

## DIRECTORATE OF ECONOMIC REGULATION

# AIR TRANSPORT MONTHLY MONITOR: OCTOBER 2020

### [ATMM/3/2020]

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. "Information is Power", so, stakeholders and the general public are able to understand what is happening in the aviation industry and take appropriate action where necessary.

#### **Air Tanzania resumes flights to Entebbe, Uganda**

After a 6-month closure of the Ugandan airspace effective 23 March 2020 following the outbreak of the COVID-19 pandemic late December 2019, Air Tanzania Company Limited (ATCL) resumed flights to Entebbe International Airport (EIA) on 25 October 2020. Uganda re-opened its airspace for scheduled commercial flights on 1 October 2020.

The Managing Director & CEO of ATCL Eng. Ladislaus Matindi said "The resumption of flights to EIA will facilitate investment in the region".

"We continue to extend the wings of Kilimanjaro over Africa and beyond so that the investment, trade and tourism opportunities resulting from the resumption of these flights and the expansion of the network, add value to our destination countries as we strive to offering affordable and improved connections," he said.

Eng. Matindi made the remarks in a statement read by the Airline's country manager at EIA on 25 October 2020 during the Airline's first flight into the Republic of Uganda following the reopening of the airport for commercial passenger flights.

"ATCL will be operating two frequencies per week to Entebbe on Wednesdays and Sundays connecting passengers from Dar es Salaam Kilimanjaro, Arusha and other parts of the United Republic of Tanzania. The Airline will also be operating two frequencies per week to Lusaka, Zambia via Harare on Tuesdays and Fridays connecting passengers from other places at Dar es Salaam hub" he said.

Eng. Matindi said, ATCL has taken all precautions regarding the impact of COVID-19 pandemic in terms of taking care of the health of both passengers, crew and other staff during operations of flights.

"Soon, ATCL will connect to Mumbai India, Bangkok Thailand and Guangzhou China via Dar es Salaam" he said.

The ATCL station manager, Ms Amanda Nyambona said, before the COVID-19 pandemic, the airline was operating four flights a week but has to reduce the frequencies by 50% (to 2 weekly frequencies) due to the impact of the pandemic.

"People are still scared of travelling. We know there is COVID-19 but we are safe, our flights are disinfected upon arrival and departure, we observe a two meter sitting distance between passengers who are required to wear masks and take all other precautionary measures as prescribed by port health experts," she said.

#### **Four Tanzanian Airports will be upgraded following funds from European Investment Bank (EIB)**

The European Investment Bank has agreed to fund a special programme of transforming transport links to remote regions of Kigoma, Tabora, Shinyanga and Sumbawanga by committing 50 million Euros (approx TZS 136bn/-) in long-term funding, spanning over 20 years. Improvement of the four airports is expected to enhance international safety standards, provide all weather operation and expand the facilities to cater for projected growth. Speaking on the launch of the project, the Permanent Secretary, Ministry of Finance and Planning, Mr. Dotto James said only four airports which are Kigoma, Tabora, Sumbawanga and Shinyanga will benefit from the funding.



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In June 2016, EIB Board of Directors approved 7.4 billion Euros for financing of 38 projects across Europe and globally. The bank, the European Union's long-term lending institution, has agreed to provide 50 million Euros to Tanzania with minimum conditions in long-term funding to enhance the country's limited air transport infrastructure, which impedes economic growth.

The fund administration of these four airports to be expanded will be under Tanzania National Roads Agency (TANROADS).

### **Tanzania Air Traffic Controllers join other Air Controllers in the world in marking International Day of Air Traffic Controllers**

20<sup>th</sup> October 2020 every year, is an international day for air traffic controllers. The date marks the anniversary of International Federation of Air Traffic Controllers' Associations (IFATCA), which was founded on the 20 October 1961. The day also celebrates all the men and women around the world who work hard to ensure that air travel remains to be the safest mode of transport and serve approximately 3.5 billion passengers.

In Tanzania, Tanzania Air Traffic Controller Association (TATCA) held a one day commemoration by holding a half day media sensitization workshop on air traffic control where 20 journalists attended and then visited the maximum – security prison of Ukonga before donating five sewing machines to be used by inmates.

In his presentation, the TATCA President, Mr. Shukuru Nziku told the media that, Air Traffic Controllers are responsible for safe, orderly and expeditious flow of air traffic movements by monitoring and directing the aircraft movements.

Speaking at Ukonga Prison in Dar es Salaam, Mr. Nziku said the Tanzania Air Traffic Controllers wished to celebrate the day by giving back to the community. "Tanzania has 130 air traffic controllers and to mark our day we decided to share the little we have with Ukonga inmates" Said Mr. Nziku.

The Ukonga Prison Warden, Salum Manjawa, thanked TATCA members for donating the sewing machines that will help the prison management for vocation training to inmates. He called on other institutions and individual Tanzanians to make donations to the needy whenever they can.

### **ATCL and Airtel Money link Ticket Purchasing Deal**

Passengers can now buy ATCL air tickets via Airtel Money. Thanks to the partnership deal between the national carrier and Airtel Tanzania.

Serving from Dar by a fleet of more than seven (7) aircraft, ATCL currently has a number of local destinations and six international destinations. The international destinations from Dar es Salaam include Entebbe in Uganda, Harare in Zimbabwe, Lusaka in Zambia, Hahaya in the Comoros and Mumbai in India. Plans are afoot to start flying to Guangzhou in China before the end of the year.

"We have integrated the Airtel Money system with that of ATCL to enable customers to pay for their air tickets directly through our mobile money platform from a place of respective customers' convenience" the Airtel Money Director, Mr. Isack Nchunda, said yesterday.

The ticket payments are effected by following the normal Airtel Money menu and upon completion of the payments, a customer will receive a confirmation message for the payment made for an e-ticket to be used on a date of travel.

