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A DECADE OF CIVIL AVIATION IN ZIMBABWE: TOWARDS A HISTORY OF AIR ZIMBABWE CORPORATION 1980 TO 1990

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Abstract

In 1980 when Air Zimbabwe was established, there was great hope that it would prosper, especially since it was going to operate in a global atmosphere without the restrictions of economic sanctions that had constrained its predecessor, Rhodesia Airways. In the first few years, Air Zimbabwe expanded its services, replaced old aircraft with newer and more fuel-efficient state-of-the-art aeroplanes. By the mid-1980s however, the airline had started to lose money and continued to do so for the rest of the decade, necessitating hefty subsidies from the government. This article traces the development of Air Zimbabwe from 1980 to 1990 and attempts to analyze the reasons behind the airline's disappointing performance. It suggests that the failure of the airline to operate as a viable commercial enterprise was a result of both internal weaknesses of the airline's administration and restrictive government policies, as well as a generally difficult global economic climate.

INTRODUCTION

Air Zimbabwe Corporation (hereafter called AirZim) was established under the Zimbabwe Corporation Act (Chapter 253) of 1980.¹ The new airline took over from Rhodesia Airways which had been established in 1967 and which had operated profitably throughout its existence, with the exception of the 1979 financial year when it registered its first deficit. Rhodesia Airways had registered profits despite the numerous formidable economic constraints confronting it as a result of UDI. Apart from the fact that Rhodesia Airways was denied access to most regional and international markets, it also had to contend with an acute shortage of aircraft spare parts and aviation fuel because of the United Nations economic sanctions against Rhodesia.²

With the ending of sanctions and the re-integration of Zimbabwe into the global community of nations, the conditions appeared to be optimal for the re-named airline to expand its operations and become an even

¹ *Air Zimbabwe Corporation Act* (Chapter 253) of 1980.

² For a discussion of AirZim's predecessor, see A. S. Mlambo, 'Civil aviation in colonial Zimbabwe, 1912-1980', in *Zambezia* (1992), XIX, (ii), 99-116.

more commercially viable concern than its predecessor. Yet soon after independence, AirZim was in serious financial trouble and remained so throughout the first decade of independence. Except for 1981, AirZim consistently recorded huge financial deficits and became increasingly dependent on state subsidies to keep it afloat. The poor economic performance of AirZim was the cause of much national concern and the subject of at least one major parliamentary commission of enquiry.

OBJECTIVES

This article is the second of a two-part study of the history of civil aviation in Zimbabwe which, in addition to tracing the development of this important industry, also seeks to stimulate scholarly interest in undertaking detailed, industry-specific studies in order to enhance our knowledge of the forces that helped shape the nation's economy. In this study, I briefly trace the history of AirZim in the first decade of independence and attempt to account for its poor economic performance. The first section of the paper comprises a narrative account of the development of the airline, focusing on expansion of services, procurement of equipment and the financial problems that dogged the airline throughout this period. The second section attempts to analyse the global and local factors that contributed to AirZim's dismal economic performance. Where appropriate, comparisons with Air Rhodesia's economic performance will be drawn to highlight particular trends in AirZim's operations. The study relies heavily on AirZim's annual reports, in-house journals, parliamentary debates, press reports and the report of the Justice Smith Commission. The study concludes with a summary of its findings.

MODERNIZATION AND EXPANSION

At 1980, the prospects for the future prosperity and expansion of Air Zimbabwe looked very bright, especially in the light of the fact that the many constraints that had beset Rhodesia Airways in the days of UDI had ended with independence. Sanctions had been lifted, the country's borders were re-opened, while the country was readmitted into the world community after many years of international ostracism. Vital aircraft spare parts, aviation fuel and other essential operational inputs could now be sourced from anywhere in the world, while regional and international airports which had been closed to Air Rhodesia were accessible once again. The potential for AirZim's expansion and growth appeared limitless.

The airline did indeed expand its services considerably in the ten years after independence. Through a vigorous and sustained campaign to re-organize, re-equip and open new routes, the airline replaced all its aged

aircraft, improved its services on established routes and opened many new ones. At independence, the airline inherited an almost obsolete fleet of aircraft consisting of 10 Viscounts and three B720s. According to one source, in 1985, AirZim had the oldest fleet out of 22 African countries. Its 13 aircraft had an average age of 21 years, while the overall African average age was 14.2 years.³

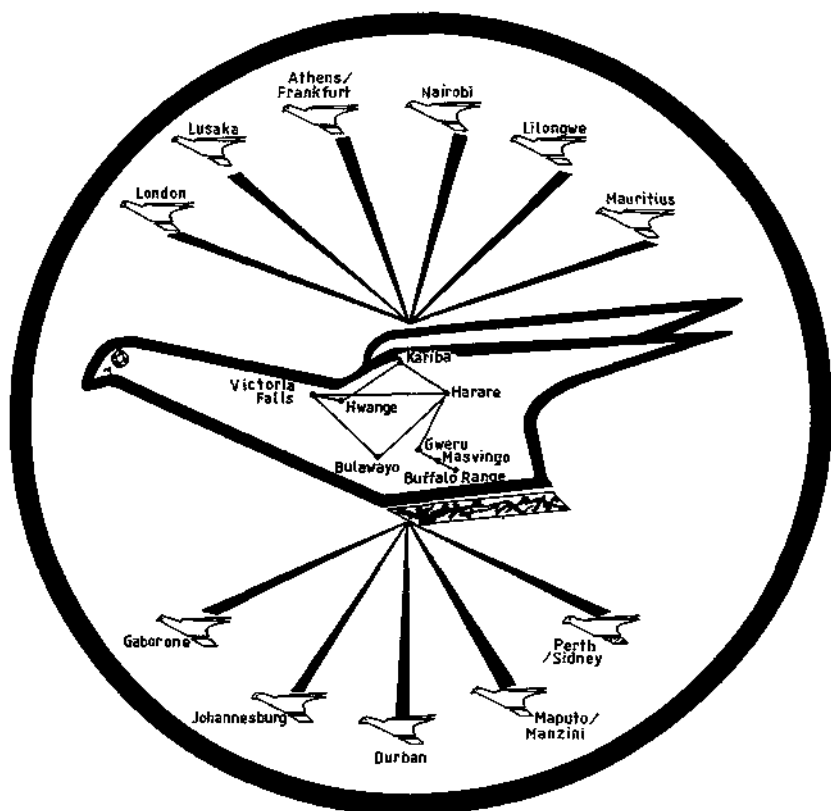
To improve its operational capacity, the airline purchased modern aircraft, which are more fuel-efficient and cheaper to run. First, the now uneconomical and aged B720s were replaced by five B707s bought from the German airline, Lufthansa. The first three were delivered in 1981 while the remaining two came the following year. Then in January 1986, AirZim contracted with the Boeing Company for the purchase of three Boeing 737-200 aircraft at a total cost of US\$66 million. The first of the three aircraft, named 'Mbuya Nehanda', was delivered to AirZim on December 19, 1986. The remaining two aircraft arrived on June 25 and July 20, respectively, and were named 'Great Zimbabwe' and 'Matonjeni'. The B737s replaced the bigger 707s and aging viscounts on domestic and regional routes. For international routes, AirZim acquired two high-technology, wide-bodied 767-200 Extended Range jets in 1989 and 1990. By the end of 1990, therefore, the airline's fleet consisted of modern and cost-efficient aircraft, including B737s, B767-200 ERs and one BAe aeroplane.⁴ A vigorous effort to modernize and expand the fleet was therefore a central part of AirZim's strategy to maximize the available opportunities during the first decade of independence.

