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JOINT VENTURE - Inquiry report

As agreed I have been collecting information about existing joint ventures in the aviation industry. I have managed to obtain important documents from officials of the SAS airline about the organizational structure and legal articles that bind the three Scandinavian countries in their joint venture on forming and operating the SAS airline.

It may not be possible to use the SAS model as it is for the simple reason that we are two unequals. The Ethiopians have been in the airline business for quite a long time with considerable success while we are just starting. However all the necessary articles in a joint venture are mentioned so it can give you sufficient information with possible modification to fit our particular situation.

Since you will get everything you need in the enclosed documents I will cut short the information I got orally. I will only comment on the definition of a very important word in a joint venture agreement. It is the word UNITIZATION. In the course of our discussion with the SAS official I was surprised to know that the word unitization as used in the oil offshore industry is identical in its legal definition in the airline industry too. I am very familiar with the word in the oil offshore industry since the reservoir produced by the company I am working for extends 39% in the British territorial waters. After carefully mapping the boundaries of the oil reservoir the authorities came to the conclusion that 61% of the reservoir is in Norwegian territorial waters while the rest is in the British side. By unitizing the field it becomes very smooth and practical for the producing oil company to work under one country's national laws. For the rest it is simple mathematics. All capital investment and operation costs are shared by the two countries in 39% and 61% proportion. So is all revenue's shared in that proportion.

Otherwise other joint ventures in the aviation business tried in other parts of the world are not encouraging. The East African Airline ended in disaster so did others in the Middle East. The only one that is operating well so far is AIR AFRIQUE a joint venture of many states in West Africa. I would assume all materials in that airline must be in french since they all belong to the Francophone countries. By the way Girmay Afwerki (wedi chief) has been stationed in Mali as regional manager of the Ethiopian Airlines. Why don't you contact him if you think he can help?

Anything more information I get I will either fax you to Asmara at the Secretariat or transmit it to a PC in Asmara via modem. Have a nice trip to Asmara and convey my greetings to our colleagues there. Remember my telephone number is 04-542798 and my password is SELOME if you have to use the data transmission system.

Emnetu Tesfay

(unedited text)