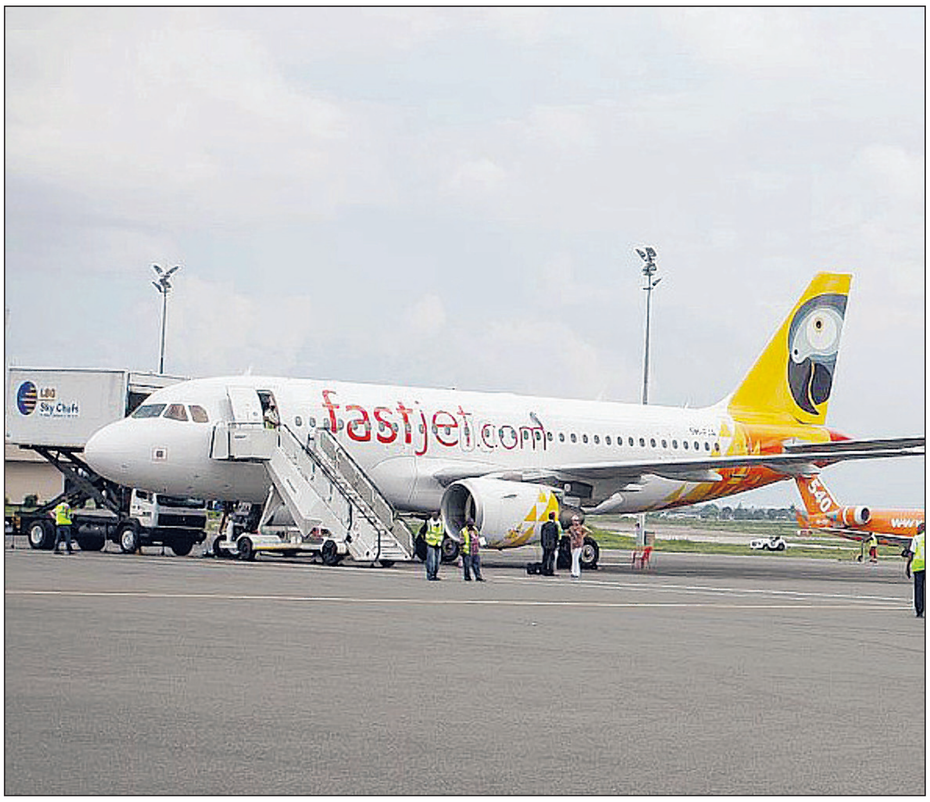
Fastjet Tanzania brings battle to KQ's doorstep



COMPETITION: A Fastjet plane taxies at Kilimanjaro International Airport in Tanzania.

BY RICHARD MUNGAI

FASTJET Tanzania, will today launch its maiden flight between Nairobi and Dar es Salaam, following clearance by Kenya and Tanzania civil aviation authorities, according to its management.

The low-cost airline said scheduled flights between Nairobi and Kilimanjaro will also commence today, adding fares will be significantly lower than those charged by other airlines currently operating direct flights between the two countries, a move which is expected to stir competition on the route.

Fastjet said fares from Nairobi to Kilimanjaro will start from $50 (Sh,5017) one-way, while fares from Nairobi to Dar es Salaam will start from $80 (Sh8,171) one-way, both excluding taxes.

National carrier, Kenya Airways, yesterday said in an advertisement that its charging $266 (Sh27,169) for an all inclusive one way ticket for a flight from Nairobi to Dar es Salaam.

It lists free refreshments on board, up to two bags free in the hold and free entertainment, choice of five flights every day and a chance to get a refund on your ticket as some of the things that gives it an edge over the low cost airline.

Other competitors such as Ethiopian Airlines, Precision Air and Rwanda Air, are currently charging about $237 (Sh24,210), $222 (Sh22,675) and $236 (Sh24,105), respectively, which include taxes, for a one way flight on the same route.

"The maiden flight from Dar es Salaam to Kenya is expected to land at the Jomo Kenyatta International Airport on Monday," Fastjet general manager for East Africa, Jimmy Kibati, said in a statement on Friday.

"Tickets for flights on the new routes are on sale immediately. Fastjet recommends passengers to book early to take advantage of the lowest priced fares," he said.

He said Fastjet will be use modern Airbus A319 jet aircraft with seating for up to 156 passengers and the low cost model will be targeting first-time flyers who currently travel by road, due to the prohibitively high fares for regional air travel.

Fastjet has been flying internationally through its subsidiaries in South Africa, Zambia, Uganda, Zimbabwe and Malawi.

