



# **KENYA AIRWAYS RECOVERY STRATEGY**

**By Mwenda Mabura**

# AIM

To apprise..... on the proposed interventions to achieve Kenya Airways Recovery.



## INTRODUCTION

# KQ MARKS A DECADE IN LOSSES

Kenya Airways (KQ) has reported its tenth consecutive loss after it completed a decade in the red territory with a record Sh38.26 billion full-year loss.

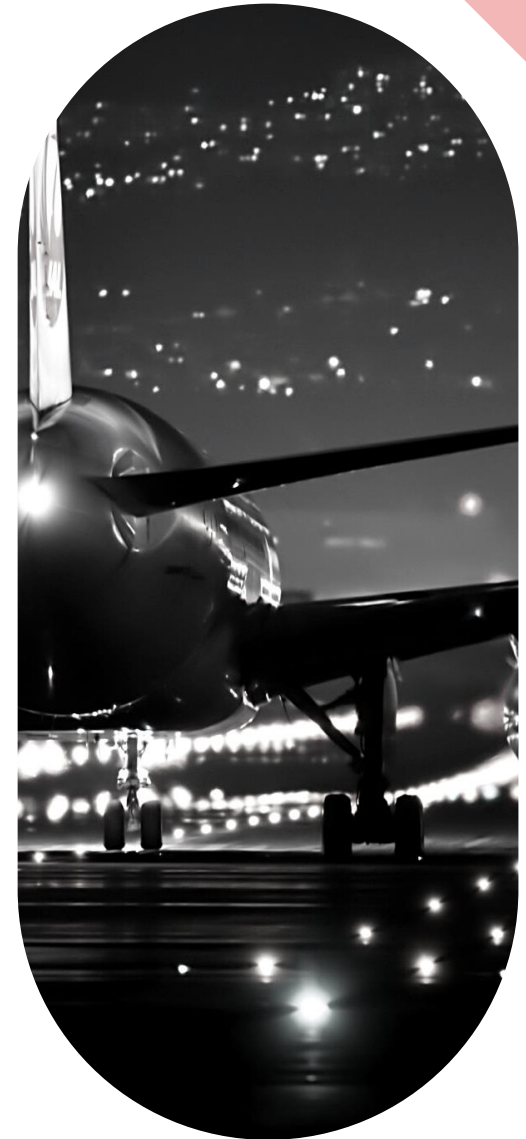
The airline has been in the hands of four different CEOs in the last 10 years as the strategy shifted from expanding fleet size to narrowing it down as the **accumulated losses hit Sh172.68 billion amid State bailouts.**

On 27<sup>th</sup> May 2022, an audit closing meeting was held with EASA [European Aviation Safety Agency]. It was found that Kenya Airways **was NON-COMPLIANT with the minimum EASA Part 145 requirements** for a **EASA Part 145 Maintenance Organisation.** Henceforth, Kenya Airways had to **surrender its EASA Part 145 Approval** for the following:

- Nairobi Line Maintenance AI Rating for: **Embraer 170/190, Boeing 737-600/700/800/900, Boeing 787-8/9**
- Mombasa Line Maintenance AI Rating for: **Embraer 170/190, Boeing 737-600/700/800/900**
- All Workshop C Ratings for **C6 (Equipment-Safety, Galley and Unit Loader Device)** and **C14 (Landing Gear)**

On the contrary, Ethiopian Airlines stated, in their vision 2035, they aim to **double their destinations from 131 to 207.** They also plan to **increase aircraft numbers from 140 to 271.**

Whereas losses could occasionally occur due to some unforeseen circumstances, KQ's loss-making trend has continued for a decade without any turn-around plan being given by the airline's management.





## SCOPE

- ❖ Introduction
- ❖ Kenya Airways Challenges
- ❖ Way Forward
  - Revamped Governance
  - Results Oriented Organisational Structure
- ❖ Kenya Airways Challenges
- ❖ Recommendations
- ❖ Conclusion

# SUMMARY OF KENYA AIRWAYS CHALLENGES

## Leadership challenge & conflict of interest

- Caused by lack of passionate, competent board members with the relevant aviation skills, stakeholders representation, and expertise.

## Operational Inefficiencies

- Irrational decisions around critical personnel by design.
- Inefficiencies in service outsourcing.
- Inefficient routing of aircrafts based on impulse rather than data.

## Inadequate Customer care and service

- Closed sales offices in Kenya and internationally.
- Understaffed and ineffective call centre.



