

TRANSCRIPTION OF MI WEBINAR SERIES OF 23 JULY 2020 ON THE TOPIC: THE NIGERIAN AVIATION SECTOR AMID COVID-19 PANDEMIC: LESSONS AND THE WAY FORWARD.

The Webinar started at about 2.00pm and ended at about 4.10pm. Below are the highlighted points discussed by each of the panelists which touched on “the challenges” of the pandemic, “the lessons learnt” from it, and “the way forward”.

1. MR. ALLEN ONYEMA (Chairman/CEO, Airpeace)

Impact

- Nigerian Aviation industry has been in great turmoil for several decades now. It did not start with the pandemic, as such, what the pandemic has done is to exacerbate those issues that have been there and bring it to light.
- The Covid-19 Pandemic has brought some challenges to the airlines, not just nationwide but worldwide. He wrote to all his staff as far back as March about the futuristic devastating effects of Covid-19 on airlines, but no one seemed to take him seriously as they considered him an ‘alarmist’.
- Every aircraft is supposed to be in the air flying but once as a carrier, your aircraft does not fly then there is a problem both for your workforce, airline, and the economy at large.
- Insurance costs would be paid whether the aircrafts fly or not. Within this period, Airpeace incurred over 4 Million Dollars paying insurance without flying.
- Long-term, short-term and mid-term storage maintenance of the planes had to be paid for despite the fact that the planes were parked and not in use.
- Another problem posed is the how to import some of the parts of the aircraft during maintenance, especially in the midst of the international travel ban. In a nutshell, maintenance cost rose and there was no revenue to meet the high cost.
- The loans acquired by the airlines could not be serviced as there was no cash inflow.

- Reduced or no remuneration to workers in the sector.
- Airlines live on daily funds, as such, prolonged inability to make money leads to bankruptcy. A typical example is Virgin Australia that went bankrupt within two (2) weeks of inactivity.
- The pandemic had affected Airpeace's workforce and most of the workers had to be sent on unpaid leave.
- Most of the airlines that have their planes in different parts of the world run the risk of parts of their aircraft sold due to inability to make payments as issued by the countries.
- The workforce might not be understanding as to what is going on as such, they might think one is heartless or unjust as to slash in salary payment.

Way Forward

- Some policies should be reviewed.
- Working together hand in hand
- Workforce should be more understanding that it is no more business as usual.

Question Posed to Mr. Onyema: - Like we have experienced in the banking sector; do you see Mergers and acquisition coming to play in the aviation industry?

Answer: - Mergers are not forced; you have to open your eyes to float an airline. If Airline A decides to merge with Airline B, there is nothing wrong with that. Merger is not coerced even with Government policies. However, there are other ways, for example, if you say an airline must have a minimum of 10 aircrafts, an airline that has just two (2) airlines can merge with another airline that has eight (8) airlines. Mergers can only work if you do not have enough capacity as such, mergers help to boost the capacity.

2. MRS. NNEKA ONYEALI-IKPE (Managing Director, Fidelity Bank Nigeria Plc)

Impact

- It is a downturn and it has affected the aviation sector at large especially, their revenue. However, the Central Bank of Nigeria (CBN) came to the rescue by directing all the banks to give airlines some palliatives and the CBN has in its wisdom granted the airline operators moratorium on loan repayment ranging from 3 months to 1 year depending on what the airlines want and what they could absorb; which means that the airlines would not pay principal and interest for the freeze period. The interest rates were reduced, and some were foregone so airlines are not under pressure for the next 1 year.

Question Posed to Mrs. Onyeali-Ikpe

Do you foresee airlines going bankrupt in the nearest future if quick measures are not taken?

Answer: - Not at all. Air travel is an essential industry now as we see the level of insecurity in road travel, therefore, making people go for air travel. There is the expectation that there would be recovery towards the end of the year for airlines, as the domestic air travel ban has been lifted. Also, restrictions on international flights would be sorted by the end of the year. By 2021, the prognosis is that Airlines would recover. Financially, they have Government backup, CBN's palliative and people now opt for air travel, so they should be able to hold forth till business picks up. We expect job losses, loss in revenue to mention a few.

Way Forward

We have discussed with airlines to renegotiate their contract with their vendors and contactors that work with them, maintain a lane structure, get some concessions from airport authorities, and do a form of promo on prices of tickets to sustain business growth.

POLL SECTION – After the above panelist had spoken, a few minutes poll section was conducted for the participants to vote.

The Poll question was: *“With the re-opening of the airports in Nigeria, would you fly amidst Covid-19?”*

The options were: (a) Yes (b) No (c) Uncertain.

The result of the poll was shared as follows:

YES- 76%

NO- 13%

UNCERTAIN- 11%

3. COMRADE ABEDNEGO (President, National Association of Aircrafts Pilots and Engineers)

Impact

- The impact generally has been severe especially on the aviation sector. Pilots and engineers have not been left out as it is clear that there is a need for improved governance.
- There is drastic job loss amongst the pilots and engineers.
- Cut in salaries and remuneration of its members.
- The pandemic has affected payment on flying and maintenance business.

