

Open Skies in Africa

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Historically, aviation was not critical

▶ Restrictive skies

- ▶ For State owned airlines
- ▶ Fear of the giant players
- ▶ Lack of understanding of role of aviation by key players

▶ Expensive business

- ▶ Aircraft, fuel, maintenance
- ▶ Experience (human and technical)

▶ Affordability

- ▶ Low incomes
- ▶ Sustenance economies

▶ Politics

- ▶ Stability
- ▶ No focus on aviation



Yamoussoukro Decision 1999

- ✓ Full liberalization of intra-African air transport services in terms of access, capacity, frequency, and tariffs
- ✓ Free exercise of first, second, third, fourth and fifth freedom rights for passenger and freight air services by eligible airlines
- ✓ Liberalized tariffs and fair competition



Safety response

- ▶ Airlines are joining IATA - IOSA accreditation
- ▶ Less accidents of IOSA accredited airlines
- ▶ No longer a dumping ground for old unsafe aircraft
- ▶ Strong ANSP to control the skies



Infrastructure

- ▶ A need to partner with the airports to set up good stores
- ▶ Some countries are successful - SA, Nigeria, Kenya, Ethiopia, Mauritius, etc.



Taxes and Fees

- ▶ Pressure on governments to reduce fees
- ▶ AFRAA and IATA are playing a major role



Political Instability

- ▶ Countries are starting to hold leadership accountable
- ▶ Leadership changes - Ghana, South Africa, Zimbabwe, Kenya president at ICC, Ethiopia
- ▶ Business confidence
- ▶ Growing economies



Opening the African skies

- ▶ Open skies between like-minded countries
- ▶ Partnerships - Ethiopian Airways, South African Airways
- ▶ Single African Aviation Market - countries are growing
- ▶ Consolidation



There are great strides taken

- ▶ There is growing momentum for the full liberalisation of African skies
- ▶ This is enhancing connectivity within the continent which facilitates trade, tourism travel and thus economic and social development of the continent
- ▶ The liberalisation process is being facilitated by growing removal of non-physical barriers to the movement of people and goods
- ▶ Also the move by the AU to set up a Continental Free Trade Area by 2017 is also in line with the establishment of a Single African Aviation Market



TIME FOR AFRICA

- ▶ 7 of top 10 fastest growing economies
- ▶ About 254 airlines
- ▶ 8% passenger growth in 2018,
 - ▶ increase of 7,5% in 2017
- ▶ 70% Load Factors
- ▶ Generally, volume drives profitability
- ▶ Currently 1,256 billion population
- ▶ 425 million middle class
- ▶ 2060 - 1,1 billion middle class



African Middle Class

- ▶ They live in urban centres.
- ▶ Higher levels of tertiary education
- ▶ Hold salaried jobs
- ▶ Business owners
- ▶ Young and in the acquisitive phase of life
- ▶ Have fewer children than previous generations and than those in the rural areas
- ▶ Tend to opt for private education and health services
- ▶ Send their children to overseas universities
- ▶ May receive remittances from relatives living in the Diaspora (US\$38 billion)
- ▶ Aspirational