# WAY FORWARD

The recovery plan should be driven by:

- Revamped Governance
- Results Oriented Organizational Structure
- Review of the mission etc.
- Harmonised operations
- Procurement & Maintenance

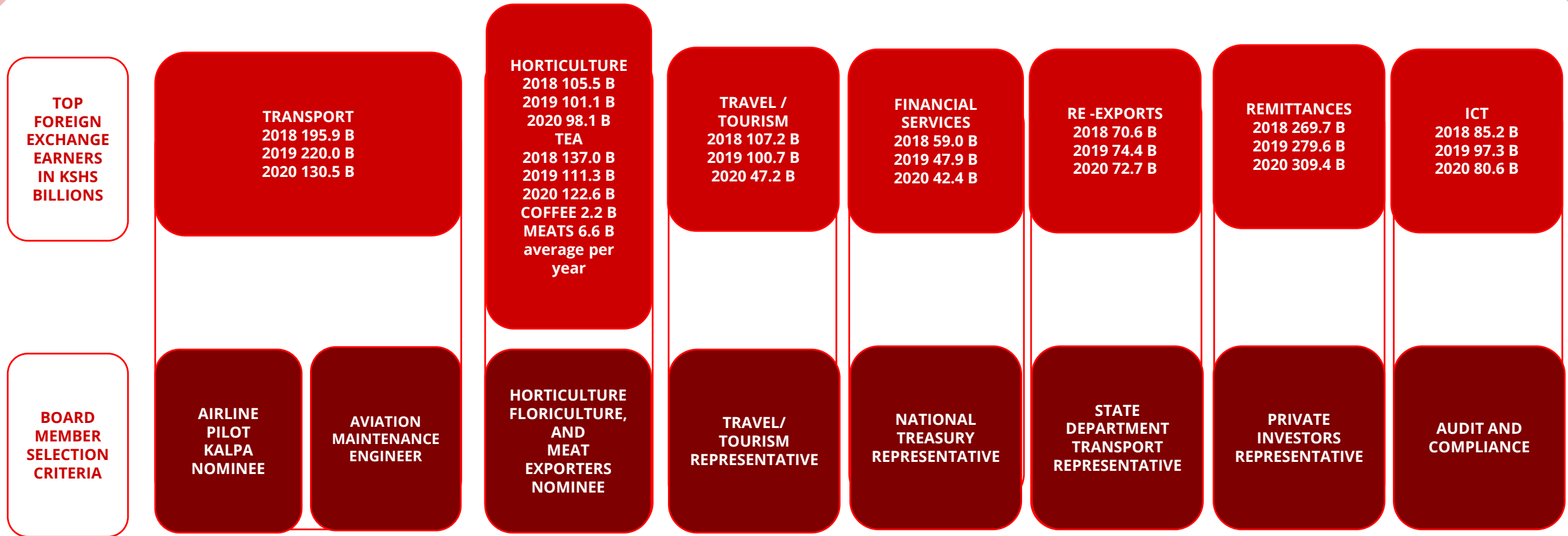
## REVAMPED LEADERSHIP [GOVERNANCE]

A new leadership team is needed both at board and management level. The company board should comprise of Aviation professionals and key relevant stakeholders other than investors approach only. Currently the board comprises of:

Board Member	Background
Chairman, Michael Joseph	Electrical engineering
Allan Kilavuka, CEO	Commerce and psychology
Phillip Wanjohi Wambugu, Haron Sirima	Economics, & Accounting
John Ngumi	Accounting
James David Kabeberi	Banking
PS Mohamed Daghar	International Relations and Development Studies,
Hakan John Wilson	Political science
Carol Armstrong	Art and Archaeology
Major General [rtd.] Michael Gichangi	Pilot with a strategy and aviation management background

**This should be aligned as follows to afford recovery**

# PROPOSED KENYA AIRWAYS GOVERNANCE



The proposed governance structure is based on case studies of some of the world's best airlines such as:

