Why Uganda Airlines had to buy new planes

By Owen Wagabaza

In May 2001, Uganda Airlines was liquidated after years of making losses. At the time of its closure, the national airline had endured a number of challenges, among which was the constant aircraft breakdowns and high fuel costs.

Eng. Dickson Turinawe, who worked with the Uganda Airlines for 22 years in several management positions until its closure in 2001, explains that in airline operations, fuel constitutes 25% to 36% of the total costs. However, for the Uganda Airlines, given its-aged fleet, the average figure was 40%. Industry experience of managing airlines shows that the major operating cost drivers constitute fuel and maintenance and minimising these costs requires a well-balanced aircraft fleet and renewal programme.

It is for this and more, that the team behind the revival of the Uganda National Airline have opted for new aircrafts.

According to the National Business Airline Implementation Plan(NBAIP), a document that presents a fully detailed case and final review of the viability of establishing a national airline with a hub at Entebbe International Airport, newer aircraft are more fuel-efficient compared to the old ones and benefit from technological advances that lower the fuel burn.

The Uganda airlines CRJ900

"Equally, the acquisition of a new aircraft is accompanied by support packages that help start-up airlines to build own internal capacity to operate and maintain aircraft efficiently," the NBAIP states.

The NBAIP adds that a diversified airline fleet presents operational and maintenance challenges as each aircraft type in the fleet requires specialised competences for staff across the board and erodes the benefits arising from economies of scale in acquisition of spares. The national airline's network is designed to connect domestic, regional and international destinations in Africa, Europe, the Middle East, as well as Asia and as such requires aircraft that are suited to each of the identified market segments. Different aircrafts have been evaluated and the fleet has been chosen based on a number of forecasts, the route structure and network, aircraft performance characteristics, range, payload limitations, maintenance costs, engine and operational efficiency, aircraft design and technology, aircraft suitability on network, aircraft capacity and design, as well as product advantages.

There are two most common methods of aircraft acquisition and these include direct purchase from manufacturers with cash or bank and lease financing.

Cornwell Muleya, the technical advisor to the Presidential National Airline Implementation Taskforce, says the direct purchase involves the airline acquiring aircraft directly from manufacturers, financed either with a loan secured by a mortgage or structured as a finance lease.

"On the other hand, mortgage style amortisation could typically go up to 12 years and normally requires an airline to have good credit history and sometimes backing by the Government to ensure that reasonable rates are negotiated," Muleya says.

In addition, slots for brand new aircraft sourced from manufacturers may take up to 18 months or more. This might not be within the interest of the airline, especially startups, which may require immediate aircraft availability to launch and implement their business plans. It was, therefore, concluded that purchasing the core fleet of aircraft would be more appropriate in these circumstances as it would enable the new airline to build equity and improve its balance sheet progressively from the financing structures.

Airbus, CRJ900 preferred

On the regional network, the CRJ900 next generation aircraft was found suitable. It will be in a two-class layout with 12 Business Class seats and 64 Economy Class seats, giving a total configuration of 76 seats.

The aircraft is equipped with fuel-efficient General Electric engines with a good history of performance, among other things.

On the international network, the Airbus A330-800neo aircraft was found most suitable.

It uses proven technology to deliver economic advantages on long haul flights and has a seating capacity of 257 seats in the chosen three-class layout.

The improved version of the classic A330-200 is equipped with new technology engines that leverage on geared fan advantages to lower maintenance costs and deliver efficiency in fuel consumption.