ASSESSMENT OF THE AIRLINE INDUSTRY IN TANZANIA,
POTENTIAL OPPORTUNITIES AND CHALLENGES: A CASE
OF PRECISION AIR
ASSESSMENT OF THE AIRLINE INDUSTRY IN TANZANIA, POTENTIAL OPPORTUNITIES AND CHALLENGES: A CASE OF PRECISION AIR

By
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A Dissertation Submitted to Mzumbe University in a Partial Fulfillment of Master Business Administration in Corporate Management (MBA-CM) of Mzumbe University

2015
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled “assessment of the airline industry in Tanzania: potential opportunities and challenges. A case of Precision Air”, in partial/fulfillment of the requirements for award of the Master of Business Administration (Corporate Management) of Mzumbe University.

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ACKNOWLEDGMENT

This work has been made possible through the efforts and support of several individuals. However before all I would like to thank the almighty God for giving me health and strength to accomplish this work.

I acknowledge my heartfelt and deep sense of gratitude to my supervisor Mr. Nicholas Tutuba for his passion, encouragement, understanding in developing the study design and successful conclusion of this study. Special thanks and appreciation is extended to my lecturers, and members of Mzumbe University for their assistance, guidance and counsel, as well as my fellow students such as Mageni Joseph and the others for their insightful collaboration and advice throughout my study.

I am equally profoundly grateful to my family especially my parents Mr. E Makubo and Ms Lillian Lwakatere for their material and moral support during the whole time of my study thank you for the incredible inspiration, support, commitment and affection you showed me.
DEDICATION

This work is dedicated to my beloved family.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AERA</td>
<td>Airports Economic Regulatory Authority</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IATA</td>
<td>International Air Transport Association</td>
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<td>ICAO</td>
<td>International Civil Aviation Organization</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technologies</td>
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<td>IOSA</td>
<td>Operational Safety Audit</td>
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<td>IPO</td>
<td>Initial Public Offering</td>
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<tr>
<td>JNIA</td>
<td>Julius Nyerere International Airport</td>
</tr>
<tr>
<td>LCC</td>
<td>Low Cost Carriers</td>
</tr>
<tr>
<td>TIC</td>
<td>Tanzania Investment Centre</td>
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<td>USD</td>
<td>United State Dollars</td>
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ABSTRACT
This study investigated the assessment of the airline industry in Tanzania: potential opportunities and challenges a case of Precision Air. The study was guided by three questions and specific objectives namely; to find out the challenges which face Precision Air in its operations, to identify potential opportunities which are available in the country for Precision Air, to determine measures to overcome challenges facing the airline industry operations. The specific research questions includes what are the challenges which face the Precision Air in its operations?, what are the potential opportunities which are available in the country for Precision Air?, what are the possible measures to overcome the challenges facing the airline operations?. The study was conducted in Mwanza and Dar-es-Salaam based Precision Airline offices. A sample of 100 employees (respondents) was used in this study. Simple random sampling as probability sampling was used. Data were collected using questionnaire documentary review. Statistical packages for social sciences were employed in the data analysis to obtain the frequencies and percentage of the findings.

It was found out that, there are a number of challenges facing the airline industry which includes maintenance costs, financial difficulties, increase in fuel price, taxes, currency fluctuation, poor infrastructure, lack of airports, and lack of skilled labour. The potential opportunities which are available in the country for the growth of the airline industry are the vast population coverage of the country, rapid growing sectors such as tourism industry, natural gas, expansion of terminals, and venture to new destinations. The measures which can overcome challenges facing the airline industry operations are training the airline employees, reduce bureaucracy, increase inter airline meetings, having stable electricity supply, reduce fuel costs, improve management system and hiring skilled personnel.

It was concluded that, regardless of the importance of the sector in the development of the country, there are number of challenges and opportunities. It was recommended that training would help airline employees, ensuring man power retention, and offering of scholarships to Tanzanians in the aviation sectors.
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CHAPTER ONE
INTRODUCTION AND BACKGROUND INFORMATION

1.0. Introduction
This chapter provides the general background of the problem under investigation. It states the research problem, and objectives of the study. Moreover, it provides the research questions, study significance to different users and scope of the study.

1.1 Historical Background of the airline industry
Compared to other industries the airline industry has a rather short history to look back at. Even though it is not possible to provide a single date which serves as a starting point for the airline business it is feasible to mention the Wright brothers who conducted powered air flights in 1903 and by doing that set the basis for personal aviation (Sheehan & Oclott, 2003). Six years after this flight the German general and aircraft manufacturer Count Zeppelin was the first business man to found an airline. On 16 November 1909 the Deutsche Luftschiffahrts-Aktiengesellschaft (DELAG) was established to operate passenger flights from the company’s home base Frankfurt (Gunston, 1978).

Bieger and Agosti (2005) developed a model of four stages which comprises the evolution of the airline business and divides it into four parts. The first stage mentioned is called technical stage and lasts until the beginning of World War II. In those early years, travelling by air was rather suitable for adventurers. The business was a supply side business and airlines making profits could hardly be found. Stage 2, called political stage covers the establishment of international regulations, agreements, and standards which were set for the transportation industry. Important technological achievements were made in the 1950s with the development of jet planes which enabled airlines to start immense growth (Sheehan & Oclott, 2003).

The airline business started putting more emphasize on quality and costs in the early 70ies. This third stage was also shaped by the introduction of open sky policies, new
services, pricing schemes and competitors entering the market with new business concepts. The last stage, network and alliances, started in the 90ies with the introduction of low cost carriers (LCCs) and the process of forming alliances among already established carriers which completely changed market conditions. In Europe, new established LCCs like Ryanair or EasyJet took advantage of the liberated European skies and managed to successfully position themselves in the market. At the same time many old-established full services carriers like British Airways or Austrian (Aydm, 2007).

Airlines faced severe financial problems. In 2002 Swiss Air who was renowned for service excellence was grounded, a scenario that at that time no one would have accepted for an established carrier. Swiss Air’s grounding however stressed the need for airlines, regardless of how long they were already part of the airline market, to adapt their business model to the changing needs of customers (Aydm, 2007).

Current developments show that traditional full service airlines have to face new competitors like Emirates entering their home markets. How Emirates managed to successfully enter distinct markets around the world and continues to make profit is to be explored in this paper. Advances regarding Information and Communication Technologies (ICT) played a crucial role in the development of the airline business and are taken into consideration in the marketing and consumer behavior part of this thesis (Pat, 2007).

**Tanzania Context**

According to Pat (2007) aviation industry is one the country’s fastest growing industries. Government has taken several measures over the years to offer a suitable environment of growth to the industry players. The efforts of the Tanzanian government was to transform the aviation industry into a more liberal and investment friendly industry. The Government modernized the airports added new airports in the country. The government also offered improved FDI policies that have contributed significantly to the opportunities. Apart from government’s efforts, factors like increase in disposable income of the consumers, changing Indian mindset towards air
travel, entry of low-cost carriers, greater inflow of tourists from across the world, and an increase in the air cargo movement. All these factors have resulted in better opportunities for the aviation industry.

However, the aviation industry is also confronted with severe challenges posing threat to the survival of air carriers. Though many new entrants have joined the industry, large numbers have also withdrawn themselves owing to heavy losses. In addition, many others are struggling hard to survive. Air India and Kingfisher Airlines are good examples of this crisis. A major reason for Kingfisher Airlines behind quitting the industry is the heavy losses (Gary, 2004.)

According to David (2002) Precision Air was formed as a logical development of an aerial crop spraying company namely, Precision Flight (Africa) Limited that was formed in 1986. At that time, the economy in Tanzania was strictly state controlled and so it was a nightmare to get that company started. Uncompromising insistence and perseverance saw to its floatation and operation.

In early 1990s, persistent drought rendered the agricultural sector unprofitable leave alone the looming famine. Therefore, expensive aerial crop dusting became redundant and so Precision Flight Ltd. It was then that Precision air was conceived and came into effect operationally in 1993. The promoters saw opportunities in the growing tourist industry (David, 2002).

Therefore, the focus was to operate schedule and charter flights between Arusha, where the project was based, and the Northern safari areas of Serengeti, Ngorongoro, Lake Manyara, and connecting to Zanzibar. The aircraft deployed to enter the market had to be reasonably affordable but capable safely and economically to meet that sector of travel. Thus piston engined Cessna aircraft from the second hand market were acquired and within two years of operation, the results were tremendous. This was possible because of a sound management team armed with the requisite skills, full dedication, and loyalty to the company. Those tenets still hold today and have
made Precision air to grow efficiently, sometimes too fast, but with a good position in the market today.

Within three years, Precision air grew from a small, modest air operator to a medium size airline. The route between Arusha and Zanzibar was the maker of the airline. In 1996, the ATR 42 turbo-prop aircraft with capacity of 48 passengers was introduced. It is said, “The aviation business is not for the faint hearted.” That explains the courage to leap from operating simple piston engine aircraft to a modern technology aircraft with fivefold the capacity of passengers. In 1999, the whole fleet was made of turbo-prop aircraft consisting of two ATR 42, four LET 410 with a capacity of 19 passengers each and the small Grand Caravan for air charters and back up aircraft.

According to Alessandro (2009) the journey has however been long and challenging. We started in a completely disabling taxation system which was too restrictive compared to any country. That perhaps was the consequence of the state controlled economy practiced over a long period. Very often we came to the brink of closing business, not because the government was enforcing collection of due taxes, but their provision in the audited accounts and the qualifications noted by the auditors stopped refinancing which was necessary for survival. Fortunately, the government recognized the contribution the company made to the development of the country and avoided to close it down by not enforcing collection of uncollectable taxes.

Additionally the government did not stop to listen to our petitions and, although it took a long time, the taxation in the industry is now manageable after some amendment to the regulations. The country is competitive compared to its neighbors. It is only a mop up that is now required. The partnership between the government and the private sector was evident during this process.