# AMERICAN AIRLINES – AVIATION EXPERTS AND STAKEHOLDER REPS [2022]

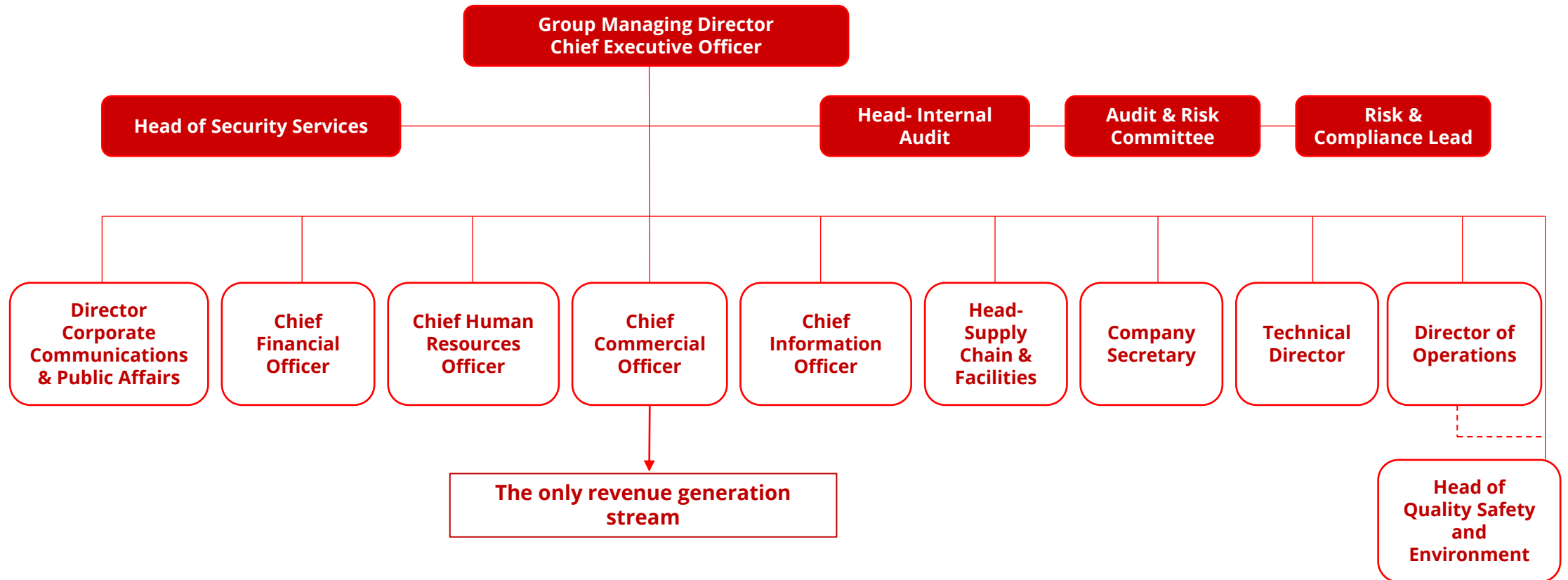
Board Member	Expertise	Other organisations/ bodies worked for that enriches American Airlines
<b>William Douglas Parker</b> Chairman & Chief Executive Officer	<b>Piloting</b>	American Airlines Group, Inc., American Airlines, Inc., Air Transport Association of America, Inc., <b>International Air Transport Association</b> , Vanderbilt University, SMU-Cox School of Business, Airline Passenger Experience Association, Inc.
<b>Adriane M. Brown</b> Independent Director	<b>Youth Employment</b>	Axon Enterprise, Inc., International Women's Forum, American Airlines Group, Inc., KKR & Co., Inc. American Airlines, Inc., <b>Pacific Science Center, Jobs for America's Graduates</b> , Washington Research Foundation, Greater Seattle Chamber of Commerce, eBay, Inc.
<b>Gregory D. Smith</b> Director	<b>Horticulture</b>	Ann & Robert H. Lurie Children's Hospital of Chicago, American Airlines Group Inc., The Museum of Science & Industry, <b>Chicago Horticultural Society, Intel Corp.</b>
<b>James F. Albaugh</b> Independent Director	<b>Aeronautical Engineering</b>	<b>Fu Foundation School of Engineering &amp; Applied Science</b> , American Airlines, Inc., Willamette University, The National Competitiveness Center, American Airlines Group, Inc., Aloft Aero Architects, <b>National Aeronautic Association, Howmet Aerospace, Inc.</b> , Belcan LLC, Smithsonian National Air & Space Museum
<b>Jeffrey D. Benjamin</b> Independent Director	<b>Aerospace Engineering</b>	<b>Rackspace Technology, Inc.</b> , Hexion, Inc., American Airlines, Inc., Shutterfly, Inc., NRG Radio LLC, Involta LLC, Rackspace US, Inc. Hexion Holdings Corp., Sherwood Holdings Inc., Rackspace Technology Global, Inc., American Numismatic Society, ImOn Communications LLC, A-Mark Precious Metals, Inc., American Airlines Group Inc., EXCO Production Company (M) LLC, Higher Learning Technologies, inc., NRG Media, LLC
<b>John T. Cahill</b> Lead Independent Director	<b>Manufacturing [Food Exports]</b>	American Airlines, Inc., Colgate-Palmolive Co., American Airlines Group, Inc., <b>The Kraft Heinz Co.</b> , Medical University of South Carolina Foundation
<b>Matthew J. Hart</b> Independent Director	<b>Aircraft Leasing</b>	American Airlines, Inc., <b>Air Lease Corp.</b> , American Homes 4 Rent, American Airlines Group, inc.
<b>Denise M. O'Leary</b> Independent Director	<b>Medical Tourism</b>	Galvanize, Inc., Connect For Health Colorado, Smithsonian Institution, American Airlines, Inc., Project Canary PBC, Bonfils-Stanton Foundation, American Airlines Group, <b>University of Denver, Medtronic Plc, University of Colorado Hospital Authority</b>
<b>Ray M. Robinson</b> Independent Director	<b>Transport/ Infrastructure</b>	University of Denver, American Airlines, Inc., FROG Holdings, Inc., Spelman College, FTAI Infrastructure, Inc., Acuity Brands Inc., Aaron's LLC, The Golf Club at Bradshaw Farm, Georgia Aquarium, Inc., Citizens Bancshares Corp. (Atlanta), American Airlines Group, Inc., East Lake Foundation, Citizens Trust Bank (Georgia), <b>Fortress Transportation &amp; Infrastructure Investors LLC</b>
<b>Marty H. Nesbitt</b> Independent Director	<b>Tourism &amp; Travel</b>	Vistria Fund II LP, Chewy Inc., American Airlines, Inc. Help At Home LLC (Illinois), CareMetx LLC, <b>The Museum of Contemporary Art (Illinois.), The Barack Obama Foundation</b> , American Airlines Group, Inc., CenterPoint Energy, Inc., ForwardLine Financial LLC
<b>Susan Dana Kronick</b> Independent Director	<b>Tourism &amp; Travel</b>	American Airlines, Inc., Hyatt Hotels Corp., American Airlines Group, Inc., <b>Hyatt Corp</b>



