

DAY 2 Session 3

SECOND ICAO MEETING ON THE SUSTAINABLE DEVELOPMENT OF AIR TRANSPORT IN AFRICA

Developing Long Term Vision for Sustainable Air Transport in Africa

How can States sustain the continuous liberalization of air transport in Africa, and accelerate the implementation of the African Union (AU) *Agenda 2063* on the creation of a Single African Air Transport Market (SAATM) through the Yamoussoukro Decision?

Liberalization

To address the first part of the lead questions for this Session, I will answer with another question which is: what is the **basic argument** for liberalizing air transport markets? I believe that the answer to this comprise of the prospect of:

- Direct and
- Indirect gains from competition while

The **main objectives** of air transport liberalization are:

- The elimination of bureaucratic obstacles;
- Fostering of competition for the benefits of consumers.

All studies evaluating the **impact of liberalization** after the fact agree on the

- Positive impact on the industry's economy and structures including the fact that:
 - ✓ Average fares have gone down and
 - ✓ Average traffic has grown much higher than it would have been under the traditional regulated systems;
 - ✓ Emergence of low cost carriers; and
 - ✓ Improvement in the quality of services etc.

What is the Role of Government in the Liberalized Environment?

Government is primarily responsible for regulatory and oversight functions of the operations and services relating to the safety and technical aspects of aviation.

Matters within the scope of government regulatory authorities include:

- Providing a conducive environment that will help airlines and other players in the industry to evolve strategies to better manage expectations and costs and to continue to improve productivity.
- Air safety, aircraft certification, personnel licensing and training, manufacture, repair, airworthiness and operation of aircraft, aircraft noise and ground services etc.
- Investigating and instituting enforcement proceedings.
- Guarding against anti-competitive activities and abuse of dominant position in a liberalized environment.
- Improving infrastructure to meet the increased traffic which liberalisation will bring.

Within a liberalized system, State aid must be reduced and controlled in order to ensure that competition between airlines becomes fair and based solely on commercial principles.

What is the Yamoussoukro Decision/Single African Air Transport Market?

The provisions of the Yamoussoukro Decision are:

- Full liberalization of intra-African air transport services in terms of market access (3rd, 4th and 5th Freedoms traffic rights) using a simple notification procedure;
- Full liberalization of frequencies, fares, and capacity.

This however is not the case in practice. A number of stakeholders continue to report issues concerning the granting of Fifth Freedom Rights by State parties and there is definitely no liberalization in fares which can result only from healthy competition.

Reasons for the non- full implementation of the YD

The major reasons adduced for the non-implementation of the YD were the:

- Lack of critical guidance materials (the Regulatory Texts) indispensable for the effective implementation of YD. These texts which have now been annexed to the YD are:
 - ✓ The Functions and Legal Powers of the Executing Agency,
 - ✓ Regulations on Competition in Air Transport within Africa;
 - ✓ Regulations on Protection of Consumers and Liability of Service Providers in Passenger Air Transport Services; and
 - ✓ Regulations on Dispute Settlement Mechanisms relating to the implementation of the YD
- Perception that bigger carriers will abuse their dominant position in a liberalized environment and drive the smaller carriers away
- Perception that States without carriers have nothing to benefit from implementing the YD
- Claims of lack of continent-wide policy on civil aviation to guide orderly and progressive development on the continent – There is now the African Civil Aviation Policy (AFCAP)
- Visa restrictions.

However, all of these reasons have now been taken care of, so African countries must fulfil their treaty obligation of implementing the YD with appropriate accompanying measures. States must cease their protectionist approach towards their airlines to embrace full liberalization in terms of traffic rights, capacity, frequency, designation and authorization.

What experiences can be shared from other regions?

Airlines in the Middle East have been quick to take advantage of their geographical location to develop global hubs to service demand between regions and to facilitate trade within their own. Meanwhile, their airlines continue to focus on costs to achieve prices that are within reach of more and more people.

A goal that low cost carriers have championed with more future potential, particularly in Asia, is expected to provide another potent driver for growth.

