

DIRECTORATE OF ECONOMIC REGULATION

AIR TRANSPORT MONTHLY MONITOR: JUNE 2023

[ATMM/06/2023]

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 can understand what is happening in the aviation industry and take appropriate action where necessary.

Domestic Highlights:

Why Aviation soared in the first 10 months of 2022/2023:

Tanzania's aviation sector recorded impressive performance in the first ten months of the current financial year, thanks to a campaign to market Tanzania through the Royal Tour film, easing of Covid-19 restrictions and improvement in aviation infrastructure, safety, and security.

Presenting his docket's 2023/24 budget proposals in Parliament, Works, and Transport minister Makame Mbarawa said between July last year and April, this year, passengers carried by airlines increased by 164 percent compared to the previous financial year's corresponding period.

Quoting Tanzania Civil Aviation Authority (TCAA) data, Prof Mbarawa said during the period under review, passenger traffic increased from 1.748 million to 4.614 million. Giving a breakdown of the figures, he said of the total number of passengers, domestic passenger traffic accounted for 57.24 percent, with international traffic bagging the remaining share.

Prof Mbarawa added that cargo handled during the period under review increased by 104.3 percent to 28,980.6 tonnes, with international cargo represented 85.6 percent of the total.

Aircraft movement, for its part, recorded a 114.9 percent increase to 152,449. "An upward performance trend of the aviation industry suggests that the air transport business is becoming much stronger as Covid-19 cases, which culminated in a closure of global skies, are declining worldwide," Prof Mbarawa told Parliament. He commended President Samia Suluhu Hassan for being a brainchild of the campaign to market Tanzania through the Royal Tour Film. This, he underscored, has significantly contributed to marketing the country's tourism attractions and eventually taking up several tourists, whose major mode of transport is aviation.

Precision Air managing director Patrick Mwanri recently attributed the current positive aviation performance to the opening of the global market after almost two years of lockdown and travel restrictions. "All countries have now opened up their borders and eased the travel restrictions, which allowed more passengers to travel freely," Mr Mwanri.

Going by the 2021/22 financial year data from TCAA, ATCL is a market leader with 53.1 percent followed by Precision Air at 22.9 percent. Auric Air Services with 10.3 percent, Flight Links with 2.6 percent and Coastal Travel Ltd with 2.5 percent came third, fourth and fifth place, respectively. Others shared 8.6 percent. According to Prof Mbarawa, passengers carried by ATCL between July last year and April this year increased by 37 percent to 905,905. This is in comparison to 660,766 passengers recorded during the same period in the previous financial year.

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Out of ATCL's passenger traffic registered in the first 10 months of this financial year, 682,154 were domestic ones, with foreign passengers accounting for the rest.

Analyst Viewpoint: *The growth of the sector has been attributed by easing of Covid-19 restrictions as well as Royal Tour Film which has significantly contributed to marketing the country's tourism attractions and eventually taking up several tourists, whose major mode of transport is aviation.*

Air France launches direct flights to Dar es Salaam:

Air France has launched direct flights from Paris to Dar es Salaam, making it the 31st route in sub-Saharan Africa after a 28-year absence. Dar es Salaam becomes the second destination in Tanzania, joining Zanzibar where the airline has been operating since October 2021 with two weekly flights into the Abeid Amani Karume International Airport.

The airline will operate three weekly flights to Dar es Salaam using 279-seat 787-9s, its second-smallest wide-body after the A330-200.

In January, the Airline had threatened to cancel the Dar es Salaam route and withdraw from the market following a decision by Zanzibar's Airports Authority (ZAA) ordering airlines that intend to use Terminal 3 building to sign with Dnata, the authority's preferred ground handler.

It took a diplomatic intervention for KLM and Air France to continue its operations at the newly built Terminal 3.

By adding Dar route, now means that Nairobi which Air France started in March 2018, will be de-tagged and fully nonstop in both directions. Currently, four flights are nonstop to Nairobi, and three are via Zanzibar.

Not surprisingly, booking data shows that the Paris-Dar roundtrip point-to-point market between January and September 2022 was a small 8,500. It was barely 11,500 for the whole of 2019. It is because of a lack of colonial history with Tanzania, meaning Air France will primarily focus on transit passengers over CDG. It'll be the same as KLM over Amsterdam on its 1 daily Dar service and Turkish Airlines over Istanbul on its one daily operation.

In contrast, London, by far Dar's largest European market, remains without nonstop service, although British Airways served it until 2013 using 767-300ERs. With over 50,000 roundtrip P2P passengers in 2019, it was a five times larger local market than Paris and four times larger than Amsterdam.

It remains reliant on one-stops over Amsterdam, Istanbul, Addis Ababa, Nairobi, the Middle East hubs – and soon Paris. Adding Dar means that Air France's sub-Saharan passenger network rises to 31 airports next summer. Of European airlines, it is beaten only by Turkish Airlines' 39, helped by its strong use of narrowbodies and geographic position, especially to Central and Eastern Africa, and many one-stops.

Analyst Viewpoint: *The launching of Air France is yet another benefit of Tanzania Royal Tour which has significantly contributed to marketing the country's tourism attractions.*

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International Highlights

Africa:

African airlines see accelerated recovery as travel rebounds:

African Air travel has made a robust recovery, nearly reaching pre-pandemic levels, an association of African carriers has said in a new report. The African Airlines Association (AFRAA) said traffic in March reached 94.8 per cent of 2019 levels as more international routes and tourism reopened.

It noted that domestic flights accounted for 37 per cent of the March traffic, with intra-Africa flights at 31 per cent and intercontinental travel at 32 per cent. Data also shows that the total number of intercontinental routes operated by African airlines have exceeded pre-Covid levels since October 2022.

