

Ethiopia; Country to Hire Foreign Pilots

The Reporter

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The acquisition of new aircrafts is prompting Ethiopian Airlines to hire foreign pilots.

As part of its fleet modernization program launched in 2003, Ethiopian has acquired eleven Boeing 767 and 737 aircrafts since then. In January 2005 Ethiopian placed a firm order for ten Boeing 787 Dreamliner aircraft to be delivered between 2008-2010. Last month the airline signed a deal for the purchase of one MD-11 cargo aircraft with Boeing Capital Corporation. It also plans to purchase five new long-range jetliners and other aircrafts for domestic flights.

The national flag carrier currently employs 260 Ethiopian pilots. New fleet acquisition and the fact that some members of the cockpit crew left Ethiopian to join Middle East and Asian carriers have forced it to hire foreign pilots. At present the airline has ten foreign pilots from Africa, Europe and South America on its books.

At a press conference held on Thursday at the Hilton Hotel, Girma Wake, chief executive officer, said that to meet the growing demand for pilots, the airline was expanding its pilot training school. Girma said the airline needed to hire more foreign pilots. "We give priority to Ethiopians, but when the need arises we hire foreign nationals. It doesn't necessarily have to be Ethiopians," he said.

"We are going to acquire an MD-11 aircraft. So far we did not have this type of aircraft. We will not train pilots for the sake of one aircraft. We will hire well-trained and qualified pilots from other countries," he added.

In the 2006/2007 fiscal year ending June 2007 Ethiopian generated a 6.9 billion birr revenue, a 28 percent increase compared to that of last year. Its operating expense has increased by 30 percent to 6.7 billion. The airline transported 2.1 million passengers, a 19 percent increase and earned a net profit of 129 million birr. Last year's net profit was 134 million.

Briefing journalists about the annual performance of the airline, Girma said the escalating cost of oil in the global market was seriously affecting the company's profitability. In the 2006/2007 fiscal year the airline spent 206 billion birr on fuel, surpassing the fuel expense of the previous fiscal year by 734 million birr. Girma said fuel accounted for 39 percent of the company's total expense adding the airline had incurred an additional cost of 304 million birr due to the surge in oil price. He said jet fuel had become a costly item for several carriers and that the impact was more serious for non-oil producing countries like Ethiopia.

In the current fiscal year (2007/2008) Ethiopian plans to increase its operating revenue by 18.6 percent to 8.2 billion birr and earn a net profit of 325 million. The airline is facing stiff competition from foreign carriers, Middle Eastern carriers such as Emirates and Qatar.

Brain drain is the other problem facing Ethiopian. Different professionals are leaving the airline in search of better payments to the Middle East and the U.S. In the past one year 80 aircraft technicians and 70 marketing officers, accountants and other professionals left the airline. Only one pilot

left the airline during the stated period. According to Girma pilots preferred to stay with the airline owing to the salary adjustment it had introduced.

In a related news, the management of Ethiopian has secured a loan for the purchase of the ten B787 Dreamliner aircraft from international banks. Kassim Geresu, executive VP for Finance and Planning, said at the press conference that five international banks were competing to finance the aircraft purchase. The ten B787 aircraft are valued at 1.3 billion dollars. General Electric would supply 20 engines which will power the ten B787s. The total value of the 20 engines is 300 million dollars.

Kassim said the U.S's Exim Bank had agreed to provide a bank guarantee for 85 percent of the loan required for the aircraft purchase. City Bank, Barclays, Natexis, ING and DVB are the five banks which have been vying for seven consecutive months to finance the purchase. City Bank, Barclays, and Natexis were competing as one consortium with ING and DVB forming the other consortium. Kassim said after evaluating the offers made by the two consortiums, the management had selected the ING and DVB consortium. The management of the airline and the banks will sign an agreement in the near future. The negotiation with the winners was finalized four months ago.

Ethiopian will also invest 540 million birr on its maintenance facility in the current fiscal year. The company will spend 158 million birr on a program which would enable the maintenance facility to handle the B787 aircraft. It will also be able to maintain the new B767 CFN engines and this will cost 65 million. It will also spend 28.8 million to upgrade its capacity to handle other different engines. The company has allocated adequate budget to buy new maintenance and for training programs. "Safety comes first," said Girma.

On another note Girma revealed that Ethiopian will commence the construction of a four-star hotel with 300 rooms at a cost of 30 million dollars in December 2007 in Addis Ababa.