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NEWS FROM AFAR!

## An Interview with Mr. Esayas Woldemariam, the Managing Director of Ethiopian Airlines International Service

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**Editor's note:** *The economic growth and the rise of income levels in Africa has created a growing and strong middle class with global trade and investment opportunities. East Africa is currently the regional leader in terms of GDP growth, coupled with growth in population calls for increasing demand in air travel. Various international airlines such as Turkish Airlines, Ethiopian Airlines, Qatar Airways, Emirates and FlyDubai have recently opened new routes into Africa and have in essence realized the importance of opening access to destinations that are largely underserved and have great market potential. Ethiopian Airlines is East Africa's biggest Airline with a goal to become the largest Airline in Africa, with \$10 billion annual revenue and four hubs to cover continental Africa by 2025. WardheerNews is pleased to bring to its readers an interview we had with Mr. Esayas Woldemariam, the Managing Director of Ethiopian Airlines International Services. Mohamed Osman and Abdelkarim Hassan collaborated on conducting this interview for WardheerNews.*

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**WardheerNews (WDN):** Mr Esayas Woldemariam (Hailu), we are delighted to welcome you to WardheerNews.com, before we delve into the bulk of the interview, could you please share with us a brief background history about yourself?

**Mr Esayas Woldemariam (Hailu):** First, thank you [WardheerNews](http://WardheerNews) for providing me the opportunity to share with Ethiopian Airlines services to your readers. I am the Managing Director of Ethiopian International Services. I head and direct the development and coordination

of Sales, Services and Operation of all International Flights and field office Ethiopian Airlines Group activities and objectives, policies, procedures, plans and programs.

I joined Ethiopian Airlines in 1991 and have served the airline for 23 years in different Senior Management positions including Manager, Revenue Management and Central Reservations Control, Expert Flight Performance and Yield Analysis, Area Manager Greece & the Balkans, Country Manager, Nigeria, Director for Germany and Central Europe and Vice President,

Ethiopian Cargo, Senior Vice President, Global Sales, Chief Commercial officer, and MD Ethiopian International Services the position I currently hold since October 01, 2013.



I have a Master's Degree in Business Administration MBA, from The Open University in UK, and BSc. Degree in Mathematics from Addis Ababa University.

**WDN: Could you share with us a brief history of Ethiopian Airlines (ET) and highlight its evolution in becoming the biggest Airline in Africa?**

**Mr. Hailu:** Ethiopian Airlines, formerly Ethiopian Air Lines Inc. (EAL), was created by the decree of Emperor Haile Selassie I at the end of 1945 with a Pan-African vision of connecting the newly-independent countries of the continent. The airline's first scheduled flight was to Cairo in April 8, 1946.

In 1960, a second leg was extended to Monrovia, Liberia, via Khartoum, Sudan; Lagos, Nigeria; and Accra, Ghana. This was considered a milestone in African aviation as it was the continent's first east-west connection since the days of Imperial Airways. Before then, passengers would fly to different countries in Africa via hubs in Europe.

During the years of recession, austerity and political turmoil, Ethiopian maintained its corporate identity. It invested in its human resources and developed a strong bond of loyalty among its staff. We have the highest levels of professionalism and an enviable work ethic.

Ethiopian has over the years built a brand anchored on Pan-Africanism, and today our widespread presence in Africa and the whole world is a manifest testimony to this remarkable achievement. Pan-African values are embedded in our Vision, Mission and business operations to provide clear guidelines and inspiration to our staff, customers and all stakeholders. Our Pan-

Africanism has helped us grow very fast to become an airline of choice for both international and regional air travelers. It has helped us build a huge presence in the global civil aviation industry with the “Pan-African Spirit” being our unmistakable identity.

Ethiopian continued asserting its presence in the aviation world by becoming a pioneering operator in the history of African aviation. Ethiopian embarked into the jet age as early as 1963 and became the first airline to order Boeing-767 in 1982 that was received in 1984. A few years later, Ethiopian received its first Boeing-737 in 1987. Recently, Ethiopian became the second airline – after Japan’s ANA airlines – to own and operate the Boeing-787 Dreamliner aircraft. We consistently grew to become a major transporter in the world with a current network of 84 international destinations, a fleet size of 77 aircraft and an unrivaled East-West route coverage of Africa.



A major catalyst to our success story is our exceptionally dedicated and uniquely committed employees and management. Ethiopian employees do not consider their association with the airline as a simple contract of employment for a monthly pay check; rather they consider themselves to be in a long-term mission of building a competitive global airline brand for the country.

We have quickly emerged as Africa’s leading airline. Perhaps most significant is our still-evolving role in setting up joint ventures throughout Africa. Ethiopian’s willingness to develop aviation across the continent is noteworthy, particularly given the fact that other major African carriers have been unsuccessful over the years with similar pursuits. We have made intra-African connectivity easier and more convenient with our multiple hubs thru our partnership with ASKY in West Africa and Malawian Airlines in Southern Africa.

