



MOHAMED BOUDERBALA STEPS UP AS NEW CHIEF EXECUTIVE FOR AIR ALGERIE

News / Airlines, Personalities

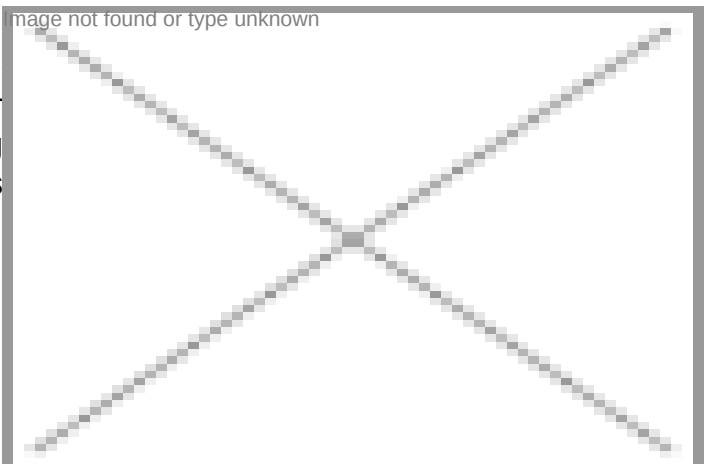


Air Algerie is hoping to draw a line in the sand with the appointment of new chief executive Mohamed Bouderbala. Martin Rivers and Vincent Chappard look at the challenges facing Algeria's flag-carrier.

Mohamed Bouderbala takes to the helm of Air Algerie following a tumultuous period at the state owned flag-carrier, which suffered its worst ever disaster in 2014 and is coming under increasing pressure at home to improve its service levels and reliability.

Friends and relatives of the 116 mostly French citizens, who perished on Flight 5017, can hope for some closure later this year, when air crash investigators publish their final report into the disaster.

The McDonnell Douglas MD-83, operated by



Spain's Swiftair for Air Algerie, had been on a routine flight from Ouagadougou, Burkina Faso, to capital city Algiers when it crashed in Mali on July 24 2014. Preliminary findings suggest the aircraft stalled shortly after reaching cruising altitude, probably due to an auto-thrust malfunction caused by the flight crew's failure to activate engine anti-ice systems. Bad weather was also likely a contributing factor.

The tragedy overshadowed the achievements of Bouderbala's predecessor, Mohamed Boultif. The outgoing boss had presided over several initiatives during his four-year tenure at the flag-carrier. Chief among these was the long-awaited fleet renewal programme. Bouderbala's ascension to the top job in May came just as Air Algerie prepared to receive the last of three newly ordered Airbus A330-200s. Two of three ATR 72-600s have also recently arrived in Algiers, while the airline has unfulfilled orders for eight Boeing 737-800s and two 737-700C convertible freighters.

Speaking during the International Air Transport Association (IATA) annual meeting in Miami in June, Bouderbala said the first 737 was due to arrive imminently and that the full 16-aircraft renewal should be completed "before the end of 2016". All the new units will be used to expand operations, he stressed, insisting that Air Algerie has "no old aircraft to replace".

The flag-carrier's pre-existing fleet comprised another five A330-200s, three 767-300s, 22 737NGs, 12 ATR 72-500s, and one Lockheed L-100 Hercules freighter. Only the Boeing wide-bodies and the freighter pre-date the turn of the century.

In addition to its permanent fleet, Air Algerie also frequently contracts extra aircraft during the summer peak season. At the time of writing, the airline was wet-leasing one A330-200 from Portugal's Hi Fly, one A330-300 from Malaysia's AirAsia X, and one A320 from Tunisia's Nouvelair. Although passenger numbers have surged by more than 60% over the past decade – reaching five million in 2014 – Bouderbala freely admits that the airline is under-performing when it comes to customer care and punctuality. Its on-time-performance rate stands at just 55%, according to Flight Stats, while its on-board product is widely considered to lag behind rival offerings in the marketplace.

"We want to improve our relations with customers and get back passengers who have decided, for one reason or another, to switch to another airline," the chief executive said, promising an overhaul of management structures at the flag-carrier. "Our aim is to develop the airline so that it reaches international standards."

Previous ideas floated in government have included restructuring Air Algerie by establishing four new subsidiaries – catering, cargo, ground-handling and maintenance – and venturing into the low-cost sphere with a no-frills division or affiliate.

The latter discussions accompanied reports that Algeria might follow Morocco's lead by signing an open-skies agreement with Europe, thereby opening the floodgates to low-cost competition. Today only three carriers – Spain's Vueling, Belgium's Jetairfly, and Transavia France – operate no-frills flights to Algeria. But Transport Minister Amar Ghoul poured cold water on the plans in November 2014, repeating previous governments' concerns that Air Algerie could not withstand the competitive onslaught.

