



AFRICAN AIRLINES ASSOCIATION

Association des Compagnies Aériennes Africaines

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MEDIA RELEASE

22 November 2011

AFRAA 43RD AGA CALLS FOR AIRLINES TO EXPLOIT THE HUGE GROWTH OPPORTUNITIES ON THE CONTINENT

Marrakech, 22nd November 2011: Leaders from the African Airlines Association concluded their 43rd Annual General Assembly and conference in Marrakech today with a call for the industry to exploit the huge growth potential on the continent and enhance commercial cooperation among members. The three-day conference was held under the theme “Harnessing the Growth Opportunities Together” and brought together over 368 high profile delegates from Africa and across the world.

Opening the Assembly on behalf of the Minister of Transport of the Kingdom of Morocco, the Director General of the Civil Aviation Authority of the Kingdom of Morocco, Mr. Abdennebi Manar, challenged African airlines to open up their markets and brace themselves for competition. He further called for the implementation of the key recommendations and resolutions that were to emerge out of the conference. Mr. Manar called upon industry stakeholders in Africa to work together and seek partnerships to broaden their network and mop-up traffic to compete with operators from other regions.

Welcoming delegates to the meeting, the President of AFRAA and Chairman of Royal Air Maroc, Mr. Driss Benhima, noted that air transport liberalisation is good for the continent although it can pose serious survival challenges to local airlines that are ill-prepared to compete in a liberalized market. He said the Kingdom of Morocco last year attained its target of 10 million tourist arrivals due largely to the open skies agreement with the EU, but this achievement was at the expense of Royal Air Maroc, which had to compete against mega scheduled and Low Cost carriers from the European Union. He commended the large turnout at the AGA and reiterated the need for airlines to commit to working together through commercial cooperation and joint initiatives to derive economies of scale. In his words, “this is the only way we can be competitive and profitable”. He lamented the difficulty in securing traffic rights in some African countries, adding that “this explains why most of us came to the Kingdom of Morocco via Europe or the Middle East.”

The Secretary General of AFRAA, Dr. Elijah Chingosho deplored the excessive airport taxes, charges and fees being levied on airlines and passengers and said, “... this is stifling the development of air transport and compounding the many difficulties that African airlines have to surmount to be competitive and profitable.” Dr. Chingosho called upon African States to take their safety responsibility seriously and together with the African Union engage the EU on the impact of its unilateral regulations on African operators and the competitive advantage such

measures give to non-Africa carriers. The Secretary General stated that the EU list of banned airlines was viewed by many African stakeholders as a ploy to switch traffic from African operators to their European competitors. “Otherwise why would the EU claims some African skies or airports are unsafe and goes ahead to ban some African carriers from operating into the EU and yet the EU carriers continue to fly into and out of those unsafe markets?” Dr. Chingosho queried. He noted that, “the same skies that are unsafe for African operators cannot be safe for European airlines” and called on the EU to stop what he termed “competition induced blacklisting” and adopt a more constructive to approach to addressing any concerns regarding safety in Africa.

Airlines Need Conducive Environment, not Aid

On the role of government in the development of air transport in Africa, the Secretary General of AFRAA stated “we need government support and commitment to fully liberalise the internal African market. This will stimulate regional and domestic traffic growth and create a bigger home-base market for our intercontinental airlines. Governments should remove barriers to cooperation between carriers and put in place policy and regulatory framework that create a conducive environment for airline collaboration and consolidation”.

The enormous growth opportunities in Africa were highlighted by various speakers at the conference with a call on African government to “create the enabling environment and not continue to baby-sit and provide aid to airlines.” It emerged that the support expected of governments should come in the form of liberalizing the market in accordance with the provision of the Yamoussoukro Decision; eliminating not tariff barriers to movement of goods and people through visa, customs and immigration reforms; development and adoption of continental competition regulations to prevent unfair competition; improving safety and security as well as investing in aviation infrastructure and encouraging cross-border investments in air transport.

The Secretary General commended the efforts by AFCAC and the African representatives on the ICAO Council for developing a comprehensive air transport policy for the continent and called for the establishment of the necessary regulatory framework that will ensure fair competition among African airlines and in particular between African carriers and their foreign competitors.

The 43rd Assembly closed with a resolve by African airlines to pursue viable commercial joint projects and work together to survive the fierce competition from non-African airlines.

African Airlines Commendable Performance in 2010

In a detailed annual report on the performance of African airlines presented by the Secretary General of AFRAA, Dr. Elijah Chingosho, during the just concluded AGA, he noted that passenger traffic in 2010 grew by 12.9% and freight by 23.8%. Number of passengers carried went up to almost 61 million from 56 million recorded in 2009 and the sub-Saharan region made a profit of US\$100 million. The report noted that 44% of all passengers into and out of Africa travelled on intercontinental routes (Africa to other regions), 34% travelled within Africa (intra-Africa) while 22% were domestic passengers.

