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Forum for Social Studies (FSS)

Semret Medhane

**National Air Carriers as Catalysts for Development: The
Case of Ethiopian Airlines (ET)**

From Poverty to Development: Intergenerational Transfer of Knowledge -
IGTK Consultation Paper Series No. 5

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Series Editor: Shiferaw Bekele

**National Air Carriers as Catalysts for Development:
The Case of Ethiopian Airlines (ET)**

Semret Medhane



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Addis Ababa

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Preface

Bahru Zewde

Since its establishment in 1945, Ethiopian Airlines has remained the great success story in the Ethiopian institutional landscape. It has been a model of the transfer of technology and modern management. Starting with the legendary C47, its fleet acquisition has shown steady progress and it is now poised to acquire the latest in airline technology, the Boeing 787. Its route network has stretched from Johannesburg to Stockholm, from Washington DC to Beijing. It has emerged as a leading training center for African aviators and aviation technicians.

This is not to say that all was smooth sail. The Airline has had its ups and downs, its celebrations and tribulations. Initially fostered by the Americans, the process of ethiopianization was marked by a long and arduous struggle. Two events stand out in that saga: the checkout of Captain Alemayehu as the first Ethiopian captain in January 1957 and the appointment of Colonel Semret Medhane as the first Ethiopian General Manager in November 1971. FSS is thus happy and proud to have Colonel Semret as its guest tonight to tell us that saga and more.

Like so many others who served the airline, Colonel Semret had his formative period in the Imperial Ethiopian Air Force, where he served from 1949 to 1964 successively as pilot, Squadron Maintenance Officer and Director of Material. In 1964, he moved to Ethiopian Airlines and served as Deputy General Manager until he assumed the commanding post in 1971. His appointment was a trail-blazer as it was followed by Ethiopian control of the two other major departments of the airline: Technical Services and Flight Operations.

Under Colonel Semret's management, ETHIOPIAN registered considerable success in expanding its route network and attaining self-sufficiency in human resources. Worthy of mention in this regard are the opening of two major destinations in 1973: England and China. The latter route was particularly noteworthy, as ETHIOPIAN became the first African and the fourth international carrier to venture into the "Forbidden Land".

After the change of regime in 1974, Colonel Semret briefly assumed the post of Minister of Public Works and Housing. In 1976, he moved onto the continental and international arena. From 1976 to 1986, he served as Secretary-General of the Nairobi-based African Airlines Association (AFRAA). Then, until 1997, he was Advisor to the General Manager and later to the Vice President (Regions) of SITA (the not-for-profit telecommunications network serving international carriers). From 1997 until 2000, he was Regional Director in charge of Quality Management and Performance at EQUANT, the commercial wing of SITA.

He has now come back home and has been serving as Member of the Board of Management of ETIHIOPIAN since 2001.

On a personal note, I first met Colonel Semret in Nairobi in (I think) 1985 as I was gathering material and interviewing key informants for the book that I had been commissioned to write for the 40th anniversary of Ethiopian Airlines. The book eventually came out, lavishly illustrated, as *Bringing Africa Together*. On a lighter note, Colonel Semret has never forgiven me for having such a small photograph of him, although I have always insisted that I was not responsible for the illustrations! Today he has a unique opportunity to tell his story in a big way!

Ladies and gentlemen, I proudly present to you Colonel Semret Medhane!

National Air Carriers as Catalysts for Development: The Case of Ethiopian Airlines (ET)

Semret Medhane (Col. Ret.)

Introduction

When Professor Bahru asked me to give a talk at this forum nearly a year ago, my initial reaction was to decline the offer for fear of drowning in his namesake. Considering myself a man of action and not of words, I was scared of facing a sea of faces belonging to distinguished intellectuals with just words. He must have thought that after the introduction he planned to give, you would have cause to be intimidated. He asked for what he undoubtedly thought would be a long CV. I gave him just a one page CV. Even though he has managed to elongate it, I can assure you that my fear has not dissipated even after the sea of faces has been sprinkled with those of surviving old colleagues from schools, the Air Force and the Airline.

At the outset, let me state that what I have to say to you comes from my own personal experience and that all opinions and conclusions arrived at have no official character. At the same time, however, I take full responsibility for them and stand to be corrected if convinced otherwise. For many, it is a forgone conclusion that air forces are created to wage war and airlines to render transport. I am here tonight to try and point out that the transfer of aviation technology, whether military or civil, has contributed greatly for the development of our country. Aviation has served as the sole gateway for our landlocked country, hemmed as it was by former colonial territories of France, Italy and the U.K., some of whom have carried-over the less than friendly postures of the colonial powers. Without a vibrant aviation sector, not only will our country suffer adverse economic consequences but Addis Ababa will also lose its role as an African metropolis. For the UNECA, the AU, and hosts of NGO's and diplomatic missions will certainly leave. It is such considerations and acute concern for my country's wellbeing that forces me to voice what may be offensive to some ears. I beg the pardon of those that may find my conclusions and proposed solutions offensive, or even naïve, for I know no better. I thank you in advance for lending me your ears, and eyes, for my Power Point presentation. A special thank

you is due to the staff at ET, headed by Mrs. Emebet Tesfaye, who made available a complete data of ET's 60 years performance.

Transfer of Technology

Background

Even my sketchy knowledge of recent Ethiopian history convinces me that the country's rulers have sought the transfer of modern technology upon the realization of this ancient country's military weakness and economic underdevelopment. Most of all, knowledge was required to bring about a healthy growth not only to consolidate their own rule but also to ensure the betterment of their people.

