

## **AFRAA REMARKS AT THE OPENING SESSION**

Ladies and gentlemen

The airline industry encompasses the transportation of passengers and goods/cargo by air from one point to another. In 2019, African operators carried 95.6 million passengers, realizing 71.6% of passenger Load Factor and 36.8% of cargo Load Factor. This fell to 43 million Passengers in 2021 due to the COVID-19 pandemic.

Aviation is a critical sector of the global economy. In 2019, the air transport industry associated with the related sectors as tourism supported 7.7 million jobs. It contributed 2.7% to the continental GDP (around 63 billion USD), including revenues from the supply chain, wages expenditures, and the impact of tourism made possible by air transport.

Before the COVID-19 outbreak, air travel demand in Africa was expected to grow at about 3.4% per year over the next two decades. This increase would have stimulated growth in the economic contribution and jobs supported by the industry.

In terms of profitability, unfortunately, African operators' performances are low. As you can see on the graph, over almost 15 years, African airlines only posted net profit in 2010 (this positive profit can be attributed to the worldwide exposure created by the hosting of the FIFA world cup)

Traffic was expected to reach 92.3% of the 2019 levels in February 2023.

In December 2022 (Final adjusted data) :

Domestic traffic represented 37% of the passengers carried.

Intra-African passengers carried represented 31%

Intercontinental traffic was 32%

Economic regulators often are non-compliant with ICAO policies regarding taxes. The various taxes & duties on fuel handicap the African aviation industry. Globally, fuel accounts for about 25% of an airline's operational cost, whilst in Africa, this ranges from 30% to 40%. Fuel prices at some stations in Africa are over twice the world average. This has a very adverse impact on the competitiveness of African airlines.

Taxation of Aircrafts and Aircrafts spare parts not only causes delays that lead to AOG situations in Africa but also significantly increases operational costs in the industry. Some of our member airlines reported that they are facing taxes levied on fuel, lubricants and spares in some African markets. They experience taxes from different countries on gross revenues generated from sales of tickets and other items, which creates a double taxation issue, even though it's provided for in the bilateral agreement. A particular country was reported to charge airlines a city levy of 2% of gross revenue.

In terms of infrastructures, sometimes service providers invest in costly infrastructures and pass on the recovery or maintenance costs to the users. And very often, the low level of traffic leads to high levels of charges applied.

For licensing and permit procedures and costs, member airlines report that they face delays from various markets in granting operating permits. And regarding costs, sometimes those permits need to be renewed every 2 years, and the fees for renewal are quite significant.

Here is some examples of ticket price breakdown for travels within Africa. For some routes, the total taxes even exceed the base fare. Taxes and fees generally represent more than 50% of airlines' most affordable base fares and more than 25% of the total ticket price.

Let me take the example of a route in West Africa: ABJACC. This is a trade route and therefore has high passenger potential. By air, a passenger spends around 1 hour compared to 12 hours when using the road.

However, the road traffic is really developed, with several companies offering 7/7 daily departures. In 2011, 2.9 million PAX travelled the route by road vs less than 200 thousand by air.

Thus, a passenger disburses around 40 USD by road versus 210 USD by air. And ticket price breakdown shows that taxes represent more than 25% of the ticket price.

Regarding international taxes, Passengers pay on average 3.1 different taxes and fees for international departures. It can go to up to 10 taxes in some airports. All those taxes represent an average of USD 65 on the continental scale. In neighbouring regions, we are USD 36.5 in Europe and USD 22.1 in the Middle East.

When we look at taxation by sub-regions in Africa, we can see significant disparities. The central African region is the most expensive, with an average of USD 92.3 taxes and fees paid for international travels, followed by Western Africa with USD 82.3 on average. Around 30 USD higher than the continental average.

Even if affordable compared to the previous, Eastern and Southern African regions remain more expensive than neighbouring regions, charging USD 57.2 and USD 52.3 per passenger, respectively.

The most affordable region in terms of taxes and fees is Northern Africa, where passengers pay an average of USD 25.9.

Thank you for your attention