B767-200ER and B757-200PF while payment for the used B737-200ADV and facilities will be over 5 years.

TABLE 4.0.1

INVESTMENT SUMMARY CEPGL AIRLINES
{1995-2000 IN MILLIONS USD}

	1995	1996	1997	1998	1999	2000	2001	2002	TOTAL
AIRCRAFT									
B767-200ER A/C			87.4				106.3		193.7
SPARES			21.9				26.6		48.4
GSE			1.7				2.1		3.9
TRAINING			0.9				1.1		1.9
SUB-TOTAL			111.9				136.0		247.9
B757-200PF			61.5			71.2			132.7
SPARES			15.4			17.8			33.2
GSE			1.2			1.4			2.7
TRAINING			0.6			0.7			1.3
SUB-TOTAL			78.7			91.2			169.9
B737-200ADV USED			5.4	5.1					10.5
SPARES			1.4	1.3					2.6
GSE			0.1	0.1					0.2
TRAINING			0.1	0.1					0.1
SUB-TOTAL			7.0	6.5					13.5
TOTAL			197.6	6.5		91.2	136.0		431.3
FACILITIES			19.8	0.6		9.1	13.6		43.1
GRAND TOTAL			217.4	7.1		100.3	149.6		474.4

45. Based on the above stated assumptions and those contained in the detailed report, the financial analysis result is healthy. The cash flow situation is, however, slightly depressed because of the heavy investment made over the plan period. Beyond Fiscal Year 2002 all financial results will continue to be healthy if the economic situation of the world remains positively stimulated. The financial summary of Profit and Loss Statement is given as Table 4.0.2 and Figure 4.0.3, while that of cash flow summary is given as Table 4.0.4 and Figure 4.0.5.

TABLE 4.0.2

INCOME STATEMENTS CEPGL JOINT AIRLINE
(1995-2000 IN 000'S USD)

	1995	1996	1997	1998	1999	2000	2001	2002
SYSTEM								
Operating Revenues			192,466.1	202,857.4	210,747.0	219,896.5	229,500.2	239,581.2
Operating Expense			128,655.5	144,168.5	149,214.3	167,588.8	188,620.8	196,463.7
Operating Profit			63,810.7	58,688.9	61,532.7	52,307.6	40,879.4	43,117.5
Interest Expense		1,477.2	9,687.5	24,203.9	34,096.3	32,829.9	21,812.9	18,387.0
Profit Tax			27,061.6	17,242.5	13,718.2	9,738.9	9,533.3	12,365.2
Net Profit		(1,477.2)	27,061.6	17,242.5	13,718.2	9,738.9	9,533.3	12,365.2