In the late fifties, in the process of translating for an English history researcher, I was fortunate to have been exposed to several Amharic letters of our Emperor Tewodros to Queen Victoria of the British Empire. Emperor Tewodros was requesting not just military assistance to stave off threats to his country but also for machines, which he had learned existed in Her Majesty's Empire, that plough and harvest many times faster than hosts of peasants. Interestingly, he also asked that knowledgeable individuals should accompany those "fire machines" so that they would instruct his subjects on their operation. He did not stop there. He went on to specify that his subjects should be taught not just to operate and repair those machines when they broke down, but also to manufacture spare parts for sustained operation. Indeed, he wanted his subjects to be able, in time, to manufacture the machines themselves in order for him not to be a burdensome ally of Her Majesty's Government. Astoundingly, as a quid pro quo, Emperor Tewodros offered the mutual support of two Christian empires, whose shared values and respect for human rights ought to be emulated by others, his country having abolished slavery in order to please God.

At that time, I was pursuing my studies to become an aeronautical engineer at the Imperial College of City & Guilds Institute of London University. I could not help but wish that Emperor Tewodros were alive to see that his wishes were starting to be fulfilled, admittedly not as quickly and as easily as he had wished or expected. He was seeking the transfer of knowledge through developmental assistance from Great

Britain. The assistance never came. He was a century and a half ahead of his time. What came instead was an invasion, led by Lord Napier of Magdala, which caused Emperor Tewodros to commit suicide. To my mind, the lesson to be learned from this tragic episode is that "Ask and ye shall be given" does not always hold in our earthly empires. On the contrary, Ethiopia should struggle persistently and leverage all assets at her disposal to acquire knowledge that is essential to improve her national wellbeing.

That successive rulers of Ethiopia, often against strong conservative resistance, were expending such efforts is a fact. Emperor Menilik's introduction of the railway, the telephone, and other similar innovations is adequate testimony. The conviction of our sovereigns, that transfer of knowledge is essential for development, is corroborated in a negative manner by Italian colonial policy in the Horn of Africa. To deprive the local population of this essential ingredient for development, Italy limited the level of academic education for the indigenous population to only four years during its half a century rule of present-day Eritrea and southern Somalia. In acquiring practical skills, the indigenous populations were limited to being helpers or "aiutanti" to Italian skilled personnel. To achieve this same end, Italy all but eliminated the few educated Ethiopians upon occupying Ethiopia in 1936. My father was one of the survivors of this purge. Indeed, knowledge is recognized as the essential element for development by all, whether their motive is to transfer or to deny it.

One could ask why the efforts of our sovereigns did not yield the kind of results that have been obtained in Japan and lately in the Tiger Economies of Southeast Asia. It would take better brains than mine to identify all the weaknesses that have caused our backwardness. However, I feel certain that one weakness, perhaps the greatest one, is the political instability that has prevailed in our country in the past several centuries. Our inability to sustain positive developmental policies during changes of rulers or governments must have been perpetuated by the fact that such changes were invariably implemented through armed conflicts. The lack of peaceful transition, irrespective of the good intentions of those engaged in armed conflict to achieve change, has not only retarded accumulation of knowledge but also has bled collectively acquired knowledge through the exodus of educated and skilled personnel. It has

not only retarded investment but also diminished our capacity to absorb it.

The TWA connection

In the post World War Two era, Emperor Haile Sellassie faced the same dilemma of how to survive as a technologically backward country. Even as late as 1952, on the eve of our unification with Eritrea, I remember the venerable but pro-Italian weekly magazine, *Time*, proclaiming that, unified or not, we have not a single native engineer of any kind inside or outside our country. At the time, I was a SAAB B-17 bomber pilot who landed the first Imperial Ethiopian Air Force (IEAF) warplane at Asmara airport. The Italian-generated rumor in Asmara was that the pilots of IEAF were Swedes. It was necessary to put up an air show for the population, taxiing the aircraft with our heads sticking out of the bombers' cockpits in full view of the spectators, to dispel the low morale created by the rumor. It was to take a little longer to rectify the total absence of engineering capability in the country.



[Graduation Photo]

The country had been not only humiliated but also nearly obliterated by the superior technology that Fascist Italy possessed, especially air power. Hence, the transfer of knowledge to Ethiopians became our Emperor's highest priority. Ethiopia's bitter experiences as a landlocked country dictated that air transport be developed, without which the inflow of

experts to transfer knowledge and the outflow of Ethiopians to acquire it at the rate required would be nearly impossible. Also, in order not to experience again the helplessness of being bombed at will by an enemy, by high explosives, incendiaries and mustard gas, the building of an Ethiopian air force was a must. Aversion to colonial powers in Africa, as well as many other good reasons, dictated that the establishment of an air force and an airline be entrusted to countries that have no colonial ambitions on Ethiopia or colonial history in Africa. The establishment and running of the airline was to be entrusted to Americans, and it materialized thanks to President Delano Roosevelt's deviation from the USA's Monroe Doctrine. Likewise, the establishment of the air force was assigned to the Swedes. Discussions were started with the USA and Sweden in 1945.