Our new flights connecting Addis Ababa, Dublin and Los Angeles will be the first and only direct air route linking Africa with Ireland and the West Coast of the U.S., they will bring these two seemingly far away cities much closer to Africa and will facilitate mobility and connectivity for businesses and the large African Diaspora community living in the West Coast of the United States. We have also augmented our presence in the US market with a new codeshare agreement with United Airlines which will greatly help travelers from the United States get access to more destinations in Ethiopian’s extensive network.

As per our Vision 2025 we have further fleet and network expansion in 2015, enabling our flag carrier to widen the gap with other leading African carriers. Ethiopian has already become the

largest airline in Africa based on fleet size. In 2014, IATA ranked Ethiopian as the largest airline in Africa in revenue and profit.

**WDN: At the fall of the Derg government of Mengistu Haile Mariam in 1991, Ethiopian Airlines (ET) temporarily moved its aircrafts to Nairobi, Kenya. How did the aforementioned move disrupt and impact the various business lines of ET and how were you able to recover?**

**Mr. Hailu:** Ethiopian temporarily relocated its planes to Nairobi as the fighting approached the capital. In spite of the disruption and chaos, and a downturn in the global aviation industry, and the elimination of tourism due to the war, Ethiopian managed to post a profit. Cargo operations, which supplied more than one-third of revenues, were keeping the airline in the black.



**WDN: The rapid economic and population growth in Africa, is [yielding a fierce competition](#) for airspace in Africa. The race both within and outside Africa is intensifying; European and Middle East airlines are also gaining grounds, case in point Turkish Airlines, Qatar Airways, Emirates, and FlyDubai's entrance into African airspace. What are your thoughts on the battle for the African market share and ET's strategy to combat the said competition?**

**Mr. Hailu:** We are not against fair competition. There are problems in our operating environment especially challenging African airlines.

- Africa's airline industry is in a very difficult state, with no major African airline currently making money with the exception of Ethiopian Airlines. This deplorable situation is summed up by one figure: 80% of all long haul inter-continental traffic to and from Africa is carried by non-African carriers. All African airlines combined that is Ethiopian, Kenya Airways, South African Airways, Egyptair, Royal Air Maroc, TAAG Angola and Air Algérie have just 20% market share.
- Lack of cooperation between African airlines and governments is hindering both passenger and air freight traffic growth in Africa. With a pretext of protecting their national carriers, African Governments are not willing to cooperate and open up market access to African Airlines. Instead they cooperate and open up their access to non-African carriers which led to unfair competition in African skies.
- African Union in conjunction with many Africa States is working to advance the full implementation of the YD, which is aimed at liberalizing the intra-African market and creating a common aviation framework.

- The full implementation of YD is the first step towards addressing the challenges of African Airlines and maximizing market potentials in Africa; YD is indispensable and is the best opportunity for Africa to strengthen its safety, security and operational efficiency through the binding framework of a common aviation policy.
- We are working hard to come to a common understanding with all that are concerned on the implementation of the YD so we can create an environment of fair competition.
- ✓ Ethiopian's strategy as always is to offer its customers the best possible on board experience, with a unique African flavored Ethiopian hospitality.
- ✓ Ethiopian focuses on establishing a "global standard of product for the best value" in its Cloud Nine and economy products that will attract the "price rational" African traveler.
- ✓ Price leadership, strong regional connections and an innate understanding of the African market are the key weapons in the struggle. Ethiopian has positioned vast Intra-Africa network better than any Airline, availing its customers the best connection with minimum layover in Addis.
- ✓ We are very confident that we know Africa better than anyone because we have been serving the continent for the last 70 years. As a veteran, primary African carrier, we believe we know the special needs of the African customers and that we are better placed to serve their needs.



**WDN: Besides political instability, some of the key challenges that Airlines encounter in Africa includes: poor aviation infrastructure, slow liberalization of air transport, security and insurance, how do you see the role that these factors play on the successes and profitability of Airlines, in general? Has Africa made any significant progress on these fronts?**

**Mr. Hailu:** There are many reasons for the dire situation of the African airline industry. The main ones are the operating environment in Africa; the lack of a unified African sky policy and sufficient cooperation among African airlines; the competitive pressure and the lack of the necessary critical mass by African airlines.

- Fragmentation of the African sky and the lack of cooperation between airlines puts the African airline industry at a considerable disadvantage vis-à-vis other regions. For example, the European Union has been able to achieve a unified regional aviation policy which fully liberalized traffic rights within the European Union community
- The African Airlines Association (AFRAA) has been working with the African Union and the African Civil Aviation Commission on market liberalization. Ethiopian Airlines has also

been closely working with AFRAA on the possibility that African states could fully implement the YD. The AU is seriously pursuing the implementation of the YD which is essential to create a fair competitive environment for all.