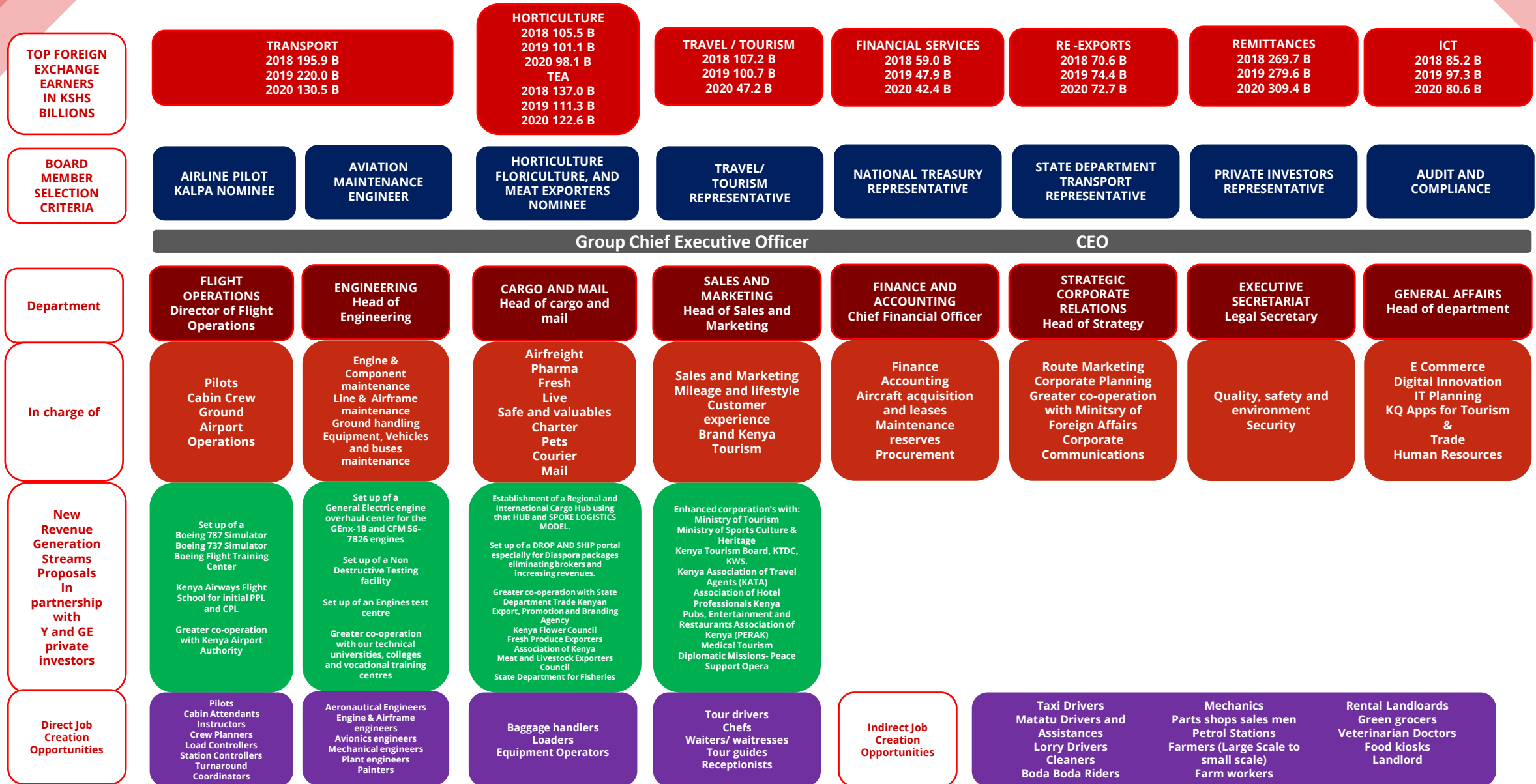
# FOCUSED ORGANIZATIONAL STRUCTURE

A new organizational structure should be established with direct emphasis on Kenya's economic drivers, KQ's core functions and revenue generation streams . Notably, the current structure mirrors a bank structure.