Prior to 1980, AirZim's predecessor, Rhodesia Airways, serviced only domestic and South African routes. Following independence, AirZim not only re-established old foreign and regional routes which had been closed during the UDI period but also opened new ones. In 1980, AirZim inaugurated services to London, Lusaka and Blantyre. In 1981, Gaborone, Nairobi, Frankfurt and Athens were added to the list, while in 1982, AirZim began flying to Perth and Sydney, in conjunction with the Queensland and Northern Territories Air Services (Qantas). 1982 saw the establishment of the Maputo, Manzini and Dar-es-Salaam routes, followed by the Port Louis (Mauritius) service in 1988. A stop-over service to Lanarca was added to the Athens route in 1989, while a new schedule linking Francistown in Botswana and Bulawayo became operational also in 1989. In August

³ Economist Intelligence Unit (EIU), *Country Report: Zimbabwe* (1988), III, 24.

⁴ AirZim's modernization drive and purchases of aircraft are reported in the following: Air Zimbabwe, *Annual Reports, 1981, 1985 and 1986*; Air Zimbabwe, *Air Zimbabwe News* (Harare, Air Zimbabwe, Sept. 1982, October 1990, October 1988 and 1st Quarter 1990); Zimbabwe Chamber of Mines, *Chamber of Mines Journal* (Aug. 1989), XXI, (viii), 9; *Africa Calls From Zimbabwe* (Jan/Feb. 1982), CXXXI, 21.

AIR ZIMBABWE'S DESTINATIONS BY 1990



DISTANCE IN KILOMETRES FROM HARARE, ZIMBABWE

London	Lusaka	Frankfurt	Athens	Nairobi	Lilongwe	Gaborone	Durban
8 283	405	7 873	6 256	1 953	521	920	1 339
Johannesburg	Perth	Sidney	Mauritius	Maputo/Manzini			
959	8 495	11 773	1 534	568			

Not shown in the diagram are Windhoek (Namibia)
and Dar-es-Salaam (Tanzania)

1990, AirZim opened the Windhoek service. By 1990, AirZim was flying to 14 regional and international destinations.⁵

As a result of the above measures, AirZim increased its passenger handling capacity considerably. For instance, in 1988/89, the airline carried over 525 000 passengers in its domestic, regional and international operations as compared to only 200 000 in 1980. The number of passengers carried on international routes increased from 4 000 in 1980 to 50 000 in 1989. Similarly, the number of domestic passengers rose from 216 000 in 1979/80 to 372 000 in 1988/89, while passenger kilometres flown rose from 210 million in 1979/80 to 500 million in 1989. The graphs below document AirZim's expansion in this period.

The rise in the number of domestic passengers was partly the result of increased service frequencies and the introduction of a popular fly-now-pay-later scheme known as *Creditair Worldwide*, of which Zimbabwean travellers took full advantage. Meanwhile, as a result of a vigorous and sustained training programme for its technical staff throughout the decade, by 1990, AirZim was maintaining its aircraft and those of some SADC countries to international aviation standards and could even train technicians from neighbouring countries. To bring AirZim in line with the new political dispensation, the airline also embarked on a campaign to appoint Blacks to leading positions within the corporation in accordance with requirements of an earlier Presidential directive to promote African advancement.⁶

Also important in AirZim's operations at this time was the integration of the national cargo carrier, Affretair, with the airline in 1982 and its expansion thereafter. Affretair had its origins in the sanctions-busting efforts of the Rhodesian government during the UDI years. Established by Jack Malloch, the Rhodesian-born flying companion of Rhodesian Prime Minister, Ian Smith, in the RAF during the Second World War, the cargo carrier operated clandestinely to smuggle goods into and out of the country to keep the besieged economy from going under. Various called 'Rhodesia Air Services', 'Air Trans Africa', 'Air Gabon Cargo', and 'Affretair', this air cargo carrier which flew into numerous airports worldwide in flagrant contravention of United Nations sanctions against Rhodesia, later became Zimbabwe's national cargo carrier. During the period under study, Affretair expanded its operations significantly.⁷

The notable expansion of services discussed above notwithstanding, AirZim was not a commercial success throughout the decade. An analysis of AirZim's economic performance follows.

⁵ Air Zimbabwe, *Annual Reports, 1980-1990*.

⁶ *Ibid.*

⁷ Ken Flower, *Serving Secretly: An Intelligence Chief on Record, Rhodesia to Zimbabwe, 1964-1981* (London, John Murray Publishers Ltd., 1987), 75-76; *Air Zimbabwe News*, 1984.

Table 1
AIRZIM'S PASSENGER KILOMETRES 1980-1990 (in millions)