- African heads of state and government passed a resolution on the establishment of a single air transport market in Africa by 2017 at the 24th Ordinary Session of the African Union held in Addis Ababa from January 30 to 31 at the headquarters of the union.
- A recent study commissioned by IATA lists the benefits African states could reap by liberating their air transport market. The study was conducted by an independent consulting firm, InterVISTAS, on 12 countries. The study indicates that the 12 countries could generate additional 1.3 billion dollars to their GDP and create extra 155,000 jobs by liberalizing their markets. The study indicates that Ethiopia could open additional 14,800 jobs and generate extra 59.8 million dollars GDP.

**WDN: As part of ET’s 15 year plan that was unveiled in 2010, your goal is to become the largest Airline in Africa, with \$10 billion annual revenue and four hubs to cover continental Africa by 2025. Could you share with us ET expansion plans and how the 2025 strategy is progressing?**

**Mr. Hailu:** I will try to highlight some of the major milestones of Ethiopian between from the time we started implementing vision 2025 and current status. During this challenging period we managed continued implementation of “Vision 2025” strategy and Ethiopian registered significant growth in the number of its international destinations, passenger number, profitability and fleet size thereby achieving the number one position. In 2014, IATA ranked Ethiopian as the largest airline in Africa in revenue and profit.

	2010	VISION 2025	current Achievement
<b>Number of International Destinations</b>	<b>59</b>	120	<b>84</b>
<b>Fleet number</b>	<b>32</b>	140	<b>77</b>
<b>PAX Number (Millions)</b>	<b>3.1</b>	22	<b>+6</b>
<b>Revenue (Billions US \$)</b>	<b>1.2</b>	10	<b>2.4</b>
<b>Operating Profit (Billions US \$)</b>	<b>0.1</b>	1	<b>0.19</b>

➤ **Financial Perspective:**

- Total revenue and profit for the Financial Year 2013/14 USD 2.4 Billion and USD 161.6 Million respectively.
- Operating Revenue: +21%
- Operating Profit: +34%
- Net Profit: +53%
- In 2014, IATA ranked Ethiopian as the largest airline in Africa in revenue and profit.

➤ **Ethiopian has excellent safety record:**

- Ethiopian Airlines is certified by the Ethiopian Civil Aviation Authority, the U.S Federal Aviation Administration, European Aviation Safety Agency (EASA), and IOSA (IATA Safety Audit). Ethiopian Airlines passed the IATA Operational Safety Audit (IOSA) for the fifth time in February, 2014 without a single finding.

➤ **Market-driven and customer focused passenger and cargo transport:**

• **Market driven and customer focused:**

- ✓ Ethiopian priority is its loyal customers' need. To meet their demand, Ethiopian strives to use the 21<sup>st</sup> century material that gives the utmost comfort and flying experience to passengers. One of these are:

**a. Fleet renewal:**

- ✓ Ethiopian is the longest range operator of Boeing 787 Dreamliner. Ethiopian operates 787-8 Dreamliner at the longest single direction from Addis Ababa to Washington at 7,182 miles and to Toronto at 7,143 miles. Ethiopian was the first next to Japan in acquiring this game changing fleet.
- ✓ Operate a very young fleet consisting of 71 modern aircraft such as the 787s, 777-200 LRs or 777-300ERs. Per Vision 2025, our 15 strategic roadmap, which is now in its 5<sup>th</sup> year, we are on track to generating an annual revenue of 10 billion \$, transporting over 20 million passengers annually and operating 120 aircraft by 2025.

**b. Fleet on order:**

- ✓ Ethiopian has an order of 43 fleet including: A350-900, 787 Dreamliner, 737 MAX 8S, 737-800, 777-300 and Q400

**c. Network Expansion:**

- ✓ Currently Ethiopian operates to 84 countries across five continents of which 49 are in Africa.
- ✓ In 2015 alone, we will start flights to Dublin, Los Angeles, Manila and Tokyo.

**d. Cargo Operation:**

- ✓ Ethiopian Cargo is the largest cargo operator in Africa and currently uplifts 200,000 tons of cargo annually and flies to 24 freighter destinations using 8 dedicated freighters, including B777-200 LRF, the MD-11F aircraft and B757F.

- ✓ By 2025, Ethiopian Cargo plans to uplift over 800,000 tons per year by operating to 37 freighter destinations across 5 continents using 20 dedicated cargo aircraft.