Therefore, the existing situation indicated above prompted the researcher to undertake the study.
1.2 Statement of the Problem
This is true to the air transport business, being a very large country with an area of 945,234 sq.km and inadequate infrastructure for surface transport, Tanzania needs more than anything air transport for her development. Whereas road transport requires thousands of kilometers of construction, the basic for air transport is a runway which may be only one kilometer. The aero plane and its operation are expensive but not necessary for the cost of whoever constructs the runway and the airport (Albers, 2009).

Despite the fact that there is a rapidly growing sectors of economy namely tourism, manufacturing, agriculture and trading which rely on air transport for facilitation still there is no reliable air transport to meet these demands. No one air service is presently able to provide the network required to cover the demand. The very few airlines available have concentrated much on the tourist destinations of the North, Zanzibar, and parts of the South leaving large parts of the country unreached or uncovered. However, even covered areas, the demand is not yet fully met.

Therefore, Precision Air which is serious and genuine investor who are well prepared to face the challenges will find a lot of scope to satisfy their ambitions in aviation. While it is not possible to create profits in the short term, the long term opportunity of creating a good company stock is certainly available in Tanzania.

Therefore, this study assessed the potential opportunities as well as challenges that face company more particularly, Precision Air.

1.3 Research Objectives
The research objective generaly aimed at assessing the Airline Industry in Tanzania focusing on Potential opportunities and challenges a case of Precision Air.

1.3.1 Specific Objectives
i. To find out the challenges which face the Precision Air in its operations.
ii. To identify potential opportunities which are available in the country for Precision Air.

iii. To determine measures to overcome challenges facing the airline industry operations.

1.4 Research Questions.
   i. What are the challenges which face the Precision Air in its operations?
   ii. What are the potential opportunities which are available in the country for Precision Air?
   iii. What are the possible measures to overcome the challenges facing the airline operations?

1.5 Significance of the Study
Findings from the study are expected to contribute knowledge to different practitioners in the airline transport particularly on specific challenges and opportunities affecting the airline industry business in Tanzania.

The study will supplement information on the ways to solve the problems affecting the airline industry business given the understanding of clear challenges affecting the business. Also the study will provide supplementary information to the government and policy makers on what has to be done on the process of establishing sound airline industry finance facility in Tanzania.

1.6 Limitations of the Study
This study was constrained by time. It was conducted within very limited academic time frame, approximately four months instead of the proposed six months. However, it still did allow the researcher to use a larger sample which was a good pre-requisite for reliability of research that aims at generalizing findings and making inferences from a sample about the population of study.
Also the data findings were collected from a number of Precision Air Offices employees only while leaving out some of the other employees in other regions where the researcher was not able to reach.

1.7 Delimitation
To respondent to the above identified limitations, the researcher had to make a close follow up of the questionnaires by physical visits and by phone calls to ensure the complete participation and the filling of the questionnaires. The questionnaires were also simple, short up to the point and attracted participants to fill the in.

Limited time and funds forced the researcher to limit her research on two locations only that is Precision Air Mwanza and Dar-es-Salaam offices. However, the findings were generalized for the entire airline companies.

The researcher used his skills, experiences in the management, profession, and theoretical orientation in research methods to thoroughly explain to participants about the study rationale and implication for them to participating in the study.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This section reviews theoretical and empirical literature on the airline industry. It begins with the historical background of airline industry in Tanzania followed by world history in Tanzania. The related literature on challenges, opportunities, and solutions of the problems facing the airline industry.

2.1 Theoretical Literature Review
2.1.1 Airline Industry in Tanzania
According to IATA’s 2011 Annual Report, Tanzania aviation industry globally reported a USD 18 billion in 2010. After a decade of constant crises, shocks and change, the industry is stronger and more efficient than ever. Against the capacity expansion of 5.2%, demand increased by 10.3% and an average passenger yield improved by 6.1%. The economic growth resulted in improved in key aviation markets resulting in increased international and domestic traffic in Tanzania.

On the side of the overall passengers traffic the IATA’s 2011 Annual Report shows that, the overall passenger traffic (for all services in and out of Tanzania) increased by 9.9% from 2,754,355 persons in 2009 to 3,027,512 in 2010. Aircraft movements also increased by 8.1% from 167,610 movements in 2009 to 181,240 in 2010. This performance is attributed to the improved global economic performance as countries recover from global financial crisis.

The IATA’s 2011 Annual Report further shows that, international aircraft movements recorded an increase of 22.6% in 2010 compared to a decline of 8.6% in 2009. The number of aircraft movement increased to 28,941 movements in 2010 from 23,611 movements in 2009. Scheduled movements increased by 36.1%, from 15,611 movements in 2009 to 21,316 movements in 2010. Total international passengers carried increased by 9.7% from 1,262,216 passengers in 2009 to 1,384,855 in 2010.
While the domestic aircraft movements at both international and domestic airports recorded a 5.8% increase in 2010 compared to a decline of 7% in 2009. The number of movements handled went up from 143,999 movements in 2009 to 152,299 movements in 2010. Likewise, the overall domestic passenger traffic in the country increased by 10.1%, from 1,492,139 passengers in 2009 to 1,642,657 passengers in 2010 (According to IATA’s (2011) Annual Report).

According to ITC (2012) annual report, Precision Air Services is the designated second national carrier of the United Republic of Tanzania having met all the requirements of a National Carrier as stipulated by the International Civil Aviation Organisation (ICAO). As at March 2011, Precision Air Services Limited was the only Tanzanian carrier operating scheduled international flights, and at the same time maintained the largest domestic network within the United Republic of Tanzania.

Also as at March 2011, Precision Air Services Limited was the only Tanzanian carrier certified under IATA Operational Safety Audit (IOSA), which is the recognised airline industry standard for operational safety. As at March 2011, Precision Air was the only Tanzanian Airline which was a current member of the IATA clearing house. Membership of the IATA clearing house facilitates cooperation and partnership with the large international carriers from all over the world allowing them to uplift Precision Air passengers on their sectors and vice versa (ITC, 2012).

2.1.2 Airline industry in the world
The evolution and history of the industry can be traced back to 1912.

According to Wu, (2004) the first scheduled airline flight took off in 1912. During the first 30 years of development, the technology underlying the aircraft (which was based on the piston engine) placed severe constraints on the growth of the industry owing to several factors: low speed, low level of comfort, short range, and low cost-effectiveness.
Wu (2004) further argued that, during the 1950s, aircraft powered by turboprop engines were introduced, which dramatically improved the productivity and production capacity of the industry.

According to Park (2004) the airline industry, the major sector of the world’s infrastructure, has enormous economic significance. In 2003, the world’s 896 scheduled airlines carried 1.657 billion passengers – equivalent to more than 25% of the earth’s habitants – and 34.5 million tons of freight. The industry also carried almost 40% (by value) of the world’s manufactured exports and 45% of the more than 714 million international tourists (2002 data). It is expected to assume an even greater importance over the coming years, especially in transporting freight which is expected to account for as much as 80% by value of the world by 2014 (Park, 2004).

According to estimates by the International Civil Aviation Organization (ICAO), the direct contribution of civil aviation (including airlines, other commercial air transport operations, and their affiliates) was US$ 370 billion in 1998. Civil aviation makes an even larger contribution to the gross domestic product of developed countries such as the United States, where air travel forms an important part of business and personal lives (Tanejam, 2002). The sector is also becoming increasingly important for the residents of developing countries as air travel becomes more affordable.

The civil aviation industry also has an effect which goes well beyond its direct contribution, including surrounding industries that have some interdependence with aviation for example travel agencies, airports, and the range of businesses associated with air freight (Tanejam, 2002).

According to International Civil Aviation Organization (ICAO), considering the direct and multiplier effects of air transport, a total US$1,360 billion of output and 27.2 million jobs were generated worldwide in 1998. In terms of employment, the sector accounted for almost 6 million jobs, with 2.3 million people directly employed by closely related sectors such as air navigation service providers (1.9 million) as well as aircraft and other manufacturers (1.8 million).
Robertson (2004) argued that for much of the last 30 years, the airline industry has simultaneously experienced falling income return (the sector’s equivalent of prices) and increasing overall revenues, implying a greater volume in terms of trips undertaken by customers and the amount of freight handled. Even during the ten years leading up to 2003, when the decline in yields was the most significant (owing to widespread liberalization of the sector and the entry of scores of new players), the sector was able to raise its total revenues by 28%. Between 1991 and 2002, the scheduled airlines’ traffic increased at an annual rate of 4.9%, a composite of passenger-kilometers, which grew at 4.3%, and freight ton-kilometers which grew at 6.5% (Robertson, 2004).

2.2 Potential opportunities which are available in the country for Precision Air.
There are number of opportunities which are available in the country for the airline company to utilise.

According to Abraham (2009), Tanzania is known as the land of many opportunities. Abraham (2009) argued that, being a very large country with an area of 945,234 sq.km and inadequate infrastructure for surface transport, Tanzania needs more than anything air transport for her development. Whereas road transport requires thousands of kilometers of construction, the basic for air transport is a runway which may be only one kilometer. The aero plane and its operation are expensive but not necessary for the cost of whoever constructs the runway and the airport.

In line with the above argument Mansfield (2009) comments that the rapidly growing sectors of economy namely tourism, manufacturing, agriculture, and trading rely on air transport. All these are located over the country. No one air service is presently able to provide the network required to cover the demand. Concentration has been on the tourist destinations of the North, Zanzibar, and parts of the South. However, even in those areas, the demand is not yet fully met. The more the operators competing the more the market is stimulated to incite extra demand (Mansfield, 2009).
According to Tanzania Investment Centre (TIC) 2012 annual report, therefore serious and genuine investors who are well prepared to face the challenges will find a lot of scope to satisfy their ambitions in aviation. While it is not possible to create profits in the short term, the long term opportunity of creating a good company stock is certainly available in Tanzania. The Tanzania Investment Centre (TIC) is a proven investor friendly and in a special way recognizes the significance of air transport in the overall development of the country. Precision air as well as other local operators have benefited from the unfailing goodwill of the TIC.