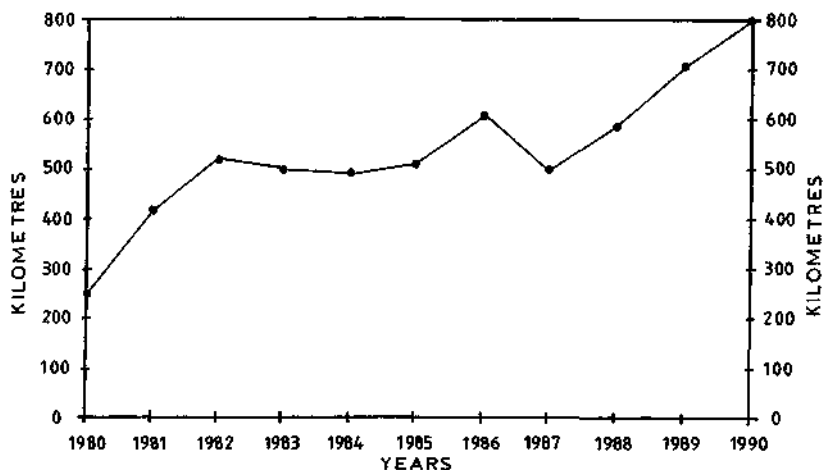
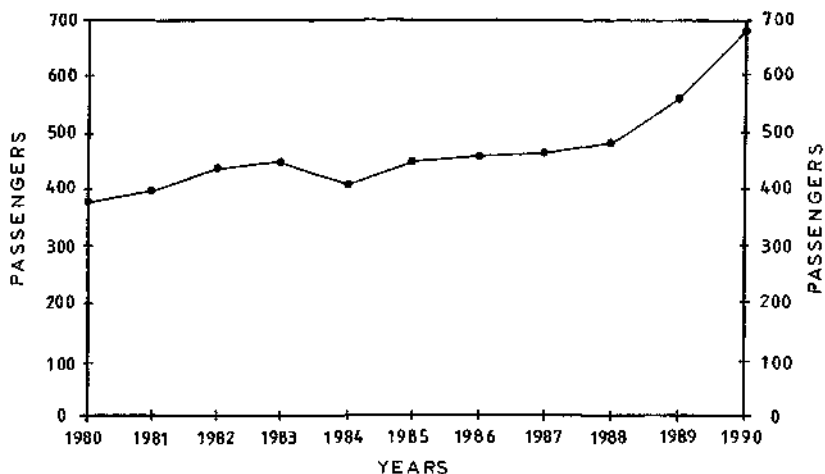


Table 2
PASSENGERS CARRIED BY AIR ZIMBABWE 1980-1990 (in thousands)



AIRZIM'S ECONOMIC PERFORMANCE: AN ASSESSMENT

In spite of the airline's impressive expansion, its books, with the notable exception of the 1980/81 financial year, continued to 'show some red ink at the bottom' year after year throughout the decade. In the words of one of its officials in 1988, 'Since 1981 the airline had been operating on a Rolls Royce expenditure budget, yet it had come close to be widely viewed, often with justification, as offering something akin to a pirate taxi service.'⁸

The airline consistently failed to fulfil one of its mandates as set out in Section 23 of the Air Zimbabwe Corporation Act (Chapter 253) in 1980, which decreed, among other things, that the airline was to exercise its functions and conduct its business as to ensure that all its income, taking one year with another, is not less than sufficient to enable the Corporation to meet the outgoings of the Corporation which are properly chargeable to revenue account and, in general, the Corporation shall conduct its business on sound commercial lines.⁹

Not only did AirZim fail to 'conduct its business on sound commercial lines' but it was also never able to meet its 'outgoings' as envisaged under the Act. Table 3 shows the airline's operational costs per tonne-kilometre from 1984 to 1989, and Table 4 compares its performance with that of its predecessor from 1970 to 1976. Table 5 shows that from 1982 to 1989, AirZim's losses increased from Z\$4,4 million in 1981/82 to Z\$28,2 million in 1986 and remained unacceptably high for the remainder of the decade.

In the face of such mounting deficits, it is most likely that the airline would have collapsed had the government not stepped in from 1984 onwards to provide subsidies to keep AirZim afloat. Between 1984 and 1990, the government subsidised AirZim to the tune of Z\$140 million. AirZim's annual deficits and government subsidies are shown in Table 6 below.

Given the airline's continuous deficits, it is not surprising that there was growing concern in the country over the airline's economic performance, resulting in the government setting up the Justice Smith Commission of Enquiry in February 1986 to investigate AirZim and other state-owned enterprises which were also performing below expectations. Those of its findings which are pertinent to our discussion are referred to below.

⁸ X. M. Kadhani, Chairman of the Board, in *Air Zimbabwe News* (Oct. 1988), 2.

⁹ Section 23 of *Air Zimbabwe Corporation Act* (Chapter 253) of 1980.

Table 3

AIRZIM'S OPERATING COSTS PER TONNE-KM 1984-1989 (in cents)

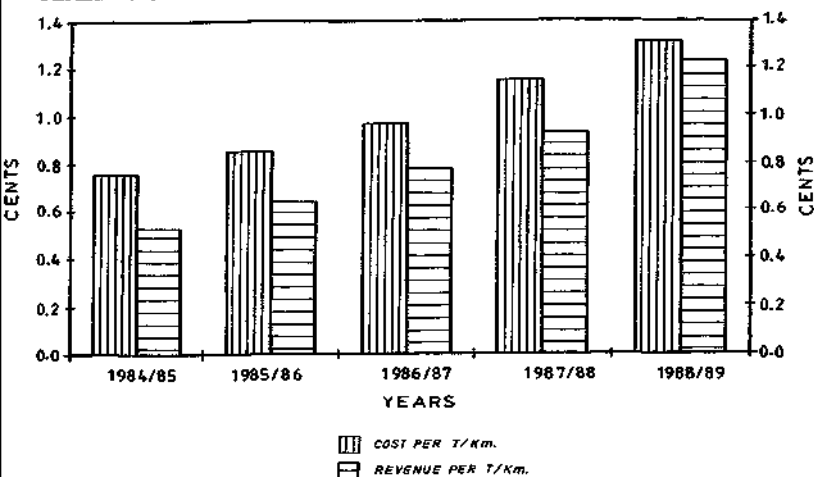


Table 4

AIR RHODESIA: OPERATING COSTS PER TONNE-KM 1970-1976 (in cents)

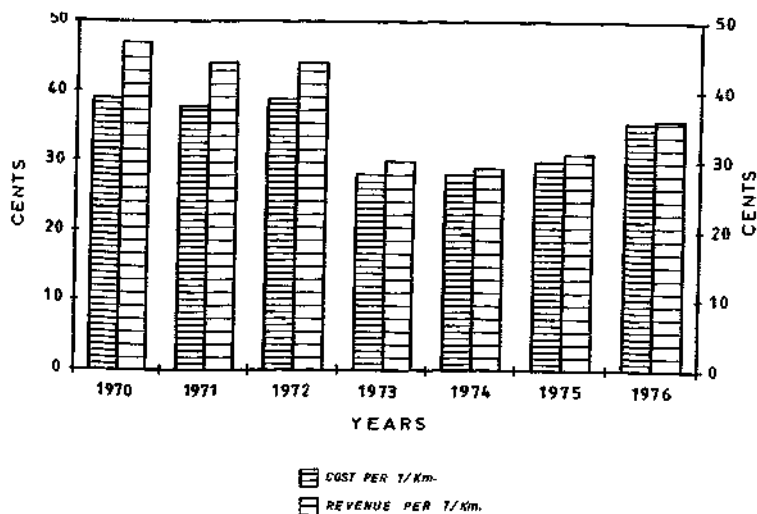


Table 5
AIR ZIM: REVENUE, EXPENDITURE AND PROFITS 1980-1989 (in Z\$millions)