➤ **Infrastructure: Ethiopian is undertaking huge infrastructure expansions to achieve its goals.**

- New Maintenance Hangar started: Two-bay hangar with a capacity to accommodate two B747 aircraft. One bay fully equipped maintenance hangar for B777-200. The other hangar is a full paint hangar. Both hangars shall be equipped with the latest technologies. Includes back sides office and shops. Includes about 124,000m<sup>2</sup> apron works.
- Cargo warehouse to have a capacity of 1.2 million tons annually (both dry and perishable) to be constructed in two phases. When completed the cargo warehouse will be one of the biggest in the world
- Contract for first phase of New Cargo warehouse (600,000 tons annually)
- Work for construction of new headquarters underway
- Work for construction of four star hotel underway

➤ **Aviation training:**

- Through Ethiopian Aviation Academy, which has been instrumental in supporting Ethiopian Airlines operations by supplying the critical manpower requirements in the area of pilots, aircraft technicians, cabin attendants, marketing and ground operations personnel (in addition to career, refresher and management development courses)
- The Aviation Academy is one of the oldest and experienced training centers in the continent and the region spanning over 5 decades since existence and is the backbone of Ethiopian Airlines
- In three years' time, Ethiopian invested close to 80 million dollars to expand and enhance the Aviation Academy. In addition to the B737 and 757/767 simulators, Ethiopian has already installed Q400 simulator where Boeing 787 Dreamliner simulator will be installed in due courses.
- Ethiopian Aviation Academy currently recruits 1000 trainees per annum and this will increase to 4,000 annual in-take capacity by 2025.

➤ **Multi-hub strategy: One brand with multiple products (hub-spoke)**

- One of Ethiopian strategies is to have multiple hubs in Africa connecting it with our main hub, Addis Ababa, as well as hub to hub connections. Next to the main hub, Ethiopian has established its second hub in Lomé (Togo) in partnership with ASKY Airlines and its third at Lilongwe, Malawi with Malawian Airlines.
- Ethiopian has cargo hub at Liège, Belgium

➤ **Ethiopian and its Vision 2025 sees itself:**

To become a world class African airline with fleet size of more than 140, flying 18 million passengers, uplifting 820,000 tons of cargo flying to more than 100 international destinations and more than 26 domestic reaches by generating \$10 billion in revenue and \$1 billion dollars in profit.

➤ **Leading Airline group in Africa with 7 profit centers:**

Through Vision 2025, Ethiopian is transforming into an Aviation Group comprising of seven Profit Centers: Ethiopian International Services, Ethiopian Regional Service, Ethiopian Cargo, Ethiopian MRO, Ethiopian Aviation Academy, Ethiopian In-flight Catering and Ethiopian Ground Services.

**WDN: There is a steadily rising Ethiopian middle class, and coupled with Ethiopia's ranking as the second most populous country in Africa; do you see the birth of privately owned low cost carrier (s), regional or international in the near future in Ethiopia?**

**Mr. Hailu:** There are private airlines already in Ethiopia; however they are not low cost. There is a fair environment for all on the part of the government. However, we have by far the most preferable service on both our domestic and international services.

**WDN: Recently we have witnessed huge volatility in the oil markets. Some Airlines prefer to hedge against such risks as it facilitates planning; however, those Airlines that did not hedge recorded huge profits as they were able to capitalize on near record low jet fuel prices. Does ET prefer to hedge or is the preferred method to purchase on spot and if the jet fuel continues to be low, do you think Airlines will pass some of the savings to the customer by dropping the ticket prices?**

**Mr. Hailu:** We do not hedge fuel; we buy on the available price. This will be an issue we will look closely to determine our steps on our prices.

**WDN: ET was only the second Airline in the World and first in Africa to receive an order from Boeing for its Dreamliner. Has the Dreamliner delivered on its promise of substantial fuel and maintenance costs? Are there any recurring issues that have yet to be resolved with the said aircraft, as in the case of the fire on July 2013 at Heathrow International Airport?**

**Mr. Hailu:** We are happy with the performance of the aircraft, the Dreamliner's are truly "the future of the aviation". The above mentioned issues occurred during the first year of the aircraft's introduction. Since entry into service in August 2013, Ethiopian Dreamliners have been bringing the ultimate travel experience to passengers on Ethiopian flights, whenever we introduce the

aircraft in any route, the load factor immediately increases, which means our customers love the plane and are enjoying its features. We were able to set the longest range operation of the B787 on our long routes and we partly credit our profitability to B787 as it helped us to save on fuel costs because they are super-efficient.

**WDN: Congratulations on the 70 years of experience, where do you see ET in the near future?**

**Mr. Hailu:** As per our Vision 2025, Ethiopian will be the most competitive and leading aviation group in Africa by providing safe, market driven and customer focused passenger and cargo transport, aviation training, flight catering, MRO and ground services.

**WDN: Thanks for sharing your precious time with us.**

**Mr. Hailu:** My pleasure.

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