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Impacts of the macro environment on airline operations in southern Africa

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Abstract

Tourism depends to a large extent on air travel and transport. The reliability and dependability of carriers to perform consistently is therefore of critical importance to the travel and tourism industry. The unscheduled termination of airline services caused by challenges in the macro environment has proven to be extremely disruptive to business travellers and holiday-makers alike. Operating airlines in southern Africa has proved to be fraught with challenges in the macro environment resulting in several airlines terminating their services after short periods of operation. This article focuses on the impacts of the macro environment on airline operations in the region. From this study, it is clear that social and technological factors create opportunities for airlines in southern Africa, but that their ability to survive financially are seriously threatened by political and economic factors. Government bailouts to state carriers has skewed commercial operations resulting in an un-level playing field with private airlines.

Key words: Tourism, southern Africa, state carriers, private airlines

Introduction

Tourism is a major generator of employment and economic activity and it is thus critical for related businesses to help develop the economy of countries in which they operate. Tourism relies to a very large extent on air travel and transport, therefore air transport and tourism are two interlinked areas with important interdependencies (Campbell, 2014). To illustrate this interdependency, Steyn and Mhlanga (2016) argue that when airlines terminate their services as a result of economic or other challenges, scheduled holidays and air travel arrangements are disrupted, causing a multitude of problems for travellers. Eze (2016) re-affirms that if tourists get to their destinations faster and more cheaply, they tend to travel more frequently. Therefore, the reliability and dependability of airlines is important to the tourism industry (Heinz & O'Connell, 2013).

Travellers flying at OR Tambo International Airport (in Johannesburg, South Africa) on the easterly 'Benoni' runway, will have a regular sight of a dead aeroplane park with decaying tail-planes of Zambezi, Nationwide, Velvet Air, Air Malawi, Skywise and many other defunct

airlines (Smith, 2015). This according to Smith (2015) is indicative of a difficult macro environment in southern Africa. Consequently, because of a difficult macro environment in southern Africa many airlines have failed whilst those that are still in operation are traversing through turbulent times and fighting for survival (Eze, 2016). However, despite a difficult macro environment in the region, the industry has not been able to develop and implement necessary organisational and sustainable strategic changes (Heinz & O'Connell, 2013). Consequently, a clearer understanding of how the macro environment impacts on airline operations will help management devise strategies to strategically manoeuvre out of these challenges and thereby boost tourism growth (Budd, Francis, Humphreys & Ison, 2014).

Key among the macro environmental factors are protectionist policies favouring national airlines at the expense of private airlines that remain abundant in southern Africa (Brandt, 2016). Most governments in southern Africa believe that a national carrier is one of the three visible symbols that encapsulates sovereignty and self-determination along with a national flag and national anthem (Chattopadhyay, 2015). Some research endeavours (Tafirenyika, 2014; Rupp, 2015; Eze, 2016) therefore argue that because a national airline is taken as a grand gesture that asserts a country's status symbol, governments in southern Africa constantly bail out national carriers thereby creating an uneven playing field with private airlines and rendering the industry uncompetitive.

Therefore, the success of airlines in southern Africa will be determined by how fast they identify the impacts of macro environmental factors on airline performances (Fu & Oum, 2014). While many propositions may be raised, it is broadly contended that a sound business strategy to overcome the impacts of the macro environment is at the very heart of attaining a sustainable competitive advantage and consequently an above-industry-average bottom-line performance for airlines in southern Africa (Pearce, 2015). Implicit in this study is the hypothesis that the aviation environment in southern African is unique enough to warrant its own impacts, which may be distinctive enough to form part of a new strategic template, or business model.

Theoretical background

Tourism has become one of the world's biggest and fastest growing industries because of the popularity of global leisure activity (PWC, 2016). More people are now travelling for leisure, recreation, business purpose and most of them are travelling as a part of their employment than ever before (WTTC, 2016). According to the United Nations World Tourism Organisation (UNWTO, 2016) international tourist arrivals grew by 4.4% in 2015 to reach a total of 1 184 million in 2015 with 50 million more tourists (overnight visitors) travelling to international destinations around the world in 2015 as compared to 2014. Therefore, the tourism industry has become one of the largest and dynamically developing sectors of economic industries (WTTC, 2016). According to IATA (2016) the increase in tourist numbers has triggered a 2% increase in international airline passenger traffic for the year (2015), while domestic passenger numbers, which make up 70% of total traffic, were up 3% and regional traffic rose 6%.