While attending the founding conference of the United Nations in San Francisco in 1945, delegates from Ethiopia took side trips to Washington DC to seek assistance from the US State Department for the establishment of an airline. According to verbal communication to me by two members of the team that undertook this task, namely H.E. Ato Aklilu Habtewold, now deceased, and H.E. Ato Minase Lemma, now residing in Washington DC, TWA was persuaded by President Truman's administration to undertake the operation of the airline under commercial consideration. Hence, in December 1945, just months after the end of the 2nd World War, Ethiopian Airlines was established with the enormous capital outlay (then for Ethiopia) of half a million US dollars. Demobilized pilots and technicians from American forces that had fought in the 2nd World War were engaged by a TWA management team. The airline started operation in April 1946 with purchased war surplus C-47 or DC3 aircraft. Concurrently, Count Carl von Rosen, a Swede, led the establishment of the IEAF.

It was understood from the beginning that airline operations should be undertaken on sound commercial principles. Except for tax concessions for expatriate employees of ET, which was rescinded some twenty years later, no subsidy was provided to the airline. Non-payment of landing fees to the Civil Aviation Authority, which by some was considered a form of subsidy but was actually granted in view of the airline maintaining most domestic airfields, was rescinded a little while after that. No additional capital was ever injected by the Ethiopian

government, except for 22 million US dollars in the early eighties as compensation for damages caused by government action. ET's present huge assets were accumulated by reinvestments of part of its profits to maintain growth. Nominal dividends were paid.



[ET's inaugural flight to Cairo, from EAL album, # 44]

From the Gooney-Bird to the Boeing B767 and going-on to the Dreamliner

1. The twin piston engine and propeller-driven DC3 or Gooney-Bird seated 30 or carried 3 tons of cargo. Its most valuable attributes were that it could be put into operation relatively cheaply and that it did not need paved runways to land and take off. Hence, not only did it connect Ethiopia internationally, from Cairo in the north to Nairobi in the south as well as from Khartoum in the west to Aden in the east within our region, but it also connected the interior of the country. It helped to open the country for trade and development. Some fifty airports scattered throughout the country, mostly residual values of the Italian occupation, were used to build a domestic air transport

network. It also served as a unifying factor for the nation by serving as a tool of the central government in the hinterland. From the initial year's uplift of 8,000 passengers, the uplift rose nearly threefold to 22,000 in the fifth year of operation. All allocated yearly losses continued to decline throughout the first three years of operation. Beyond the fifth year, yearly profits of less than half million Ethiopian Birr were being realized. The irreplaceable Gooney-Bird served ET for forty-six years before it was retired in 1993.

2. The bigger and faster twin piston engine and propeller-driven Convair-240 was introduced in 1950. Consequently, the route structure was expanded in all four directions. Its jet-assisted take-off would give it better payload from the high altitude of its home base. By 1955, passenger uplift had again increased three-fold to 67,000. Profits remained of the same order as in previous years. The Convair-240 served fifteen years before its retirement in 1965.
3. After a failed experiment with the competing Convair Constellation, which caught fire and crashed without loss of life near Khartoum in 1957, the four piston-engine and propeller-driven Douglas DC6B was introduced. Again, the route structure was expanded in all four directions. By 1960, passenger uplift had increased to 104,000, just over 50% over the 1955 figure or about 10% per year. Profits in the order of one million Ethiopian Birr started to be realized. The Douglas DC6B served twenty-nine years before its retirement in 1986.
4. In 1960, the four fan-jet engine Boeing 720B was bought, but its introduction was delayed for two years due to delay in infrastructure construction at Bole International Airport. The sixties saw the operation by ET of the Boeing 720B/707C and yet another expansion of the route structure in all four directions. By 1965, 5 years later, passenger uplift had increased to 178,000, some 70% over the 1960 figure or about 12% per year. Passenger uplift was 232,000 by 1970, 245,000 by 1975 and 291,000 by 1980. Operating profits in the range of five million Ethiopian Birr started being realized.

5. During the heyday of Jumbo-jets in the late sixties and seventies, for lack of smaller sized long-range second generation jet equipment that would have been more suitable for the traffic flowing over ET's network, the service life of ET's B720/707 was extended to the eighties. By 1965 and 1970, passenger uplift of 231,000 and 245,000 was realized with improving profitability. Hence, for over two decades, the Boeing 720B/707C was ET's workhorse for its international routes and for numerous wet-leases that ET undertook to survive the lean years in the seventies. The type went on to serve a total of forty-three years before its retirement in 2004.
6. The introduction of the three fan-jet engine Boeing 727 in 1979 and the twin fan-jet engine Boeing 737 ten years later did not best meet ET's objectives, but it served to develop medium and short haul routes. By 1980, passenger uplift was nearly 300,000 but profits and cumulated company assets were on the decrease due to the prevailing unstable environment. The Boeing 727 served eighteen years before its retirement in 1997. During much of this period, ET suffered from its owner government's disfavor while successfully resisting the imposition of Soviet equipment that were less fuel efficient and of inferior passenger appeal compared to available western equipment. The B-737 continues to serve to this day and beyond, having been upgraded to third generation attributes.
7. In 1984, the second-generation twin fan-jet Boeing B767, nicknamed the poor-man's jumbo-jet, was introduced. Again, the route structure was expanded in all four directions and passenger uplift increased to 510,000 by 1985 and to 586,000 by 1990. Operating profits of the order of 50 million Ethiopian Birr started being realized. This equipment type continues as ET's workhorse to this day and beyond. Starting in the early eighties, an attempt was made to develop the domestic traffic and make the domestic network financially viable by replacing the Gooney Bird. The DHC-6 was introduced in 1985, the ATR-42 in 1988 and the F-50 in 1996. But, to this day, the domestic service is subsidized by the international one.



