Mistakes to avoid if Uganda

By Owen Wagabaza

National airlines in Africa have had a checkered history, with the majority failing and closing within a short period. For Uganda's case, the national airline suffered financial difficulties and in May 2001, the airline was liquidated after years of losses.

With the Government set to launch Uganda Airlines, below, we take a closer look at some of the principle causes for the high proportion of failures in the industry as listed in the National Business Airline and Implementation Plan, a document that present a detailed case and final review of the viability of establishing a national airline with a hub at Entebbe International Airport.

Undercapitalisation
This happens when the airline is formed with little capital and the funds are not enough to enable it complete its intended network development. The airline then runs out of money before gaining the trust of passengers, travel agents, tour operators, suppliers and other airlines in the industry

Use of old technology aircraft
These are cheap to lease, but expensive to run. The temptation is to use the limited capital to get cheap old aircraft with a view to

Fresh produce for export at Elohim Exporters. The airline is expected to boost trade and exports

upgrade the fleet later when business takes off. The problem is that business will never take off because the old aircraft will cost more in maintenance as the frequency of breakdown is higher. They will have a poor cabin, with poor seats, which will not enable the airline to compete with others that have new aircraft.

Old aircraft also consume more fuel, causing the operating costs to be higher, leading to a downward cycle to closure.

Political interference
Many times, especially in Africa, national airlines have been found to lack the independence needed

to make good business due to political interfere with the running of the airline. This starts from the selection of board members, to staff recruitment, procurement, selection of routes, flight operations, demands for free tickets and non-payment for tickets, among others. For Uganda Airlines to succeed, political

POLITICAL INTERFERENCE THAT INFLUENCE STAFF RECRUITMENT, PROCUREMENT AND SELECTION OF ROUTES AND DEMAND FOR FREE TICKETS AFFECT AIRLINES, ESPECIALLY IN AFRICA

interference must not be entertained.

Not recognising airline value
National airlines form part of the infrastructure that supports the country's economy. They provide the necessary connectivity, visibility and access, which attracts investments, promotes tourism, exports and imports, supports other industries, such as agriculture, hotels, restaurant, mining and also enables the country to participate in global trade and industry.

Unfortunately, African countries

Airlines is to succeed

have been slow to recognise the power that airlines have in transforming living standards through these catalytic impacts. The example of the growth of Dubai is instructive in this regard. Sadly, many African countries were in the 1980s and 90s led to believe that national airlines were a burden to the economy, and did not take the time or effort to measure the benefits.

Lack of a long-term strategy
If a national airline is started without thinking through the role and objectives, financing and operational issues, it is easy for it to fail. Without a proper vision, achievement is not possible.

Lack of expertise
This can be detrimental, especially when management is not selected on merit. This has been particularly damaging for African airlines when unqualified political appointees are put in charge of such businesses. Airline business is also highly regulated, requiring technical expertise in the different areas across the operational and managerial disciplines.

Lack of value chain
Another factor worth noting is the fact that airline operations are naturally connected to airport operations, hotels, handling business, civil aviation regulations, immigration policy, game parks/reserves and

Tourists in Queen Elizabeth National Park. The airline will be a major boost to Uganda's tourism industry

national parks, among others.

Policies in one area affect the entire value chain. In Africa, the policy framework in certain areas may lag behind such that instead of promoting the growth of the entire value chain, it stifles it. Airline business thrives when policies are co-ordinated and, in some cases, when it can control certain parts of the value chain like handling, hotel, visa, etc.

For a national airline to establish a hub, for example, it needs airport authorities to invest in a good airport terminal and runways to accommodate the traffic targets and provide facilities for the transit and other passengers. The gulf policies are instructive in this regard.

Enabling legislative framework
Aviation standards are harmonised by the International Civil

Aviation Organisation (ICAO), at international level for all countries and weaknesses in the legislative frameworks can stifle the growth of national airlines. Failure to upgrade civil aviation standards and oversight can lead ICAO to issue "significant safety concerns", which may lead certain countries and regions to refuse flights or impose a blacklist on the country.

An enabling legislative framework

Corruption
Another factor worth noting is corruption, especially in procurement of aircrafts and other assets and services. This causes high costs and, therefore, loss of taxpayer's money; it damages reputations and leads to poor financial and operational performance leading to failure.

The industry is plagued with speculators across the service chain and yet integrity and transparency are key ingredients for success of airlines.

Terrorism
Terrorism is also a huge threat t to the survival of airlines today. Markets, especially tourist arrivals could be wiped out as a result of terror attacks or threat of attack as countries will issue travel advisories to the affected regions.

to ensure that we are at par with the standards set by ICAO is, therefore, important for the national carrier to succeed.

Orphan syndrome
Governments in some cases treat their national airlines like orphans. They support and favour foreign carriers more than their own, be it in policies like tax incentives or patronage where they prefer to fly foreign rather than their own. The "feed your neighbours child instead of your own" policy leads to starvation and gradual death of one's own child.