

## DIRECTORATE OF ECONOMIC REGULATION

### AIR TRANSPORT MONTHLY MONITOR: MAY 2022

#### [ATMM/05/2022]

Air Transport Monthly Monitor [ATMM] is a monthly digest of air transport sub-sector meant to share events that happened during the month in question both locally and globally. With information stakeholders and the general public are able to understand what is happening in the aviation industry and take appropriate action where necessary.

#### Domestic Highlights:

##### Air Tanzania to add two B737 Max 9s:

Tanzania will spend TZS468 billion shillings (USD201 million) to purchase five aircraft - including two B737-9 MAX to be placed with Air Tanzania (TC, Dar es Salaam) in the coming financial year, according to Transport Minister Hon. Makame Mbarawa. Tabling his ministry's budget in the National Assembly on May 23, he said the government had entered contracts for the purchase of two B737-9 MAX; one B787-8; one B767-300F freighter; and two DHC-8-Q400s.

The new aircraft are expected to be delivered in early 2023. The aim was to expand Air Tanzania's reach as a regional passenger and cargo carrier and to make Tanzania a main transport and logistics hub in East Africa, he said.

In the past nine months, Air Tanzania has received three new aircraft, including two A220-300s carrying 132 passengers each and one DHC-8-Q400 turboprop for 76 passengers, he added. By April 2022, Air Tanzania had a fleet of 11 active aircraft, compared to eight in February 2020, he said.

The announcement raised eyebrows amongst local media, which pointed out that more than 65% of the TZS36.18 billion (USD15.5 million) losses sustained by Air Tanzania in the 2020/21 financial year were due to the pandemic-linked inactivity of its two B787-8s. This had been disclosed by the

country's Controller and Auditor General (CAG) in his 2020/21 financial report. He ascribed the airlines' losses to most of Air Tanzania's in-house fleet having cost more to operate than the revenue they generated. Only two of its aircraft - one of its two active A220-300s and one DHC-8-Q400 - generated profits in 2020/21.

Air Tanzania's current fleet comprises: four A220-300s; two B787-8s; five DHC-8-Q400s; one DHC-8-Q300 (inactive). The entire compliment is owned by TGF - Tanzania Government Flight (Dar es Salaam) which in turn leases them out to Air Tanzania.

Meanwhile, Mbarawa said between July 2021 and April 2022, Air Tanzania had transported 53% more passengers than in the same period the year before, totaling 663,016 passengers. On the cargo side, it had exported 1,953 tonnes - an increase of 70% compared to 1,152 tonnes transported in the same period in 2020/21. This increase was due to the introduction of cargo flights between Guangzhou, China and Dar es Salaam, Tanzania from August 2021, as well as the resumption of Mumbai Int'l flights from India, which had been postponed due to the pandemic.

Hon. Mbarawa said the bigger fleet had enabled Air Tanzania to expand its route network. Regional routes launched included Lubumbashi (DRC), Nairobi Jomo Kenyatta (Kenya) and Ndola (Zambia).

**Analyst Viewpoint:** Addition of new aircrafts to ATCL, calls a need for route analysis development and establishment of new routes which will operate under profit to the company. Moreover, the relaxation of travel restrictions due to covid will increase the passengers and cargo traffic.

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### **Domestic Airlines battling up for skies amid Covid 19 pandemic:**

Domestic airlines in Tanzania continues to compete to stay afloat amid the Covid 19 pandemic effects. Looking at market share data released by Authority shows Air Tanzania Company Limited (ATCL) and Auric Air Services managed to increase their market shares during 2021.

ATCL market share jumped to 52.9 percent from 47.8 percent in the preceding year, remaining the market leader. Under the period of review, Auric Air saw its share slightly increasing by 0.2 percentage points to 10.3 percent.

As the pandemic adversely affected the aviation sector, the number of tourist arrivals fell, forcing Precision Air, As Salaam Air and Coastal Travel Limited - which are considered feeder airlines - to reduce their capacities, forcing their market share to go down. Precision Air remained in the second place despite its market share dropping from 26 percent to 22.8 percent.

On the other hand, As Salaam Air's market share fell from 5.3 percent to 2.8 percent while Coastal Travel's market share decreased slightly to three percent from 3.5 percent. Other airlines' market share climbed to 8.6 percent from the previous 7.3 percent.