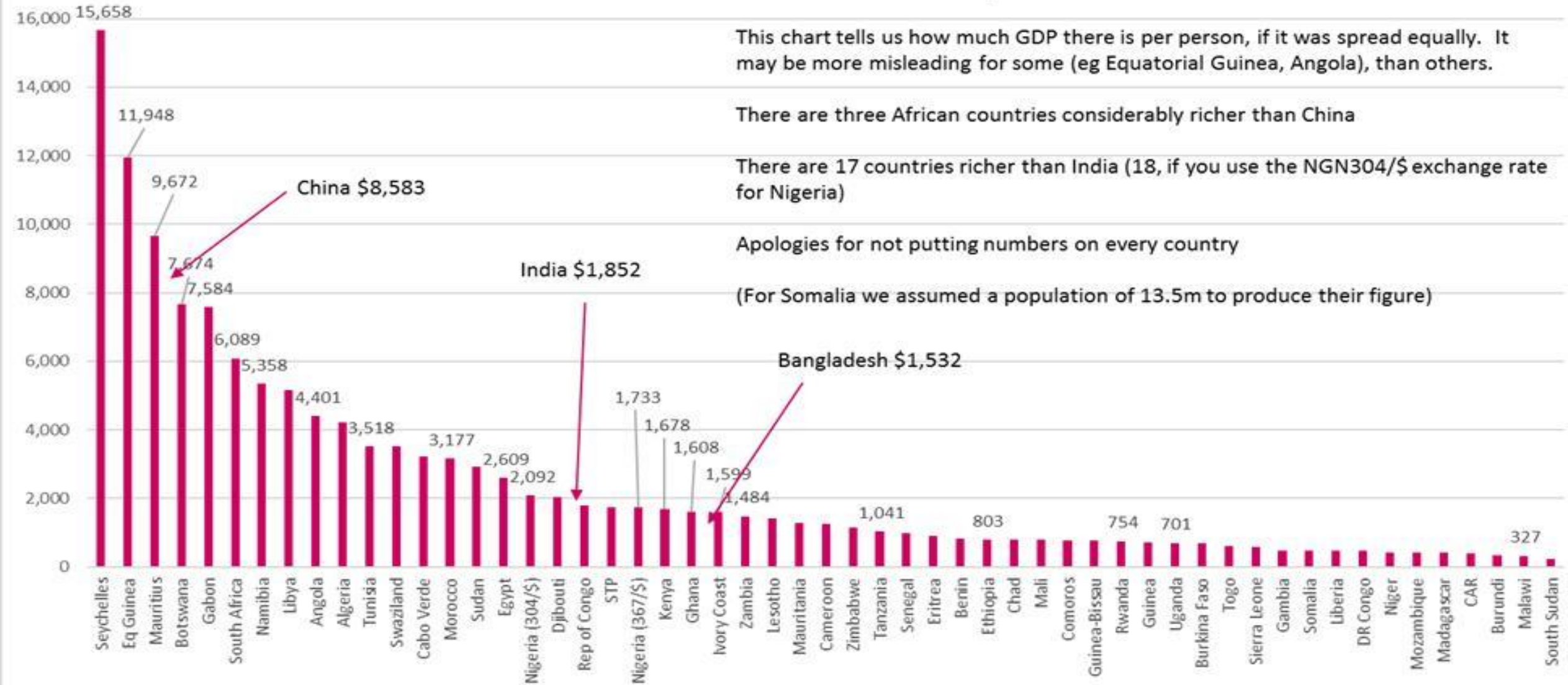
Source: Deloitte Study



Avocom Aviation

Purchasing power

African countries ranked by GDP per person (US\$), forecasts for 2017, IMF data via Renaissance Capital



Single African Aviation Market

- ▶ African HOS at the AU Summit in January 2012 endorsed a plan to set up a Continental Free Trade Area (CFTA) by 2017
- ▶ The CFTA would be a key component of the AU's strategy to boost trade in Africa by at least 25 - 30% in the next decade
- ▶ Intra-African trade currently stands at 12 - 15% of total trade, compared to 60 % for Europe, 40% for N. America, and 30% for ASEAN, according to the WTO
- ▶ The AU is of the view that enhancing trade can contribute significantly to sustainable economic growth
- ▶ This ties neatly into the thrust towards a Single African Aviation Market as air transport is a critical facilitator to the movement of people and goods in our vast continent



Bali Agreements - Trade Facilitation Agreement

- ▶ WTO members concluded negotiations at the Bali Ministerial Conference on the landmark Trade Facilitation Agreement (TFA)
- ▶ The Bali Agreement on Trade Facilitation came into Force on 22 February 2017 after obtaining the two-thirds acceptance from its 164 members
- ▶ Agreement seeks to expedite the movement, release and clearance of goods across borders, and boosts e-commerce and the multilateral trading system as a whole
- ▶ Full implementation of TFA is forecast to slash members' trade costs by about 14.3%, reduce the time to import goods by over a day and a half and to export goods by almost two days, representing a reduction of 47% and 91% respectively over the current average
- ▶ Implementing the TFA is also expected to help new firms export for the first time
- ▶ With fully implemented TFA, developing countries are predicted to increase the number of new products exported by as much as 20%, LDCs by up to 35%, according to the WTO



Realisation

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- ▶ Airlines have realised:
 - ▶ Ancillary revenues
 - ▶ Tariff reductions to grow the market
 - ▶ Infrastructure development

What is missing

- ▶ Airlines being held to performance targets
 - ▶ Accounting for all revenue in own P&L
 - ▶ Cabin crew training and incentives
- ▶ Diversification of product and distribution
 - ▶ Duty-paid sales
 - ▶ Use of technology
- ▶ Bring the conference to Africa





Africa is open for business

Source: Dakotadesign.co.za

Thank you. Questions?

