

**STATEMENT BY THE MINISTER FOR COMMUNICATIONS AND
TRANSPORT, HON. PROF. M.J. MWANDOSYA, (MP); AT THE
SIGNING CEREMONY TO MARK THE PRIVATIZATION OF ATC,
HELD AT HOLIDAY INN, DAR ES SALAAM, 2 DECEMBER, 2002**

**Hon. Dr. Abdallah O. Kigoda (MP), Minister of State,
President's Office (Planning and Privatisation),
The Permanent Secretaries of Ministries of Finance; Planning
and Privatization; and Communications and Transport,
The Executive Chairman; Parastatal Sector Reform Commission,
The Board Chairman and chief Executive Officer; South African
Airways,
The World Bank Representative,
Members of the Board of Directors of Air Tanzania Company
Limited,
Invited Guests; Ladies and Gentlemen.**

It is indeed a great honour for me to be here with you this afternoon at this historical occasion of the signing ceremony to mark the privatization of Air Tanzania Corporation (*ATC*). May I therefore on behalf of the Government of the United Republic of Tanzania and on my own behalf, welcome our South African friends who are going to invest in and operate the new airline; Air Tanzania Company Limited. We are witnessing today an important occasion in the aviation industry in Tanzania. The Government of Tanzania transfers its 49 percent shares held in Air Tanzania Corporation to the South African Airways (***SAA***). We are also witnessing the formal winding up of Air Tanzania Corporation, a public enterprise that was 100 percent owned by the Government, and the establishment of a new Company, Air Tanzania Company Limited (***ATCL***). *ATCL* will jointly be owned by the Government of Tanzania and the *SAA*. We are also witnessing the formation of another public corporation by the name Air Tanzania Holding Corporation (*ATHCO*) to be owned 100 percent by the Government of Tanzania.

Invited Guests,

Ladies and Gentlemen,

The event we are marking this afternoon is a result of a decision made by the Government of Tanzania in 1996 that Air Tanzania Corporation should be privatized by selling majority of its shares to a strategic investor, who has the technical and financial capability, to improve the performance of the airline. This decision was reached after the declining performance of the airline over a number of years.

Air Tanzania Corporation was formed in 1977 with a broad mission of providing safe, efficient and economic air transport services within and outside Tanzania; and to invest in airline-related activities to complement the revenue earning capability of the airline. At the time of its inception, Air Tanzania Corporation had eleven (11) passenger aircraft. Today as we stand here, the airline has remained with one aircraft a Boeing 737-200. Other aircraft were sold or used as scrap to repair others. For years prior to 1992,

the airline was technically bankrupt and External Auditors, either qualified the accounts or had no opinion on them. In 1992 the Government took over long term debts of the Corporation amounting to Tshs.12 billion and restructured the airline including laying off

some of its workers. As a result the airline started to show modest profit and a positive net-worth. The airline operated national network covering almost the entire country (with exception of Morogoro, Rukwa and Singida Regions), and international routes included London, Frankfurt, Mumbai, Cairo and Rome. In a bid to raise revenue as mandated by the Corporation's Act; the airline initiated a number of projects, including the following:

- a) The Tanzania Airports Catering Company (**TACC**) in which the airline had 50% equity. This was in 1990.
- b) The in-flight Catering Services Limited (**ICSL**) in which ATC had 25% equity share. This was in 1995.
- c) The Dar es Salaam Airport Handling Company (**DAHACO**).

This was started in 1985 and ATC held 65% of shares.

All of these projects with the exception of DAHACO made huge losses. DAHACO made profit year after year and used to be a main source of revenue to ATC in terms of annual dividends. This company was privatized through sale of shares in year 2000. The Airline also participated in the shareholding of the African Joint Air Services (**AJAS**) by purchasing 10% shares. However AJAS was found to be a loss-making entity and a competitor instead of

complementing services of ATC. Tanzania withdrew from AJAS in September, 2000.

Invited Guests,

Ladies and Gentlemen,

I am trying to narrate the historical background of the Corporation so that all of us who are here today, have the insight into the airline and what actions and efforts were done to rectify the decline of the airline. As pointed earlier, the decision to privatize ATC was made in 1996. Yet the broad key objectives of privatisation had been stated in policy statement issued by the Government in February 1992.

These included, inter alia:-

- a) To improve operational efficiency of parastatal enterprises and their contribution to the national economy.
- b) To reduce the burden of loss making parastatal organisations on the government budget.
- c) To expand the role of the private sector in the economy, permitting the government to concentrate public resources on its role as provider of basic public services including

health, education social and economic infrastructure and maintaining of law and order.

