Aviation. |

KQ to ditch Embraer, Bombardier jets

Kepha Muiruri and Boniface Otieno

Kenya Airways (KQ) is set to do away with Embraer and Bombardier aircraft from its fleet as it opts for Boeing planes as the company adopts mono fleeting.

Mono fleeting, a cost containment measure, aligns to KQ's focus on optimising its fleet and network plan — a short to long-term strategy. So far, KQ has disclosed the exit of two Boeing B737-700 and two Embraer E190 jets.

"The board has approved that we move towards the Boeing aircraft. This is, however, going to happen progressively and not in one shot because we don't want to overheat," said CEO Allan Kilavuka last week.

Mono fleeting has been tipped to ease KQ's fleet operational maintenance and training costs on crew and engineers.

KQ fleet in service

The airline had 39 aircraft in service as of December 2022

Aircraft type	2021	2022
Embraer 190	15	13
Boeing 737-800	8	8
Boeing 787-8	9	9
DASH 8 – 400 (Jambojet)	6	7
Boeing 737-300F	2	2
Total	**40**	**39**

Source: Company statements

"Mono fleeting simplifies our fleet and brings more commonality to the type of airline that you fly. This helps with training and planning and reduces costs in terms of the crew you need and spare parts costs," he said.

The switch from Embraer's' would allow Kenya Airways to operate sizeable craft with aircraft types being deemed as too small.

In 2022, KQ operated 39 aircraft, both owned and leased, including nine Boeing 787 wide-body jets.

Additionally, the carrier operated eight Boeing 737 narrow-body jets, 13 Embraer regional jets and two Boeing 737 freighters and seven Bombardier Dash 8-400 jets.

The gradual move to mono leasing is expected to complement KQ's recent restructure of lease rentals to ultimately reduce lease ownership costs.

Last year, KQ restructured lease rentals with 10 out of 12 lessors and achieved an average lease reduction of 22 percent across the fleet.

During the same period, the company agreed to extend sublease agreements for three Boeing B777-300ER craft until they are 12 years old.

The period also marked the return of two leased Embraer E190s on expiry of their leases.

KQ fleet ownership costs stood at Sh17.6 billion in the year ended December 2022 from Sh16.6 billion in 2021 but were lower than the Sh28.6 billion posted at the end of 2020.

The carrier's fleet costs include short-term lease expenses, depreciation and impairment of aircraft and related equipment, amortisation of right of use and return condition and variable lease expenses.

Depreciation and amortisation made up the bulk of KQ leasing costs in the year to December.

The airline's current fleet has an average age of 10 and is deemed to be fuel-efficient.

From 2021, the management of KQ says it has achieved 18 percent reduction in aircraft rental obligations including savings of about Sh281 million ($2 million) per month, and a reduction of Sh3 billion ($21 million) in the outstanding lease deferrals.

→kmuiruri@ke.nationmedia.com
→botieno@ke.nationmedia.com

Civil service pension scheme holds AGM

Public Service Superannuation Scheme chief executive Alice Nyriki (right), chairperson Titus Ndambuki (centre) and vice-chairperson Agnes Mwenda during the fund's annual general meeting at the Kenyatta International Convention Centre in Nairobi last Friday. BILLY OGADA

Health. |

Analysts see little impact on Coca-Cola over Diet Coke

REUTERS

Coca-Cola will only see a limited impact if the world health agency classifies the artificial sweetener used in its Diet Coke, aspartame, as a possible carcinogen, thanks to its scale of production, analysts said on Friday.

Such a classification of the popular additive in July by the World Health Organisation's cancer research arm could cause consumers, food firms, retailers and restaurants to decide whether to fight back or find alternatives. But for Coca-Cola, whose low-calorie products accounted for a third of its total volumes sold in 2022, analysts said switching to a natural sweetener could be easier than many other companies that use aspartame.

"Coca-Cola has one of the best production and distribution systems globally... who have successfully navigated plenty of hurdles in the past, like sugar taxes and reformulations associated with that," said Charlie Higgs, an associate partner at Redburn Ltd, a consumer staples research firm.

In the past, beverage makers like Coca-Cola and PepsiCo have tweaked their ingredient composition to comply with evolving policy changes.

The companies had in 2012 altered their manufacturing process of the caramel colouring in their colas to meet the requirements of a California ballot initiative aiming to limit people's exposure to toxic chemicals.

Market Analyst Grzegorz Drozdz at investment firm Conotoxia Ltd said the shift from aspartame could hit the short-term profitability of Coca-Cola, but does not see a steep decline in its long-term growth.

Manufacturing. |

Delayed automotive policy slows down VW plan for Kenya hub

Elizabeth Kivuva

German motor vehicle manufacturer Volkswagen says the delay by the Kenyan government to implement a national automotive policy is holding back its plans to localise its new cars.

Volkswagen Group head for African region Martina Biene says the policy expected to drive sales of new passenger car brands has been 'stuck' despite Kenya being the company's hub country for East Africa.

"Kenya would be our first country when we look at localisation, but it's not moving. We would love to venture forward," said Ms Biene.

Localisation would mean increasing production activity in the plant to reduce the cost of a vehicle and the waiting period after customer orders.

"But a lot of promises which have been made to increase new car demand are still not in place. That makes it difficult for us further look into more localisation because it's all about the numbers."

Parliament approved the Kenyan National Automotive Policy in May 2022 aimed at supporting local motor vehicle assembly.

The document has not delved into specifics of the support but it is understood that it will include restriction of second-hand imports which the Kenya Bureau of Standards has moved to enforce but has been stalled after a court injunction.

The policy has been in the works for years but has not been implemented. It has undergone several revisions amid lobbying by new and used vehicle dealers.

An automotive council is expected to be formed by the end of August.

Volkswagen in Kenya is assembling about six brands at the Kenya Vehicle Manufacturers (KVM) facility in Thika, where the government has a 35 per cent stake, CMC Holdings at 32.5 per cent and CFAO Motors Kenya at 32.5 percent stake after a merger with now owns DT Dobie Kenya.

It employs the semi-knocked down model, where assemblers work on finished vehicles imported from South Africa, knocked down into a limited number of parts.

→ekivuva@ke.nationmedia.com