ATCL managing director Ladislaus Matindi told The Citizen newspaper that the airline's performance was attributed to the expansion of its networks. "He said the airline introduced new domestic routes which include Geita, Mtwara, Arusha and Songea." The airline also increased frequencies in routes like Arusha, Dodoma, Kilimanjaro, Mwanza, and Zanzibar.

"To attract more passengers, we are committed to improving our on-board services and smoothing the issuance of tickets," Mr Matindi said.

Precision Air managing director Patrick Mwanri said that a drop in the airline's market share was significantly caused by various factors such as fall in a number of destinations. He also linked the drop to the fall in the capacity they offered based on operations versus costs associated with the route, passenger number drop due to Covid-19 dynamics and government institutions and authorities using ATCL as official choice.

"We are working together with the government and other stakeholders to attract more tourists in the country and promote other travel segments," he responded to The Citizen's questions.

"We are looking forward to increasing our operations where we see potential demand that can generate revenue while looking at cost of operation and continuous improvement of our operation."

As Salaam Air commercial director Ibrahim Bukenya blamed the Covid-19 pandemic for the fall of their market share. He said business was not in their favor since Covid-19 was at its peak in April 2020 and that it started to recover in December 2021. "We are now flying an average of 150 passengers on a daily basis compared to an average of 80 passengers that we were carrying in 2021," said Mr Bukenya.

He said to capture more market share, the airline which fly Zanzibar-Arusha via Dar and Zanzibar-Dar routes will next month increase frequencies to its destinations from one to two. It is also set to resume its Zanzibar-Dodoma via Dar route in September.

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How Auric Air increased its market shares, airline's sales director Deepesh Gupta said while other airlines suspended operations during the pandemic, for them it was different.

“Even when we were grappling with a cash flow crunch, we kept on investing on our routes with a view to maintaining continuity,” said Mr Gupta. “To maintain our good performance and even do better, we are committed to embracing quality, safety, consistency, reliability and promotion.”

The Coastal Travels' managing director, Captain Maynard Mkumbwa, linked the drop in their market share with the suspension of non-profitable routes of Dar-Zanzibar-Pemba-Tanga.

However, he was positive things were likely to change for better soon, attesting his optimism to overbooking they were now experiencing. “To cope with the trend and attract more passengers to our routes, we are expecting to add three more aircraft to our fleets to make a total of 18 by July,” said Mr Mkumbwa.

**Analyst Viewpoint:** *The opening of the skies due to relaxation of travel restriction amid Covid -19 will enable operators to get high number of passengers as well as cargo traffic in the market.*

### International Highlights

#### Africa:

#### Tanzania and Ghana to form a flightpath by year end:

During the Tanzania-Ghana Tourism, Investment and Trade Forum in Accra last Saturday, Tanzania High Commissioner to Abuja, with oversight responsibility to Ghana, Benson Alfred Bana,

announced that a new route was in the works that would link Ghana and Tanzania and potentially ease movement of people, goods, services between the two nations.

The forum attended both physically and virtually by key stakeholders in the tourism and trade industries in Ghana and Tanzania, sought — among others — to deepen the Ghana-Tanzania bilateral relations dating back to the 1960s, and also to promote economic cooperation between the two countries in the areas of tourism, foreign capital investment, and trade.

Tanzania and Ghana are rapidly expanding, and important aviation market and the agreement signed allow airlines to develop new services and air routes. The agreement opens all destinations in Tanzania and Ghana for codeshare flights through domestic code share arrangements, even as Ghana inches closer to launching a national carrier after 12 years.

According to the IMF, Tanzania is among the biggest economies on the continent with a GDP of \$62 billion. The country reached an important milestone in July 2020 when it graduated from poor to lower-middle-income status, a feat attained five years ahead of the projected time.

Since the onset of the pandemic and the economic realities brought by Russia's military action in Ukraine, Tanzania's economic wardrobe has remained positive, with Dr. Bana noting that Tanzania's inflation rate — estimated at 3.9 percent in 2021 — had been projected to 3.4 percent in 2022.