[Arrival of the first Boeing 767 at Bole Airport]

8. To replace the aging 707/720 fleet, the second-generation narrow-bodied Boeing B757 was introduced in 1990. Passenger uplift increased by just 25% to 730,000 by 1995 and by 30% to 942,000 by the year 2000. Profits started to decline after peaking at 250 million Ethiopian Birr. By 1999, losses of considerable magnitude were being sustained due to the prevailing radicalized management practices imposed by the owner government.
9. The introduction of 12 upgraded B767-300 and B737-700 and the relatively more stable management of ET has created and maintained an upward swing by the first decade of the 21st century. In spite of the worsening climate that played havoc with the global air transport industry, passenger uplift reached an all time high of 1,552,000 and operating profit rose to 377 million Ethiopian Birr by 2005. These two types of aircraft are likely to enjoy an extended service life to well after the B787 has entered service with ET, destined to be its launch customer.
10. In 2004, decision was taken to acquire and orders placed for ten Boeing Dreamliners or B-787. An expansion as well as deepening of the route structure is being attempted in ET's Vision-2010. Radically changed air transport environment appears to have favored the construction of third-generation long haul equipment suitable for serving thin routes point to point. ET's thinnest and longest routes of

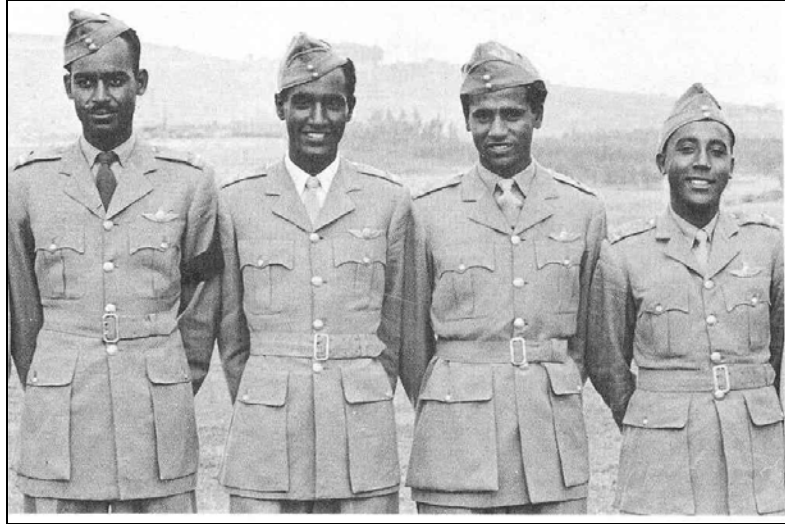
any regular scheduled air carrier can at last be competitively served, although it would be by “hubbing” over its home base and not point to point due ET's heavy reliance on sixth freedom traffic rights. Barring unforeseen circumstances, the projected yearly passenger uplift by the year 2010 under ET's Vision 2010 plan is 3.5 million and profits of 75 million USD on a revenue of 950 million USD.

The Struggle for Ethiopianization

Flight Operations

1. While Ethiopian Airlines started commercial operation in 1946 with American aircrews, the IEAF started as a flying school simultaneously. Ethiopian pilots were given basic flight training on the all metal SAAB Safir which had retractable tricycle landing gears, flaps and, on later versions, propeller pitch control. At that time, the SAAB Safir was considered too complex for basic training by most air forces including the Swedish Air Force. But, the performance of Ethiopian trainee pilots, who had no previous exposure to mechanical vehicles (some could not even ride a bicycle), was so good that this assumption was dispelled. Operational training was undertaken on the SAAB B-17 and the Fairey Firefly in the late forties and fifties. When the USA started assisting Ethiopia in building an air force, the North American T-28, Lockheed T33, North American F-86F and the Northrop F-5A&B were introduced in the sixties and seventies.
2. Ethiopian pilots were released from the IEAF to ET starting in 1951 and continue trickling in to this day. I was among this first group of pilots proposed by the IEAF, along with Captain Alemayehu Abebe, who subsequently became the first Ethiopian captain. But during the interview, I declined the offer, to the surprise of Ato Tecele Rorro, the Civil Aviation Director at the time, and Captain Vic Harrell, the ET General Manager. I remember the latter saying loudly: “You will fly 100 hrs each month and earn fourfold of what you earn here”. I persistently shook my head to the delight of General Aseffa Ayene, my mentor and later commander of the IEAF. My brother Captain Addamu Medhane was among the first batch to be released from the IEAF. But his group arrived from the UK with commercial airline

pilot's licenses, a few months after Capt. Alemayehu's batch had earned their licenses in the country.



[Captain Alemayehu's batch, EAL album, # 58]

3. However, the healthy growth of ET could not be accommodated by the meager supply of pilots from the IEAF. Nor was the continued hiring of American pilots economical for ET's operation. During my first year as Deputy General Manager of ET, after my negotiations with the IEAF to expand its existing flying school to accommodate ET's trainee pilots requirement failed, ET started its own flying school in late 1964. This development was not in line with the previously accepted philosophy that the Ethiopian government ought to provide trained personnel to ET so that its operation would be on the basis of sound commercial principles. Further, ET's pilot requirement did not warrant a large enough flying school that could operate efficiently and the assumption that foreigners would come to train as pilots in Ethiopia to increase volume for efficiency was ridiculed at the time. But, ET's operation became more cost-effective from the input of Ethiopian pilots and foreign students flocked to the school, boosting trainee numbers and thereby rendering the school efficient. The ensuing record demonstrates that operating under sound commercial principles require taking different paths in different countries of varying economic and social environment. The performance of ET's Flying School over the years has been laudable.

