

**STRATEGIES TO DESIGN A COST-EFFECTIVE HUB NETWORK FOR  
SPARSE AIR TRAVEL DEMAND IN AFRICA**

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## THESIS SUMMARY

# STRATEGIES TO DESIGN A COST-EFFECTIVE HUB NETWORK FOR SPARSE AIR TRAVEL DEMAND IN AFRICA

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The aviation industry worldwide is changing dynamically in reaction to trends such as globalisation and with the need to increase market share to remain competitive. The African aviation industry still faces many problems in the institutional, technical and operational areas. Despite its potential for enhancing economic development, air travel to and from Africa remains a small percentage of world air travel. The African air route network is characterised by sparse demand, with long sector distances, low frequencies and high fares.

This study investigates cost-effective hub-and-spoke (H&S) network design strategies for the African route network. An H&S network would minimise the cost of air transport and improve accessibility and connectivity. The study challenges the typical characteristics of H&S networks which are usually found in denser route networks. The design methodology used was the one most appropriate for the African region, using the datasets and tools available. As a first-cut analysis for Africa, the results of the research contribute to understanding the effectiveness of H&S networks in markets with sparse demand.

A cost model previously developed by the author to calculate operating costs on a route was used. It eliminated the need to assume discount coefficients on links, as passenger demand increases, in a field with limited data. The cost indicators derived from the model were used as criteria for choosing the most efficient hubs within a cluster. These were compared with the hub-location criteria in the literature which use distances and passengers. It was found that using the cost indicators gives a reasonably consistent method that lowers passenger travel time.

The optimum number of clusters and hubs was found to be four. The geo-political network design method yielded the lowest network costs. The hubs are centrally located within the clusters: Morocco in the north, South Africa in the south, Kenya in the east and Nigeria in the west. They are characterised by high passenger demand and short node-hub sectors. There are significant benefits to be gained from using this hub network design, resulting from the economies of scale with higher passenger densities on routes. Furthermore, the benefits of higher service frequencies and better connectivity outweigh the extra travel time when routing through hubs.

The study found that for sparse networks, the cheapest hub-location options have high passenger demand. The sector distance is crucial in lowering operating costs as smaller, more efficient short-range aircraft can be operated. It is therefore more efficient to assign nodes to the closest hub to lower node-hub costs. The optimum number of hubs/clusters is thus determined by the distance threshold for the efficient aircraft. The effect of changing the cluster boundaries on network costs also depends on the change in node-hub distances between the clusters. As sparsity reduces, the economies-of-scale benefits outweigh the increasing operating costs of longer distances, allowing efficient operation of larger-capacity aircraft. This means that the location of the hubs and the number of clusters becomes more flexible, implying that node-hub links can become longer, reducing both the clusters and the number of hubs.

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## TABLE OF CONTENTS

<b>LIST OF FIGURES .....</b>	<b>V</b>
<b>LIST OF TABLES.....</b>	<b>VI</b>
<b>CHAPTER 1: INTRODUCTION .....</b>	<b>1</b>
<b>1.1 Background .....</b>	<b>1</b>
<b>1.2 African Aviation Issues .....</b>	<b>1</b>
1.2.1 Institutional issues.....	1
1.2.2 Technical issues.....	2
1.2.3 Operational issues .....	2
<b>1.3 Problem Statement.....</b>	<b>3</b>
<b>1.4 Purpose of the Research .....</b>	<b>5</b>
<b>1.5 Justification .....</b>	<b>5</b>
<b>1.6 Contribution to the Field .....</b>	<b>6</b>
<b>1.7 Objectives .....</b>	<b>7</b>
<b>1.8 Research Methodology .....</b>	<b>7</b>
<b>1.9 Organisation of the Thesis.....</b>	<b>8</b>
<b>CHAPTER 2: DEREGULATING AFRICAN SKIES.....</b>	<b>9</b>
<b>2.1 Introduction .....</b>	<b>9</b>
<b>2.2 The International Framework for Aviation Regulation .....</b>	<b>9</b>
2.2.1 Paris Convention.....	9
2.2.2 Chicago Convention on International Civil Aviation .....	9
<b>2.3 Air Service Agreements (ASAs) .....</b>	<b>12</b>
2.3.1 Bilateral agreements .....	12
2.3.2 Deregulation and “liberalisation” .....	13
2.3.3 Open Skies Initiative .....	14
2.3.4 Airline alliances .....	15
<b>2.4 Yamoussoukro Decision.....</b>	<b>16</b>
2.4.1 Background.....	16
2.4.2 Progress achieved .....	17
2.4.3 Hindrances to implementation .....	18
<b>2.5 Institutional Frameworks Active in Implementing the Decision within Africa.....</b>	<b>19</b>
2.5.1 Economic Commission for Africa (ECA) .....	19
2.5.2 International Civil Aviation Organisation (ICAO) .....	19
2.5.3 African Union (AU) .....	20
2.5.4 African Civil Aviation Council (AFCAC) .....	20
2.5.5 African Airlines Association (AFRAA).....	20
2.5.6 Southern and Eastern Africa’s regional trade organisations .....	21