In line with above opportunities, the newly formed gas energy resource at Mtwara provides another good opportunity for the airline industry. According to Pizam (2009) air transport for some months in the year is the only reliable link with the outside world that Mtwara region possesses. The only other alternative is marine transport. The rainy season renders most of road transport impassable. Of course, air transport can only cater for urgent or high value cargo and V.I.P. passengers.

In line with the above argument, Yoel (2009) argued that the region has the benefit of three aerodromes; one major airport, one minor airport and one airstrip. Mtwara is the major airport capable of handling Boeing 737 aircraft and regular commercial traffic. Masasi is a minor airport while Newala is a mere airstrip for use by light, non-commercial aircraft at irregular intervals. The trend of passenger’s freight decreased from 30,020 in 1986 to 18,860 in 1993. Of course there are other reasons for the decrease in the number of fright passengers, but since our study does not focus on that, it can be argued that the search for gas energy provide a good opportunity for airline industry to grow again.

2.2.2 The challenges which face Precision Air in its operations.

According to Reader (2011), although Tanzania started to liberalize its domestic air transport in 1992, on the regional and international scene, it has been exercising liberalisation very gradually and on bilateral basis. The liberalisation has so far included multiple designations, unrestricted capacity, and very liberal frequencies. The open sky policy agreement recently initiated between Tanzania and the United
States is even more liberal as it will eventually (after the two-year transition period) also include non-scheduled services Agreements (BASAs) that are in place with third countries will not be affected.

However, due to lack of a very strong national carrier (Air Tanzania), there is fear that opening up our skies at present to regional carriers will weaken airlines, even further and may end up with Tanzania being flooded with foreign carriers from our neighbors, a trend which is economically undesirable. Airlines will not be able to survive (in its present unprivatised form) the stiff competition, which will come about when the open sky policy becomes operational. The major challenge and obstacle that Air Tanzania faces today is the delay in privatising the airline (Reader 2011).

Another challenge that faced the company is the maintenance cost. According to Jacobs (2007), Precision Air reported in August 2013 that for the year ending 31 March 2013, its maintenance costs increased to 23.6 billion Tanzanian shillings from 11.9 billion for the previous year. The increase was caused primarily by the high cost of maintaining its Boeing 737 fleet.

In addition, Published reports in June (2013) indicated that Precision Air had encountered substantial financial difficulties, stemming in part from losses incurred while operating flights to and from Johannesburg, South Africa (Jacobs, 2007). Those flights ended in September 2012 (Jacobs, 2007). The Citizen, a Tanzanian newspaper, reported in August 2013 that the airline "desperately" needed a US $32 million bailout package from the Tanzanian government or other non-shareholder sources (Jacobs, 2007).

Not only that, but also the airline's problems increased in 2011 when it received only US $7.4 million of the US $17.5 million in cash that the airline hoped to receive when first listed on the Dar es Salaam Stock Exchange. Increasing fuel prices, taxes, and levies plus currency fluctuations and the refusal of minority owner Kenya Airways to contribute capital had also hurt the airline (Michel, 2007).
According to the Unpublished, report prepared for the World Bank (2012) showed that challenges that hinder the growth of the domestic air transport include poor airport infrastructure and lack of airports in potential destinations, including those regions mentioned above. Tabora and Kigoma regions in western Tanzania are counted as tourist hot spots due to their historical attractions and the presence of chimpanzees there, but lack air transport infrastructure.

The unpublished report prepared for the World Bank (2012) further showed that these two regions have small and poor quality airports that only allow certain types of planes to land. Last month 35 passengers and 4 crew members aboard a Dash 8-300 aircraft cheated death when the plane skidded off the runway at Tanzania's Kigoma airport while taking off. The aircraft belonging to Air Tanzania Company Limited swerved off the runway, causing extensive damage to one of its wings and the engine. It was en-route to the commercial capital Dar es Salaam via Tabora.

Tanzania as well lacks skilled labor in the aviation sector, forcing airline operators to hire pilots from abroad, hence increasing operational costs. Higher airline operation taxes and over-taxed aviation services make Tanzania an expensive destination. Over-taxed air services result in high air fares and constrain the development of the low cost airlines (Unpublished report prepared for the World Bank, 2012).

According to Aviation Safety Network (2014), as of September 2014 Precision Air has had four accidents or incidents.

- 26 July 1999: A Let L-410UVP-E9, tail number 5H-PAB, made a belly landing at Arusha Airport on a training flight while doing touch and go. The two crew and three passengers were not injured (Aviation Safety Network, 2014).

- 16 November 2004: A Let L-410UVP-E20, tail number 5H-PAC, crash landed while on a training flight at Kilimanjaro Airport. The two pilots, who had not put on their shoulder straps, sustained facial injuries (Aviation Safety Network, 2014).
8 July 2007: An ATR 72-212, tail number 5H-PAR, had a runway excursion on landing at Jomo Kenyatta International Airport runway 06. It veered off to the right, went over a ditch, and came to a stop on Taxiway F. The nose wheel collapsed. The 4 crew and 62 passengers were not injured. The aircraft was substantially damaged. The probable cause of this accident was power asymmetry during application of reverse thrust on landing. The control levers were jammed in one position (Aviation Safety Network, 2014).

10 July 2014: An ATR 72-500, tail number 5H-PWA, was halfway en route to Dar es Salaam from Mwanza during normal cruise when the number 2 engine seized. This necessitated a diversion to Kilimanjaro International Airport. The aircraft touched down normally; however, after selecting ground idle (as per the captain's explanation), the aircraft veered to the left side and exited the runway hitting one of the runway edge lights and proceeded to roll on the grass field parallel to runway 09 for approximately 180 meters before subsequently regaining the runway. No injuries were reported (Aviation Safety Network, 2014).

According to Michael (2013), The East African Precision Air (PW, Dar-es-Salaam) is facing an uncertain future after an auditor's report found out that the airline's liabilities had now exceeded its assets by TZS83.14billion (USD53million). Tanzania's first large-scale indigenous airline was recently forced to ask the government for an USD32million bailout after posting losses of USD18million for its most recent financial year. The airline pinned its losses on a poor 2012 IPO that failed to garner much response from the country's various investment and pension funds as well as the entry of Fastjet (FN, Dar-es-Salaam) into both the domestic and regional markets. Chairperson and 42.91% shareholder Michael Shirima did note in October that Dar es Salaam had asked for the shares to be revalued before taking a decision on the capital request. He also revealed that Precision Air was in contact with other undisclosed carriers interested in taking up a stake in the airline.
2.3 SWOT Analysis Precision Air

The SWOT analysis focuses on both internal and external factors that either facilitate or constrain the attainment of the objectives in the Company’s strategic Plan (2010 – 2015). The assessment of the internal environment on the one hand reveals a number of conditions/factors that are within the control of the organization. Strength refers to all aspects that Precision Air does well or all internal characteristics that will enhance performance of the company. Weakness refers to something that lacks within an organization, things that an organization does poorly, or conditions that places an organization at a disadvantageous position.

On the other hand, the assessment of external environment reveals conditions which are outside the control of the organization and represent opportunities and threats that the company may take advantage/measures to exploit or mitigate in order to achieve goals of the plan. Opportunities refer to conditions or things that will enable an organization to achieve its objective while threats are those conditions that places an organization at a disadvantage in achieving its objectives.

The internal environment consists of the factors within the Company that facilitate (strengths) or constrain (weaknesses) the attainment of the plan.
Figure 2.1 SWOT Analysis Strength and Weakness

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Partnership with Kenya Airways</td>
<td>1. Inadequate aircraft numbers and capability</td>
</tr>
<tr>
<td>2. IATA Operational Safety Audit (IOSA) Certified operator (Safety Certificate)</td>
<td>2. General shortage of specialized pilots and engineers</td>
</tr>
<tr>
<td>3. IATA Member</td>
<td></td>
</tr>
<tr>
<td>4. Use of state of the art new turboprop aircraft (ATRs) – ability to operate into short &amp; unpaved runways</td>
<td></td>
</tr>
<tr>
<td>5. Wide domestic &amp; regional network</td>
<td></td>
</tr>
<tr>
<td>6. Experienced, well trained and committed managerial staff</td>
<td></td>
</tr>
<tr>
<td>7. Good on time performance</td>
<td></td>
</tr>
<tr>
<td>8. Business process automation</td>
<td></td>
</tr>
<tr>
<td>9. Wide distribution channel – (own offices, agents, GSA”s in Europe, Internet)</td>
<td></td>
</tr>
<tr>
<td>10. Precision Air’s brand</td>
<td></td>
</tr>
</tbody>
</table>

The external environment of the company includes factors within the country and those outside that have bearing on the relevance and development of the company. Thus, social, political, economic, technological, and competitive developments and challenges are key aspects to be considered.

At the local scene, Tanzania’s Development Vision, 2025 provides the overarching framework to accommodate the emerging national and global realities to attain sustainable development in terms of economic, social, political, institutional, technological, and environmental dimensions. One of the principal objectives of the 2025 vision is to achieve an annual economic growth rate of 8% through a diversified and semi-industrial economy with a substantial industrial sector comparable to typically middle-income countries.

The vision stresses the development of an adequate level of physical infrastructure needed to cope with the level of economic development. The vision places the
aviation sector as one of the top priorities for achieving the desired level of economic growth, as both the tourism, industrial and export sectors depend on the services of the aviation sector.