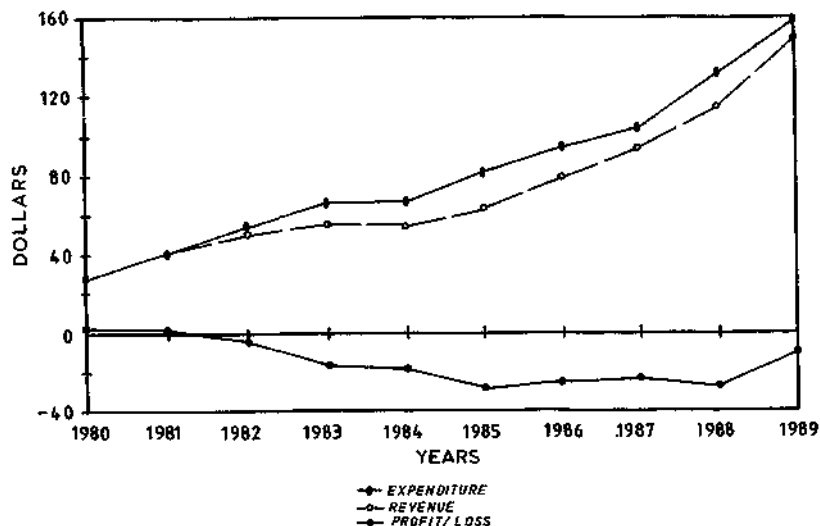


Table 6
AIRZIM'S ANNUAL DEFICITS (1983-1990) AND GOVERNMENT SUBSIDIES (1984-1990) [in Z\$]

<i>Year</i>	<i>Deficit</i>	<i>Govt. Subsidies</i>
1982/83	16,285,000	
1983/84	18,600,000	
1984/85	28,300,000	18,000,000
1985/86	25,140,000	12,000,000
1986/87	23,000,000	45,000,000
1987/88	27,130,000	40,000,000
1988/89	12,199,000	10,000,000
1989/90	12,846,000	15,000,000

Source: AirZim, *Annual Reports, 1983-1990*.

ACCOUNTING FOR POOR ECONOMIC PERFORMANCE

A number of factors contributed to AirZim's poor economic performance during the decade under study. Among these were: the ever-escalating price of fuel; the airline's uncompetitive fare structure; over-expansion and the airline's continued operation of some uneconomic routes; increasing competition from other airlines following the opening up of Zimbabwean skies to other operators; loss of manpower as experienced and qualified personnel left for greener pastures elsewhere; an unfavourable global and local economic climate characterised by a protracted global recession; constant government interference and poor management. These factors are analysed below.

AirZim's poor economic performance in the 1980s has to be seen within the backdrop of a global recession which, according to the Air Zimbabwe *Fourth Annual Report*, persisted throughout the decade and 'created unprecedented difficulties for airlines'.¹⁰ In addition, throughout the decade, AirZim had to contend with increasing operational costs, mostly due to ever-escalating fuel prices. The negative impact of rising fuel costs had, in fact, been cited as a cause of the first and only deficit recorded by Air Rhodesia in 1979. In the words of the report,

An operating loss was incurred for the first time since the airline was established in September 1967 . . . The massive increase in fuel prices during the second half of the year [1979] had a profound influence on the 1978/79 financial result. The continued effects of a 74% increase in Zimbabwe-Rhodesia and a 133% increase in South Africa produced a fuel and oil cost exceeding last year's expenditure by \$1,300,000. Aircraft and oil costs contributed 30% of total expenditure.¹¹

Thereafter, the escalating costs of procuring fuel featured almost annually in the airline's reports accounting for AirZim's losses. For instance, in 1980, the airline reported that fuel costs accounted for 59% of operating expenditure and 38% of total expenditure during the previous financial year. In 1983 fuel costs accounted for 58.1% of the direct aircraft operating costs. This high fuel bill was partly the result of a recent 40% increase on locally purchased fuel in February 1983. Fuel expenses remained high

¹⁰ Air Zimbabwe, *Annual Report, 1983*. In reporting the airline's annual profit of Z\$471 355 in 1981, Air Zimbabwe noted that such a profit was a notable achievement 'compared with the international community of airlines which are reporting world-wide losses of over Z\$2 billion [due to the global recession]'. Similarly, the 1982 *Annual Report* blamed the airline's losses partly on 'the overall international economic situation' which was 'generally stagnant due to the universal recession' which meant that 'the aviation industry incurred considerable losses'.

¹¹ Air Rhodesia, *Annual Report, 1979*.

throughout the decade, accounting for approximately a third of the airline's expenditure annually.¹²

In a bid to cut fuel costs, the airline introduced Computer Flight Planning for all international flights in 1983. Computer Flight Planning was designed to map out the most direct and cost-effective routes to be followed by international flights. The Computer Flying System immediately proved to be cost-effective as there was a saving of Z\$20 839 in the single month of June 1983 when it was introduced.¹³ Tables 7 and 8 show the increase of the price of aviation fuel between 1984 and 1989 and the relationship of fuel costs to the airline's operating expenditure from 1981 to 1986, respectively.

Adding to the problems created by rising fuel costs were the negative effects of the devaluation of the Zimbabwe dollar which added to the costs of procuring spare parts and increased the cost of servicing foreign loans. Between 1979 and 1981 the Zimbabwe dollar had appreciated against most currencies, making it easier for local industries like AirZim to procure necessary production inputs from abroad at reasonable prices. In December 1982, the government devalued the local currency by 25%. Thereafter, the Zimbabwe dollar fell progressively.

Devaluation had a negative impact on the airline because it increased the cost of all foreign obligations such as fuel and food purchased in foreign countries, navigation and landing charges, parking fees and the cost of importing vital spare parts. It also increased the cost of servicing earlier foreign debts which had been incurred before the devaluation exercise. For example, as a result of the 25% devaluation of the Zimbabwe dollar in December 1982, the cost of servicing foreign loans rose from Z\$2 911 000 to Z\$5 660 000.¹⁴

The severity of these problems would have been minimized had AirZim been able to charge market prices for its services to offset the impact of the increasing operational costs. Unfortunately, AirZim was not at liberty to raise its tariffs as and when it felt it necessary to do so, for, as a state-owned enterprise, its fare structure was determined not by market forces but by government. All fare increases had first to be approved by the Ministry of Transport of the Government of Zimbabwe, which had the overall authority over the parastatal. Government price control measures then in operation severely handicapped the airline in its efforts to become commercially viable.

¹² Air Zimbabwe, *Annual Reports, 1980-90*.