However, despite this immense growth in airline passenger traffic stimulated by a fast-growing tourism industry, a myriad of challenges presently beset the airline industry in southern Africa (Brandt, 2016). A difficult macro environment epitomised by political interference and unstable economies have all impacted negatively on airline revenues. In this macro environment, airline executives are battling to identify strategies that may alter the industry's financial trajectory with most carriers in southern Africa struggling with colossal losses and some becoming bankrupt (Spooner, 2015).

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Methodology

The research involved an extensive literature search of the air transport agreements, their evolution, and impacts on airlines operating in southern Africa, followed by several interviews with key personnel at six south African airlines, namely, Comair, Flysafair, South African Airways (SAA), Air Zimbabwe, Air Botswana and Air Namibia. In order to select respondents purposive sampling, which is a non-probability based sampling technique (Babbie, 2010), was used. Choosing respondents with a specific objective in mind is termed purposive sampling (Tustin, Ligthelm, Martins & Van Wyk, 2010).

Purposive sampling was used to choose respondents that were deemed to have sufficient relevant knowledge to participate in the interview sessions. Only CEOs were interviewed. This criterion was used to ensure that selected respondents provided insightful answers to the questions which were asked (Wiid & Diggines, 2009). In purposive sampling the researcher chooses the sample based on who is thought would be appropriate for the study (Cooper & Schindler, 2003). This method is useful in situations when there is a limited number of people who have expertise in the area being researched (Maree, 2005).

The office of the CEO from each mentioned airline was approached for permission to conduct interviews. This was supported by a letter of introduction to the study. Interviews were conducted in June and July 2016.

Impacts of the macro-environment on airline operations

The airline industry is atypical in the sense that, to a greater extent than most other industries, it is impacted by several factors in the macro environment (Heracleous, Wirtz & Pangarkar, 2009). An analysis of the macro environment is considered critical in decision making, an assertion supported by Bunz and Maes (2010) who argue that the analysis of the organisation's macro environment reveals opportunities and threats. According to Franke and John (2011) the macro environment is made up of uncontrollable factors that influence an organization's decision making, and affect its performance and strategies and these factors may not have a direct impact on the daily operations of the organisation but will indirectly influence it. An understanding of the macro-environment is crucial to the survival of airlines as it impacts on the performance of airlines (Sze, In, Ngai & Yan, 2015). The macro-environment provides the overall depiction of the appeal and attractiveness of the airline industry (O'Connell, 2011). Various frameworks have been developed to analyse macro environmental factors that impact on airline performances (Lohmann & Koo, 2013). One such example is a PESTEL (Political, Economic, Social, Technological, Environmental and Legal factors) framework which is discussed below.

Political factors

Political factors affecting the airline industry refer to a variety of government interventions that may hinder or enhance the operations of air transport (Heracleous et al., 2009). Considering the vast regions that many airlines operate, the business environment is often regulated by the political atmosphere in a particular market (Pratap, 2016). Some research endeavours (Doganis, 2001; Barrett, 2006; Taneja, 2010; Shepherd, 2012) argue that political factors significantly impact on the performance of airlines. Njoya (2013) re-affirms this when he found a significant difference between the means of political factors and the performances of airlines. According to Njoya (2013) the significant difference between the means of political factors and the performances of airlines is attributed to government interference in the airline industry. Consequently, political factors significantly impact on airline performances (Rivers, 2015).

A typical illustration of the impact of political factors on the performance of airlines is South African Airways (SAA), which according to Oosthuizen (2013) bears all the scars of a government-owned legacy carrier in terminal decline, accelerated by continued political fumbling and interference. Smith (2015) re-affirms that political interference coupled with inept interventions, have caused SAA considerable upheaval, provoking a series of mass resignations of top executives, including the CEO in September 2012 thereby negatively impacting on the airlines' performance. Rivers (2015) opines that every time a new minister of Public Enterprises is appointed in South Africa a new Board is announced at SAA and SAX, a strategy used by politicians to fill the Board with people aligned to the new ministers' interventionist take on the management of state-owned enterprises. For example, Malusi Gigaba (the then newly appointed minister of Public Enterprises) in August 2012 got rid of SAX Board members that former Public Enterprises minister Barbara Hogan had appointed. Such political interference has caused instability at Board level and adversely affected the performance of SAA (Mwanza, 2015).