## CURRENT KENYA AIRWAYS MANAGEMENT STRUCTURE



# PROPOSED KQ ORGANISATIONAL STRUCTURE

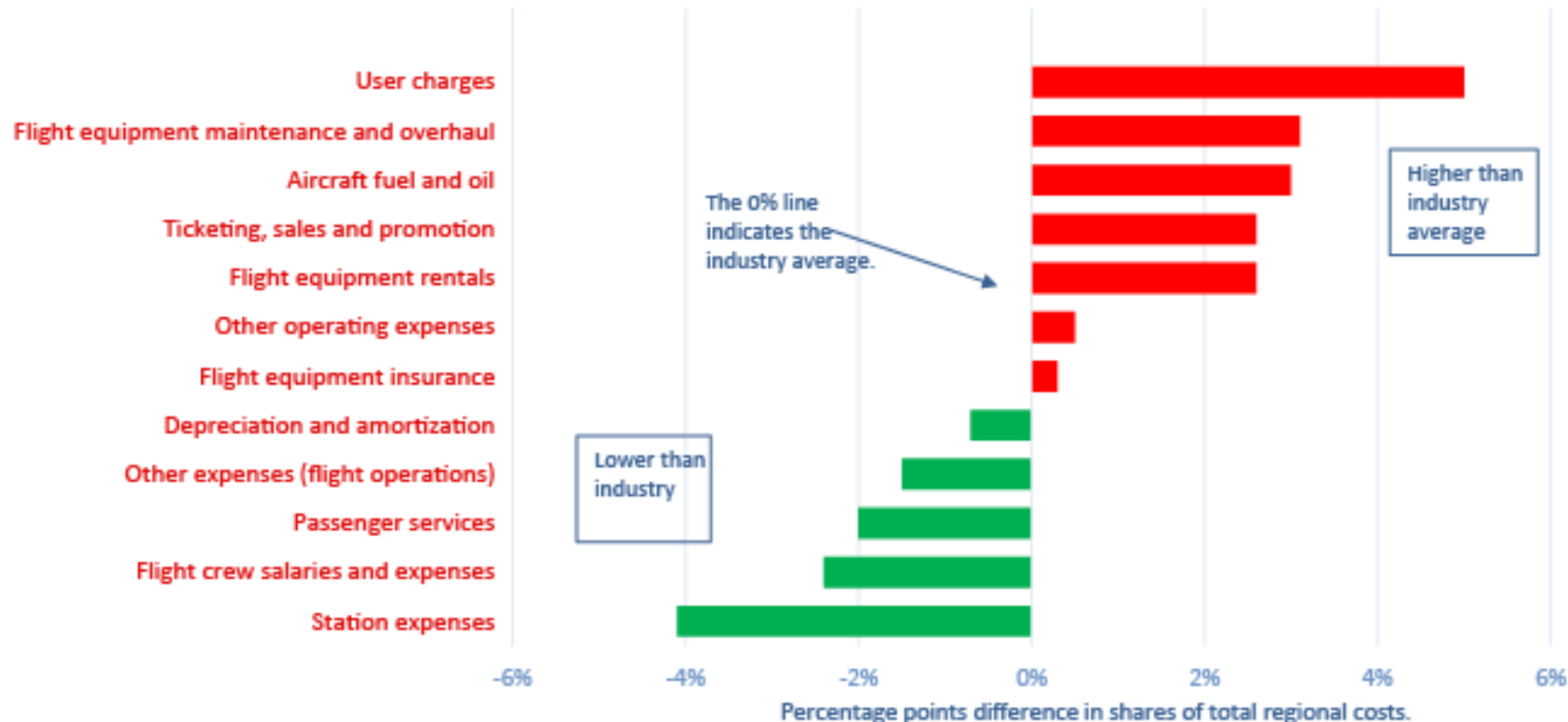


This proposed organisational structure is based....

# OPERATIONAL EFFICIENCY [REVIEW OF COST DRIVERS]

According to IATA ([www.iata.org/economics](http://www.iata.org/economics)) below are the real airline cost drivers at KQ and the difference in costs in comparison to industry standards. Higher than industry average costs drivers. KQ procurement processes should be based on objective decision making criteria while balancing competition , transparency and integrity.