The USA, European Union, meanwhile were the first to have benefitted greatly from having liberalized their air transport markets. In the USA according to the US

Department of Transportation, passengers save \$19.4 billion dollars per year as a result of lower fares due to deregulation. Airline ticket prices are almost 40% lower today than prior to the period of deregulation in 1978 among other benefits. The creation of the Single European Aviation Market in 1993 meanwhile is said to have led to an average annual growth rate in traffic between 1995 and 2004, almost double the rate of growth in the years 1990 to 1994. This produced about 1.4 million new jobs.

It is in view of these inherent benefits that ICAO has continued to support and encourage States to move from the traditional restrictive bilateral air services agreement regime to a more liberalised regime and African States need to understand the new dynamics that guide growth in the aviation industry and the harness the synergy between air transport and their national economies.

**How can operators take advantage of opportunities such as code sharing and alliances?
How to deal with aviation relations with third parties in the liberalization process?**

Star Alliance, One World and Sky Team: Each of these carry between 400 and 600 million mtpassengers per year, operating over 3,000 aircraft and serving some 1,000 destinations in 170 countries. Some 8% of regular airlines are members of one alliance or the other and these carriers represent over 60% of the world traffic.

For African airlines to take advantage of code sharing and alliances with any of these, they must:

- Improve their safety and security standards to internationally accepted levels and ideally pass the IATA safety audit (IOSA))
- Join the IATA BSP
- Both carriers and airports must develop service quality levels of a very high standard
- Airports must develop suitable infrastructure e.g sufficient departure gates connected to the aircraft by walkways, well designed movement areas to reduce transfer time, sophisticated and computerized baggage sorting systems and ensure appropriate signage.

Benefits of Full Implementation of YD

When fully implemented, the YD will lead to the Single African Air Transport Market Various studies have shown that all member States stand to benefit from the full implementation of the YD at the continental level. Restrictive Bilateral Air Services Agreements between countries stifle air travel, tourism and business, and, consequently, economic growth and job creation. With full implementation of the YD:

- The passenger will have increased choice of carriers, convenience and ease of travel due to better connectivity, reduced fares.
- The passenger will also enjoy better quality and reliable services from competing airlines *inter alia*.
- African airlines like their counterparts in other regions of the world where liberalization has been fully implemented will benefit from more commercial freedom to wider route networks, more frequencies, hence economies of scale and density, better aircraft utilisation, flexibility and reduced cost of operations.

- Additionally, the full implementation will allow for more flexible commercial arrangements such as alliances, code shares, franchises, interlining, mergers and acquisitions among African carriers.
- Airports and Air Navigation service providers will also benefit greatly from increased and efficient utilisation of airport facilities and airspace. This will enhance revenue generated from Passenger Service Charges, landing and parking fees, Air Navigation charges and other non-aeronautical revenues.
- Increased passenger, cargo and aircraft traffic will have a multiplier effect on the activities and revenues of Allied Service Providers, including ground handling companies, fuel suppliers, caterers, ground transportation and hoteliers
- For governments, full implementation of the YD owing to increased activities and reduced costs will create investment opportunities and generate employment as well as stimulate the growth of trade and tourism through the free movement of people, goods and services.
- Improve African integration which is the most cardinal principle of the African Union (AU) and the concept of the Abuja Treaty.
- **Tourism:** Implementation of the YD will also boost Tourism and trade in Africa because air connectivity is fundamental to the development of these two. Today, tourism accounts for as much as 7% of all exports in Africa and 58% of its service exports and the fact that 51% of all international tourists arrive at their destinations by air is testament to this assertion.

CONCLUSION

From the foregoing, it is evident that the full implementation of the YD will be of benefit to all African States regardless of whether they have air carriers or not. Studies have shown that traffic growth subsequent to liberalization of air services agreements between countries typically averaged between 12 and 35 percent, significantly greater than during years preceding liberalization. In a number of situations, growth exceeded 50 percent and in some cases, reached almost 100 percent of the pre-liberalization rates. IATA in the following presentation will further share with you, the results of their study on the YD.

Additionally, the full implementation of the YD will help to strengthen the African market and ultimately enhance the participation of African airlines in international air transport and engender the integration of the continent.