In another vein, Doganis (2001) claims that due to political interference, state airlines tend to be characterised by the following elements: substantial losses, over politicisation, overstaffing, lack of a clear development strategy and bureaucratic management. These elements epitomise the following airlines; Air Zimbabwe, Air Botswana, Air Namibia and SAA, hence these airlines have not been able to reach operational efficiency. According to Mananavire (2016) governments in southern Africa retain veto power over their airline's commercial decisions, including route network, fleet acquisition and, most significantly, payroll cuts. As a consequence, Air Zimbabwe, Air Botswana, Air Namibia and SAA have completely failed to compete with other carriers, largely because of the strong influence being exerted by their respective governments (Pressly, 2016).

Mwanza (2015) avers that due to political interference many carriers in southern Africa are obliged to maintain loss-making domestic routes to please politicians. For example, due to political interference SAA had to introduce non-viable routes that play a strategic role in growing economic relationships and dependencies between the BRICS countries (Brazil, Russia, India, China and South Africa) (McCann, 2015). This was a direct result of a politically motivated process favouring stronger relations with BRIC countries at the expense of traditional European connections, but without due consideration to the financial implications there-of (McCann, 2015). Consequently, SAA has seen its dominant control of the South African market eroded by nimbler, privately-held start-ups like Flysafair whose acquisition and deployment of aircraft is dictated by sound commercial analysis rather than political vanity (Ensor, 2016).

Similarly, government interference at Air Zimbabwe, Air Botswana, Air Namibia and SAA has continuously affected the implementation of the airlines turnaround plans thereby negatively impacting on the airlines performances (Maqutu, 2015). In Zimbabwe, the Zanu PF government continues to interfere in Air Zimbabwe's operations hindering the financial sustainability of the airline (Malaba, 2016), for example, on commercial routes, scheduled flights are often cancelled at short notice to accommodate the wishes of the political leadership (Muzulu, 2016). Furthermore, Air Zimbabwe aircrafts are often used as private ambulance for Robert Mugabe and his family's medical trips overseas (News Day, 2014). In state carriers political processes supersede airline operating interests in a market of substantial government influence (government airline or monopolistic market) (Chattopadhyay, 2015). A volatile political environment in Zimbabwe has been the source of dwindling tourist arrivals to Zimbabwe which has significantly impacted on the load factors for the national carrier (Bhebhe, 2016). Consequently, political interference has significantly impacted on the performance of airlines (Mananavire, 2016).

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In another vein, perpetual government bailouts to state carriers has enabled state airlines to charge unviable rates to the detriment of private players (Smith, 2015). SAA, the apartheid era dinosaur, is a case in point. Over the last decade (from 2006 to 2016), SAA has relieved the South African taxpayers of at least R12bn, in conservative terms (Ensor, 2016). According to Ensor (2016) the government's perennial habit of throwing substantial taxpayer funds at SAA translates into unfair competition against its rivals. Gernetzky (2016) re-affirms that this economically burdensome, morally objectionable, highly protected and privileged status, places SAA in a position to undercut prices charged by private airlines. Therefore, it is not surprising that over the years several private airlines (such as 1Time and Nationwide) have been forced to close (Gernetzky, 2016).

Mwanza (2015) avers that although nine national airports (in South Africa) have been commercialised and partially privatised, the Airports Company of South Africa (ACSA) is not immune to political interference as the ACSA, under pressure from government, tends to allocate peak hour landing slots to state airlines whilst allocating bad landing slots to private airlines. Smith (2015) re-affirms that this has skewed commercial operations and impacted negatively on private airlines in a supposedly deregulated domestic market. Therefore, political interference has resulted in an un-level playing field in the airline industry and has served to destabilise rival operators and, in most cases, is considered to have been a contributing factor in the demise of several private airlines such as 1time (Gernetzky, 2016).

Economic factors

Economic factors are an important influence on the airlines industry (Pratap, 2016). According to Davis (2013) the airline industry is subject to changes in the world economy. The aviation industry is not immune to economic pressures (Demydyuk, 2011). It has from time to time been forced to adjust per changing economic conditions. A study by Cederholm (2014) also found a significant difference between economic factors and the performance of airlines whilst McCann (2015:21) found that economic factors such as the oil price, Rand/Dollar exchange rate and GDP growth significantly impacted on the airline industry. Gernetzky (2016) concurs this by claiming that for every 10% increase in South Africa's gross domestic product (GDP), the volume of air passengers rose by 8.4% and that of air cargo by 14.8% in 2015. Consequently, economic factors significantly impact on the performance of airlines (Shah, 2016).