“The country has enjoyed unprecedented political stability and peaceful transfer of power since 1961. Tanzania is a relatively peaceful country with almost

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zero incidences of insecurity that provides a safe and secured environment for capital invested in the country,” he noted.

He also highlighted some of the tourist destinations and natural resources of the country including Mount Kilimanjaro, Lake Victoria, wildlife, and the beaches of Zanzibar.

**Analyst Viewpoint:** *Building new links with important trading partners is a key for governments in opening up new trade markets, creating jobs, and the overall economic growth.*

### **Ethiopian Airlines connects Lome, Togo with Washington DC:**

Washington Dulles Airport receives a new service from Ethiopian Airlines with the African carrier offering nonstop service from Lome (LFW), the capital of Togo.

The route, which will start and end in Addis Ababa (ADD), will be operated 3X-weekly using Boeing 787-9s.

The new flight increases the frequency of Ethiopian Airlines’ flights to Washington DC to 10 from the existing seven weekly flights it operates via Dublin, Ireland.

Right now, Ethiopian is operating flights to Chicago and two airports in New York in addition to its services to Washington DC.

**Analyst Viewpoint:** *The new routes to Washington Dulles Airport will make Ethiopian Airline to increase its revenue while it connects direct passengers from Lome, Togo to North America.*

### **Global Highlights:**

#### **IATA Reviews:**

#### **IATA calls for Reforms to stabilize Ground Handling Talent Pool:**

The International Air Transport Association (IATA) called for holistic reforms to manage the long-term need for a stable talent base for the ground handling sector. Thousands of ground handling staff left the aviation industry during the pandemic. Now as aviation ramps up, the severe shortage of skilled ground handlers is shedding light on the need for reform to stabilize the talent pool.

In the immediate term, the most pressing issue is the bottleneck for security clearances as the airline industry prepares for the peak northern summer season. Longer-term, IATA urges the ground handling sector to;

- Adopt a stronger talent acquisition strategy
- Streamline onboarding processes, and
- Develop a more compelling retention proposition

“The peak northern summer travel season is fast-approaching, and passengers are already experiencing the effects of bottlenecks in getting security clearances for staff at the airport. Additional resources are needed to accelerate the processing times for employment security clearances which can be as much as 6 months in some markets.” said Nick Careen, IATA’s Senior Vice President for the Operations, Safety and Security.

At the IATA Ground Handling Conference, IATA proposed a comprehensive approach to recruitment, onboarding, and retention:

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### Recruitment:

Attracting fresh talent is critical. This is made more challenging by perceptions created in the pandemic with the critical retrenchment of large numbers of staff, including those in ground handling.

### IATA recommends:

- An awareness campaign to highlight the attractiveness and importance of ground operations in global logistics and transport operations.
- Adoption of 25by25 campaign to help address the gender imbalance across the industry.
- Apprenticeships in partnership with trade schools to revitalize candidate pipelines.

Career path mapping to demonstrate long-term prospects for people entering the sector.

### More efficient onboarding processes:

Training and security clearance for new staff can take more than six months. More efficient and expedited onboarding will allow the sector to adapt quickly to demand changes, including those which are seasonal.

### IATA recommends:

- A greater focus on competency-based training; moving to more online training and assessments will improve speed, flexibility, and efficiency of onboarding.
- Mutual recognition by authorities of security training and employee background records will expedite onboarding and reduce redundant processes.

### Retention programs

Greater standardization will improve performance, provide employment flexibility and broader career options.

### The IATA white paper recommends:

Implementation of IATA Ground Operations Manual (IGOM) to standardize ground operations. Along with significant operational benefits and more efficient onboarding, this would provide additional flexibility and opportunities for staff in terms of relocation, reassignment, and recruitment.

- Training passports that mutually recognize skills and training across ground handlers, airlines and/or airports.
- Adoption of new technologies and automated processes to create diverse job opportunities and career paths to attract a new generation talent

*“An industry-wide approach to lay the foundations for more efficient talent recruitment, onboarding and retention will pay big benefits in terms of efficiency for all concerned. The cornerstone is the standardization that can be achieved with the adoption of the IGOM. Its global implementation will have a huge and positive impact in all aspects of ground handling, including talent management. The potential is to shift working in the sector from having a job to developing a career,” said Careen.*