Lessons Learnt

- Pilots and engineers have started looking at a review of their terms of employment due to the general cut in salaries.

Way Forward

- Reliefs should be sought for airlines.
- The industry should be grown.
- There are three (3) stages that must be passed in this period: - the Relief stage; the recovery stage (which is the stage that we are right now); and the reform stage (particularly in terms of corporate governance).
- He stressed that the corporate governance is very weak and one of the things that can make it thrive is where the Government, Labour union and aircraft owners collaborate in to moving the industry forward

- Need for investment in terms of leasing of aircraft

4. COMRADE ILLITRUS AHMADU (President, Air Transport Senior Staff Service Association of Nigeria).

Impacts

- Protocols for engagement in situations like *force majeure* of this sort means that aircraft owners would have to send their workers on compulsory leave without pay. In organizations where there is union of workers, the unions have to be consulted with before taking those decisions. However, what we found was that the decisions on laying off of such members and sending them on compulsory leave without pay were not communicated to the union.
- Most of the airline operators have not given sufficient room for industrial democracy; airlines come and go, and they do not allow their members to be part of the unions, which violates the Labour Laws.

Way Forward

There are lots of measures that have been put in place such as:

- Disinfecting the aircrafts.
- Special air circulation system that removes about 99% of the contaminated air after a certain period of time called "High Efficiency Particulate Air system"
- There are measures to ensure that everyone on the plane puts on their face masks and use hand sanitizers.
- We have to continue to do all sorts of campaigns to engender confidence in the industry in the flying public that they can fly.

5. MR. MICHAEL. I. IGBOKWE SAN (Principal Counsel, Mike Igbokwe (SAN) & Co.)

Impacts

- The aviation industry is not devoid of disputes, there are contractual agreements that have not been kept. The Courts were not in a

position to gear claims and resolve disputes due to the lockdown and social distancing mechanism put in place. Consequently, aviation claims and disputes were not being heard inclusive of the very urgent ones. We know this is a very capital-intensive industry, as such, resolution of disputes is a very important part in the sector. Our courts and tribunals as we all know have been playing major roles in resolving the disputes but due to the pandemic, they had to be put on hold.

- Another issue was that some of the cases ran the risk of being statute barred as time is always of the essence. Parties ran the risk of losing their right to sue.
- The issue of force majeure- disputes such as labour and contractual issues. These disputes would have to be resolved one way or the other either by the National Industrial Court (NIC) or the Federal High Court (FHC).
- Loss of income and revenues on the part of the airlines which might lead to insolvency and the eventual winding up of the aircrafts.

Way Forward

- The FHC came up with Practice Direction for the Covid-19 Period on 18 May 2020 with a view to ensuring an alternative way of hearing cases in this period such as virtual hearing and electronic means of filing. The Practice Direction should be made permanent as this is the new normal, we cannot go back to business as usual.
- On a good note, the Supreme Court has declared virtual hearing of cases as constitutional. However, the infrastructure for virtual hearing has not been fully put in place, which means that the Government needs to do something very fast with a view to providing the necessary funding and putting the right infrastructure in place, to ensure that the means of hearing cases by virtual method would not only be operational but convenient.
- The rule that hard copies of processes would not be touched by Courts till after 5 days need to be addressed. My suggestion is that this is bound to delay the urgent hearing of applications particularly, the ones that have to do with arrest of aircrafts and parts of aircrafts.

Rather than wait till 5 days before the documents can be touched, we can apply a modern technology that allow the decontamination of physical documents before they can be used.

QUESTIONS AND ANSWERS

1. *Can the airlines consider the Ethiopian Airlines model by using their aircrafts to carry cargo?*

Comrade Galadima - It is an opportunity for the airlines to consider going into cargo carrying operations but there is no participation from the local airlines. As to the Ethiopian Airlines model, I think it is worthy of emulation as it is one of the success stories in Africa.

2. *What steps are Airlines taking to ensure that their airlines are safe and worthy to resume work?*

This question was answered earlier in the course of the discussions.

3. *Apart from cutting staffs' salaries, what other measures do you think airlines can take to mitigate the impact of Covid-19?*

- **Comrade Illitrus** - There are plethora of measures that can be taken in this period. Because of the lack of confidence to fly, airlines can fly into the same route by going into partnership on sharing loads as it makes no sense to leave seats empty when you can put passengers in an airline going to the same destination.

- While it is given that mergers cannot be forced in our industry, it is recommended especially for operational purposes and risk sharing for airlines to go into partnership either through sharing interline where commercial exposures can be reduced. Most of the global giants in the aviation sector are in one form of alliance or the other. No Nigerian carrier is part of it, the reason being that we have not been able to develop capacity to give other international operators the confidence to cooperate with us. At the end of the day, it is about branding so as to sustain the services.