To illustrate the aforementioned point, Maqutu (2015) claims that due to the depreciation of the Rand airfares in South Africa have increased by roughly 20 to 40% in a three-year period (from 2014 to 2016). According to Oxford Business Group (OBG, 2017) the 20 to 40% increase is well above the Consumer Price Index (CPI) as well as the GDP growth of the economy over the same period. This disproportionate increase in pricing without a relative growth in the wealth of the country means that the consumer base for airline passengers has not increased, yet the cost of flying has increased. This according to Vecchiatto and Cohen (2016), out-priced passengers, making flying expensive. As a consequence, this has negatively impacted on the performance of legacy carriers such as SAA as more people in South Africa have become budget conscious and led to increased demand for low cost carriers such as FlySafair and Kulula (Maqutu, 2015). Since it is difficult to forecast on exchange rates with certainty, the depreciation of the Rand has negatively impacted on fuel prices in South Africa (The Economist, 2016). According to IATA (2015) the exchange rate variation contributes to the fluctuations in fuel prices which constitutes 31% of total costs. Campbell (2014) also argues that foreign currency exchange rate fluctuations along with changing prices of fuel and interest rate fluctuations significantly impact on the profitability of airlines. To illustrate the impact of the depreciation of the Rand on the performance of airlines Mahlaka (2015) claims that in

February 2015 Comair reported a near 50% decline in interim profits due to the weakening Rand offsetting gains from a lower oil price.

According to OBG (2017) a 13 percent weakening of the Rand against the Dollar over a three-year period (from 2014 to 2016) negatively impacted on the value of ticket sales internationally when translated back into the South African currency and this cost SAA R800 million. Maqutu (2015) concurs that the depreciation of the South African Rand has significantly impacted on ticket sales because the sales volume and cost structure of airlines is dependent on foreign exchange fluctuations which implies that unfavourable fluctuations significantly impact on airline performance. This has a substantial effect on operational costs, which can only be recouped by an increase in ticket prices (Vecchiatto & Cohen, 2016).
The volatility of the Rand contributed to Comair's unrealised exchange losses of R73m on the revaluation of a US$24.8m loan on one aircraft (Flyafrica, 2016:1). As a result, profits after taxation for 2016 declined by 12% to R193m, yielding earnings per share of 41.5c, compared to 47.5c in 2015. Headline earnings per share were 36.5c in 2016 compared to 47.9c in 2015. Comair also suffered a R71m pre-tax loss on dollar-oil hedges contracted in mid-2014 (Flyafrica, 2016).

Other economic factors that have had an effect on the airlines in South Africa include fuel levies and airport taxes placed on the consumer, as well increased tolling on drivers, such as the introduction of e-tolls in Gauteng. These factors all increase the cost of travelling by road, in which case air travel is preferred (OBG, 2017). Zhou (2012) also found that the hyperinflationary macro-economic environment in Zimbabwe characterised by a shortage of foreign currency has increased the operational difficulties of Air Zimbabwe. Consequently, the lethal cocktail of economic recession, high oil prices, currency instability, and a drop-in demand for expensive seats have significantly impacted on the performance of airlines in southern Africa (OBG, 2017). The importance of economic factors in the airline industry cannot be overlooked (Pratap, 2016).

Social factors

Airlines create social value just as other businesses do (Pratap, 2016). This explains the relationship between the society and the industry (Chandrappa, 2014). Pratap (2016) points out that social factors have an effect on the attitudes of consumers towards air transport. Lohmann and Koo (2013) re-affirm this when they found a significant difference between socio-cultural factors and the performance of airlines. Consequently, the industry impacts and is impacted by social forces (Heracleous et al., 2009).

The growing income of black middle class in South Africa has increased the demand for air travel (Hermann, 2012). Oosthuizen (2013) attributes the increase in black middle class to South Africa's Black Economic Empowerment (BEE) program which was initiated after the end of apartheid to reduce the inequality of the country's black population. Based on the "Living Standard Measure" (LSM), the black middle class has increased by 48 percent between 2001 and 2013 (Botha, 2014). Consequently, the rise in black middle class has led to an increase in disposable income and significantly impacted on consumers' traveling patterns.