It has trained nearly 800 pilots, nearly half of whom have been expatriates from 37 countries of Africa, Asia and Europe.



[African pilot trainees, EAL album, # 165]

4. ET's flight operations maintained an enviable safety record for many years, except for a period of turmoil in the country in the late seventies and the ensuing disruption of proper management. It sustained high efficiency financially and otherwise. The high investments required to train and maintain cockpit crew dictated that, the national pride requirement of operating a high tech industry having been satisfied, already trained American captains be retained up to their mandatory retirement age of 60 years.

Maintenance

1. In an effort to satisfy the initial assumption of sound commercial principles, the Ethiopian government opened an Aviation Technical School with ICAO assistance. Together with the IEAF, the school started supplying technicians to ET. Again, following a similar path to that of pilot training, ET opened its own technical school in 1967. ET's technical school, like its pilot training school, quickly gained an enviably good international reputation and acceptance by ICAO, USA-FAA, UK-CAA and French-BV enhanced its image and facilitated its work. Among innovations that won laudable reputation for the school was its deployment of hands-on training on airworthy

equipment. ET's technical school has, as of today, trained 2130 technicians, 1431 of whom are expatriates from numerous countries that have become loyal customers.



[The first jet engine to be completely overhauled by ET Maintenance, EAL album, # 124]

2. Technical Services became ET's lifesaver, not just by ensuring safe and regular flights but also by providing its services at relatively low cost. Maintenance and overhaul services rendered to other operators grew to reduce significantly ET's own maintenance costs. Its repair and overhaul activities covered all aspects of restoration of flying hours and repair of damaged parts. These activities included overhaul of jet and piston engines, airframes, avionics, etc. at costs well below the industry average. Additionally, maintenance and repair work accomplished for other carriers brought in revenues that, in the form of overhead credits, further reduced maintenance costs of ET's equipment.

Commercial & Financial

1. In these and other sectors, the government high schools, commercial colleges and universities supplied a steady stream of applicants who underwent rigorous skills training at ET's schools before being hired. They continued their development to supervisory levels and beyond.

2. The competitive edge that ET enjoys, both in service quality and economical operation, comes from this largest group of employees.

Management

1. The most important aspect of human resource development for ET has been its management staff. The skill, dedication and integrity requirements are greatest for this group since correct deployment of resources is the key for success. As such, this group was the last to be Ethiopianized, with me becoming the first to assume the post of General Manger in 1971, ET's 25th year of service to the nation. The important consideration behind this decision was not to Ethiopianize for the sake of political prestige but to gain for ET and the country a stable and economical management resource, while improving on the qualities of the above-mentioned three essential elements.
2. Starting in the sixties, to reach and maintain a comfortable level of redundancy in management resource, in-house and external management courses were offered to supervisors and above. Career development and management trainee programs were launched. These programs continue, except for weakness in the career development sector, averting dire consequences from the brain drain that has afflicted our nation of late.

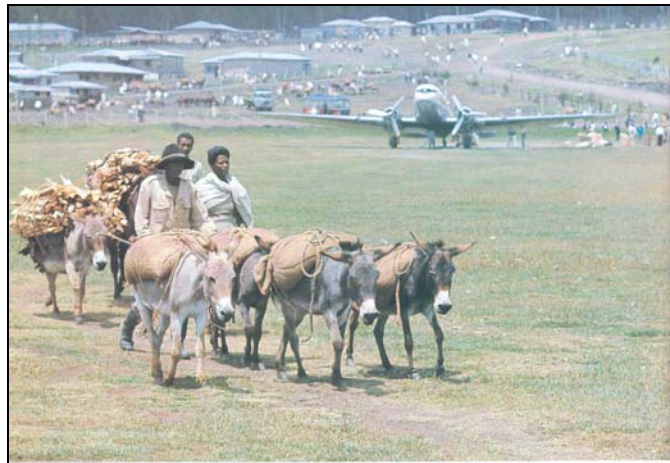
ET's Ethiopianization programs were methodical and from the ground up, focusing on productivity and quality. Its continuous application created a process that continues to supply qualified personnel long after all expatriates have departed. I have not come across any other airline that trains nearly all of its aspirant employees before they are hired. In my opinion, this process is the single most important element that enabled ET to survive obstacles that no airline should be made to face. Among these obstacles are: low volume of own traffic, politically motivated high-jacking of airplanes, revolutionary environment that destabilized proper management and started off the huge brain drain, as well as all other obstacles faced by normal airlines that are failing, including its mentor of thirty years, TWA. To date, ET has hired and trained over 15,000 employees of its own, all of whom have gained not only the professional skills required to carry out their functions but, perhaps more importantly, have become more conscious citizens with worldwide

exposure. Their influence on their extended family members and others must have had manifold benefits.