¹³ Air Zimbabwe, *Annual Report, 1983*.

¹⁴ *Ibid.* The report also noted that devaluation had affected outward bound traffic because of the increased cost for Zimbabweans.

Table 7
 AVIATION FUEL PRICES 1980-1989 (in Z\$)

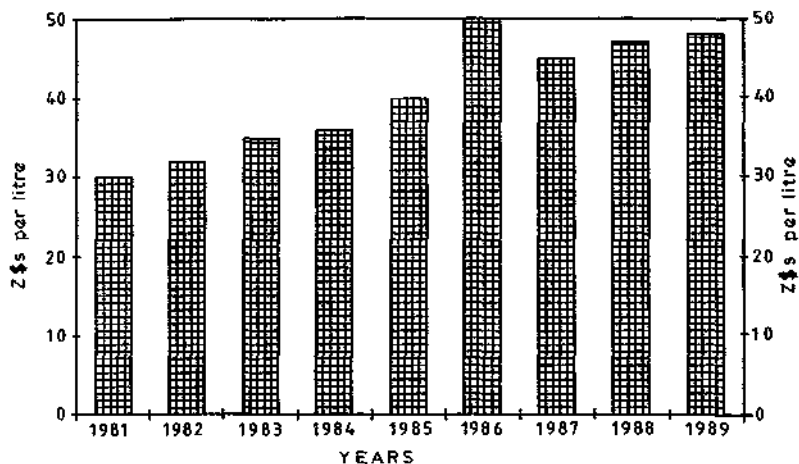
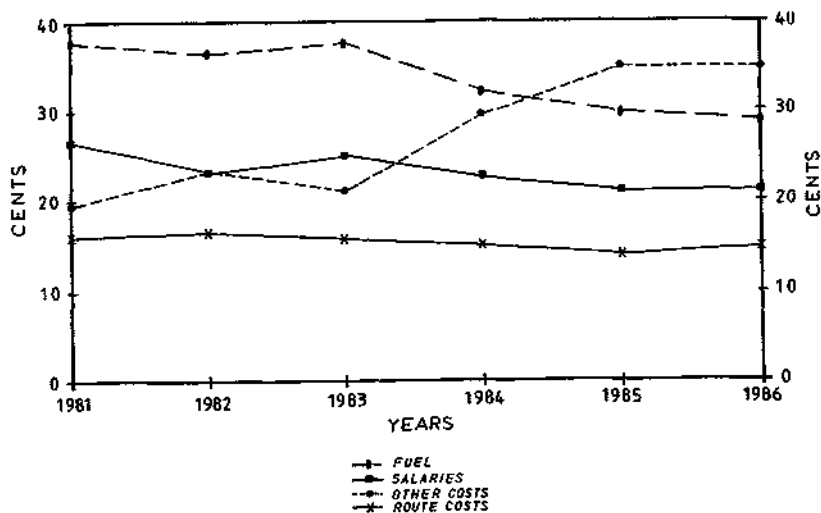


Table 8
 AIRZIM: HOW EACH DOLLAR WAS SPENT 1981-1986 (in Z\$cents)



To make matters worse, functionaries of the Ministry of Transport often took their time approving the airline's applications for fare increases. The result was that, by the time the airline's application was approved, whatever gains the airline had hoped to reap from the increase had already been eroded by escalating operational costs and inflation. For instance, in December 1981, AirZim submitted to government a request for an immediate increase in international and domestic fares. The government delayed in granting this request until May 17, 1982, resulting in an estimated Z\$100 million loss in revenue for the airline. Similarly, in February 1983, the airline requested an increase in the price of tickets to cover an increase in operating costs due to the increased fuel prices and the 25% devaluation of the Zimbabwe dollar in December 1982. The Minister of Transport considered the application only in May, 1984, and Cabinet finally approved the fare increases on December 11, 1985. When the new fares were eventually introduced on February 1, 1986, three years after the application had first been submitted to government, their impact was minimal as operating costs had escalated in the meantime. Again in October 1987, AirZim applied for a fare increase and the Ministry of Transport sat on the application for a long time. Cabinet approval only came in November 1988.¹⁵

The negative financial impact of delays in approving fare increases on AirZim operations have to be understood within the context that ticket prices have a direct effect on airline revenue. If the airline fails to adjust fares in line with increases in operating costs or a decline in foreign exchange rates, it loses money. For instance, in February 1983, AirZim asked for a 10% increase. The government's belated approval in 1986 granted the airline a 25% fare increase, but between 1983 and 1986, the Zimbabwean dollar had declined further, inflation had risen and the airline's domestic costs had also increased. By 1986, the airline was facing a 53% increase in operating costs as a result. The 25% fare increase granted in 1986 was therefore grossly insufficient to rectify the situation.¹⁶

Another contributory factor to AirZim's poor economic performance was increasing competition for customers from other international operators plying the same routes. This was particularly harmful given the fact that the airline was operating too many routes for an airline of its size following its vigorous campaign soon after independence to open old routes and establish new ones. The rapid expansion of AirZim's operations to regional and overseas destinations increased its operational costs in the form of parking and landing fees, fuel costs, office rentals, staff salaries,

¹⁵ *Air Zimbabwe News* (July-Dec. 1982), 11; Zimbabwe, *General Report of the Committee of Enquiry into the Administration of Parastatals* — Justice L. G. Smith (Chairman), Presented to Parliament in January 1989, 36, 73, 84 and 152 [Hereafter called *The Justice Smith Report*].

¹⁶ *The Justice Smith Report*, 36.

aircraft maintenance costs and other expenses without necessarily generating sufficient revenue for the airline due to the stiff competition from other larger and more established international operators.

It can be argued that Air Rhodesia had been able to operate profitably during the UDI years because it had restricted its services to domestic and regional destinations. It had been able to maintain favourable load factors, particularly given the absence of competition from international airlines. Before 1980, except for South African Airways, TAP, DETA and Air Malawi, Air Rhodesia had a virtual monopoly of passenger traffic into and out of Salisbury as most international airlines had stopped flying into Rhodesia because of the United Nations sanctions.