Figure: 4.0.3

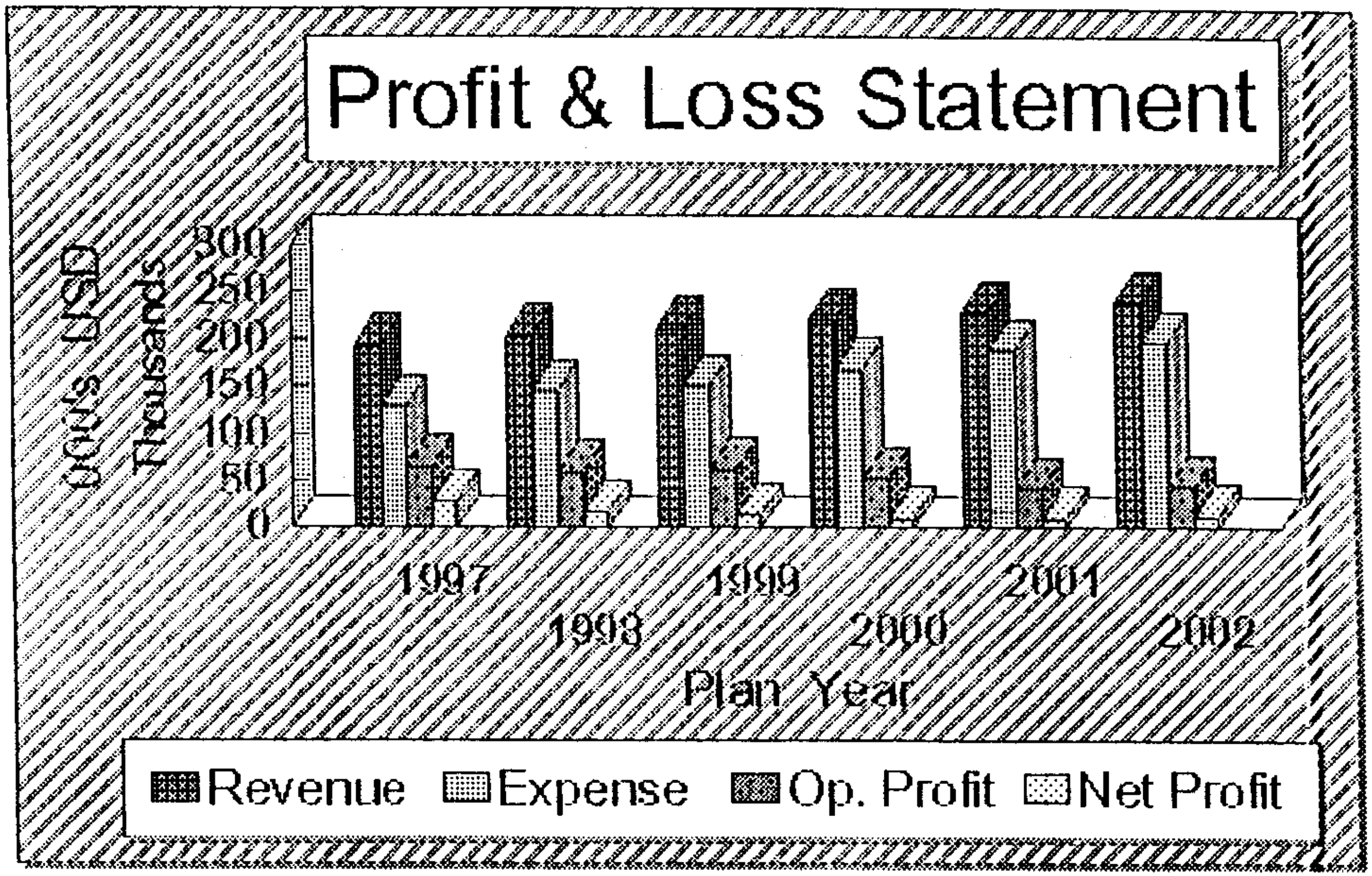
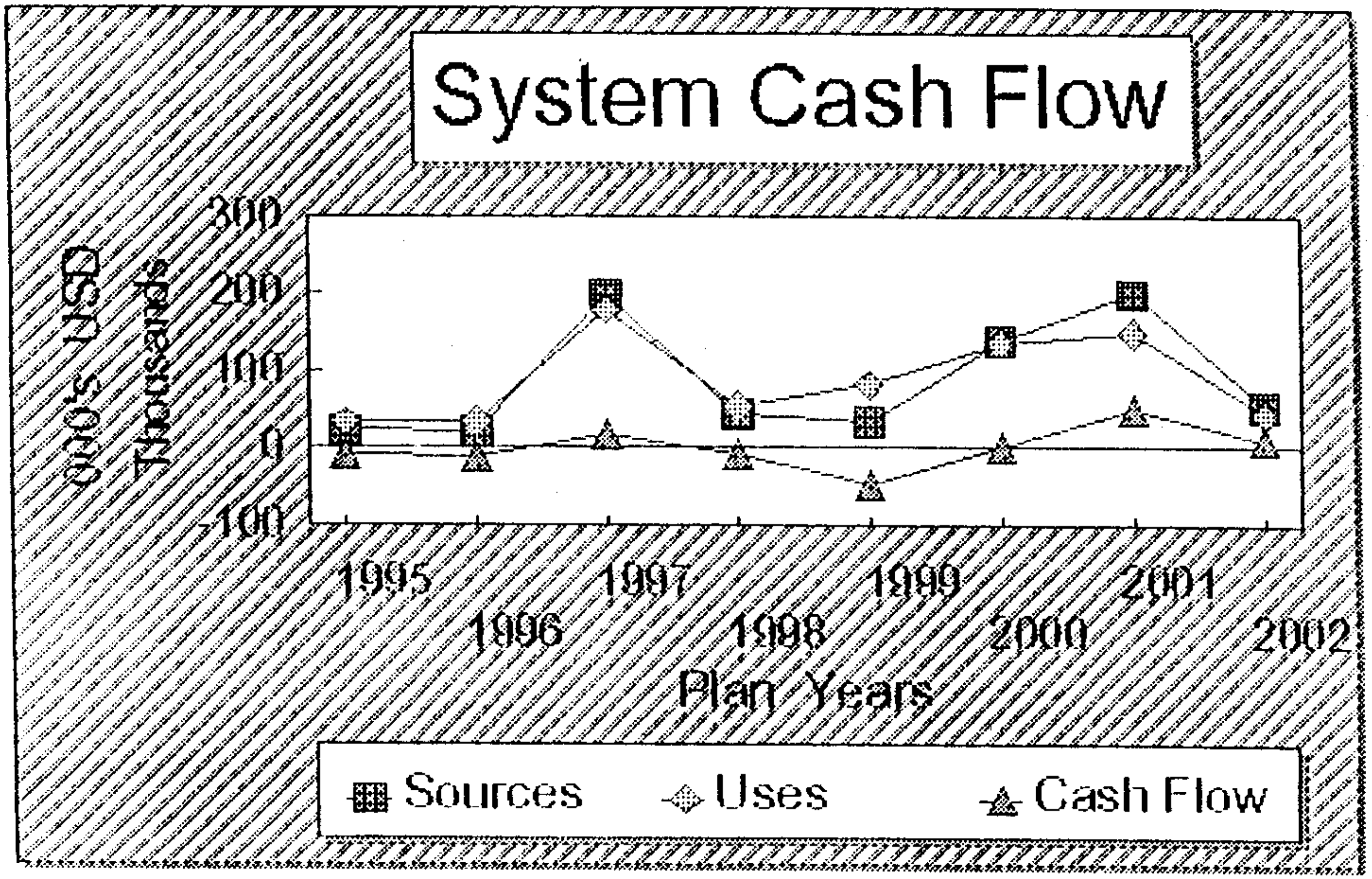