**Figure 2.2 SWOT Analysis Opportunities and Threats**

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Domestic infrastructure improvement</td>
<td>1. Increased competition from current and potential operators</td>
</tr>
<tr>
<td>2. Upgrade of airports – Bukoba, Mafia, Mbeya</td>
<td>2. Growing competition due to possible entry of new competitors as a result of liberalization and other modes of transport</td>
</tr>
<tr>
<td>3. Expansion of passenger terminals and runway to accommodate bigger aircraft and more passenger and cargo throughput at JNIA</td>
<td>3. Geographical location (Lead time in delivery of aircraft spare parts)</td>
</tr>
<tr>
<td>4. Regional economic blocks like EAC &amp; SADC eliminate structural barriers for investment hence opportunity for the company to expand its operations in the region</td>
<td>4. Variations in foreign currency exchange rates</td>
</tr>
<tr>
<td>5. Economic growth in all the EAC member countries</td>
<td>5. Increase in aircraft fuel prices</td>
</tr>
<tr>
<td>6. Regional peace and political</td>
<td>6. Poor infrastructure – runway limitations (unpaved, short, lighting), airport facilities</td>
</tr>
<tr>
<td></td>
<td>7. Terrorism.</td>
</tr>
</tbody>
</table>

**2.4 Empirical Studies**

This section is dealing with identifying the research gaps deduced from opportunities and challenges facing the airline industry.

Architectes (2008) conducted a study on challenges facing airline industry in standards decrease in USA. The findings of the study reported here revealed that a history of accidents, incidents, delays, and cancellations discourage expatriates and visitors from air travel. Modern industrialized nations will post warnings for their citizens in regards to flying on certain airlines or within certain countries. Some
companies or agencies will even forbid their employees from travelling on specific air carriers.

However, this study based on first world country in fact the world economic super power, therefore it cannot be directly is linked to our study. This is because the first world countries are more developed and have their standards to meet unlike our developing countries.

Robin (2009) in Nigeria conducted a study on lack of airline services in Africa. The purposes of the study was to find out how lack of airline service can block Africa from the developed world. The study was conducted using a sample of 409 office workers in Nigeria National Aviation Offices. The study revealed that the failure to provide reliable air transport can severely limit access to a developing country. It can further reduce confidence in both the national government and local industries. The study concluded that potential investors and vacationers will seek other locations. As a result, the economies in these countries will continue to suffer. The disparity between the more developed and less developed nations will increase.

Charles (2013) of India conducted a study on the industry and observed a growth of 1.74% in the passenger traffic carried by scheduled domestic airlines for January-July 2012 over the same period in 2011 but still incurred heavy losses. Some of the many reasons behind these losses are as follows; ATF is the major cost component in the airlines operations. The cost of fuel for Indian operators accounts for nearly 45% of the total operating costs which is around 34% for most operators in other parts of the world. One of the major reasons is the high sales tax levied on ATF by respective state governments. In different states of the country, the sales tax on ATF ranges as high as 25-30%. Moreover, direct import of ATF was not allowed until recently.

High airport charges: The airport charges are very high in India as compared to other countries. The Airports Economic Regulatory Authority (AERA) recently approved a massive 346% rise in Delhi’s Indira Gandhi International Airport charges making it among the world’s most expensive airports.
The study by Charles (2008) also showed that service tax was a challenge. He argued that, there is 12.36% service tax on air tickets in India. The aviation industry players frequently use third party services for ticketing, aircraft maintenance, and ground handling etc. which come under the regime of service tax leaving Indian operators into trouble in stiff competition. This service tax on air tickets and on the services purchased by Indian airline operators further add to the operating costs.

A similar study by Andrew (2008) conducted in Egypt shows that, there are service or challenges that, no airline can escape. Air travel in Egypt is facing tough competition from railways. The railways were facing competition with the introduction of low cost air carriers therefore various steps were taken to improve the rail services in the country. Many new trains with improved service quality have been introduced offering passengers a good substitute compared to air travel. However, there is an overall growth in air passenger traffic but this has affected the traffic negatively.

Another problem identified was advancement in technology; the study showed that technological advancements in the field of telecommunication have also replaced the need for air travel largely. The corporate sector is increasingly utilizing communication technology like video conferencing in order to save time and costs. Virtual communication facilities have negatively affected air passenger traffic especially in the international travels.

A study by Peter (2009) showed that there is stiff competition in aviation industry which leaves the operators helpless. High operating costs along with highly price sensitive consumer profile compel Botswana operators to reduce passenger fares in order to compete for market share. This tendency to lure passengers through attractive discounts and low fares has resulted in price wars in the industry.

Chen (2006) study in Congo showed that flight delays are a common and everyday scene but they leave huge impact on operators as well as the economy. The delays result into money costs, time costs and cost of lost demand because it discourages many air passengers. A delay in flights not only negatively affects the aviation
industry but other industries as well because aviation largely connects people with their businesses.

2.5 Synthesis of Literature Gap

Literature reviewed has evidenced that there are numerous opportunities and challenges which have been investigated in their relationship to job satisfaction/dissatisfaction in both government owned airline and private owned airline in developed and developing countries. However, none has been found to focus on assessment of opportunities and challenges a case of Precision Air.

Another research gap can be found on the studies that have been conducted long time ago. For example the study by Peter 2009 basing on time frame, change of the technology and globalization we have seen inevitability of conducting the study on opportunities and challenges in recent time.

Additionally some other research gap can be identified from foreign oriented studies which are conducted in developed countries such as studies by Architectes (2008) of USA. The major knowledge gap which our study aims to address at the end of the study is the assessment of the opportunities and challenges of an airline a case of Precision Air in Tanzania.
## 2.6 Conceptual Frame Work

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunities</strong></td>
<td><strong>Challenges</strong></td>
</tr>
<tr>
<td>1. Domestic infrastructure improvement</td>
<td>1. Competition</td>
</tr>
<tr>
<td>2. Upgrade of airports – Bukoba, Mafia, and Mbeya</td>
<td>2. Geographical location</td>
</tr>
<tr>
<td>4. Regional economic blocks investments</td>
<td>5. Increase in aircraft fuel prices</td>
</tr>
<tr>
<td>5. Economic growth in all the EAC member countries</td>
<td>6. Poor infrastructure</td>
</tr>
<tr>
<td>6. Regional peace and political</td>
<td></td>
</tr>
</tbody>
</table>

CHAPTER THREE
RESEARCH METHODOLOGY

3.1. Introduction
This chapter deals with description of the methods applied in carrying out the research study. It is organized under the following sections the research design, area of study, the population, sampling techniques, research instruments, data collection and data analysis.

3.2 Area of Study
It is very important for a researcher at the planning stage to clearly specify the area of the study and define the area to be researched (Cohen et al, (2000). The study was conducted at Precision Air Offices in Mwanza and Dar-es-Salaam. The reasons for conducting this study in Mwanza and Dar-es-Salaam were purposively following financial and time constraints on the side of the researcher. Precision Air Mwanza and Dar-es-Salaam region are selected purposively basing on the indications of challenges and opportunities available from the area.

3.3 Research design
Research design in this study is considered as a plan of action for collecting data, organizing and analysing it with the objective of combining the relevance of research (Kothari, 2002). A case study was adopted in this study preferably because it made enough provision for accurate profile of persons, events, or situations (Robson, 2002 in Saunders et al, 2004).

The study used the case study research design. It is a procedure of studying or collecting information within the organization. Under this design, the study was flexible in using different tools of data collection. This design was useful because the study based on a specific area for in-depth study of the problem.

With the mixed methods approach, this study made use of the quantitative and qualitative techniques in data collection and analysis (Madey, 1982). This is to make use of the compatibility of the quantitative and qualitative methods, rather than
separating them, for complementary and triangulation purposes (Bamberger, 2000). Thus, the science-based “objectivity” of quantitative methods (Chung, 2000) is complemented with the science-based quality of things (Dabbs, 1982:32).

3.4 Study Population
According to Best et al (1998), population is a group of individuals who have one or more common characteristic that are of interest to the researcher. It is a larger group of people from which the sample is taken. The population for this study included employees of Precision Air which was estimated to be at around 563 as in 2014 January.

3.5 Sample Design
According to Babbie (1992) the sample is a segment of population in which researcher is interested in gaining information and drawing conclusions. While selecting the sample size, researchers were advised to put into consideration three important aspects namely the availability of population, methods of sampling to be used and financial resources available for facilitation of the specific study (Charles, 1995).

The sample of this study constituted a total number of 100 employees from different departments of Precision Air. These included 10 employees from each department of engineering, commercial, ground handling, human resource and training, quality and safety, flight operation, information system, finance, internal audit, and legal.

The sample size was desired because it was a true representative of the finite population of Precision Air employees which is 546. It was also convenient for a researcher to handle within short time and limited resources. The sample composition indicated in table 3.1. The expected sample size is 100 employees.
Table 3.1 Summary of the Sample Composition for the Study Respondents

<table>
<thead>
<tr>
<th>Departments</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>10</td>
</tr>
<tr>
<td>Commercial</td>
<td>10</td>
</tr>
<tr>
<td>Ground Handling</td>
<td>10</td>
</tr>
<tr>
<td>Finance</td>
<td>10</td>
</tr>
<tr>
<td>Human resource and Training</td>
<td>10</td>
</tr>
<tr>
<td>Quality and Safety</td>
<td>10</td>
</tr>
<tr>
<td>Flight operations</td>
<td>10</td>
</tr>
<tr>
<td>Information Systems</td>
<td>10</td>
</tr>
<tr>
<td>Legal</td>
<td>10</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Researcher’s (2015)

3.6 Sample and Sampling Procedures

Sampling is the procedure of selecting a proper subset of the elements from the population so that the subset can be used to make the inference to the population as a whole (Charles, 1995). It also enables generalization to be done in large population Babbie (1992). Both probability and non-probability sampling techniques were used in selecting employee. These are simple random sampling and purposive sampling respectively.

3.6.1 Simple Random Sampling

It refers as a method of selection whereby each member of the population has an equal chance of being selected (Cohen et al 2000). Simple random sampling was employed in selecting the respondents from different departments and units. Thus the list of employees from each department was taken and sequence numbers from a random numbers table was used to select the respondents.
3.6.2 Purposive Sampling
In this sampling procedure, item or respondents for the sample are selected deliberately by the researcher depending on the data she or he intends to collect from them (Cohen et al 2000). Purposive sampling was used in selecting the departments. This aimed at helping the researcher to select departments that are convenient to the conduct of the study in terms of time and to make the study easier. Thus the list of all departments was provided and the researcher chose the one which are convenient for the study.