In another vein, the changing travel preferences for baby boomers (those born from 1946 to 1964) has significantly impacted on legacy carriers as the baby boomers' business travel spending habits has declined (Walters, 2010). Baby boomers have become economically minded passengers opting for airlines that provide more services for less money (LCCs) (Chandrappa, 2014). That means there will be growing numbers for budget carriers at the expense of Full Service Carriers.

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Furthermore, Bennett and George (2004) claim that the language used by SAA for in-flight announcements had a significant impact on the performance of the airline. The same authors argue that SAA dropped in-flight announcements in Afrikaans (contrary to Comair) in 1996 and this has had an effect on product loyalty. Before independence SAA used both Afrikaans and English languages for in-flight announcements (Bennett, 2005). However, after independence SAA started using English only and many Afrikaans speaking customers changed allegiance to Dutch airlines and this had a significant impact on SAAs' profitability because Afrikaans customers constituted a huge market to SAA (Ssamula, 2012). Social factors as a result acquire a major value in the context of the aviation industry (Pratap, 2016).

Technological factors

The impact of technological factors on airline performances can be understood from the heavy use of technology in aviation (Porter & Kramer, 2011). Technology means speed but also convenience and safety. Whether it is air traffic or passenger safety, the role of technology is critical (Truxal, 2013). A study by Hartman and Boscoianu (2015) re-affirms this when these authors found a significant difference between the means of technological factors and the performances of airlines. Shankman (2014) found that technological factors significantly impacted on the performance of airlines due to improved communication facilities which have reduced the need to fly for meetings leading to less people flying to business destinations because they can simply hold a conference call or Skype meeting.

Technology, in the form of teleconferencing, web-conferencing and video-conferencing, allows everyone to be in the room at the same time or to participate asynchronously (Sengun & Sarilgan, 2005). Technology makes it possible for meetings to be designed so that participants actually experience their colleagues as being on the other side of the same table they are sitting at, despite the fact that they are on the other side of the world (Morrell, 2013). Monies that were spent on travel can instead be put to individual laptops, continuous updating of content offerings, and technology infrastructure that an individual can link to in Europe, America, Asia or Africa with equal ease (Serpen, 2014).

Networked technologies have given airline companies an instant access to consumers (Hartman & Boscoianu, 2015). Consumers can book flight tickets online with a click of a button (Truxal, 2013). Many airline companies are adopting unique technologies to gain a competitive advantage in the highly turbulent industry (Davis, 2013). The ability to reach a large number of customers provides airlines with competitive advantages (Porter & Kramer, 2011).

Similarly, the internet provides a wide dissemination of advertising, while other technologies enable the quick design and production of these advertisements (Georgieva, 2016). Many airlines are increasingly making use of technology to facilitate their customers, for example, airlines have introduced mobile phone applications to facilitate customers (Truxal, 2013). Furthermore, social media has made it possible for airlines to interact with customers (Shankman, 2014). Aircrafts are becoming more fuel efficient day by day helping airlines to reduce travelling costs while new technology has also enabled airlines to introduce more safety measures (Mulder, 2015). Technology has also increased competition in the airline industry (Shankman, 2014). The fact that technology is available to every airline in the industry renders it less than perfect. If only a single airline had access to improve technology, it would have a remarkable advantage (Mulder, 2015). However, in an industry that is saturated with technology, the outcome is a marketing race in which every airline is struggling to for a competitive advantage over its rivals. According to Porter and Kramer (2011), this level of competition significantly impacts on airline performances.

However, lack of new technology is affecting Air Zimbabwe's financial performance. According to Ndlovu (2016), Air Zimbabwe is operating with old and outdated technology in comparison to other airlines. Its equipment is very old and unattractive that customers doubt the safety of the planes leading to them boarding other planes and also shunning from Air Zimbabwe. Lack of adoption to new technology owns to their failure to meet the costs for procuring the technology. This lack of adaptation to new technology has led to the airline being uncompetitive in the market (New Zimbabwe, 2016).

Environmental factors

Aircrafts, as do other forms of transport, contribute to polluting the environment (Cederholm, 2014). The environmental impacts of aviation occur because aircraft engines emit heat, noise, particulates and gases which contribute to climate change and global dimming (Forsyth, 2011). Despite emission reductions from automobiles and more fuel-efficient and less polluting turbofan and turboprop engines, the rapid growth of air travel in recent years contributes to an increase in total pollution, climate instability and extreme weather attributable to aviation (Anderson & Bows, 2008).