- d) To increase and encourage a wider participation of the people in the running and management of the economy.
- e) To promote and develop capital market, access to modern technology and foreign markets and
- f) To preserve our noble goal of self reliance.

Invited Guests,

Ladies and Gentlemen,

As we witness the signing of ATCL transaction today, may I say that the goals of privatisation as formulated by the Government in 1992 are still valid and need to guide the on going process. Towards this end, therefore I call upon ATCL to ensure that it meets the aforementioned goals and lives to the expectations of its stakeholders; and may I mention some of them:

- ATCL workers and staff.
- Air Transport Regulatory Bodies in Tanzania and elsewhere.
- General public *i.e.* the customers of ATCL.

- ATCL shareholders *i.e.* the Government of Tanzania and the South African Airways.
- Travel Agents.
- Airport Operators.
- Air Transport Service Providers.
- Cargo Handling Companies.
- Service Utilities Company.
- Potential Investors, and
- Regional and International organisations related to aviation industry including the African Airline Association (**AFRAA**), International Airlines Association (**IATA**) and many others.

Each of these stakeholders has different expectations from ATCL. ATCL workers expect a better package in terms of salary and other benefits. The Government of Tanzania and SAA as shareholders expect dividends from ATCL. The traveling public looks forward to improved air transport services and at affordable prices. It is upon ATCL to analyse the expectations of each of its stakeholders and try to meet them, being of course mindful of its noble task of providing, safe, efficient and affordable air transport services within and outside

Tanzania. The Government will support ATCL in its endeavour to offer services that are safe, reliable, comfortable and affordable and that meet the expectations of stakeholders. Tanzania as a Member State of the International Civil Aviation Organisation (ICAO) is a signatory to several Conventions and Protocols relating to the provision of safe, reliable and affordable air transport including the Yamoussokro Decision of 1999, which calls for free market access in Africa.

Ladies and Gentlemen,

Tanzania has in place a National Transport Policy which allows wider participation of the private sector in running and managing the air transport including the airports, ground-handling activities and air services provision in a liberalized regime. The Government has signed more than 45 Bilateral Air Services Agreements (**BASAs**) with different states worldwide. In the year 2000 the Government signed an “Open Skies” Bilateral Air Services Agreement with the USA which allows each state to mount to each other an unlimited frequencies using any aircraft. This agreement is not yet operational. We expect ATCL to take this as a challenge to increase investment and wide

trading opportunities to itself and to Tanzania. The Government has also reviewed the BASAs with UK, Switzerland and Iran to allow for a more liberalized regime and will do the same for other bilateral air services agreements. The ongoing worldwide liberalization of the civil aviation has placed airlines in an arena of fierce competition. One of the accepted methods of survival is to combine forces through acquisitions or mergers or through commercial and operational arrangements. We understand Air Tanzania Corporation has had code share arrangements with Kenya Airways, Gulf Air, Precision Air and others. ATCL may wish to review these arrangements and improve on them.

Invited Guests,

Ladies and Gentlemen,

In the signing ceremony three important instruments for managing and running of the new airline will be concluded and these are: the share sale and purchase agreement, the shareholders agreement and agreement for technical cooperation between South Africa Airways and Air Tanzania Company Limited. Each of these instruments have a significant role to play in making the airline

succeed in its mission. It is the duty of both SAA and ATCL to honour and implement the contents of the said instruments. By way of an interesting coincidence, the signing ceremony takes place as we celebrate two important events here in Tanzania;

- The Civil Aviation week; and
- Three years of one of ATCL's stakeholders; the Tanzania Airports Authority.

The Government of Tanzania believes that future of the airline is bright and its potential should be explored to the maximum. May I take this opportunity to express our sincere gratitude and appreciation for all who assisted and participated to making the privatization of ATC possible both in Tanzania and in South Africa. In particular I have to mention the PSRC, the President's Office (***Planning and Privatisation***), The Ministry of Finance, and the Office of the Attorney General. I pay special tribute to the Board of Directors, Workers and Staff of ATC. For without their understanding, cooperation, and a deep sense of patriotism, we would not be here today. Lastly but in no way the least, may I congratulate SAA for

winning the bid to privatize ATC and welcome them as a strategic partner to our national airline.

Ladies and Gentlemen,

We are marking one hundred years to commemorate the first successful powered, sustainable and controlled flight that was made by the famous two brothers; Orville and Wilbur Wright in Northern Caroline, in USA, on 17th December, 1903; and which shaped the civil aviation as it is known today. Today's event is therefore extremely meaningful.

Thank you.