3.7 Research Instruments
According to Denscombe (1998), using more than one specific method enables the researcher to cross-validate information and data collected from a variety of sources. Due to the nature of this study, the researcher used the triangulation approach that implies multiple data gathering sources. Thus a combination of documentary review, interviews, questionnaires and observation was used.

3.7.1 Documentary Review
This involves the study of existing documents about the area of the study. The documents are valued in providing more insights into the programme being studied by cross validating and augmenting evidence obtained from other sources Yin (1994). The documents that were reviewed in this study include annual performance report, strategic plan, and human resource reports, schemes of services and human resource policies in Precision Air report.

3.7.2 Interviews
Is a data collection technique that involves oral questioning of respondents, either individually or as a group. This method was used especially to ordinary employees who did not easily understand some of the terms and hence needed some elaboration.

3.7.3. Questionnaire
This is a research instrument that gathers data over a large sample. The rationale of using questionnaire in this study is not farfetched; in fact the working nature of some
of the Precision Air staff may have not allowed them to strike an appointment for an interview. In addition the questionnaires method was preferred for the purpose of maintaining confidentiality and to reduce interviews bias.

**3.7.4 Observation**
Observation is a data collection technique that involves systematically selecting watching and documenting behaviour and characteristics of living beings, objectives or phenomena. In this study observation was used in looking at physical working environment as well as observing the way employees are responding to the customers.

**3.8 Data Collection Method**
The researcher used both primary and secondary data. In primary data the method of data collection that was employed was structured interview that means there were predetermined questions and planned way of recording. Questionnaire method was also employed this was due to the nature of work of some of the employees which may have not given them time for interview. Secondary data collection was basically based on Precision Air head quarter reports, profile and journals and different publications that provided information to support the study.

**3.9 Data Analysis and Presentation**
Because the research used inductive approach which was qualitative in nature the data on impact of fund control strategy on effectiveness of fund control in Tanzania was analysed using thematic analysis. This is because in thematic analysis only major things and themes are identified. Also statistical packages for social science (SPSS) was used to provide frequencies and figures. The data were presented by using simple statistics figures such as tables, bar charts and figures to illustrate the findings.
3.10 Reliability and validity tests

Reliability
Reliability is a measure of how consistent the results from a test are (Kombo and Trump 2006). To ensure the reliability of this data Cronbach’s alpha was used to measure internal consistency. We adopted a cut off 0.7 Cronbach’s alpha (ά) test scale which is a good scale as commented by Nunnaly 1967. Additionally Miller et al 2002 commented that Cronbach’s alpha should be at least 0.7 or above to retain variables in adequate scale.

Validity
According to Saunders (2007), validity is an aspect which is concerned with whether the findings are really about what they appear about. It is a measure of how well a test measures what is supposed to measure. For ensuring validity of data collection instrument in this study a pilot study to 10 respondents was conducted one from each department in Precision Airline. The respondents’ comments and observation was used to modify the questionnaire before the actual data collection.
CHAPTER FOUR
STUDY FINDINGS, ANALYSIS AND DISCUSSION

4.0 Introduction
This chapter intends to bring the presentation; analysis and discussion of the findings, resulted from the research on potential opportunities and challenges in the airline industry Precision air being the case study. The findings are discussed in regard to specific research objectives. We begin with the presentation of findings on the respondent’s profile.

4.1 Presentation of findings on respondents profile
This section aims at discussing the respondents’ profile to enable the researcher establish the extent of judgment one might have in the area of the study. Among the researched respondents’ characteristics include age, education level, duration of the respondent in the service industry, department, and roles of the respondent.

4.1.1 Age of respondents
A total number of 100 employees involved in the study from Precision Air Company as indicated in Table 3.1 above. Table 4.1 below shows the age of the respondents as follows;

Table 4.1 Age of Respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 20-29</td>
<td>50</td>
<td>50.0</td>
</tr>
<tr>
<td>Between 30-39</td>
<td>30</td>
<td>30.0</td>
</tr>
<tr>
<td>Between 40-49</td>
<td>10</td>
<td>10.0</td>
</tr>
<tr>
<td>50 and above</td>
<td>10</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Data (2015)

The results in table 4.1 above authenticate that 50(50%) of the total employees were between 20-29 years, 30 (30%) employees were between 30-39. Not only were that
but also 10 (10%) employees between 40-49 years old lastly 10 (10%) employees were above 50 years.

The demographic characteristic results in table 4.1 indicate that more than half of the respondents were young and energetic, assumed to be very mobile in seeking for quality job which in turn brings quality life through offering their skills and knowledge. In addition, this age group stands as the rightful age group for moving the company or an organisation if they are fully utilized since they are dynamic, ambitious, and full of innovation. Precision air could simply make a good use of them and consider them as the right opportunity on their fingertips to improve the performance of the company. In addition, on the other hand most of the youth from university are full of ambitions and if not well managed, they are likely going to put their mission and ambitions before the company’s motives and goals. This is supported by Roberto (2000) who argued that the youth are both productive and disastrous in the organisation, their performance, and the performance of the organisation depends entirely on their culture but above all the way they are managed.

These findings helped the researcher to get the real picture on the potentials opportunities and challenges of the airline industry. The young and energetic employees are always related with intending to seek the better pasture thus retention of this category of employees have always been both good and disastrous.

Robert (2000) is in line with this arguments. According to him, the young employees desire quality life. It is this group that most of the organizations are searching for as they are believed to be very productive and effective, hence retention of this kind of employees needs high competitive salary. Their desires have always been linked with employee’s mobility and turn over.

**4.1.2 Education level**

Respondents were asked to indicate their level of education. The following table Figure 4.1 provide the findings.
Figure 4.1 shows that 60 (60%) employees had degree level of education on the other hand 20 (20%) had diploma moreover 20 (20%) had masters education. This entails that a good number of respondents involved in this study are well educated and hence knowledgeable on most of the concepts which were asked. This has also being a reason for using questionnaire as a major tool for data collection in our study.

The findings above signify that majority of the respondents being educated and hence they reflected positively and negatively on the opportunities and challenges facing the airline industry. Above that, the level of education ensured the validity of the information provided by the employees as well as the reliability. Robin (2009) is in line with the above findings, according to him, the higher the level of education a respondent has the likelihood that the information offered by him is valid and relevant to the questions asked, unless otherwise, culture and customs overwhelms.
4.1.3 Working experience

Working experience in the organization is very important in determining the potentials opportunities and challenges in the airlines industry in Tanzania. The study in working experiences in Figure 4.2 reveals the following;

**Figure 4.2 Working Experience**

![Bar Chart]

Source: Field Data (2015)

This study involved 40 (40%) employees with the working experience of 1-3 years. 40 (40%) employees had worked for 6 years and above. Another 10(10%) employees had the working experience of 4-6 years and lastly 10(10%) less than a year and these were considered as freshers.

This revealed that majority of respondents have been in the airline industry for sometime enough to know the working conditions and environment hence reflecting positively or negatively on potential opportunities and challenges in the airline industry. In addition, the findings shows that, there is labour turn over which allows the recruitment of other employees; this is indicated by 10 (10%) employees who are
just new employees with the working experience less than a year. On the other hand, the ten employees being employed in a period of less than a year shows that, the company does not offer the remunerations and other incentives to retain employees. Reader (2011) is in line with the above findings that employees turn over and mobility is common to most private owned companies. However, it indicates that some are potential problems and challenges facing the employees. It is common but it should not be at massive amount, the study concluded.

4.1.4 Roles of respondents

The respondents were asked to state their roles at Precision air. The findings on this is shown in figure 4.3

Figure 4.3 Roles of Respondents

The findings in figure 4.3 above indicate that, 30(30%) employees were just ordinary employees another 30(30%) were supervisors. Additionally, 20 (20%) employees were staff officers nevertheless, 10 (10%) were head of departments and lastly 10(10%) were heads of section. The findings above signify that, the study was representative as majority of the department were included in the study. It also means that, the challenges and potential opportunities identified in the study were
valid and reliable as they identified from all the departments as it is evidenced in the figure 4.4.

### 4.1.5 Department

The employees who were involved in the study were asked to state their department. The finding of this question is revealed in figure 4.4 below

**Figure 4.4 Departments**

Source: Field Data (2015)

The findings on department shows that, 10 (10%) employees involved in the study were working in the engineering department, 10 (10%) of them were working in the commercial department. In addition, another 10 (10%) employees were from ground handling department, 10 (10%) flight operation and lastly 10(10%) employees were from information system. In addition, the study involved 10 (10%) employees were from legal department, 10 (10%) from finance department, 10 (10%) from internal audit. Not only that, but also it involved 10 (10%) employees from human resources and training department and lastly 10 (10%) from the quality and safety department. The findings simply imply that, the all the department in the airline especially in
precision air were included in the study. Therefore, the opportunities and challenges that are found in this study were from all the departments and hence the study was valid and the results were reliable.

Pizam (2009) is in line with the above argument, according to him, the study is considered valid and reliable if it had no elements of biases. Above all, when the study involves almost all the departments, as it is considered that, each department has its own challenges and opportunities and the way of perceiving everything.

4.2 Findings, Analysis and Discussion as per study Objectives
Recall the study objectives that are presented in chapter one, finding, analysis and discussion are presented in the context of these objectives.

4.2.1 Challenges which face Precision Air in its operations.
Recall the first objective stated in chapter one which states that “to find out the challenges which face the Precision Air in its operations” the findings are presented in the figure and tables of maintenance costs, financial difficulties, fuel prices, tax charged, currency fluctuation, poor infrastructure, lack of airport, lack of skilled labour, and over taxation.

4.2.1.1 Maintenance costs
The respondents were asked to give their opinion as to whether maintenance cost is always a serious problem facing the airlines performance. The findings of the study are shown in figure 4.5 below;
The findings in Figure 4.5 above shows that, 70 (70%) of the employees involved in the study strongly agreed that, maintenance cost is a problem, 20 (20%) agreed and lastly 10(10%) were indecisive. The findings show that accumulatively 90 (90%) employees view maintenance cost as a problem. This implies that, largely the company is having problems with the maintenance of the equipments. Either it is done occasionally or it is done ineffectively. Maintenance in the airline industry is very important and crucial for the survival of the equipments.