2.5.7	Central and West Africa’s regional trade organisations .....	21
2.5.8	North Africa’s regional trade organisations .....	22
<b>2.6</b>	<b>Summary of Institutions.....</b>	<b>23</b>
<b>2.7</b>	<b>Monitoring Activities .....</b>	<b>24</b>
<b>2.8</b>	<b>Way Forward.....</b>	<b>24</b>
2.8.1	Competition rules .....	24
2.8.2	Alliances .....	25
2.8.3	Business regulations .....	25
2.8.4	Unilateral liberalisation .....	25
2.8.5	Low cost airlines strategy .....	26
2.8.6	Government involvement .....	26
2.8.7	Unification of airlines .....	26
<b>CHAPTER 3:</b>	<b>HUBBING THEORY .....</b>	<b>27</b>
<b>3.1</b>	<b>Introduction .....</b>	<b>27</b>
<b>3.2</b>	<b>Hub Classification .....</b>	<b>27</b>
<b>3.3</b>	<b>Advantages of Hubbing .....</b>	<b>28</b>
3.3.1	Economies of traffic density .....	28
3.3.2	Quality of service.....	29
3.3.3	High average yield .....	30
3.3.4	Better capacity allocation .....	30
3.3.5	Marketing advantages.....	30
3.3.6	Stimulation of job creation .....	30
<b>3.4</b>	<b>Disadvantages of Hubbing .....</b>	<b>31</b>
3.4.1	Additional running costs .....	31
3.4.2	Additional travel time .....	31
3.4.3	Unfair monopoly on routes .....	32
3.4.4	Congestion at hub airports .....	32
3.4.5	Limiting of competition.....	33
3.4.6	Environmental costs implication of hub networks .....	33
<b>3.5</b>	<b>Airline Hub Network .....</b>	<b>33</b>
3.5.1	Effectiveness of hub networks.....	33
3.5.2	Hub location.....	34
3.5.3	Capacities .....	35
3.5.4	Flow thresholds.....	36
<b>3.6</b>	<b><math>\rho</math>-Hub Median Problem.....</b>	<b>36</b>
3.6.1	Single Allocation $\rho$ -Hub Median Problem (USA $\rho$ HMP) .....	36
3.6.2	Multiple Allocation $\rho$ -Hub Median Problem (UMAP $\rho$ HMP) .....	38
3.6.3	Shortest paths.....	39
3.6.4	Clustering heuristics.....	40
3.6.5	Direct Vs non-stop services.....	40
<b>3.7</b>	<b>Summary.....</b>	<b>41</b>
3.7.1	Hub location .....	41
3.7.2	Node allocation .....	41
3.7.3	Hub–and-spoke network .....	42
<b>CHAPTER 4:</b>	<b>ROUTE COST MODEL.....</b>	<b>43</b>