His anxiety was, perhaps, justified: the flag-carrier's international network today focuses heavily on 22 destinations in western Europe, including 10 in France.

Air Algerie presently accounts for more than half of the 100 daily flights operated between the north African nation and its former colonial power. Aigle Azur, a French carrier part-owned by China's HNA Group, is in second place with a 37% share, while Air France operates just 8% of flights in the market. Open skies would decimate this cosy oligarchy.

Nonetheless, even though liberalisation is not an imminent prospect, Bouderbala remains interested in the possible benefits to efficiency and scale that a low-cost offshoot could bring.

"I have talked with several people within the company and the concept of a low-cost [operation] has not been rejected," he insisted. "We will study the different aspects of a low-cost carrier to find the right solution. But I can't say if it's going to be a new airline or a subsidiary. I don't know which

form it will take.”

While taking steps to fortify the European network, the chief executive must also now re-evaluate Air Algerie’s long-standing commitment to expand in its home continent. At present, just four destinations are served in west Africa (Dakar, Senegal; Niamey, Niger; Nouakchott, Mauritania; and Ouagadougou) plus three in north Africa (Casablanca, Morocco; Tunis, Tunisia; and Cairo, Egypt). That excludes the very extensive domestic network of about 30 Algerian points.

Previous statements by the flag-carrier have suggested that Chad, Djibouti, Ethiopia, Nigeria and South Africa could join the network in the years ahead. Speaking less than a fortnight after taking on the top job, however, Bouderbala was understandably reluctant to pin down any strategic decisions.

“All these matters need to be discussed,” he insisted. “Maybe [we will grow] within Africa to make a hub; we are analysing our network development [options]. But first, we want to reinforce the existing routes.”

More ambitious long-haul growth will need to be carefully considered. The airline presently serves just one destination in North America (Montreal, Canada) and one in Asia (Beijing, China). New York, Shanghai and Sao Paulo, Brazil are the

most likely candidates for expansion. But the arrival of new wide-bodies does not make long-haul growth a foregone conclusion; the A330s could also be used to boost frequencies to Dubai, for example, or to up-gauge narrow-body services to Istanbul.

Closer cooperation with Tassili Airlines, meanwhile, may deliver some efficiency gains. The carrier was founded in 1997 as a joint venture between Air Algerie and Sonatrach, the state-owned oil company, initially to ferry oil workers across the vast, energy-rich country.

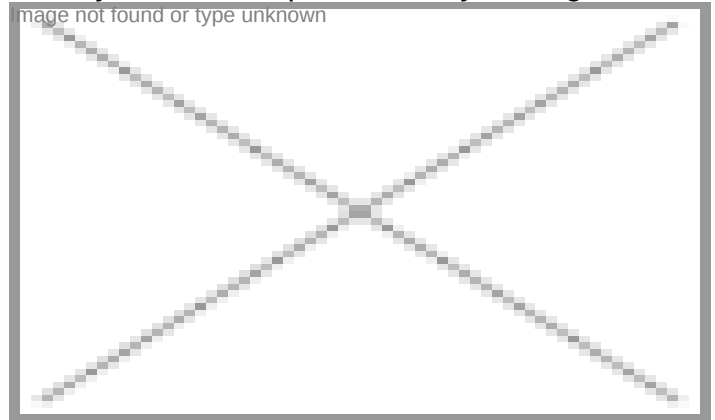
Although Air Algerie subsequently sold its stake to Sonatrach in 2005, the two carriers maintain close links. Tassili’s expansion into the scheduled international market was followed, in June, by the announcement of a shared ticketing agreement with its former shareholder. The cooperation will enhance travel options for customers, while making it easier for the airlines to synchronise flights.

There is no denying that Bouderbala has his work cut out trying to push through reforms at the 68-year-old flag-carrier. Inefficiency and bureaucracy are endemic to Algeria’s national industries – long dominated by the state due to the country’s socialist path post-independence.

But, having formerly served as director general of the customs authority, the chief executive has both personal and professional experience of the challenges facing Air Algerie.

“[My time as] the managing director of customs at the ministry gave me the opportunity to travel a lot with Air Algerie and, thus, to get acquainted with the airline,” he explained. “It enabled me to better understand how the airline operates.”

That first-hand knowledge will now be put to the test as the flag-carrier works to rehabilitate its image while maintaining steady growth. Its home market faces significant headwinds due to the double-whammy of falling oil prices and rising regional instability. Protectionism may shield the parastatal from losses in the short-term. But, longer term, Bouderbala’s vision of commercial excellence will require tough decisions to be taken over dependence on the state.



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