In addition to the CO_2 released by most aircraft in flight through the burning of fuels such as Jet-A (turbine aircraft) or Avgas (piston aircraft), the aviation industry also contributes greenhouse gas emissions from ground airport vehicles and those used by passengers and staff to access airports, as well as through emissions generated by the production of energy used in airport buildings, the manufacture of aircraft and the construction of airport infrastructure (Reay, 2004). In the face of the management of the global warming crisis, airlines have been put under stricter control to ensure that aircrafts have minimum carbon emissions, or face hefty penalties (Moreira, O'Connell & Williams, 2011).

However, governments have been trying to reduce the environmental impact of aviation by constraining demand for air travel, through increased fares in place of expanded airport capacity (Anderson & Bows, 2008). Global warming through high carbon emissions has resulted in the addition of taxes on ticket prices or aviation fuel, which has in turn affected the performance of airlines (Fageda, Suau-sanchez & Mason, 2015). For instance, in 2011 the South African Government introduced a tax of up to R120 per tonne on carbon dioxide emissions (Styan, 2011). However, all that carbon taxes do is to significantly increase transport costs and thereby significantly impact on airline performances (Business Day, 2013).

Legal factors

Roche (2011) claims that legal factors significantly impact on the performance of airlines. A study by Mulder (2015) re-affirms this when he found a significant difference between legal factors and the performances of airlines. Air transport is regulated by several laws and regulations that are becoming stricter than before (Georgieva, 2016). Consequently, legal factors significantly impact on the performance of airlines (Mulder, 2015).

To illustrate the afore mentioned point, SAA was ordered to pay more than R104 million in damages to Nationwide by the South Gauteng High Court following the ruling of the Competition Tribunal in 2016 that SAA abused its dominance in the local market and played a major role in the demise of Nationwide (Slabbert, 2016). SAA is also facing a similar but much bigger claim from Comair for simultaneously increasing capacity and reducing prices on the major routes between 2001 and 2005. The amount claimed is R898 million plus 15.5% interest, which might total R2 billion (Van Rensburg, 2016).

In another vein, Air Namibia has also lost several lawsuits from aircraft service providers (Kahiurika, 2016). For example, in January 2015 Air Namibia was forced to pay N$337 million after it lost a case against Challenge Air. In March 2016, Air Namibia was forced to pay lease and maintenance fees to Intrepid Aviation, payments amounting to N$17 million, for two aircraft and currently, (2017) Air Namibia is embroiled in a lawsuit of US$77 million (N$1 billion) with a company called BCI Aircraft Leasing Incorporated. Air Zimbabwe is separately embroiled in a legal battle with about 400 sacked workers who are demanding US$1.3m in severance pay awarded to them by an independent arbitrator (Bhebhe, 2016).

To combat human trafficking South Africa introduced strict visa regulations in June 2015 that required tourists to apply in person at a visitor centre for travel documents, they needed to be in English, and all children were required to have a birth certificate with full details of both parents (Mtongana, 2015). Eventually, international tour operators and travel agents removed South Africa from their destination brochures due to the new regulations. As a consequence, these regulations significantly impacted on airline performances in South Africa as passenger numbers dwindled (Wakefield, 2015). The performance of airline in southern Africa is further hampered by restrictive Bilateral Air Service Agreements (BASAs) that tend to impede air transport service expansion between southern African countries (Abate, 2014). “Bilateral air services arrangements are effectively trade agreements between governments, not between airlines” (Doganis, 2006). According to Abate (2014) because of these restrictive bilateral arrangements most southern African airlines are not able to operate as many routes or frequencies as they want to between Johannesburg and the major cities in the other southern African countries (Niewiadomski, 2013). Consequently, legal factors significantly impact on the performance of airlines (Pratap, 2016).

Conclusion

From the study, it is clear that the airline industry in southern Africa is highly impacted by the macro environment which explains why there is such a high failure rate in the airline industry in southern Africa relative to other industries. To improve their performances, airlines should maximise opportunities posed by social and technological factors to overcome the impacts posed by the macro environment particularly the political and economic environment. Governments should also stop rationalising state involvement in the airline industry by using the excuse that state-owned airlines are of strategic importance. This is an empty argument. Freely competing private airlines provide better services at lower cost, so what is strategic about a state-owned airline?

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