## Differences in cost sources: Africa vs Industry



# REORGANIZATION OF THE AIRLINE'S FLEET TO ONE MANUFACTURER TYPE

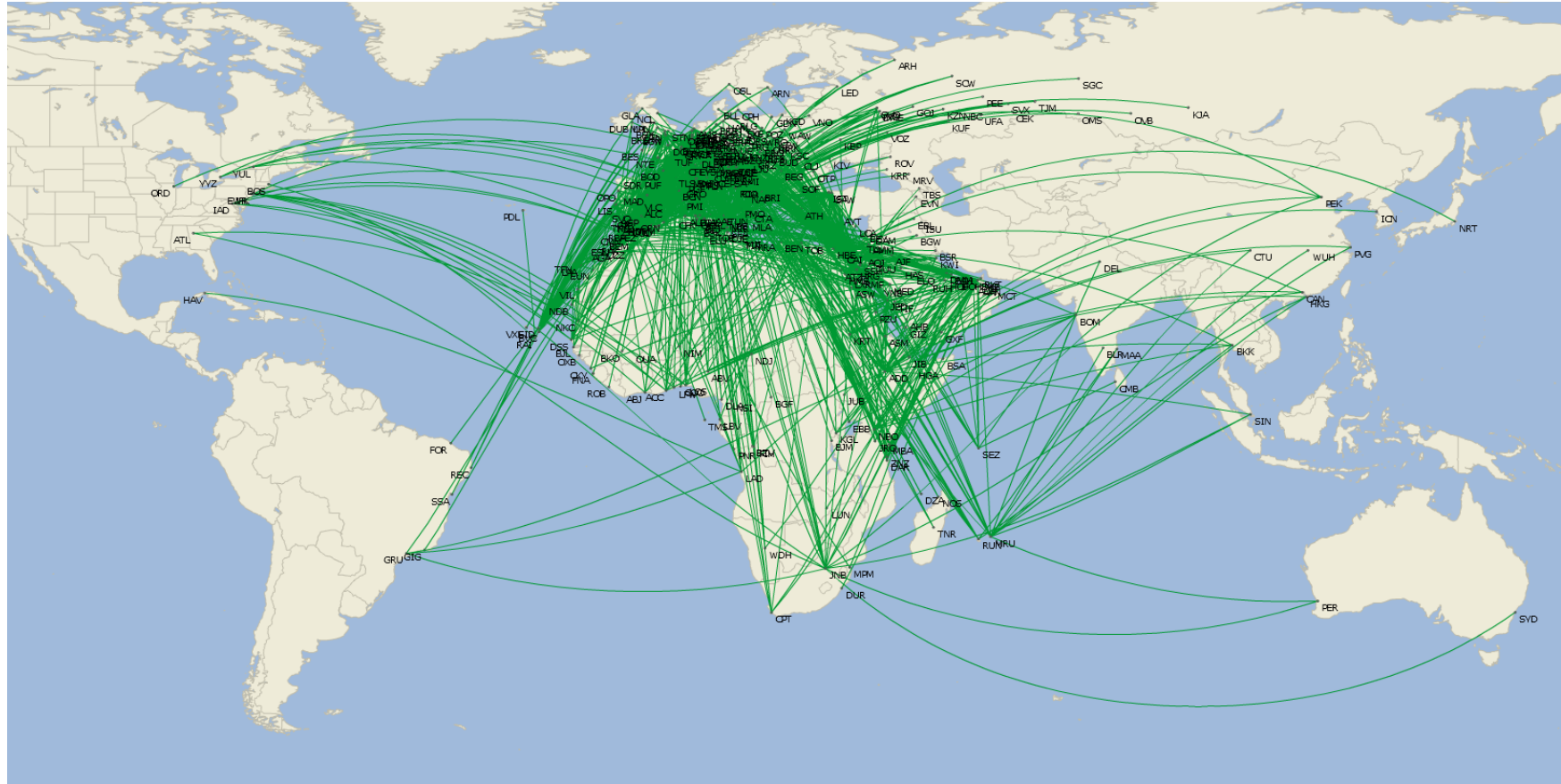
This will reduce lease rates, costs of spares (discounts), transitional & recurrent training costs and time and certification nightmares across various platforms. For example:

- Domestic and Regional destinations to be serviced by the Boeing 737 -8 with a capacity of 145 seats.
- International and Regional destinations Boeing 787 - 8 and 787 - 9/10 series with a capacity of 234 / 296 seats.
- Ultra Long range (North America, Brazil, Japan and Australia) Boeing 777X with a capacity of 384 seats.
- Cargo - Boeing 777 Freighters with a payload of 102 Tonnes and any of our aging aircrafts to be converted to pure cargo only aircrafts gradually building our cargo fleet cheaply.
  - Cargo - Boeing 787 Freighter payload 50 Tonnes
  - 737-8 payload 22.7 Tonnes
  - 737-3 payload 18 Tonnes