Maintenance is a problem and this could be because, despite the fact, airline industry is very profitable if well managed, the running cost of the aircraft as well as the maintance cost is also a problem to most of the airlines. Most of the equipments fail to operate simply due to the expenses of maintenance. Precision Air has many of its aircrafts in its hanger at the Dar-es-Salaam airport. Pat (2007) is in line with the findings above according to him, airline companies suspends contract with airlines, he also added massive misappropriation and mismanagement of the leasing
agreement, resulting in an accumulated debt of US $41.4 million by in undergoing a major maintenance.

4.2.1.2 Financial difficulties

Employees were also asked to give their opinions on whether financial difficulties was among the problems facing the company and to what extent. The findings on financial difficulties are shown under figure 4.6

Figure 4.6 Financial Difficulties

![Financial Difficulties Chart]

Source: Field Data (2015)

The findings in figure 4.6 above shows that, 60(60%) employees involved in the study strongly agree that the company was facing some financial difficulties while 40(40%) also agree. Accumulatively 100 (100%) employees agreed that, the company is having financial difficulties. The result of the study implies that, the employees in the company are not well paid, the low payment amount to poor performance which in the end contributes to financial crisis. The findings of the study also show that, the airline does not carry out frequent services and maintenance since it does not get enough money from the business. On the other hand, financial
difficulties could be because of the culture and attitude of the people that is, the air transport is for the few rich people who can afford or rather it is defined as a luxurious transport means.

Park (2004) is in line with the above findings, according to him, in African countries airline industries suffers shortage of money for service as well as financial difficulties. The financial difficulties are the product of the poor culture of the majority of the Africans who do not consider the means of transport as the quickest and efficient for development instead they consider the transport as a luxurious transport for the rich.

In addition, it is also in line with the published report of Jacob (2007) as indicated in the theoretical literature review that, Precision Air had encountered substantial financial difficulties, stemming in part from losses incurred while operating flights to and from Johannesburg, South Africa.

4.2.1.3 Increase in Fuel Price
The employees involved in the study were asked to give their opinions as to whether increased in fuel price is also a challenge to Precision Air and the industry at large. The finding of the study are shown in figure 4.7 below
Figure 4.7 Increase in Fuel Price

Source: Field Data (2015)

Figure 4.7 above shows that, 50 (50%) of the employees strongly agree that, increase in the fuel price is one of the biggest challenge facing the industry. On the other hand 30 (30%) employee were also in agreement and lastly 20(20%) were indecisive. Accumulatively 80 (80%) employees agree that the issue of oil price increase affects and challenges the airline industry. From the findings it is argued that, oil price is never constant it changes as time goes by and hence other financial problem within the company are somehow attributed to the increase in the price of fuel.

The above argument and discussion are further supported by the study of Michel, (2007) who argued that increasing fuel prices, taxes, and levies plus currency fluctuations and the refusal of minority owner Kenya Airways to contribute capital had also hurt the airline.
4.2.1.4 Taxes

The employees who were involved in the study were asked to give their opinions as to whether taxes charged is among the serious challenges impeding the company running. The findings are shown in figure 4.8 below.

**Figure 4.8 Taxes**

![Bar Graph](image)

Source: Field Data (2015)

Figure 4.8 shows 40 (40%) of the employees strongly agree, 30 (30%) agreed, 20 (20%) were of neutral opinions and 10 (10%) disagreed. Accumulatively the findings showed that, 70 (70%) were in agreement with the statement that taxes charged is among the serious challenges impeding the company running.

The findings above imply that, the taxes in the course of the business affect the company’s performance. It contributes to increase in the transport fare such that normal travelers cannot afford. In addition, the taxes charges affect the oil price which in turn increase the transport fare, lead to salary cut and under budgeting. The indirect impact of it is the decrease in employee or workers morale.
The study is supported by the World Bank report that, Tanzania as well lacks skilled labor in the aviation sector, forcing airline operators to hire pilots from outside, hence increasing operational costs. Higher airline operation taxes and over-taxed aviation services make Tanzania an expensive destination. Over-taxed air services result in high air fares and constrain the development of the low cost airlines (World Bank, 2012).

### 4.2.1.5 Currency fluctuation

The employees were asked to give out their view on whether currency fluctuation has been affecting the company’s operations and performance in different ways. The finding of the study were presented in Figure 4.9

**Figure 4.9 Currency Fluctuation**

![Currency Fluctuation Graph]

Source: Field Data (2015)

Findings from figure 4.9 above authenticate that, 50 (50%) employees agreed, 20 (20%) strongly agreed while 20 (20%) employees disagreed and lastly 10 (10%) employees were indecisive. Accumulatively, the study showed that, 70 (70%)
employees were in agreement with the above statement which said, currency fluctuation have been affecting the company’s operation and performance in different ways.

The study results imply that, the fuel price increase and over taxation are likely being caused by currency fluctuation. In addition, it shows that largely, currency fluctuation affects the performance of the airline industry. The performance is affected since the company must struggle to put up the fight against with the effect of currency fluctuation. One of the techniques used is fire and hire as it was observed in the working experience in figure 4.2 above. The firing process affects the morale of the employees, as the employee feel insecure and lose focus in the search of other working areas.

The findings above are in line with the study of Robertson (2004) who also argued, the currency instability in developing countries, have been a problem in airline industries, customers are no longer sure of the actual flight fare but also, the companies affect the performance of the employee in the process of fire and hire so as to cope up with the extra expenses incurred due to increase in the oil price.

**4.2.1.6 Poor Infrastructure**

Employees were asked to give their opinion on whether poor infrastructure is also among the challenges facing the company. The findings of the study are showed in the figure 4.10 below.
Figure 4.10 Poor Infrastructure

Findings in figure 4.10 above shows that 50 (50%) of employees agreed, 30 (30%) were of indecisive and lastly 20 (20%) strongly agreed. Accumulatively, the findings showed that, 70 (70%) of the employee were in agreement with the statement that, poor infrastructure is also among the challenges facing the company. The findings of the study above indicated that, the airline industry in Tanzania is suffering from poor infrastructure. The poor infrastructure tends to limit the number and the type of aircrafts to land. For example with Precision Air, the type of aircrafts to land in certain towns was limited due to the poor infrastructure. Despite the runway in Bukoba being short, it did not have tarmac for a long period which was a problem for the aircrafts to land during the rainy season resulting into delays and cancellations of flights. Infrastructure in this case, covered a wide area such as airports runways, hotels and other checking equipment which can reduce the waiting time or delay time.

Infrastructure however covers a wide area, it includes the offices infrastructure and the airplanes as well, but also the other materials attributed to it during the transport,
the scent of the planes, the posters walls the pictures that are required. The physical environment covers any tangible evidence of the image or service of a company. It therefore overlaps with the “people” dimension in terms of the employees’ uniforms and includes aspects as the perfume or specific music developed by airlines (Henderson, 2006). He further argued that, the main service takes place on board of the aircraft type; cabin design and equipment play an important role. Moreover, any printed material or report can be described as a physical evidence of a company to attract more customers. The findings are supported by the study of Wu (2004) as indicated in the literature review that, challenges that hinder the growth of the domestic air transport include poor airport infrastructure and lack of airports in potential destinations, including those regions mentioned above. Tabora and Kigoma regions in western Tanzania are counted as tourist hot spots due to their historical attractions and the presence of chimpanzees there, but lack air transport infrastructure.

4.2.1.7 Lack of airports
Additionally, employees were asked to view out their opinions on whether the lack of airports as in destination is a problem. The findings are shown in Figure 4.11
The findings in Figure 4.11 above indicate that, 40 (40%) employees out of 100 involved in the study agreed, 30 (30%) strongly agreed and lastly 30 (30%) disagreed. Accumulatively 70 (70%) of the employees were in agreement of the statement of which states that, to an extent lack of airports in potential destinations is a problem to the company.

The results above signify that lack of airports complement to the above problems of infrastructure. The country has very few airports to support the growth of the industry, however the few ones existing are not yet modernized to cope and be able to compete with other airports in other countries. The airports that are considered to be the international airports are also in constant renovations, repair or are very small like Mwanza Airport. While other regions do not have airports which limits Precision Air to fly there. This is supported by the findings of Iches (2013) as indicated in the literature review that, the country has small and poor quality airports that only allow certain types of planes to land. Last month 35 passengers and 4 crew members aboard a Dash 8-300 aircraft cheated death when the plane skidded off the runway at
Tanzania's Kigoma airport while taking off. The aircraft belonging to Air Tanzania Company Limited swerved off the runway, causing extensive damage to one of its wings and the engine. It was en-route to the commercial capital Dar es Salaam via Tabora.

4.2.1.7 Lack of skilled labour

Employees were asked to give out opinions the statement which states, Tanzania lacks skilled labour in the aviation sector, forcing airline operators to hire pilots from abroad and hence increasing operational costs. These findings are shown in figure 4.12.

**Figure 4.12 Lack of Skilled Labour**

![Chart showing employee opinions on lack of skilled labour](image)

Source: Field Data (2015)

Findings above in figure 4.12 authenticate that, 50(50%) employees agreed, 30(30%) strongly agreed, 10(10%) disagreed and lastly 10(10%) of the employees were of neutral opinions. Accumulatively, 80 (80%) employees were in agreement with the statement given above. The study signifies that, there are employees who work with
the company as part time or cheap labour. This also implies that the nature of the services offered is not standard. This leads to dissatisfaction and a huge number of complaints from the passengers. Many passengers complain about the customer service provided by the Precision Air staff especially at the airports and link this with the type of labor recruited.

The findings above are in line with the study of Hanlon (2007) who argued that, it is a challenging task for airlines to differentiate their product. There are cases where the only difference between two service providers lies in the way the staff interacts with customers. Therefore emphasize should be put on carefully recruiting, training, motivating and rewarding staff.

