

**PRESENTATION**

# **SUBMISSION TO THE COMMITTEE ON TRANSPORT, WORKS AND SUPPLY**

## **THE OPERATIONS AND MANAGEMENT OF ZAMBIA AIRWAYS – CHALLENGES AND OPPORTUNITIES**

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## Introduction

Policy Monitoring and Research Centre (PMRC) was requested to submit a written memorandum concerning the operations and management of Zambia Airways. The submission will address the following:

- i. Adequacy of the policy and legal framework governing the operations of Zambia Airways;
- ii. Benefits of a national airline in Zambia;
- iii. Short- and long-term mechanisms put in place to ensure the profitability of Zambia Airways;
- iv. Challenges faced by the airline as well as opportunities available to exploit; and
- v. Recommendations on how to enhance the management and operations of the airline.

## Adequacy of policy and legal framework governing the operations and management of Zambia Airways

The policy aspect is premised on the National Transport Policy. This policy governs the operations and management of Zambia Airways. Under air transport and infrastructure, the main objective of the National Transport Policy is to facilitate the development of reliable, frequent, safe and secure domestic and international air transportation that meets international standards. Two of the measures to achieve this objective are to, firstly, facilitate the establishment of a national airline and, secondly, to promote the development of competitive local airlines. The establishment of Zambia Airways is in keeping with these measures.

One important measure under the objective regarding the aviation industry is to upgrade existing airport infrastructure to international standards. As will be elaborated on in the section concerning challenges, one of the challenges that Zambia Airways is facing is that of poor navigation at some of the airports across the country. Furthermore, some of the airports in Zambia lack the required infrastructure to support larger aircraft than is currently in use in some international destinations. Therefore, this measure will address those particular concerns.

Another notable measure is to transform Kenneth Kaunda International Airport into an aviation transport hub for the SADC region. This will be of critical importance if the vision of the policy “to have an efficient and integrated transport system in Zambia by 2028” is to be realized. As will be elaborated on in the section below on opportunities, Zambia has a unique and strategic geographic location which presents opportunities for it to become a transport hub for the

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SADC region. Both of these measures are notable aspirations and PMRC is of the view that the National Transport Policy as it relates to aviation is adequate in governing the operations of Zambia Airways. However, as is often the case, what remains is implementation and this will require significant financial investment.

## Legal framework

The laws governing the aviation industry in Zambia are as follows:

- i) Civil Authority Act No.7 of 2012,
- ii) Civil Aviation Act No.5 of 2016,
- iii) Zambia Information and Communication Technology Authority Act No. 15 of 2009, and
- iv) Zambia Environmental Management Act No.12 of 2011.

The Civil Aviation Act is the over-arching law for the industry and consolidates the various laws on aviation. It domesticates provisions of the International Convention on Civil Aviation, herein referred to as the Chicago Convention, to which Zambia is a Contracting State. This law regulates air carriers, airlines and their aircraft and commercial air transport operations generally. The Civil Aviation Act incorporates International Civil Aviation Organization (ICAO) legislation, including provisions to establish a state aviation safety programme.

The Civil Aviation Authority Act establishes the Civil Aviation Authority (CAA) as a fully independent body with responsibilities as provided by the Chicago Convention. The CAA is the national competent authority in connection with air transport. It implements international civil aviation standards as a regulator of the aviation sector. Section 76(5) of the Act requires the Authority to develop and make recommendations to the Minister responsible for Transport in respect of civil aviation international agreements with other States, Governments and international organisations. The Authority is also required to monitor compliance with the Civil Aviation Act and the Convention.

The ZICTA Act provides for the allocation of radio frequencies to be used by the aviation industry and the ZEMA Act is relevant to the extent that it provides for adverse environmental effects from the operations of aerodromes, aircraft and related aspects.

As a signatory to the Chicago Convention of 1944, Zambia is required to fully adopt (ICAO) standards and recommended practices within its national legislative framework. The updating of national legislation to make it in line with ICAO requirements is an ongoing process for all contracting states which ensures that Zambia's legal framework remains adequate and aligned to international best practice.

## **Benefits of a national airline in Zambia**

The following are the benefits of having a national airline:

- i. Employment opportunities. The airline provides both direct and indirect employment. Direct employment in the form of pilots and cabin crew members. Indirect employment includes that of suppliers, security etc.
- ii. Tourism promotion: as Zambia positions itself to be a premier tourism destination, a flagship airline presents prospects for increased visibility. By implication, the airline contributes to the tax base and therefore increases government revenue.
- iii. Facilitation of the flow of investment, trade and tourism, which will contribute to the socio-economic growth of the country and the region.
- iv. An airline is a marketing tool for the country and is a source of pride for the citizens of the country.
- v. The airline can serve national interests such as delivering medicine during a pandemic. It can play a crucial role in times of emergencies. For instance, during the Covid-19 pandemic national airline carriers delivered PPE and other supplies such as vaccines.
- vi. Increase in air service levels, connectivity, and increased route competition results in lower fares for customers. Additionally, it reduces the monopoly on domestic transport.

