

Comair's Air Malawi take-over bid grounded

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The Malawi government has scuppered South African Comair's bid to take over Air Malawi.

Transport and Public Works Minister Henry Mussa told Biz Community that they were looking for a partner who would venture into a Public Private Partnership with it, and not an outright buy-out as proposed by Comair.

"We only wanted a technical partner," said Mussa who said the Malawi government would still like to have some control over the company as they learnt a bitter lesson when the Central East African Railways bought out the Malawi Railways.

He said since Comair entered a franchise agreement with British Airways in 1996, they wanted to erase anything Malawian on the company and let it wear British Airways colours.

Air Malawi Chairman Jimmy Koreia-Mpasa said, "We are happy that the Comair deal has been turned down and as Air Malawi we will now look for a partner through the Public Private Partnership arrangement to invest in the airline". The company is looking for a partner that will invest but let the company keep its name and people's jobs as well.

Koreia-Mpasa disclosed that a Qatar investor has already shown interest and has since approached the airline for a possible investment.

Perform, or else!

Minister Mussa has told several state-owned companies including Air Malawi and Airport Development Limited to pull up their socks and start remitting dividends to their shareholders.

"We want to see Air Malawi posting positive financial results...We are tired of supporting it financially," he added.

Koreia-Mpasa conceded that indeed despite making a huge turnaround in the second half of 2006, Air Malawi was still failing to post dividends to government.

Last year Air Malawi made over K1 billion (US\$7.1million) of which K132 million (US\$942,857) was profit, compared to a K854 million (US\$6.1 million) loss in the 2005/2006 financial year.

Recovering

“We are slowly recovering but we still need more time because we are currently retiring huge debts that we had,” said Koreia-Mpasa.

Air Malawi is said to be paying about K5 billion (US\$35.7 million) in debt service every year.

Koreia-Mpasa disclosed that the company owes a huge debt to the PTA Bank, which they are now repaying through the lease of their 110-seater Boeing 737-500 aircraft to Rwanda Air in 2006.

Air Malawi CEO Wisdom Mchungula said with the failure of the Comair takeover, the airline will be leasing two 30-seat aircraft expected to be in Malawi by March.

Air Malawi uses a 131-seater 17-year-old Boeing 737-300 and an ART 42 on its domestic routes.

The leasing of the Boeing to Air Rwanda means that Air Malawi is now left with three aircrafts, the 101-seater Boeing 737-300, 48-seater ART 42 and 19-seater Let 410. The Boeing handles the Johannesburg and Nairobi routes while the other small planes route to Tete in Mozambique, Lusaka in Zambia, Dubai in the UAE and within Malawi.

Zimbabwe agreement plagued by problems

Two years ago, Air Malawi entered into an agreement with Air Zimbabwe on the route to London. No further communication is coming out from the firm on the position of the arrangement, which was characterised by late schedules and other problems.

Plans to have the airline privatised started in 2000 but government failed to secure a successful buyer mainly due to the issues surrounding 9/11, the SARS epidemic and the Iraq war.

Late last year Koreia-Mpasa fought government over its proposals to liquidate the airline and allow Comair take over by December 1, 2007.

The Malawi media intercepted a letter from Finance Minister Goodall Gondwe recommending to President Bingu wa Mutharika, dated September 10, 2007, on the liquidation proposals.

In the letter, Gondwe informed Mutharika that Comair had submitted a formal proposal demanding that Air Malawi be replaced by a new airline called Comair Malawi Limited.

Koreia-Mpasa argued then that there was no justification from government to sell the airline without amending two relevant Acts of parliament. Since the Privatisation Act says a company is liquidated only if it is performing poorly and efforts to privatise have failed, Koreia-Mpasa argued that this was not the case with Air Malawi and therefore government's decision was without justification.