- For those that are publicly quoted, mergers and partnerships might be a subject of consideration for them, the airlines need help in the area of incentives, reduction in the prices of Jet A1. NAF Canada is a private navigational service provider in Canada, they do rate

stabilization; whatever rates they charge for their services, a portion of the amount is kept somewhere. So, whenever there is inflation or ask cost of equipment, rather than increase the charges, they draw from that stabilization fund and they rates are kept as they were; this is something the aircraft operators and the airlines can look into in order to stabilize and cushion the effect of hardships in emergencies like this.

- **Comrade Galadima** - Patronizing local maintenance organizations would go a long way in cutting down unnecessary coasts. Airlines have the habit of bringing in expatriates and that comes with a huge cost. We have professionals on ground in Nigeria and if they are patronized, this would cut down lot of costs for nearly the same services.

- **Mrs. Onyeali-Ikpe** - From a financial sector, what we see as a major success factor in the aviation industry is Corporate Governance and financial discipline. When the owners of the business have financial discipline, a case study on Airpeace, you would find out that they are able to withstand shocks like this because they have reserves which they have built over the years. Companies that are cash rich should put aside funds for the rainy day-Debt Service Reserve Account. This creates a buffer that they can depend on for harmattan season.

MIKE EGBURKWE (SAN) & CO.

Going forward, we need airlines to digitize their processes as a lot of things are being done virtually.

4. *Would you agree that one of the ways forward is for us to improve on infrastructure: the running ways, the lightning of the airports so we can fly 24 hours and improve the services?*

- **Comrade Ahmadu** - If you look at the country currently, a lot of efforts are being made by Government to improve infrastructure at the airports. Aircrafts in Nigeria are underutilized, the aircrafts are built in such a way that they are not meant to sit on ground for too long. We have the necessary infrastructure at our airports and security on ground with airfield lightning; we have Instrument

Landing System (ILS) working perfectly, and the right NAF equipment, so now we can operate till early hours in the morning.

- It is very important that we improve infrastructure in our airports to extend the life of business activities. Most cities of the world where the environment is well lit, businesses continue till early hours in the morning. Very importantly, we must ensure that securities are provided right from the airports to the townships so that passengers who are flying into the night will feel safe to fly.
- **Mr. Igbokwe SAN** - We used to have night flights into Lagos, the aircrafts would land in MMA. This should be extended to other airports and the issue of security is vital. If we are able to do that, not only will airlines be in the position to generate more revenue, they would also be increase in the number of cargoes and passengers.
- **Comrade Ahmadu** - For us to sustain the Foreign Direct Investment (FDI) in Nigeria, the framework in place does not encourage investors to come to invest. We can get it right as a country, provided that due process is followed starting from the operators to various stakeholders including labour. If the process is participatory and transparent, no one would raise an eyebrow. We need FDIs and participation of the private sector towards upgrade of infrastructure at the airports. This is feasible provided that we are guided by the basic tenets of nationalism, transparency, and due process.

FINAL WORDS

Mrs. Nneka Onyeali-Ikpe - My final words would be to encourage the air travelers that the means of travel by air is safe and that the banks and the Government are solidly behind them, giving them all the support that they need to surpass this period of crisis. With things looking up, there is no need to worry because the Government have provided the means especially for those who have issues with maintenance fees, resources have been provided and longer periods of payment have been given to them. We have assisted to provide the funding needed to ensure that the issue of bankruptcy does not occur at all.

Comrade Galadima- I want to encourage the stakeholders to partner with the airline owners, investors, and Government; and work in synergy to ensure that industry is grown especially the consumer market. There is need for us to increase capacity. I also want a situation where the Nigerian Civil Aviation Authority (NCAA) ups its game in the financial regulation of airlines so that the proper discipline is instilled, and investments are stable so as to absorb the shocks.

Comrade Ahmadu- Covid-19 has become the new normal, even the regulators have taken up the challenge as most of the meetings are done virtually. We must see how we can properly automate some of the processes such as licensing thereby fast-tracking it. Provision of security cannot be over-emphasized and conclusively, it is safe to fly. Our Association has injected a shift on the way of operations, in the last Five (5) years we have actually been engaging aircraft owners in dialogues and round table discussions for the interest of all and sundry.

Mr. Allen Onyema- At this point, he had excused himself to start up another meeting. So, on his behalf, the Moderator stated that he believed his last words could have been - We should keep flying and it is safe to start flying in the midst of Covid-19.

Mr Michael I. Igbokwe SAN- My final words to the stakeholders is that the Federal High Court has come up with Practice Directions and Rules to facilitate quick dispensation of justice in respect of disputes or claims concerning the sector. The same goes with the National Industrial Court when it comes to Labour issues, so it is no longer like what happened during the lockdown when Courts were shut down; we have access now to the Courts with a view to resolving whatever disputes must have arisen even during Covid and post Covid.

Secondly, arbitrators and mediator are available, and it is important to make good use of these mechanisms rather than resorting to self-help, thereby, leading to anarchy. Rather than go on strike, the Pilots are encouraged to go into negotiation with the aircraft owners as we really need this sector to move this economy to a better place.