With independence and the opening up of Zimbabwe's skies to international operators, several airlines added Harare to their list of destinations. By 1983, no less than 16 foreign carriers were flying into Harare. Among these were the following: British Airways, South African Airways, Air Malawi, Zambian Airways, Kenyan Airways, Quantas, TAP, UTA, Air Botswana, Swissair, Balkan Airlines, Air India and Ethiopian Airways.¹⁷ Increasing competition eroded AirZim's market and pushed the airline's load factor to uneconomic levels. Acknowledging the impact of international competition on AirZim's operations, the Minister of Transport noted in 1983 that AirZim's financial woes were partly the result of the growth of 'international competition to which the airline had not been exposed until independence'. Similarly, AirZim noted that in the 1989/90 financial year, there had been a 30% decline in passengers on the Harare/Frankfurt route and that this was the result of competition from the German airline Lufthansa which was using 'superior equipment'.¹⁸

A statistical analysis of passenger load factors between 1972 and 1990 shows that Air Rhodesia's passenger load factors were consistently above 60%, while, from 1980 onwards, AirZim's passenger load factors fell below this figure, plummeting to an all-time low of 49% in 1984 and 1990. What this meant was that AirZim's planes were often flying with passenger loads well below the break even point, resulting in operational losses every year. Table 9 shows Air Rhodesia and Air Zimbabwe's passenger load factors between 1972 and 1990, while Table 10 compares AirZim's actual passenger load factors to what would have been the minimum load factors to enable the airline to break even.

Had AirZim concentrated on capturing and consolidating a share of the domestic and regional market and limited its international operations only to those international routes that it could service profitably, it would

¹⁷ Air Zimbabwe, *Annual Report, 1983*.

¹⁸ Zimbabwe, *Parliamentary Debates*, House of Assembly (4 Aug. 1983), VII, (xxiv), 1157-1160; Air Zimbabwe, *Annual Report, 1990*.

Table 9
PASSENGER LOAD FACTORS: AIR RHODESIA (1972-80)/AIRZIM (1980-90) (%)

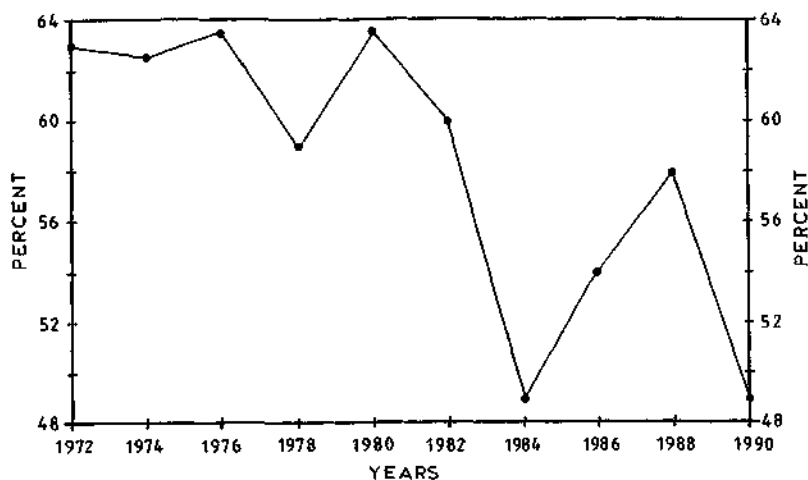
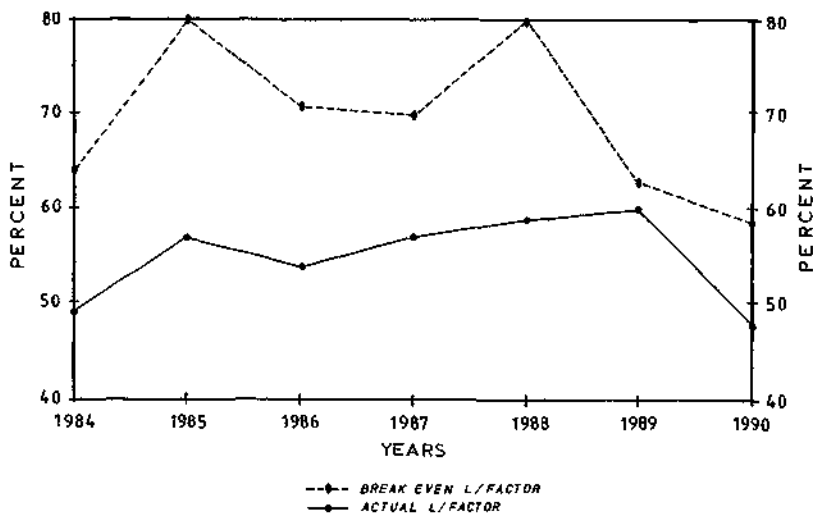


Table 10
AIRZIM'S BREAK EVEN AND ACTUAL LOAD FACTORS 1984-1990 (%)



most likely have reduced its overheads and reduced its operational losses. As it was, AirZim persisted in operating several international services even though competition from better-equipped and established international operators meant that the airline had a relatively small share of the market.

Apart from the difficulties arising from operating at below cost on international routes, AirZim also had to contend with financial losses in the domestic sector where some routes consistently lost money while others barely paid for themselves. Passenger traffic on the Buffalo Range service in the south-eastern lowveld, for example, was persistently too low to generate enough revenue to cover the costs of maintaining the route. Other domestic routes, though not as unrewarding as the Buffalo Range route, were equally uninspiring in their performance as illustrated in Table 11 below.

Table 11
AIRZIM DOMESTIC ROUTE ANALYSIS, 1987

<i>Route</i>	<i>Break even Load</i>	<i>Actual Load Factor</i>	<i>Revenue Z\$000s</i>	<i>Direct Costs</i>	<i>Contribution to Overheads</i>
BFO/FTV	109.5	28.3	86	333	- 247
BUQ/HRE	73.6	69.8	7072	7462	- 390
BUQ/VFA	74.3	33.3	1056	2357	-1301
FTV/GWE	181.7	20.6	36	318	- 282
HRE/GWE	140.3	25.9	88	477	- 389
HRE/KAB	125.5	72.3	1188	2062	- 874
KAB/WKM	139.4	52.1	776	2077	-1301
HRE/VFA	68.7	64.9	4092	4392	- 300

Source: Air Zimbabwe, Annual Report, 1986/87.

It is clear from the above that AirZim had to subsidise domestic routes and kept them open as a public service to the nation rather than because the routes were economically viable.