The association said that African airlines are on course to narrow their revenue gap in 2023. African airlines lost \$3.5 billion in revenue in 2022 and \$8.6 billion in 2021. The Covid-19 pandemic hit African hard as travel restrictions led to the grounding of aircraft. Some airlines, such as Air Namibia and Air Mauritius completely folded while others such as South African Airways and Kenya's flag carrier, KQ needed big bailout funding from the state to keep flying.

Others, like Ethiopian airlines converted their passenger jets into freighters to compensate for reduced passenger traffic. Airline revenues remained low with many operators battling with cash-flow issues. Full year revenue loss for 2022 is estimated at US\$4.7b, equivalent to 27.3% of the 2019 revenues. In 2021, African airlines cumulatively lost \$8.6b in revenues due to the impact of the pandemic, representing 49.8% of 2019 revenues.

Analyst Viewpoint: *The re opening of sky made easy for airline to accelerate recovery while other airline such Ethiopia converted their passenger jets into freighters to compensate for reduced passenger traffic.*

Ethiopia Airline and AFRAA Host Aviation Convention:

“In light of Africa’s vast landmass, its population accounting for 16% of the world population, and its low share of global trade of 2%, the continent is an excellent opportunity to develop air transport. However, as a market, Africa’s share over several decades has remained stagnant at less than 3% of the world market – it is time to take action to change this narrative.”

The 11th Aviation Stakeholders Convention, that took place from 07-09 May 2023 is timely and aligned to address this situation. The Convention, which is proudly being hosted by Ethiopian Airlines under the patronage of the Government of Ethiopia, held under the theme: “**Changing the African Aviation Narrative**”. The event brought together over 400 delegates from Africa and across the globe. The Convention is one of Africa’s leading forums for air transport industry stakeholders to dialogue, exchange knowledge and experiences for the development of the travel ecosystem. Several African airline Chief Executive Officers and aviation industry thought leaders were present at the event.

On the significance of attainment of sustainability that will change the narrative of Africa’s air transport, Mr. Abdérahmane Berthé, Secretary General, AFRAA emphasized the importance of dialogue among stakeholders and collaborative initiatives such as those facilitated by AFRAA: “AFRAA and Ethiopian Airlines are excited to stage

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this Convention for the travel ecosystem stakeholders to meet, deliberate on strategies to enhance efficiencies, create synergies, develop intra-Africa connectivity, ensure business continuity that redefine the narrative of Africa air transport industry.”

Mr. Mesfin Bekele, Group CEO Ethiopian Airlines says the airline is “delighted to host the 11th Aviation Stakeholders’ Convention of AFRAA which served as a forum for stakeholders in the industry to put their heads together and discuss the opportunities and pressing issues in Africa’s aviation sector” noting that the meeting also “showcase the ‘Africa Rising’ mantra manifested in the growing opportunities for all stakeholders in the continent’s aviation industry.”

The Convention featured robust and comprehensive programme, masterclasses, networking opportunities and social events as well as B2B sessions. A highlight of the event is the CSR event for youth development in aviation which is “aimed at empowering the next generation of aviators at the Ethiopian University. The event was sponsored by Collins Aerospace and staged in collaboration with AFRAA and Ethiopian Airlines.”

Analyst Viewpoint: *The convention serves as an excellent opportunity to develop air transport in Africa and beyond. It will be a start of implementing SAATM (Single African Air Transport Market).*

Global Highlights:

IATA Reviews:

Aviation provides critical relief in crises:

The International Air Transport Association (IATA) reminded stakeholders of the critical role that aviation plays at times of natural disasters and humanitarian crises.

“When crises strike, aviation is there. Connectivity is essential to get aid and first responders to where they are needed. The response to the recent earthquake in Southern Türkiye and Syria was no exception. Airlines helped save lives in the immediate aftermath of the earthquake. And airlines continue to help accelerate the recovery with vital cargo shipments,” said Willie Walsh, IATA’s Director General, as the airline industry met in Istanbul for the IATA World Cargo Symposium.

While there is no comprehensive tabulation of the support that aviation provided, a limited review of 29 key carriers serving the Türkiye market reveals an impressive relief effort. These airlines: Delivered over 3,500 tons of aid from over 90 countries, operated over 350 relief and repatriation flights to affected areas and provided transport for over 130,000 responders from across the world.

Critical supplies delivered included winter jackets, blankets, toilets, hygiene articles, food, fire guards’ equipment, power generators, tents, water distribution ramps, flashlights, sleeping bags, and medical supplies, among other items.

Airlink provides a good example of how the aviation sector responds to crises. It is a non-profit organization that coordinates donated airline resources and NGO needs in times of humanitarian disaster. Working with its NGO and airline partners, Airlink has coordinated the transport of 1,000 tons of aid supplies to the affected area, with an additional pipeline of 300 tons.

Resilience of cities and infrastructure are key components of the UN’s Sustainable Development Goals (SDG 9 and 11 respectively). This is tested in times of crisis when air transport’s role is both as an



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essential infrastructure component and a vital lifeline for communities.

"Each and every day airlines make an enormous positive contribution to humanity by connecting people, cultures, businesses and economies. This fosters economic growth and social development. When disaster strikes, these links become even more critical. Everyone in aviation can be proud of the essential supplies, critical talent, and hope that planes carry to disaster affected areas. With that in mind, we encourage all our stakeholders to join us in ensuring that aviation can fulfil this role by becoming ever more safe, secure, reliable, and sustainable," said Walsh.