ET as a vehicle for national integration

Opening of the Ethiopian interior

1. ET's services to such otherwise inaccessible corners as Tepi, Waka, Masselo, Gode, and assigning to and hiring employees from such places have provided more than essential transportation links to the interior. ET's services have helped to create awareness of our whole national entity among all segments of our societies. It has also symbolized the visible presence of the central government in remote areas of the country, often transporting government officials and their instruments for administration and rule.



[Bale Gobba Airfield, EAL album, # 162]

2. But there has been a controversial side to this. As owners of the airline, governments have provoked political opposition groups into sabotaging ET's civil air transport operation. Government use of ET's air services to transport military hardware and personnel in times of conflict, although limited to and from non-combat areas, has aggravated the situation.

ET as an African airline

"Bringing Africa Together"

1. While most African airlines plied the North-South or Europe to Africa routes, ET kept on investing in the developments of routes that directly connected African countries. One can assume that this policy of ET, faithfully applied over the years even when the going was extremely tough, was the primary factor that attracted the UNECA to Addis Ababa. This reward, followed closely by the installation of OAU's headquarters in Addis Ababa in 1963, made it mandatory for ET to continue developing its African network. Embassies and NGOs followed in the footsteps of the OAU and UNECA, gaining for Addis Ababa the designation of Africa's political capital. While ET continues to reap rewards from its home base, the city's fate - and indeed the country's welfare - are also linked to the existence of a strong and growing ET.
2. Over the past two decades, African business traffic has overtaken the value of western leisure traffic in importance to ET's revenue. The flow of business traffic to the Middle East and Asia without transiting European capitals is a direct consequence of services availed by ET to the African continent, with immediate onward connections to the East.
3. No other air-carrier serves as many African cities as ET does. ET has brought Africa together and plans to strengthen this aspect in the coming years with all its available resources.
4. To survive the global competition they face and to ameliorate the environment that they work in, African airlines needed to take well-considered and agreed-upon group actions. ET has been at the forefront in developing cooperation among African airlines through the formation and consequent work of the African Airlines Association (AFRAA).

The Challenges of African Aviation

The genesis of AFRAA

The early stages of de-colonization in Africa brought about new leaders whose visions for the continent included attaining economic progress through group action. Since institutions for inter-state cooperation existing at the time did not fully satisfy the ambitions of the under-developed states in Africa, new means for coordinating plans and actions were sought. Because of their efforts, the United Nations Economic Commission for Africa (UNECA) came into being and was headquartered in Addis Ababa. A new institution to coordinate policies, plans and actions of African States towards their eventual complete integration, the Organization for African Unity (OAU), followed suite in 1963; it was also headquartered in Addis Ababa. Through these and other organizations, representatives of independent African entities struggled to right wrongs, isolate distasteful practices and promote policies conducive for their development. An aspect of this struggle was the efforts of African airline delegates to oust South Africa Airways (SA), the national airline of the then distasteful State, from the International Air Transport Association (IATA). It is in this environment that AFRAA was conceived.

An African walkout from the proceedings of the IATA General Assembly (?) in 1963 in Rome yielded the opposite result: it left SA, the culprit, securely inside. African air-carrier executives, including myself, attending the IATA General Assembly in 1964 in Bogota (Colombia) met in a hotel room to devise ways of achieving, in their area of competence, the isolation of the apartheid regime. Their meetings continued in Addis Ababa, chaired by me, and in Abidjan, chaired by the Senegalese Sheik Fall, finally achieving an amendment to the IATA Articles of Association. The amendment opened a door for governments to influence IATA membership through their actions in the International Civil Aviation Organization (ICAO). As fate would have it, however, the first IATA member casualty of this amendment became the Taiwanese national carrier. SA remained immune, since ICAO never terminated South Africa's membership.

Flushed with this modest success and, more importantly, accustomed to discussing mutual problems with a view to finding acceptable solutions, African member airlines of IATA decided to establish their own forum to coordinate their air transport policies and in general ensure their collective well being. Their meetings continued until the seventh session, in Accra (Ghana) in 1968. That effectively became the founding conference of AFRAA. An illustration of the problems that dog African air transport happened during this founding conference. The de facto chairperson, the Chief Executive Officer (CEO) of Ghana Airways, was removed from his office by the Ghanaian head of state during the first day of the conference. I, as co-chairman, brought the work to conclusion on the second day. What followed is history. Overcoming fragile political and at times non-conducive environments, AFRAA succeeded not only in holding its AGAs (spell out) every year but also in organizing the numerous meetings of specialized committees that make each AGA (spell out) effective.

Early achievements included getting chief executives of fifteen, eventually thirty-five, African airlines and their key staff to table their visions for African development, identify obstacles in their path and devise cooperative means of achieving the desired objectives. Perhaps the greatest challenge in this respect was the maintenance of continuity of cooperative programmes in the face of constant changes of chief executives of airlines as well as the consequent changes in expert staff. Mostly, African governments, in the course of exercising their perceived rights to make political appointments, induced such changes. Measures to promote togetherness, such as the AFRAA soccer league and cabin service contest, were instituted. Ironically, their success over a decade planted the seed for their discontinuance, as enhanced competitive spirit threatened growth of cooperative measures. Against all odds, good advices in technical, commercial, legal and regulatory areas were being submitted yearly by AFRAA for implementation by member airlines. Through the observer status in the OAU that it acquired in 1976, AFRAA provided relevant inputs towards harmonizing state policies as regards African air transport.

Is Pan-African Airways only a dream?