The poor performance on domestic routes can be explained by the smallness of the domestic market, given the fact that a very small percentage of the Zimbabwean population travelled by air, with the majority preferring road and rail transportation, which is considerably cheaper. Even those predisposed to fly were likely to opt for other forms of transportation when their economic situation was negatively affected by such factors as devaluation of the local currency, an increase in sales tax for airline tickets or the loss of spending power due to rising inflation or

the effects of climatic changes during drought periods. Indeed, the airline's annual reports record periodic declines in passenger traffic in the domestic sector following fare increases, devaluation and sales tax hikes. For instance, the airline reported in 1980 that:

A marked decline in passenger traffic on all tourist routes and more particularly over the Salisbury/Bulawayo sector became increasingly evident and the trend was aggravated by a cumulative 38% increase in domestic fares introduced in May and June 1979 to counter escalating fuel costs.¹⁹

Similarly, there was another fall in domestic passenger traffic following two increases in sales tax from 12% to 15% in August 1982 and a further 1% in March 1983. In 1984, the airline reported that the domestic sector was depressed 'by the incessant drought which entered its third consecutive year' and 'the decline in the Zimbabwe dollar'.²⁰

Moreover, regional political and economic factors sometimes also impacted negatively on regional and domestic traffic. For instance, it was reported in 1982 that traffic on regional routes had dropped by 2% between 1981 and 1982 and that the contribution of the regional sectors to the total traffic volume had dropped from 37% to 32%. The most significant decline was reported to be on the Harare/Johannesburg route where there was a 19% drop. This decline was attributed to the introduction of visas between South Africa and Zimbabwe towards the end of the 1980/81 trading year which had inhibited free movement of people between the two countries. It was also partly due to the fact that Zimbabwe had become an expensive destination for South Africans during the last six months of 1981/82 when the South African Rand was floating downwards.²¹

In addition, the airline's operations were continually frustrated by the incessant brain drain which led to the loss of qualified and experienced personnel while adding to the airline's operational costs because of the need to train new recruits to fill the jobs vacated by those who had resigned. Throughout the decade, the airline was dogged by the loss of manpower as staff left for greener pastures either within the country or abroad. Contributing to the brain drain were the low salaries which resulted in low staff morale. According to the airline's sixth annual report, skilled manpower was leaving because 'the corporation's salaries are uncompetitive in the labour market'. Citing dissatisfaction with the airline's uncompetitive salaries, the 1981 annual report stated that staff losses in

¹⁹ Air Zimbabwe, *Annual Report, 1980*.

²⁰ Air Zimbabwe, *Annual Report, 1984*.

²¹ Air Zimbabwe, *Annual Report, 1982*. The same report noted that traffic on the Zimbabwe-Zambia route had also declined due to 'spiralling costs' which had discouraged Zambians from travelling.

the Engineering Division were severe, especially those of experienced aeronautical journeymen. So serious was the brain drain that the airline reported that by June 1981, 'more than a quarter of the (staff) complement had less than one year of service with the corporation'. As a result, 'levels of individual productivity have fallen owing to the higher proportion of inexperienced staff' and the airline had incurred 'exceptional expenditures in training [the new recruits.]'²²

Similarly, in 1987, it was reported that 140 employees had left the corporation during the year because of poor salaries and that 100 of these were from the Engineering and Traffic Operations divisions. A further 95 left in 1988/89 'in pursuit of higher salaries'. The situation was compounded by the fact that, as the more experienced workers left, those who remained had to carry heavier workloads, forcing the employees to review their commitment to the airline and fueling yet another round of resignations. Thus a vicious cycle in which dissatisfaction led to resignations, while resignations themselves led to increased dissatisfaction among those left was underway by the mid-1980s. According to the airline's journal called *Air Zimbabwe News*, the brain drain was affecting the morale of those who remained at the airline. The journal noted:

Discipline and morale have been a problem throughout the year, mainly because of the continuing losses of skilled personnel and the heavy burden falling upon the shoulders of those remaining in Air Zimbabwe.²³

Even more significant was the airline's report that the brain drain was hampering the smooth operation of the airline, for, as the airline's in-house journal noted,

Shortages of skilled staff in all departments of the Engineering Division continued to present increasing problems and the past record of achieving a high level of on-time departures could not be maintained this year.²⁴

As if the problems outlined above were not enough, AirZim also suffered from poor management, ministerial interference and poor accounting procedures. The Justice Smith Commission's report noted that AirZim's management had failed to provide the inspiring leadership necessary to make the airline a viable commercial concern, that at least one of them was unqualified for the post, was incapable of making decisions, arbitrarily appointed unsuitable people to responsible positions, and 'neither communicated with his heads of divisions nor encouraged

²² *Air Zimbabwe, Annual Report, 1981.*

²³ *Air Zimbabwe News, 1982, 8; Air Zimbabwe, Annual Reports, 1987-1989.*

²⁴ *Air Zimbabwe News, 1982, 8.*

communication among them'. As a result, those appointed to jobs they were not suited for performed badly, while poor supervision on the part of the General Manager meant that he was not able to monitor the work of his subordinates and call them to account when they did not perform their duties well.²⁵

In a speech to parliament in 1986, the Minister of Transport reported that as a result of poor management, the airline's Finance Section had deteriorated so much that there were insufficient budgetary controls and divisional and overall annual budgets were seldom fully discussed by management. In addition, because of poor accounting procedures, the airline was losing money either because the Finance Section did not thoroughly check other airlines' claims and therefore sometimes overpaid or failed to recover money owed to the airline by other operators for passenger handling. Frauds went undetected because the Finance Section was unable properly to scrutinise claims by either employees of the airline or the airline's agents.²⁶

It was noted, for instance, that certain individuals at the airline had appointed a cargo consultant in Germany as an AirZim cargo agent. Although the agent rendered no service whatsoever since Lufthansa handled all AirZim's cargo, he continued to be paid by AirZim. The revenue collected by the bogus agent and not accounted for to AirZim was over 800 000 Deutsch Marks (approximately Z\$799 000). Such fraud was possible because, according to the Minister of Transport, the internal audit section was headed by an unqualified person and could not, therefore, carry out its functions properly. The Minister of Transport also pointed out that late payment of accounts was earning the airline a bad name inside and outside the country and a great deal of money owed to the airline had to be written off as bad debts 'due to poor control of debtors' accounts'.²⁷

Concern over the poor management of AirZim was expressed in parliament where one member, B. Irvine, described the situation at AirZim as a 'horror story . . . a story of total incompetence on the part of those who have been responsible for administering AirZim'. Similarly, the Minister of Transport summed up the situation graphically by saying, 'If there was a university in managerial incompetence, most of the present management [at AirZim] would be professors there.'²⁸ Concern over the poor leadership at AirZim was not restricted to members of parliament alone, but was

²⁵ *The Justice Smith Report*, 41ff.

²⁶ Minister of Transport's testimony on Air Zimbabwe to the House of Assembly on 13 Nov. 1986, in Zimbabwe, *Parliamentary Debates* (12 Nov. 1986), XIII, (xxxii); *The Justice Smith Report*, 50-59.

²⁷ Minister of Transport in the House, in Zimbabwe, *Parliamentary Debates* (6 July 1988), XV, (ii), 56-58.