Profit & Loss Statement
000's USD
Thousands
300
250
200
150
100
50
0
1997
1998
1999
2000
2001
2002
Plan Year
Revenue
Expense
Op. Profit
Net Profit

TABLE 4.0.5

CASH FLOW STATEMENTS CEPGL JOINT AIRLINE
{1995-2002 IN 000's USD)

	1995	1996	1997	1998	1999	2000	2001	2002
SYSTEM								
SOURCE OF FUND								
Net Profit		(1,477.2)	27,061.6	17,242.5	13,718.2	9,738.9	9,533.3	12,365.2
Depreciation			18,739.5	20,006.3	20,006.3	28,314.9	40,713.0	40,713.0
A/C Financing	16,600.7	16,600.7	110,671.5	5,189.1		72,925.7	108,820.1	
Facilities	1,660.1	1,660.1	11,067.1	518.9		7,292.6	10,882.0	
Equity	4,565.2	4,565.2	30,434.7	1,427.0		20,054.6	29,925.5	
TOTAL SOURCE	22,826.0	21348.8	197,974.4	44,383.8	33,724.5	138,326.6	199,873.9	53,078.3
USES OF FUND								
Payment to Mfgr	29,644.2	30,617.1	144,761.2	18,214.0	34,077.3	84,213.8	95,217.5	
Facilities	2,964.4	3,061.7	13,931.2	1,821.4	3,407.7	8,421.4	9,521.8	
Principal payment			20,797.1	32,937.2	44,272.6	44,272.6	44,272.6	44,272.6
TOTAL USE	32,608.6	33,678.8	179,489.5	52,972.6	81,757.6	136,907.7	149,011.9	44,272.6
CASH FLOW	(9,782.6)	(12,330.0)	18,484.8	(8,588.8)	(48,033.1)	1,418.9	50,862.0	8,805.7