As decades fly past, the realization that intra-Africa trade is the key to African air transport development sinks in deeper. The formation of regional trade groupings, which depend on sound transport infrastructure to realize their goal, is an encouraging factor for the development of air transport. Sound regional networks, which would constitute a strength for an African air industry, can grow only if air transport service is reliable enough and could be priced reasonably to meet regional trade needs. Such routes, merged with competitively operated intercontinental routes of African airlines, can be the foundation for a sound African airline industry. African economic development needs sound air transport, but air transport itself needs a thriving African economy to remain a viable industry.

For such an air transport scenario to evolve and to remain in the forefront, undivided attention ought to be given to the development of African human resources, most importantly management resources, to ensure a motivated and quality workforce. Only with such manpower deployment can a proper match of equipment in all relevant fields of air transport production be made. With judicious utilization of the generated financial revenue, Africans can produce competitive air services at cost levels that will satisfy their regional needs while giving them adequate margin to compete on intercontinental routes. Workforce productivity at par with that of the industrialized world, offering services at wages of the developing world, is needed to build the basis for sound African air traffic growth. Therefore, throttling down the drain of skilled and competent human resources from Africa as well as sustained investment in human resource development must take first priority. This state can be achieved by maintaining environments that are conducive for workforce retention, and not by coercive action. Collectively, African governments have to succeed in creating the stability required for the sustained investment indicated above before an African air transport industry can come into its own.

The recent spate of failures of national and multinational African airlines does not augur well for the realization of a Pan-African Airways. Indeed, lack of a successful continental model anywhere in the world casts doubt on the viability of such a concept for continental development. Instead,

joint ownership of viable airlines by governments and private institutions centered on the surviving airlines appears to be gaining ground. Several examples are in evidence, including the one being attempted by ET in Ghana. It remains to be seen whether these developments will eventually lead to the creation of a Pan-Africa Airways. But, the sheer diversity of the obstacles that have to be overcome to realize that dream makes its attainment unlikely, at least in my lifetime. The failure of Air Afrique, East African Airways and Central African Airways has sent a clear message that attempts to create a Pan African Airways by African governments will not meet with easy success. Indeed, these failures may indicate that a Pan African Airways dream, if ever realized, could quickly turn into a nightmare.

Lessons for the Present and Future

Peace, Stability, Awareness and Teamwork

1. In examining the performance of ET over the past 60 years, one can not fail to notice that its performance has drastically plunged during violent social and political changes at its hub, requiring years to recover to previous levels. One such occurrence was in the seventies and another in the nineties, both with lasting consequences. Even the present confrontation over parliamentary election results has initiated telltale signs of damage in the form of booking cancellations to the country, of about 20% from some origins. Although ET takes mitigating actions automatically when such losses occur, one could conclude that ET could not have thrived otherwise, and may in fact have disappeared like so many other airlines, in the absence of peace and stability in the country. An example of the mitigating action taken by ET in the seventies, when revolution and civil wars hit the country, is the deployment of ET's equipment and manpower resources in the service of other countries. Deciding ahead of its European competitors, ET succeeded in wet-leasing its B-707C fleet to IranAir, Saudia and other airlines. The wet-leased capacity was of equal magnitude to that deployed for ET's own business, indicating that half of the then ET's three thousand employees were supported by services to airlines of oil rich countries. Consequently, although its own business had received crippling bashes, ET saved itself with its precious manpower almost intact. This gave the incumbent

government time to learn of the adverse consequences of their actions and change course before the complete demise of ET became inevitable.

2. The importance of ET's hub for the country's growth is immeasurable, for Addis Ababa is not only the political capital of Ethiopia but is also;
 - the only gateway to this land locked country,
 - its commercial and industrial center, and
 - the transportation and communication hub to all its regional states.

In addition to the above major characteristics, Addis Ababa is well on its way to becoming the political capital of Africa. An awareness of this fact by all sectors of the society, especially by the many layered administrations, is a must for the continuation of the services Addis Ababa renders the nation. If Addis Ababa deteriorates, the country will suffer heavily both economically and politically.

3. Bole and other international airports are vital segments of the whole picture. As such, all Ethiopian entities functioning in this domain, be they government entities or merchants and user air-carriers, including ET, must understand that their fates are tied to one another. They must work as a team to satisfy all present and future users of the facility, inspiring the feeling of "Yichalal" ("It can be done!") on employees of all segments and inducing them to perform better than any competing air transport hubs in the region. Meeting, or even exceeding, the expectations of the airborne traffic, be it passenger or cargo, that utilize our airports should be their number one priority. Low performance by this informal team, whether induced by an indifferent bureaucracy, or malpractice and greed by commercial entities, or plain thievery by employees of all categories, will have severely adverse consequences not only for ET but also for Addis Ababa and Ethiopia. The extent of possible damage being horrendous, all segments of society, including the government and judiciary, should continuously take proper actions to ensure that our airports earn and retain an enviable reputation for efficiency and friendliness.