It is also in line with the study of Guston, (1978) who argued that, additionally highlight the impact of the behavior, number of staff and their uniform on the image of the company. A uniform plays a crucial role in how a customer perceives individual staff members and the company as a whole. The study concluded that, the entire cabin design matches the distinct uniform and make-up which has to be worn by cabin crew. Furthermore, all flight attendants have to use the same perfume which was especially designed for the airline. The perfume is also used for hot towels provided to passenger and diffused within the cabin via air condition systems.

Gilbert (2002) is of the view that, like so many other airline industries in developing countries, Tanzania as well lacks skilled labor in the aviation sector, forcing airline operators to hire pilots from outside, hence increasing operational costs. Higher airline operation taxes and over-taxed aviation services make Tanzania an expensive destination.

### 4.2.1.8 High air fares due to high taxes

The employees were asked to air out their view on whether higher airline operation taxes and over taxed aviation services make Tanzania an expensive destination;
therefore, the number of international passengers decreases. These findings are indicated in the following figure.

**Figure 4.13 High Airline Operation Tax Increase Expenses**

The employees responses above shows that, 50(50%) employees agreed, 20 (20%) indecisive, 10(10%) strongly agreed, 10(10%) disagreed and lastly 10 (10%) employees disagreed. These results indicates that, accumulatively 60(60%) employees were in agreement with the statement that, higher airline operation taxes and over taxed aviation services make Tanzania an expensive destination, therefore the number of international passengers decreases. Also accumulatively 20(20%) of the employees disagreed.

The findings above indicates that, to some extent high operation taxes and over taxed aviation services contribute to lack of visitors from outside the country, but also for the local citizens the fares are high which forces one to consider to use other means of public transport such as road or railway transport. Charles (2008) supports the above argument; according to him, service tax was a challenge. He went further arguing that the aviation industry players frequently use of third party services for ticketing, aircraft maintenance, ground handling etc. which come under the regime of
service tax leaving Indian operators into trouble in stiff competition. This service tax on air tickets and on the services purchased by Indian airline operators further add to the operating costs.

**4.2.1.9 Over taxed increases Fare**

Employees were also asked to provide their stand and opinion on the statement that over-taxed air services results in high air fares and constrain the development of the company. These findings were presented in figure 4.14

**Figure 4.14 Over Taxed Increases Fare**

![Figure 4.14 Over Taxed Increases Fare](image)

Source: Field Data (2015)

The study results above shows that, 50(50%) employees agreed, 30(30%) were of neutral opinion and lastly 20(20%) strongly agreed. Accumulatively 70 (70%) employees were in agreement with the above stated statement. The findings simply means that, the poor development and poor performance of the airlines is a result of factors, including over taxes, lack of customers as a result of high costs. When the transport cost decreases, the performance of the company will eventually increase. A study by Peter (2009) high operating costs along with highly price sensitive
consumer profile compel Botswana operators to reduce passenger fares in order to compete for market share. This tendency to lure passengers through attractive discounts and low fares has resulted in price wars in the industry.

Price is the most flexible element of the marketing mix and the most problematic one (Kotler et al. 2008) asserts that since the deregulation of the market price is the main competitive element for any airline. The price reflects the costs which arise for delivering a certain service. Marketers in general choose between various pricing strategies which follow a cost based or value-based strategy. Following a cost-based approach, the price is determined by investigating the costs that occur for the company, a value-based strategy is not solely concerned about production costs, but takes the perceived value that customers have of a product or service into consideration for making pricing decisions. (Kotler et al., 2010).

As customers are very price sensitive (Wensveen, 2007), airlines might find a cost-based strategy more appropriate. When customers evaluate whether a service is “worth” buying they might however not solely consider the monetary outlay but also consider time and effort. Therefore, marketers should consider how much time a passenger has to spend and which efforts are linked to purchasing and experiencing the service of his or her company when setting prices (Lovelock, 2008).

The findings are also in line with the study of Wensveen (2007) who also argued that the pricing process is actually among the most complex tasks to be handled in nowadays airline industry. Problems can arise as complicated fare structures with complex rules may not be understood by intermediaries as travel agents. Carriers with a complex fare structure are likely to have to invest more money in training intermediaries. He further argued that, if this is not done in a proper way, agents would need extensive help from the airline which again costs money in terms of working hours paid to staff at the agency support center or they could even avoid selling tickets from particular carriers. Negative feedback may also be collected from customers as they probably expect to get the cheapest fare which is very often being
communicated. Furthermore loyal customers who are willing to pay a “high” fare may find it distracting if the airline targets low-budget travelers and sells tickets at a significantly lower level. The disparity between product and price might cause a confused image.

4.3 Potential Opportunities which are available in the Country for Precision Airline.

Recall objective number two which states that, to identify potential opportunities which are available in the country for Precision Air. The findings under these objectives are presented in figure of population coverage and rapidly growing sector of economy, other opportunities available in the country that is beneficial for the airline industry, and lastly opportunities in the industry in the 10 years ahead.

4.3.1 Population coverage

Employee were asked to give their opinions on whether the population of the country its self and its vast wide coverage in km’s and the inadequate airline transport offers the company an opportunity to establish strong airline networks. The findings are shown in figure 4.15 below.
The findings above imply that, despite the challenges which are facing the airline industry in Tanzania, but its population coverage could provide more health to the industry if the industry would consider it as an opportunity. On the other hand, it can be argued that, the industry does not utilise the opportunities which are just on their fingertips, in addition it can be argued that, the vast majority of Tanzanian cannot be accessed via the airlines service, it could be due to shortage of the airports and airplanes or poor knowledge on the importance of the airline services. However, regardless of the vast population over the country, still poor technology and lack of knowledge among the customers seems to be a problem. A customer finds it doubtful
accessing the internet service via email and for those who are in exterior and in remote area can hardly be accessed. Location in this case matters a lot.

The above argument is in line with the study of Kotler et al., (2008) who argued that, in the airline industry this dimension covers the selection of the right distribution channels which enable the company to reach their target market. The impact of Information and Communication Technologies (ICT) on airlines has always been predominant. Hanlon (2007) strengthens this argument by stating that selling air transport tickets online is among the most successful e-commerce activities. The introduction of the first computer reservation system (CRS) in the 1950s by American Airlines set the beginning of the development of general distribution systems (GDS) (Belobaba et al., 2009) which revolutionized the distribution of tickets. General distribution systems enable intermediaries as travel agents to access information and to book various touristic products like airline tickets and hotel rooms word-wide.

4.3.2 Rapid growing sector

The employees were asked to give out their opinions on whether the rapidly growing sectors of economy namely tourism, manufacturing, agriculture and trading rely on air transport provide the best opportunity for airline to grow. The findings are represented in figure 4.15 below.
The findings in figure 4.15 above authenticate that, 80 (80%) employees strongly agreed, 10 (10%) agreed and lastly 10 (10%). Accumulatively 90 (90%) were in agreement with the above statement that, the rapidly growing sectors of economy namely tourism, manufacturing, agriculture and trading rely on air transport provide the best opportunity for airline to grow. The findings above shows that, the airline industry in Tanzania, still has the more wide opportunities to expand the industry and grow stable in the near future. According to URT (2014) the country receives at an average of 1,200,000 Tourists in a year unlike 2010 where the tourist number ranged between 600,000 -700,000 (URT). The expansion and growing number of tourist in the country provides more room for the expansion of the airline industry.

The findings above are in line with the study of Guston (1978) who argued the discovery of Natural gas in Mtwarra (Transport of gas workers), the discovery of the gas plant provide a fundamental opportunity for the growth and expansion of the airline industry however this is if the available opportunities are put into place.
4.3.3 Other opportunities

The employees were asked to give their responses on the research question which asked, “What other opportunities do you see in the country that is beneficial for your airline (precision air)?” The responses of the findings are shown in figure 4.16 below.

**Figure 4.16 Other Opportunities**

![Bar chart showing frequencies of various opportunities](source: Field Data (2015))

The findings in figure 4.16 above shows that, 40 (40%) of the employees identified tourism industry. On the other hand, the remaining employees at equal proportion shared 10 (10%) each while giving a number of opportunities such as discovery of natural gas, expansion of air transport, expansion of terminals, increase of GDP, low level of competition and increased purchasing power.

The finding above implies that tourism development sector can stand out to be the best opportunity over other opportunities. However, this would take longer time considering the financial stability of the airline industry in Tanzania. No airline company would chose to intervene with the government’s plans which includes the construction of infrastructures such as airports. It is researcher’s own opinions that
the airline industry would benefit from the tourism industry growth but this could take longer time than the demands for the growth of the industry now.

4.3.4 Other Opportunities in 10 years

The employees were also asked to give out their responses on other opportunities they see in their airline industry for the other 10 years ahead. These findings are presented in Table 4.2 below.

Table 4.2 Other Opportunities in 10 years

<table>
<thead>
<tr>
<th>Other opportunities in 10 years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness of the importance of the airlines industry</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Economy growth</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Expected increase number of Tourist</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Strong regional integration</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Increase in investors</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2015)

50 (50%) employees out of 100 employees identified that in the next ten years period of time, the awareness of the importance of the airline industry amongst citizens would have increased, 20 (20%) employees expects increase in the number of the tourists which will also improve the sector. On the other hand, 10(10%) employees were of the view that, there is an increase in the number of investors within the country, 10 (10%) employees said strong regional integration is also a good opportunity and lastly 10(10%) employees believes that the countries’ economy also increases.

The findings above shows that, there is an increase in number of customers or rather passengers, the increase is gradual, it is linked with awakening, and increased knowledge among the local citizens over the use of the airline transports. This is supported by the study of Fodness (1997) who argued that, in most developing countries, an increase in the country’s economy and awareness of the citizens over
the efficiency of the airline transport, improves the performance and growth of the industry.