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<b>4.1</b>	<b>Introduction .....</b>	<b>43</b>
4.1.1	Background.....	43
4.1.2	Limitations of the model .....	43
<b>4.2</b>	<b>Model Development.....</b>	<b>44</b>
4.2.1	Cost structure.....	44
4.2.2	Standing costs .....	45
4.2.3	Flying costs.....	46
4.2.4	Other costs.....	47
4.2.5	The input component .....	47
4.2.6	The calculation component .....	47
4.2.7	The output component .....	48
4.2.8	Model description.....	48
<b>4.3</b>	<b>Data Collection .....</b>	<b>50</b>
4.3.1	Default values for the route cost model .....	50
4.3.2	Aircraft type-specific data .....	50
4.3.3	Distance matrix .....	51
4.3.4	Trip generation.....	51
4.3.5	Trip distribution .....	54
<b>4.4</b>	<b>Application of the Cost Model .....</b>	<b>55</b>
4.4.1	Testing economies of traffic density on a route .....	56
4.4.2	Effect of economies of scale on aircraft choice as distances increase.....	56
<b>CHAPTER 5: HUB NETWORK DESIGN .....</b>		<b>60</b>
<b>5.1</b>	<b>Introduction .....</b>	<b>60</b>
<b>5.2</b>	<b>Africa Defined as a ‘Sparse’ Network.....</b>	<b>60</b>
<b>5.3</b>	<b>Design Approach.....</b>	<b>60</b>
5.3.1	Locational analysis.....	60
5.3.2	Hub airport location.....	61
5.3.3	Node allocation .....	61
5.3.4	Network costs .....	62
5.3.5	Application of the cost model to design .....	63
<b>5.4</b>	<b>Hub-location Strategies .....</b>	<b>63</b>
5.4.1	One-hub network method.....	64
5.4.2	Clustering method.....	64
5.4.3	Node-hub analysis .....	70
5.4.4	Geo-political method.....	71
<b>CHAPTER 6: RESULTS AND ANALYSIS.....</b>		<b>74</b>
<b>6.1</b>	<b>Introduction .....</b>	<b>74</b>
<b>6.2</b>	<b>One-hub Network Analysis .....</b>	<b>75</b>
<b>6.3</b>	<b>Geo-political Method .....</b>	<b>75</b>
<b>6.4</b>	<b>Clustered Hub Network Analysis .....</b>	<b>75</b>
6.4.1	Optimum number of clusters .....	76
6.4.2	Clustering heuristics network.....	77
<b>6.5</b>	<b>Node-hub Network Analysis .....</b>	<b>78</b>
6.5.1	Cost per passenger demand .....	78
6.5.2	Costs of service supply .....	78

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<b>6.6</b>	<b>Sensitivity Analysis of the Network Design Process .....</b>	<b>79</b>
6.6.1	Procedure .....	79
<b>6.7</b>	<b>Cost Elasticity with Increasing Passenger Demand .....</b>	<b>80</b>
<b>6.8</b>	<b>Summary .....</b>	<b>81</b>
6.8.1	Node-hub costs .....	81
6.8.2	Hub-hub costs .....	82
6.8.3	Hub network design costs .....	82
<b>6.9</b>	<b>Sparse markets as hub-and-spoke air transport networks .....</b>	<b>83</b>
6.9.1	Definition .....	83
6.9.2	Implication of the H&S design for sparse networks.....	83
6.9.3	Optimally efficient hub network design for sparse markets .....	84
6.9.4	Network changes as sparsity reduces over time.....	84
<b>CHAPTER 7:</b>	<b>EFFECTIVENESS OF HUBBING .....</b>	<b>86</b>
<b>7.1</b>	<b>Introduction .....</b>	<b>86</b>
7.1.1	Criteria for distinguishing between O-D pairs .....	86
7.1.2	Cost and service indicators .....	87
<b>7.2</b>	<b>Short-haul Route Analysis .....</b>	<b>87</b>
<b>7.3</b>	<b>Medium-haul Route Analysis.....</b>	<b>88</b>
<b>7.4</b>	<b>Long-haul Route Analysis.....</b>	<b>89</b>
<b>7.5</b>	<b>Summary .....</b>	<b>90</b>
<b>CHAPTER 8:</b>	<b>CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>92</b>
<b>8.1</b>	<b>Conclusions.....</b>	<b>92</b>
8.1.1	Opening up the skies .....	92
8.1.2	Application of the cost model to hubbing .....	92
8.1.3	Network design method.....	92
8.1.4	Hub-location strategies.....	93
8.1.5	Hub network analysis .....	93
8.1.6	Hubbing versus direct flights .....	95
<b>8.2</b>	<b>Recommendations .....</b>	<b>95</b>
<b>LIST OF REFERENCES.....</b>		<b>97</b>
<b>APPENDICES .....</b>		<b>101</b>

## LIST OF FIGURES

Figure 1: Percentage of world air departures .....	3
Figure 2: Load factors for world regions .....	4
Figure 3: First freedom.....	10
Figure 4: Second Freedom .....	10
Figure 5: Third Freedom .....	10
Figure 6: Fourth Freedom .....	10
Figure 7: Fifth Freedom.....	11
Figure 8: Sixth Freedom.....	11
Figure 9: Breakdown of Yamoussoukro implementation.....	23
Figure 10: Costs per passenger-mile non-linear cost function and HUBLOC model.....	29
Figure 11: Travel time added by hubbing .....	32
Figure 12: Hub network flow .....	35
Figure 13: Cost structure adopted for model .....	44
Figure 14: Flow chart of the cost model .....	49
Figure 15: Graph showing African GDP and aircraft departures.....	53
Figure 16: Exponential decrease of costs with increasing number of passengers .....	56
Figure 17: Graphs showing unit costs as distances and passenger numbers increase .....	58
Figure 18: Route parameters for different networks with competing hubs .....	59
Figure 19: Network design process flow chart.....	65
Figure 20: Three-cluster network .....	66
Figure 21: Four-cluster network .....	67
Figure 22: Five-cluster network.....	67
Figure 23: The cheapest hub to fly “from” .....	70
Figure 24: The cheapest hub to fly “to” .....	70
Figure 25: Geo-political network.....	73
Figure 26: Cost variations as clusters increase in a network.....	76
Figure 27: % discount in cost per passenger for various hub-hub links .....	81