The airline plans to launch Fastjet Kenya, a separate company within the Fastjet group, targeting flights between Nairobi and Entebbe, Kinshasa, Harare, Kilimanjaro, Juba, Lilongwe, Lusaka and Zanzibar routes.

However, its yet to get the necessary approvals from the Kenya Civil Aviation Authority, which in November announced in a gazette notice, that FastJet Kenya had not been granted an air service licence to operate flights from the Jomo Kenyatta International Airport.

According to Kibati, Fastjet further expects to launch flights between Zanzibar and Nairobi and Dar es Salaam and Mombasa later in 2016.

"We are very grateful to the authorities in both Kenya and Tanzania for working together to make it possible for us to realise our vision of growing the number of consumers who can access the convenience of affordable air travel," he said.

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ALY KHAN'S STAR PORTFOLIO

2016 STARTS WITH A BANG

The year 2016 started with a bang. North Korea's 'Lil Kim' set off a bomb and the global media has been busy challenging whether it really was an 'H' bomb. In a show of support for South Korea and as a show of force, the US deployed a B-52 bomber on a low-level flight over South Korea yesterday. Saudi Arabia conducted its first mass execution of political opponents since 63 religious extremists were publicly beheaded for the 1979 siege in the Grand Mosque of Mecca. The execution of Sheikh Nimr-al-Nimr was the catalyst for the sacking of the kingdom of Saudi Arabia's embassy in Tehran and relations between the two have apparently entered a tailspin. Last year, I spoke of how the world had entered a new arrhythmic [irregular heartbeat.] Normal and the geopolitical heart in the year 2016 has evidently not normalised. Geopolitics was however eclipsed by events in the financial markets.

Nowadays the markets begin their day in China. China sets the tone for the rest of the day. China's Shanghai Composite Index slid 10 per cent for the week but that does not tell the whole story. There was carnage in a week that saw two abbreviated trading sessions [one of just 29 minutes] and by Friday, the authorities decided to ditch the whole circuit-breaker business. Massive buying by state institutions staunched losses which would have been off the charts otherwise. Chinese weakness spilt over into other markets with Germany's DAX Index falling below 10,000 for the first time since October, Europe's Stoxx 600 Index lost 6.7 per cent for its biggest drop in four years. A gauge of emerging-market equities compiled by MSCI fell 6.8 per cent. The US S&P 500 .SPX suffered its worst five-day opening to a year on record going back to 1929 and the Dow notched its worst start to the year on record dating back to 1897. The Chicago Board Options Exchange Volatility Index surged 48 per cent to 27.01. The VIX's biggest jump in a month left it 61 per cent above the one-year average of 16.7. This is extreme price action any which way you care to slice it.

Crude prices plunged to a 12-year low and look headed into the $20.00-$30.00 range as early as next week. Commodity prices have cratered except for gold [a geopolitical proxy] which got a nice pop back to the $1,100 area. Commodity-based currencies dropped like a stone. The commodity markets have been a persistent signal in the noise. The Japanese yen rallied big and actually one of my conviction trades for 2016 is to buy the yen against just about everything. Dollar/yen closed at 117.30 Friday and I think can get to 105.00 and even 95.00 this year.

There are clearly winners and losers in Africa. The big elephants in the room, Nigeria and South Africa [which together make up considerably more than 50 per cent of sub-Saharan Africa GDP] are getting mauled. Madam Lagarde [MD of the IMF] was in Lagos and trying her elegant level best to cajole President Buhari into devaluing the Nigeria naira and at a time of his choosing rather than in a disorderly manner and at a time of the markets choosing. A 20-25 per cent devaluation of the naira is predicted and predictable. In South Africa, the rand traded back above 16.00 On Friday and within a whisker of 'David van Rooyen' Lows. I have an admittedly outlier call of 20 to the dollar in 2016. In a bear market the President Zuma hair-cut is going to get deeper and deeper.

There is no Hail-Mary pass coming for the commodity producers, and from Abuja to Luanda, from Lusaka to Johannesburg, the denouement is still ahead and the risks of a disorderly break-down are spiking just like the Chicago Board Options Exchange Volatility Index.

Which brings me back to East Africa and Kenya. There is a massive trend-change occurring in front of our eyes in what was a previously intractable problem, the perennial current account deficits. This is an important point to note. Our import bills [fuel and associated product are the single biggest expense item] have cratered. At current prices, I estimate Kenya is on-side by $150 million a month. This is big and this is why the shilling has turned 'teflon'. In fact, whilst Kenya still runs behind Tanzania and of course Ethiopia on a GDP basis, this part of Africa is now outperforming the rest of sub-Saharan Africa and the outperformance is accelerating and we might just find ourselves in a sweet spot.

Readers are advised that this column represents Mr Satchu's personal opinion.