Consistent use of sound commercial policies by ET

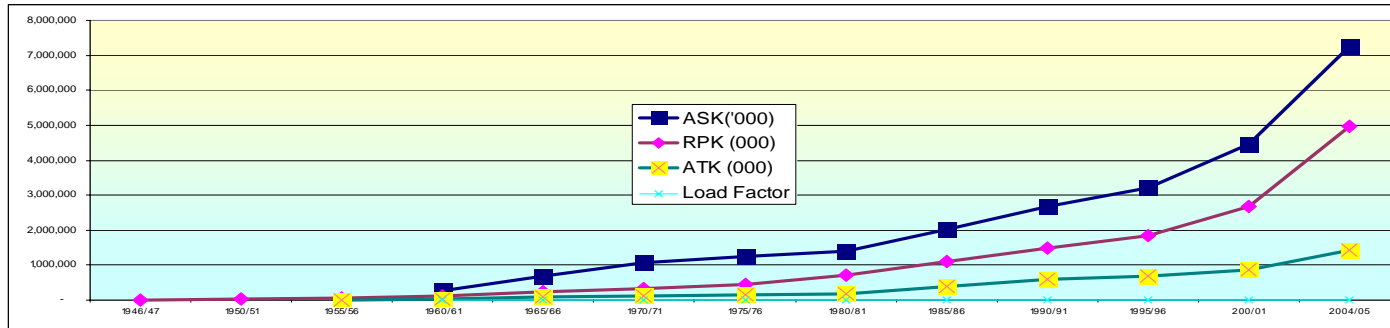
1. ET must be allowed to exercise sound commercial principles at all times. It ought to be free of political intervention by governments except for long term strategy consideration. Damaging political decisions taken in the seventies affecting management and unionized workforce alike, operating standards, equipment choice, should remain part of a history that should never be repeated. The ill-advised radical management philosophy imposed by the owner government in the nineties has also done harm to ET's ability to serve the country, despite the good intentions of the perpetrators. The country's interests are best served by allowing dedicated professionals to exercise their trade not only unencumbered but with encouragement and appreciation of the work being performed by them. Governments have a vital role in shaping and maintaining ET's performance in line with the country's vital interests. Of crucial importance is keeping the gates of Ethiopia open to the world at large and to the African region in particular, and this function can be achieved only with a virile and growing ET.
2. The selection, training and motivation of ET's manpower should follow a set pattern that will lead to a work ethics and productivity of employees that equals the best in the industry, while maintaining a payroll structure related to the county's environment. The other major elements of airline costs, such as fuel, aircraft, insurance and capital offer disadvantageous conditions owing to ET's low traffic volume and miniscule operation. For example, with the possible exception of the recent B-787 purchase as a launch customer, ET has in the past paid much higher prices for each of its new airplanes and paid higher interests for borrowed capital than any of its major European competitors. It continues to pay higher prices for fuel due to its meager uplift at each of its numerous stations save Addis Ababa. What, with operations in politically volatile regions beset with security concerns and meager safety-enhancing infrastructure, ET has long ago ceased to enjoy insurance rates as an adjunct to TWA. Employee productivity happens to be the only area where ET can have a margin for survival. ET's employees must understand this inescapable truth and support a viable policy in this respect if their airline is not to go the way others have gone in front of our very eyes.

Employees must also realize that, should such a calamity happen, they would be the first to suffer and they would be responsible for having brought damage to their country far greater than the damage they have incurred.

3. That the value of ET goes well beyond the direct material benefits emanating from its operation should be well understood by the leadership of not just the City, State, and Federal governments, but also by those who aspire to lead in all segments of the society. To give an order of magnitude to this statement, ET's earnings of 2005 amounting to 4.3 billion Ethiopian Birr is expected, at even a conservative estimate, to more than double and rise to nearly 10 billion Ethiopian Birr per year by the year 2010. Most of these amounts come from sources outside Ethiopia. When we deduct expenses incurred for non-local elements such as fuel, aircraft, etc. we can still appreciate the sizable contribution to the local economy that this represents. It is of the order of several billion Ethiopian Birr per year in hard currency. The damage that would be caused to the national economy by the failure of ET would be in the tens of billions of Ethiopian Birr, quite apart from the disastrous political consequences. Our political, civic, religious and business leaders ought to take such a scenario to heart and act to ensure that ET and the vital elements that go with it are nurtured in the country's interest.

Annex: Five Year Operational and Financial Data, 1946-2001

	1946/47	1950/51	1955/56	1960/61	1965/66	1970/71	1975/76	1980/81	1985/86	1990/91	1995/96	200/01
ASK('000)				261,348	674,513	1,082,873	1,240,550	1,383,906	2,034,693	2,684,777	3,222,841	4,459,853
RPK (000)	4,865	16,847	49,275	105,151	233,888	314,681	454,371	722,626	1,090,676	1,474,215	1,837,681	2,688,636
ATK (000)			13,534	33,606	84,253	132,988	140,679	192,484	375,309	603,247	679,364	858,656
Load Factor				40.2	34.7	29.1	36.6	52.2	53.6	54.9	57.0	60.3
REVENUE (000)	1,106	3,675	9,719	23,436	46,217	59,097	96,654	213,763	376,109	643,327	1,642,844	2,361,559
EXPENSE (000)	1,704	3,524	8,980	19,493	41,329	62,085	89,072	210,074	330,065	584,478	1,478,974	2,292,707
OPER.Profit (000)	(598)	151	739	3,943	4,888	(2,988)	7,582	3,689	46,044	58,849	163,870	68,852
NET-PROFIT	(598)	157	700	3,039	2,997	(4,220)	4,335	70	14,477	18,809	58,317	55,138
No. of employee	146	377	593	895	1,833		2,828	2,950	3,380	3,421	3,309	3,848
pax no	8,000	22,347	67,023	104,067	177,586	231,907	245,465	290,917	509,620	585,517	730,460	942,378





Forum for Social Studies

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