# AIRCRAFT OPERATIONS MAXIMIZATION

## AIR TRAVEL CONNECTIVITY FROM AFRICA TO THE WORLD: 2018

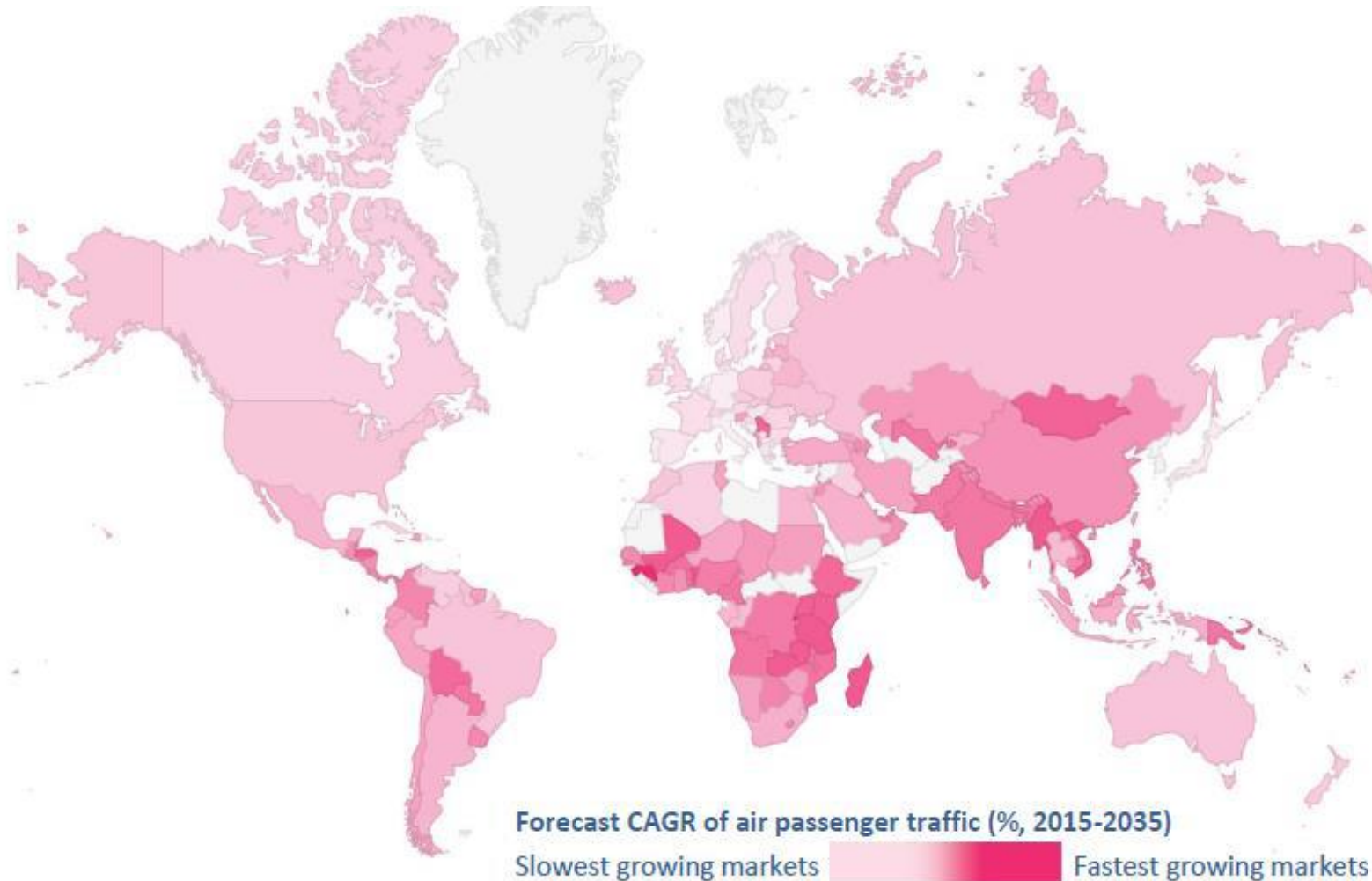


Source: SRS Analyser

[www.iata.org/economics](http://www.iata.org/economics)

Currently, the hub of air connectivity is in Europe. However, due to the growing population and geostrategic importance of Africa, a shift can be obtained.