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According to ATCL's acting Director of business development, Edward Nkwabi, the partnership will allow the airline's products to reach all customers through the use of digital platforms.

**ATCL, Flight link, Auric Air, Coastal Travel, Precision Air, KLM Royal Dutch Airlines and Turkish Airlines nominated for Tanzania Consumer Choice Awards 2020 in Aviation Category:**

Tanzania Consumers Choice Awards (TCCA) is an annual awarding event seeking to acknowledge and award excellence to the business champions by creating a direct link between the producers of goods and services with the direct users through the consumer voting system. This was founded for the first time in the country on the 1<sup>st</sup> day of September 2019.

The event is organized by Lavine International Agency whose main responsibilities are to manage events, marketing, human resources, consultancy and public relation specialists.

In the Aviation category for this year's event, there are two sub categories of which one is:

- a) Most reliable domestic airline of the year whereby Air Tanzania, Flight link, Auric Air, Coastal Travel and Precision Air are the nominees in this sub category; and
- b) Most reliable international airline of the year whereby KLM Royal Dutch Airlines, Air Tanzania and Turkish Airlines were nominated in this sub category.

The voting process will start on 5 November 2020. You are advised to visit the website [www.ccawards.co.tz](http://www.ccawards.co.tz) on how to vote for your most reliable domestic or international airline of the year. The awarding event is set to take place on 13<sup>th</sup> December 2020 in Dar es Salaam.

#### **IATA Review: Airlines' Unable to Cut Costs Deep Enough To Save Jobs**

The International Air Transport Association (IATA) presented new analysis showing that the airline industry cannot slash costs sufficiently to neutralize severe cash burn to avoid bankruptcies and preserve jobs in 2021. IATA reiterated its call for government relief measures to sustain airlines financially and avoid massive employment terminations. IATA also called for pre-flight COVID-19 testing to open borders and enable travel without quarantine.

Total industry revenues in 2021 are expected to be down by 46% compared to the 2019 figure of \$838 billion. The previous analysis was for 2021 revenues to be down by around 29% compared to 2019. This was based on expectations for a demand recovery commencing in the fourth quarter of 2020. Recovery has been delayed however, owing to new COVID-19 outbreaks, and unrelaxed government mandated travel restrictions including border closing and quarantine measures. IATA expects full year 2020 traffic to be down by 66% compared to 2019, with the December demand down by 68%.

“The fourth quarter of 2020 will be extremely difficult and there is little indication that the first half of 2021 will be significantly better, as long as borders remain closed and/or arrival quarantines remain in place. Without additional government financial relief, the median airline has just 8.5 months of cash remaining at current burn rates. And we can't cut costs fast enough to catch up

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with shrunken revenues,” said Alexandre de Juniac, IATA’s Director General and CEO.

Although airlines have taken drastic steps to reduce costs, around 50% of airlines’ costs are fixed or semi-fixed, at least in the short-term. The result is that costs have not fallen as fast as revenues. For example, the year-on-year decline in operating costs for the second quarter was 48% compared with a 73% decline in operating revenues, based on a sample of 76 airlines.

Furthermore, as airlines have reduced capacity (available seat kilometers, or ASKs) in response to the collapse in travel demand, unit costs (cost per ASK or CASK) have risen, since there are fewer seat kilometers to ‘spread’ costs over. Preliminary results for the third quarter show that unit costs rose around 40% compared to the year-ago period.

Looking forward to 2021, IATA estimates that to achieve a breakeven operating result and neutralize cash burn, unit costs will need to fall by 30% compared to average CASK for 2020. Such a decline is without precedent.

Factors contributing to this analysis include:

- With international demand down by nearly 90%, airlines have parked thousands of mostly long-haul aircraft and shifted their operations to short haul flying where possible. However, because the average distance flown has fallen sharply, more aircraft are required to operate the network. Thus, flown capacity (ASKs) is down by 62% compared to January 2019, but the in-service fleet is down by just 21%.

- Around 60% of the world aircraft fleet is leased. While airlines have received some reductions from lessors, aircraft rental costs have dropped by less than 10% over the past year.
- It is critical that airports and air navigation service providers avoid cost increases to fill gaps in budgets that are dependent on pre-crisis traffic levels. Infrastructure costs have fallen sharply because of fewer flights and passengers. Infrastructure providers could cut costs, defer capital expenditures, and borrow on capital markets to cover losses or seek government financial relief.
- Fuel is the only bright spot with prices down by 42% on 2019. Unfortunately, they are expected to rise next year as increased economic activity raises energy demand.
- While IATA is not advocating specific workforce reductions, maintaining last year’s level of labor productivity (ASKs/employee), would require employment to be cut by 40%. Further jobs losses or pay cuts would be required to bring unit labour costs down to the lowest point of recent years. Even if that unprecedented reduction in labor costs were to be achieved, total costs will still be higher than revenues in 2021, and airlines will continue to burn through cash.

“There is little good news on the cost front in 2021. Even if we maximize our cost cutting, we still won’t have a financially sustainable industry in 2021,” said de Juniac.

“The handwriting is on the wall. For each day that the crisis continues, the potential for job losses and economic devastation grows. Unless governments



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act fast, some 1.3 million airline jobs are at risk and that would have a domino effect putting 3.5 million additional jobs in the aviation sector in jeopardy along with a total of 46 million people in the broader economy whose jobs are supported by aviation. Moreover, the loss of aviation connectivity will have a dramatic impact on global GDP, threatening \$1.8 trillion in economic activity. Governments must take firm action to avert this impending economic and labor catastrophe. They must step forward with additional financial relief measures. And they must use systematic COVID-19 testing to safely re-open borders without quarantine,” said de Juniac.