4.3.5 Measures to Overcome the Challenges Facing the Airline Industry

Recall specific objective three which states that, to determine measures to overcome challenges facing the airline industry operations. Respondents were asked to suggest the measures that could be used to overcome the challenges which are facing the airline industry. The findings of the study were shown in figure 4.17 as follows:

**Figure 4.17 Measures to Overcome the Challenges**

As per figure 4.17, a number of measures were suggested in the best knowledge of the respondents. 20(20%) of the respondents said that, the government should reduce tax, 19 (19%) said, infrastructures should be improved, 13(13%) respondents said education to staff members. In addition to that, 7(7%) respondents suggested that the government and the organisation should build partnership of the airlines also 6(6%) respondents suggested that, the organisation and the government should fight
corruptions. While 5(5%) of the respondents suggested that there should be improved staff relationship and another 5(5%) suggested that, there should be good government policy that will help the smooth running of the airline industry. 4(4%) reduction of bureaucracy, 4(4%) increase inter airline meetings and 4(4%) said stable electricity supply while 3(3%) of the respondents said the fuel costs should be reduced. In addition to that, 2(2%) of the respondents suggested that the airline should consider hiring skilled personnel and 2(2%) said the government should support local airlines.

The findings of the study shows that, to a large extent taxes that are being charged by the government hinders the development of the airline industry. This means that, the industry is facing the tax challenges such that, it is forced to increase its charges and running costs. The increase in the charges that are charged by the government makes or forces the company to increase the transport fare which in return reduces the number of the customers.

This finding is supported by the study of Michel (2007) which suggests that, increasing fuel prices, taxes, and levies plus currency fluctuations and the refusal of minority owner Kenya Airways to contribute capital had also hurt the airline. Michael (2007) the effect of the increased taxes can be seen directly or indirectly, for example, the increased taxes over the organisation will eventually lead to an increase in the transport fair. The increased transport fare will also lead to decrease in the number of customers since; they will opt to use other flight companies which charge low from neighboring region.
CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
This chapter discusses the snap shot of the main findings of the study, linking them to the potential opportunities and challenges of the airline industry in Tanzania. Correspondingly, it provides recommendations for which the airline industry can use to improve the industry and suggests areas for further research.

5.1 Summary
The first objective of the study aimed at finding out the challenges which face Precision Air in its operations. The findings of the study revealed that there are a number of challenges facing the airline industry which includes maintenance costs, financial difficulties, increase in the fuel price, taxes, currency fluctuation, poor infrastructure, lack of airports, lack of skilled labour, high fares due to high taxes, and over taxed increases the fare.

The other side looks at the potential opportunities which are available in the industry for the growth of the airline industry. The study revealed that, there are number of prospective opportunities within the industry some of which are short term based while others are long term. These opportunities include vast population coverage of the country which is estimated to be more than 45 million as per 2010 census, rapid growing sectors such as the tourism industry, natural gas, expansion within the air transport which included the expansion of terminals. Not only that but also an increase in the GDP, low levels of competition within the industry its self and increased purchasing power amongst the customers (citizens). Furthermore, awareness of the importance of the airline industry amongst citizens is expected to increase, increased number of investors within the country, strong regional integration and an increase in the country’s economy in general.
5.2 Conclusion

From the findings above it can be concluded that, regardless of the importance of the sector in the development of the country, there are number of challenges some of which were short term and some were long term. However, it was clear that, amongst the challenges community culture or perception towards the service was one of the major problems. On the side of the government, it was found out that, the government over taxation and unstable currency have contributed much to more problems directly and indirectly. The unstable currency has lead to increase in the transport fare while over taxation has resulted to increase in oil price and increase in the transport fare. The above challenges have further contributed to employees’ low pay which as result led to underperformance. Despite the challenges that existed in the industry, the industry has vast of opportunities which are yet to be exploited, these include long and short term such as expansion of the terminals, strong regional integration, growing economy, growing sectors such as tourism and gas and fuel.

5.3. Recommendations

Given the challenges identified above a number of recommendations were put forward;

It was recommended that opening of an aviation school recognised by the authority would help training of the airline employees as well as educating them. This in turn will result to more competent and skillful employees needed to undertake the necessary aviation services.

Establishing a good relationship with the ruling government such that, there could be some agreement on fuel cost and tax are reduced which in turn the air transport fair is reduced to allow more people use the transport for economic and social activities.

It was further recommended that, there should be good and strong investment in manpower, ensuring man power retention, offering of scholarship to Tanzania on the aviation sectors.
Regarding the fuel cost and high tax that led to increase in the transport fare. It was recommended that, the government should reconsider to reduce fuel cost as well as over taxation.

It was further recommended that the government should integrate the airline industry in national economic plan like all other industries. This will enable the airline industry to grow faster and compete with other airlines abroad.

Furthermore, all airlines should have strong financial control systems. This will enable the airlines to remain stable, operate at high capacity, and not have financial losses.

5.4 Areas of further studies
The study has covered only a small population of Precision Air that is Mwanza and Dar-es-Salaam offices to generate the conclusion which is assumed the conclusion of all other branches and other airlines in the industry in the country, and therefore a wider study can be conducted to find out if the conclusion reached in this study applies to all companies.
REFERENCES


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APPENDIX I
QUESTIONNAIRE FOR EMPLOYEES

Introduction
My name is Fiona Makubo, a MBA student at Mzumbe University (Mwanza Branch). The intention of this questionnaire is to collect information on “potential opportunities and challenges in the airline industry Precision Air being the case study”. This work is for academic purposes only and hence your information will be useful and necessary ingredients towards the accomplishment of the research objectives of this study. Anonymity and confidentiality of the information provided is highly assured. To make this work successful, I would like to request your cooperation and voluntary participation.

A: RESPONDENT PERSONAL INFORMATION
(Please circle the appropriate answer)

<p>| | | |</p>
<table>
<thead>
<tr>
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| 1. | Age | a. Below 20  
b. Between 20-29  
c. Between 30-39  
d. Between 40-49  
e. 50 and above |
| 2. | Highest level of education attained | a. Secondary school  
b. Certificate or any other training  
c. Diploma  
d. First degree/advanced diploma  
e. Masters  
f. Other profession....................... |
| 5. | Primary role of respondent | a. Ordinary employee  
b. Staff officer  
c. Supervisor  
d. Head of department  
e. Head of section |
| 6. | For how long have you been in the airline industry? | a. Less than 1 year  
b. Between 1-3  
c. Between 4-6  
d. Above 6 years |
| 7. | Which department are you working with? | a. Engineering  
b. Commercial |
Please choose a score for each question.
The scores are according to the following scale.

1. Strongly agree 5
2. Agree 4
3. Neutral 3
4. Disagree 2
5. Strongly disagree 1

B. CHALLENGES FACING THE AIRLINE
Your opinion on the challenges facing your airline and the airline industry in Tanzania.

Please choose a score for each question.

1. Maintenance cost is always a serious problem facing the airline’s performance.
   i. Strongly agree 5
   ii. Agree 4
   iii. Neutral 3
   iv. Disagree 2
   v. Strongly disagree 1

2. Precision Air encountered substantial financial difficulties a few years ago which hindered its operational performance.
3. Increasing fuel prices is also a challenge to Precision Air and the industry in Tanzania.
   i. Strongly agree 5
   ii. Agree 4
   iii. Neutral 3
   iv. Disagree 2
   v. Strongly disagree 1

4. The taxes charged are among the serious challenges impeding the company running.
   i. Strongly agree 5
   ii. Agree 4
   iii. Neutral 3
   iv. Disagree 2
   v. Strongly disagree 1

5. Currency fluctuations have been affecting the company’s operations and performance in different ways.
   i. Strongly agree 5
   ii. Agree 4
   iii. Neutral 3
   iv. Disagree 2
   v. Strongly disagree 1

6. Poor airport infrastructure is also among the challenges facing the company.
   i. Strongly agree 5
   ii. Agree 4
iii. Neutral 3  
iv. Disagree 2  
v. Strongly disagree 1

7. To an extent lack of airports in potential destinations is a problem to the company.  
i. Strongly agree 5  
ii. Agree 4  
iii. Neutral 3  
iv. Disagree 2  
v. Strongly disagree 1

8. Tanzania lacks skilled labor in the aviation sector, forcing airline operators to hire pilots from abroad and hence increasing operational costs.  
i. Strongly agree 5  
ii. Agree 4  
iii. Neutral 3  
iv. Disagree 2  
v. Strongly disagree 1

9. Higher airline operation taxes and over-taxed aviation services make Tanzania an expensive destination; therefore, the number of international passengers decreases.  
i. Strongly agree 5  
ii. Agree 4  
iii. Neutral 3  
iv. Disagree 2  
v. Strongly disagree 1

10. Over-taxed air services result in high air fares and constrain the development of the Company  
i. Strongly agree 5
ii. Agree 4
iii. Neutral 3
iv. Disagree 2
v. Strongly disagree 1

11. What other challenges do you see in the company and in the industry?
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C: OPPURTUNITIES AVAILABLE FOR THE COMPANY AND INDUSTRY TO GROW

1. The population of the country itself and its vast wide coverage in km’s and the inadequate air line transport offers the company an opportunity to establish a strong airline networks.
   i. Strongly agree 5
   ii. Agree 4
   iii. Neutral 3
   iv. Disagree 2
   v. Strongly disagree 1

2. The rapidly growing sectors of economy namely tourism, manufacturing, Agriculture and trading rely on air transport provide the best opportunity for airline to grow
   i. Strongly agree 5
   ii. Agree 4
   iii. Neutral 3
   iv. Disagree 2
   v. Strongly disagree 1
3. What other opportunities do you see in the country that is beneficial for your airline (Precision Air)?

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4. What other opportunities do you see in the industry?

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5. What opportunities do you see in the industry in the 10 years ahead?

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D: MEASURE TO OVERCOME THE CHALLENGES FACING THE AIRLINE INDUSTRY

Suggest the possible measures which can be used to overcome challenges facing the airline industry operations.

   i.  ……………………………………………………………………………………………
   ii. ……………………………………………………………………………………………
   iii. ……………………………………………………………………………………………
   iv.  ……………………………………………………………………………………………