# PROSPECTS OF AIR PASSENGER GROWTH

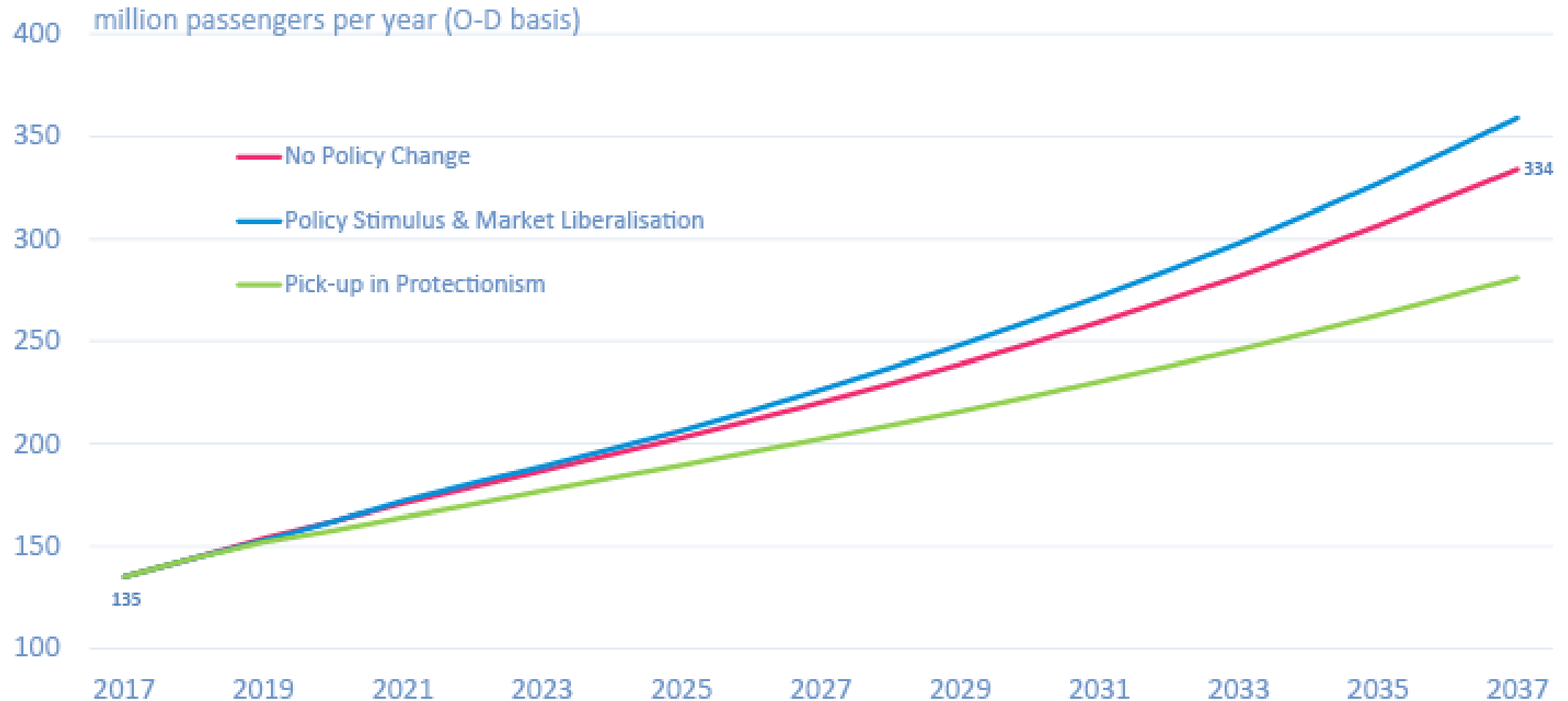


Source: IATA/Tourism Economics

[www.iata.org/economics](http://www.iata.org/economics)

There is a shift in the East and South because.....  
And this favours Kenya Airways and other African Airlines

# DEMAND FOR AIR TRAVEL IN AFRICA TO SOAR IN THE MIDDLE RUN

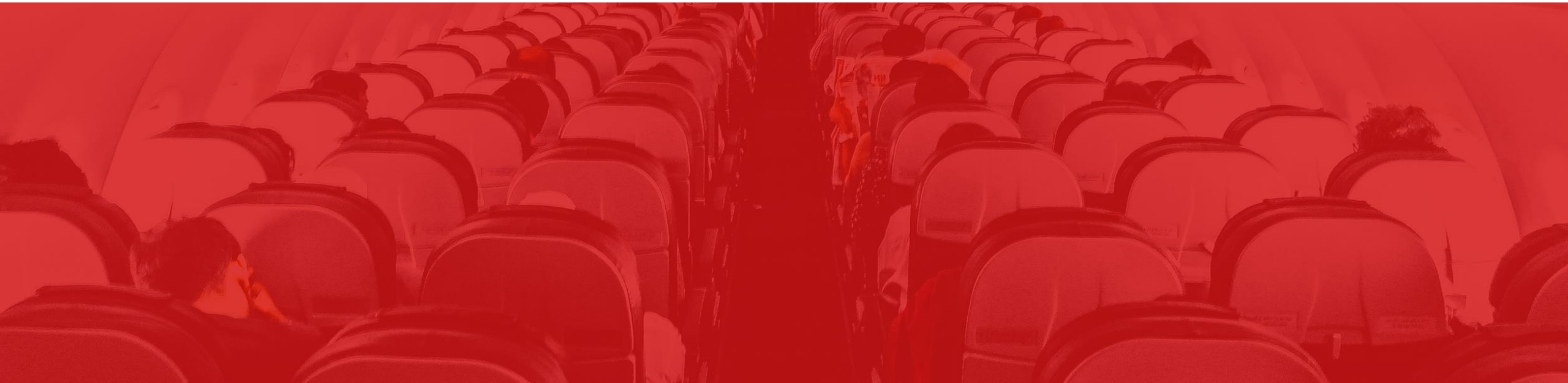


# RECOMMENDATIONS.

It is recommended that:

- The proposed changes in governance and organisational structure is systematically adopted
- The fleet type be homogenous to accord ease in operations and maintenance
- Financial bailouts to provide a financial cushion

Due to the ongoing debt crisis in KQ and Kenya, I would recommend the use of a Diaspora Dollar infrastructure bond and also a local currency one as financing options for the revamping of the airline's operations. These can be issued to Kenyan Diaspora, pension funds, and local Kenyans to fund a new KQ terminal, second runway, and a bigger cargo center. This approach could potentially ease the strain on the taxpayer while still allowing Kenyans to own Kenya's assets.





## CONCLUSION

The benefits of having a safe, reliable and profitable airline is a key economic driver  
Kenya Airways can rapidly return to profitability if these recommendations are implemented