²⁸ B. Irvine and the Minister of Transport's comments reported in Zimbabwe, *Parliamentary Debates* (12 Nov. 1986), XIII, (xxd), 1473.

shared by some junior managers at the corporation as the managers' revolt of February 1988 shows. On February 4, eight AirZim managers, five of whom were named as A. T. Fisher, T. A. Kanjere, F. A. R. Garner, J. M. P. Makamure and S. Parirewa, drew up a petition asking for a vote of no confidence in the General Manager whom they charged with incompetence and of being inaccessible to his juniors.

When the managers' petition was subsequently published in the local press, AirZim's board of governors fired them all on June 10, 1988. The board's decision was subsequently overturned by the Department of Labour, which ruled that the board had acted illegally in firing the managers and should reinstate them without loss of salary and/or benefits. When the airline authorities were tardy in complying with the Department of Labour's ruling, the sacked managers took their case to the High Court which ruled in their favour and ordered their reinstatement.²⁹

Managerial incompetence and the conflict surrounding the managers' petition caused serious concern among the ordinary workers as demonstrated in the following message sent to the Minister of Transport by the AirZim Workers' Committee on June 14, 1988 which read:

We wish to convey to you our extreme concern over the state of affairs which exists at Air Zimbabwe Corporation. We as workers think that we have exhausted all the proper channels and followed the correct procedures in order to have this situation registered and rectified before this airline reaches the bottom level . . . We are receiving tremendous pressure from our workers who are continually demanding a detailed explanation to this continuous in-house fighting which is affecting the state of the airline and our good name in the public eye.³⁰

From the above, it is clear that AirZim's operations were seriously handicapped by poor management and the low staff morale that resulted therefrom. Added to poor management was the rapid personnel turnover at both general management and board levels — there were five different General Managers and boards at the corporation between 1980 and 1988. This contributed considerably to the poor operation of the airline, if only because the constant change of leadership disrupted continuity.

Another contributory factor to AirZim's poor economic performance was constant ministerial interference which disrupted normal operations at the airline. The commission provided several examples of ministerial interference in the day-to-day operations of the airline. Two examples are

²⁹ *The Herald* (Harare, 10 Feb., 1988); Minister of Transport to the House on 21 July 1988, in Zimbabwe, *Parliamentary Debates* (21 July 1988), XV, (xi), 399-408; 411-416.

³⁰ Letter signed by Air Zimbabwe's Workers' Committee chairman and secretary, reproduced in full in the House of Assembly by Byron Hove, Zimbabwe, *Parliamentary Debates* (22 July 1988), XV, (xi), 606-607.

cited here to demonstrate the deleterious effect of such ministerial activities on the airline, especially when such interference meant that operational decisions that should have been taken by the airline's management on crucial issues such as what type of aircraft to purchase were often taken either by functionaries of the Ministry of Transport or the Minister himself, who had no expert knowledge of the industry and its needs. Often decisions were imposed on the airline's management against its wishes. Apart from undermining the authority of the General Manager and his aides, ministerial interference sometimes forced the airline to adopt a course of action that was not, in the opinion of its own experts, ideal for the smooth operation of the corporation as the following controversy surrounding the purchase of new aircraft demonstrates.

As early as 1983, in that year's Five-Year Development Plan, AirZim's management had noted the need to purchase new aircraft to replace its ageing and fuel-inefficient fleet. A committee appointed by AirZim management to recommend the best aircraft to purchase advised that only Boeing aircraft — the B737-200 and the B747SP — were most suitable for AirZim's needs. To obtain a second opinion, AirZim engaged Canadian Overseas Airlines (Services) Ltd as consultants to analyze the airline's needs. In their final report, the consultants endorsed the earlier recommendations of the airline's own committee. Under normal circumstances, the experts' opinions should have carried the day, but this was not to be.

The Minister ignored the recommendations of the consultants and proceeded on March 9, 1984 to direct the airline's management to make arrangements for the purchase of aircraft of his choice, namely, two DC10s, three Boeing 737s and four FOKKER 28s.

On another occasion, the Minister of Transport ordered that AirZim should purchase the two-engined B767-200 Extended Range aircraft even though the airline's experts and management preferred the four-engined Airbus A300-200. According to *The Herald* of January 28, 1988, 'The airline's top management . . . unanimously decided that Boeing 767s were unsuitable for AirZim's operations, especially in the light of the corporation's present and future expansion programmes.' The management further noted that as a two-engined aircraft, the 767 would cause serious problems for the airline given the fact that aircraft had to abide by the 90 minute rule, namely that all air-borne aircraft should be within 90 minutes of flight time to the nearest airport if one engine should fail. Using the 767 would mean that AirZim would have to re-route its European flights to ensure that the airline abided by this rule, particularly since, as the management noted, 'the Sahara Desert is designated an ocean crossing'.

Furthermore, management was not prepared to 'compromise the safety of passengers' by re-routing flights especially in the light of the 'unreliability

of alternative airports' on the European route. In any case, this would add not only to the total flight time but also to the fuel consumption of the airline's aircraft. In addition, purchasing the 767 would mean that the airline would not be able to fly to American and Australian destinations included in the corporation's Five-Year Plan. These objections notwithstanding, the Permanent Secretary of the Ministry of Transport informed the airline's management that 'the Minister is not interested in comparisons with any other aircrafts [sic]' and ordered that the airline should purchase the 767s. Thus the airline could not purchase the equipment its own experts believed, on the basis of their knowledge of the industry, would be best for AirZim's needs. Such incidences of ministerial interference undermined the efforts of the airline to improve its performance and operate as a viable commercial concern.³¹

CONCLUSION

The above discussion has shown that despite the impressive efforts made by AirZim to take full advantage of the improved operating conditions in the post-UDI era by expanding operations and improving services, the airline was a commercial failure in its first decade of operation.

It has been argued that the airline was handicapped by a number of constraints, some of which were the result of global economic factors over which the airline had no control, while others emanated either from shortcomings within the corporation itself or from government policies and practices. Among contributory factors over which the airline had no control were the effects of the global economic recession that lasted throughout the decade and escalating fuel costs. Government policies which impacted negatively on the airline ranged from the periodic devaluations of the Zimbabwean dollar to crippling delays in approving fare increases and harmful ministerial interference in the day-to-day running of the airline. Over-expansion, poor management, managerial wrangling, and poor accounting methods were the other additional problems that prevented the airline from operating profitably. Furthermore, the poor salaries paid to the airline's employees which resulted in a constant brain drain, the periodic droughts which affected regional and local passenger traffic and increasing competition from regional and overseas operators added their fair share to the financial problems that confronted AirZim between 1980 and 1990.

³¹ *Air Zimbabwe Corporation: Interim Report of the Committee of Enquiry into Parastatals* — Justice L. G. Smith (Chairman), Presented to Parliament in July 1986, 39ff.