## LIST OF TABLES

Table 1: Effects of hubbing on cost of service .....	5
Table 2: Various functional definitions of airline hubs.....	28
Table 3: Number of hub airports categorised by size of hubs, region .....	34
Table 4: Crew costs per hour (US\$/flight hour) .....	46
Table 5: Default values used in the model .....	50
Table 6: Data sources.....	50
Table 7: Technical specifications for model aircraft types.....	51
Table 8: GDP, population and aircraft departures for 2001 .....	52
Table 9: Aircraft departures from African countries in 2001.....	54
Table 10: Network costs (in US\$) for networks shown in Figure 19.....	59
Table 11: Passenger flow within a cluster .....	68
Table 12: Flow index calculation for each O-D pair .....	68
Table 13: Total index calculation for distance and passengers in a cluster .....	69
Table 14: Total index calculation for costs within a cluster .....	69
Table 15: Criteria for choosing the most likely hubs .....	72
Table 16: Summary of different hub network costs.....	74
Table 17: One-hub network costs .....	75
Table 18: Geo-political hub network costs.....	75
Table 19: Characteristics of node-hub links in the various cluster networks .....	76
Table 20: Clustering operating costs.....	77
Table 21: Results of the node-hub network analysis .....	78
Table 22: Comparison of networks for sensitivity analysis.....	80
Table 23: Network analysis as passenger demand increases .....	84
Table 24: Route analysis.....	86
Table 25: Service indicators for short-haul routes .....	87
Table 26: Service indicators for medium-haul routes.....	88
Table 27: Service indicators for long-haul routes .....	89
Table 28: Summary of the effectiveness of hubs.....	90

## GLOSSARY OF TERMS

**Aircraft kilometres** are the distances flown by an aircraft. An aircraft's total flying is obtained by multiplying the number of flights performed on each flight sector by the sector distance.

**Aircraft Utilisation** is the average number of block hours that each aircraft is in use. This is generally measured on a daily or annual basis

**Available seat-kilometres (ASKs)** are obtained by multiplying the number of seats available for sale on each flight by the flight sector distance.

**Average aircraft capacity** is obtained by dividing an airline's total available tonne kilometres (ATKs) by aircraft kilometres flown.

**Average sector length** is obtained by dividing an airline's total aircraft kilometres flown in a year by the number of aircraft departures; it is the weighted average of sector/sector lengths flown by an airline.

**Block time (hours)** is the time for each sector flight or sector, measured from when the aircraft leaves the airport gate or stand (chocks off) to when it arrives on the gate or stands at the destination airport (chokes on). It can also be calculated from the moment an aircraft moves under its own power until it comes to rest at its destination.

**Break-even load factor (percent)** is the load factor required to equate total traffic revenue with operating costs.

**Flight crew** refers to pilots, stewards and stewardesses.

**Operating costs per ATK** is a measure obtained by dividing total operating costs by total ATKs. Operating costs exclude interest payments, taxes and extraordinary items. They can also be measured per RTK.

**Passenger load factor (per cent)** is revenue passenger-kilometres (RPKs) expressed as a percentage of available seat kilometres (ASKs) on a single sector; this is simplified to a number of passengers carried as a percentage of seats available for sale.

**Slot** at an airport is the right to operate one take-off or landing at that airport within a fixed time period.

**Sector/sector distance** the air route or flying distance between two airports.

**Regulation:** This term is defined as a set of principles, rules or laws designed to control or govern conduct. In the airline industry, all air carriers and countries have set rules and regulations they are meant to adhere to according to international standards. The bodies set aside to govern and ensure this are the civil aviation agencies set up in most countries.

**Deregulation:** This is defined as the removal of government controls from an industry or sector, to allow for a free and efficient marketplace, which would encourage competition

**Liberalisation:** Liberalisation is the act of relaxing the laws governing an industry making them less strict or less severe.

**Privatisation:** If a government privatises an industry, company or service that it owns and controls, it sells it so that it becomes privately owned and controlled.

**Open skies:** These are agreements, which permit unrestricted service by the airlines of each side to, from and beyond the others territory, without restrictions on where carriers fly the number of flights they operate and the prices they charge.