



AFRICAN AIRLINES ASSOCIATION

Association des Compagnies Aériennes Africaines

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AFRAA Media Brief

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AFRAA LAUNCHES JOINT FUEL PURCHASE PROJECT

The African Airlines Association (AFRAA) launched a joint fuel purchase programme for nine (9) of its member airlines on Wednesday 11 January 2012 following the conclusion of evaluation of tender bids received from a number of fuel companies. The process which began last year with the setting up of an AFRAA Joint Fuel Steering Committee chaired by Eng. Chris Oanda of Kenya Airways and with Mr. Yemane Fitwi of Ethiopian Airlines as his deputy, sent out tenders to Jet A1 fuel suppliers serving various airports worldwide. Received bids were analyzed by a technical team comprised of participating airlines and the AFRAA Secretariat and two rounds of negotiations held with all suppliers in a process described by the Chairman as “transparent and above board.”



Seated (L-R): Mr. Naicker, TAAG Angola Airlines, Mr. Fitwi, Ethiopian Airlines, Mr. Mbugua, Kenya Airways, Eng. Oanda, Kenya Airways, Dr. Chingosho, AFRAA and Mrs. Indetic, AFRAA. Behind are the other participating airlines and AFRAA Commercial Director present during the launch



Members of the Joint Fuel Steering Committee and AFRAA Team during a meeting

Launching the Joint Fuel Purchase programme, the Group Finance Director of Kenya Airways, Mr. Alex Mbugua noted that the total volume of fuel to be procured by the 9 airlines across their networks through this joint initiative will be approximately 700 million litres valued at around US\$1.5 billion. He said this initial phase of the project involves only 9 of AFRAA’s 32 member airlines and is confident that subsequent tenders will involve more airlines and more volumes.

Though the negotiations were done jointly, contracting will be done by individual airlines with the successful fuel companies at the various locations. The contracts implementation dates will vary, with some airlines starting to purchase fuel under the negotiated terms in February 2012, according to the Chairman. All contracts will however end in December 2012 and replaced by new contracts for a full calendar year in 2013 (and subsequent years) following another bidding, evaluation, negotiation and awarding process to be carried out during the course of this year.

The airlines participating in the current Joint Fuel Purchase Project are: Air Malawi, Air Namibia, Air Seychelles, Ethiopian Airlines, Kenya Airways, LAM Mozambique Airlines, Precision Air, Rwandair and TAAG Angola Airlines.

The Secretary General of AFRAA, Dr. Elijah Chingosho applauded the role played by the CEOs of the participating airlines in the success of this project. He said, “The joint fuel purchase project was endorsed at the highest level in each airline by the CEOs who individually signed a joint MoU and Letters of Commitment to work together.” The Committee’s operations are guided by a legal framework and anchored on the principles of transparency, fairness and quality service delivery, according to the Secretary General.

The Project is aimed at attaining better and stable unit price of fuel for the participating airlines, assuring quality of the product and supply reliability whilst the relevant fuel suppliers will benefit from higher fuel volumes purchased by airlines. Other areas of focus by the Committee include addressing the incidents of high taxes, charges and fees levied on fuel, especially in African airports and lobbying stakeholders for the elimination of monopoly fuel suppliers at some airports. Though it was not disclosed what savings airlines expect to make under this project, all participating airlines are confident of significant savings making the project very worthwhile. This marks a turning point in the Association’s quest to add value to its members.

Cost of fuel remains a major component of the operating expense of every airline, accounting for between 40-50% of total direct operating costs. In addition to the cost, the unpredictable nature of fuel price makes it difficult for airlines to budget the cost of their operations.

Notes to the Editor

About AFRAA

The African Airlines Association (AFRAA), is a trade association of airlines from African states. Founded in Accra, Ghana, in April, 1968, and headquartered in Nairobi, Kenya, the primary purposes of AFRAA are to foster commercial and technical co-operation among African airlines and to represent their common interests.

AFRAA membership cuts across the entire continent and includes all the major intercontinental African operators. The Association members represent 83% of total international traffic carried by African airlines.