Figure: 4.0.5


System Cash Flow
000's USD
Thousands
300
200
100
0
-100
1995
1996
1997
1998
1999
2000
2001
2002
Plan Years
Sources
Uses
Cash Flow

5. CONCLUSIONS AND RECOMMENDATIONS

46. The CEPGL sub-region has undergone a very turbulent period politically since 1990 and the repercussion of it has significantly paralysed the economic activities within the countries. In addition, the airlines are government owned with the usual very slow grinding government bureaucracy stifling the normally very fast operation and correspondingly fast decision making processes of air transport industry. Even the top management are usually political appointees who are loyal to political machinery rather than profitability of the business and very often know very little about the airline business. Furthermore the high rate of top management officials turnover aggravates the problems even more deeper. The priority of the Governments in Africa are more often towards fighting hunger, disease, solving the problems of shelter and education rather than financing the high capital intensive air transport projects which the general public perceive as luxury venture.

47. At the same time African governments view airlines as the country's flag carriers and are willing to patronize them as much as they can giving the governments a lee way to airlines control and continued interference. So in order to charge this very greem scenario it is necessary to involve private investors in the business at a controlling level. This step will definitely usher in commercially operated air transport environment characterized by; efficient management with clear authority and accountability, motivated staff, proper technology aircraft with high utilization, continuous market scan and timely market presence, etc.

48. Because of the current state of affairs the traffic in the region is moderately thin but there is potential for it to grow if the problems mentioned above are alleviated. The traffic forecast made in this study is largely based on the current trend and is therefore considered conservative.

49. There are two sources of traffic flow; one to and from Europe while the other is intra-Africa. For the European traffic a growth rate of 5.1 for passengers and 3.9% for cargo has been forecasted with a corresponding market share of 45% and 70% respectively, while the market share for the intra Africa routes was 52% with its anticipated passenger traffic growth rate of 5.5%. It is assumed that the Joint Airline will be professionally managed as described in paragraphs 4.40-4.47 of the main report.

50. The Joint Airline will progressively acquire 2 B767-200ER for its longhaul operation, 2 B757-200PF for cargo and 2 used B737-200ADV for its intra Africa operation during the plan period. Facilities rehabilitation and expansion will made to an extent required. It is estimated that an investment of US$474 million will be required to implement the plan as described by Table 4.00.1 of this summary.

51. Zaire, Rwanda and Burundi domestic systems have not been considered even though it is assumed that the local traffic will connect at the nearest or convenient international hubs.

52. The legal form of the Joint Airline is recommended to be a share company owned by private investors and the three CEPGL countries flag carriers, namely Air Zaire, Air Burundi an Air Rwanda.

53. Preparation of a loan document based on this technical document will be necessary in to order to sale the project to the Commercial Banks for financing. To start the implementation of the project and subsequently the formation of the Joint Airline it is strongly recommended that the CEPGL governments establish a Board of Promoters. This is a temporary body which will represent the founder members of the CEPGL Joint Airline. Its main task will be to arrange for the creation of the Joint Airline in the political and business circles of the three countries. It will also assist to put in place a professional management team which will among other things, immediately undertake aircraft purchase, facilities rehabilitation and loan negotiations.