## **Short and long-term mechanisms put in place to ensure profitability of Zambia Airways**

Short-term mechanisms:

- i. Beginning operations with one aircraft has allowed for low costs and will allow for the gradual introduction of further employment as and when needed.
- ii. The use of in-house catering has drastically reduced catering costs by 200-300%.
- iii. Aircraft (Dash 8 Q400) is fuel efficient; using one engine to takeoff as opposed to two which results in saving 17-18% of fuel.
- iv. Introduction of low fares to capture high volume of travelers
- v. Started operations during Covid-19 pandemic after a time when airlines were losing revenue in light of refund requests and other challenges
- vi. Increasing domestic flight frequency

Long-term mechanisms:

- i. Commencement of flights to different regional and international destinations.

- ii. Further expansion of local flights.
- iii. Own in-flight catering services in Lusaka.
- iv. Establishment of in-house maintenance service.
- v. Introduction of wide body fleet to its operations

## **Challenges faced by Zambia Airways and opportunities in its operations**

Zambia Airways faces the following challenges in its operations:

- i. Limited capital to grow the business
- ii. Delay in receiving foreign operator permits (e.g. from South Africa) is preventing the airline from tapping into regional routes. This is in breach of reciprocal arrangements as provided by the Chicago Convention and the Civil Aviation Act
- iii. Some airport facilities lack adequate infrastructure to allow for bigger aircrafts e.g. number of fire trucks, strength of runways
- iv. Non approval of a tax waiver which was applied for has resulted in significant tax bills despite status as a national air carrier
- v. Airline lacks vehicles for marketing purposes
- vi. High operational costs such as jet fuel
- vii. Navigation is poor at some airports e.g. Simon Mwansa Kapwepwe International Airport in Ndola, requiring precision approach
- viii. Lack of customers; there is need to mobilise more
- ix. Poor on-time performance as evidenced by passengers arriving late for flights
- x. Growth in airline capacity also means more environmental damage by way of carbon emissions. Old technology aircrafts do relatively more damage to the environment than new technology aircraft.

## **Opportunities**

- i. Zambia's geographic location gives it a comparative advantage to become a transportation hub in Africa. It sits 1200 metres above sea level with no mountains or hills which require aircrafts to move around. This means multiple planes could land at once
- ii. Geographic location affords Zambia Airways the opportunity to fly to 8 destinations within 2 hours
- iii. Zambia's intellectual (well educated) population, hospitality culture and networking capacity can result in good service

- iv. Growth of the tourism sector that the Airline can exploit by opening new routes to tourism destinations.
- v. Opportunity to develop a training school for pilots given the quality of academies in the country
- vi. Partnership with Ethiopian Airways is an opportunity to benefit from its expertise and have access to different types of aircraft
- vii. There is an opportunity to transport passengers from other airlines when there is demand as a third-party operator. This can prevent them from needing to deal with refund claims etc.
- viii. According to Zambia Airways, 20% of African skies are serviced by African airlines while 80% is foreign serviced. The environment is ripe for African airlines
- ix. Availability of airports which include the Kenneth Kaunda International Airport, Simon Mwansa Kapwepwe International Airport, Harry Mwaanga Nkumbula International Airport and provincial and district aerodromes.
- x. Opportunities to mobilise first time travelers

## **Recommendation on how to enhance the management and operations of Zambia Airways**

- i. There is a need for Government to expedite discussions relating to the application by Zambia Airways for tax waivers in view of it being a national carrier;
- ii. PMRC urges Government to donate vehicles confiscated by Zambia Revenue Authority to Zambia Airways for use in its marketing campaign;
- iii. In order to improve efficiency, ground handling services should be expanded i.e. allow airlines to attend to their own ground handling;
- iv. There is need for a general paradigm shift towards supporting the national carrier given its strategic importance;
- v. PMRC recommends the development of airport infrastructure and airport navigation equipment to allow Zambia Airways to fly to lower-level airports.
- vi. Government is urged to invoke Section 113 of the Civil Aviation Act as it related to discrimination of citizen providers of airport services. As this is based on reciprocal arrangements, foreign airlines should be suspended from landing until this is normalized.



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