Europe remains the largest intercontinental air transport market for African airlines accounting for 138.1 billion RPKs in 2010. Looking ahead, Europe is forecast to have the lowest growth potential at just 4.6% per year over the next 20 years. The market to watch according to the 2010 AFRAA annual report is Asia Pacific. In 2010 the Asia Pacific region accounted for 5.6 billion RPKs, but with a forecast growth of 8.1% per year over the next 20 years, and little competition from the Asian carriers (at least for now), the region may well be the market to target for future passenger and freight growth according to AFRAA.

On freight, the report noted that African airlines still lack the capacity and are not properly structured to take advantage of this business segment currently dominated by non-African airlines. According to AFRAA, airlines continue to lose freight business on intra-Africa and domestic routes to road, water and rail transport systems. Of the 689,000 tonnes of freight carried in 2010, 70% was to/from intercontinental destinations, 21% to intra-Africa routes and 9% on domestic networks.

The continent recorded 69.1% average load factor in 2010, up 1.1% from 2009, compared with the industry average of 76.0%. AFRAA attributed the low load factor to a miss-match of capacity and demand, lack of cooperation among airlines and over-capacity on some routes.

Africa fleet is only 4% of the total global commercial aircraft in operation and is made up of 64% single-aisle, 29% twin-aisle, 6% regional jets and 1% large jets according to the AFRAA report. The average age of the fleet improved significantly from 19 years in 2009 to 14 years in 2010 due to the replacement of some ageing aircraft and the acquisition of modern types by some airlines. Boeing predicts that over the next 20 years, the continent will need to acquire 800 aircraft worth US\$100 billion to replace some existing fleet and meet traffic growth needs.

The report noted that cost of travel from Africa is still very high compared to other regions of the world. It cost 18.5 US cents per RPK to travel in Africa compared to 15.5 US cents in Asia, 12.3 cents in Europe and 11.0 cents in North America. AFRAA said this is due in part to high airport taxes, charges and fees as well as high fuel and other operating costs in the region. The Association called upon governments to avoid excessive taxes and charges of passengers and operators to facilitate growth and attract investments into the industry.

On safety, the report noted that significant improvements have been made over the years with 37 African airlines currently registered on the IOSA registry. Of the total of 34 accidents recorded globally in 2010, Africa accounted for 18% (8 accidents). AFRAA urged States to take their safety oversight responsibility seriously and called on countries with challenges in meeting their safety obligations to seek assistance through the AFCAC/ICAO initiated AFI Cooperative Inspection Scheme.

In a resolution adopted on safety, African airlines condemned the EU list of banned airlines and called upon the European Union to adopt pragmatic and constructive approaches to dealing with safety in the industry. The resolution further acknowledged ICAO as the only neutral body with a mandate to oversee to the global regulation of aviation and urged the EU to avoid unilateral regulations of the aviation industry which will serve no good but only ignite retaliation.

AFRAA condemned the EU Emissions Trading Scheme (ETS) which is scheduled to come into effect in 2012 for airlines for its lack of transparency, the cost associated with compliance and the unilateral stance of the EU. The General Assembly resolved to support the ICAO Assembly Resolution relating to reduction of carbon dioxide emissions while calling upon African States to oppose any unilateral measures particularly the EU ETS imposition on non-EU carriers. The Assembly called on African aviation stakeholders to work closely with the relevant institutions including ICAO in the interest of environmental sustainability.

Appointment of Officers

The AGA re-elected Eng. Hussein Massoud, the Group Chairman of EgyptAir Holding as Chairman of the Executive Committee while Mr. Inati Ntshanga, CEO of South African Express and Mr. Sergio Rosa CEO of Air Burkina were elected First and Second Vice Chairmen respectively of the Executive Committee. The AFRAA Executive Committee has oversight responsibility for the Association and crafts policies as well as oversee implementation of projects and programmes by the Secretariat.

The Assembly also elected new members to replace those whose term of office on the Executive Committee expired at the close of the 43rd AGA. Messrs. Busera Awel, CEO of ASKY Airlines (West/Central Region); Al Elobaid Fad Almoula, CEO of Sudan Airways (Northern Region) and Antonio Luis Pimentel Araujo, CEO of TAAG Angola Airlines (Southern Region) were elected for a term of 3 years each while Mr. Kinfe Kahssaye, CEO of Air Nigeria was elected to serve the remaining one year term of Air Ivoire, which went into liquidation.

President and Host of 44th AGA

Mr. Abderahmane Berthé, CEO of Air Mali was elected by the 43rd AGA in Marrakech as President of Association and host of the 2012 AFRAA AGA. The Assembly announced that the 44th AGA will be held in Bamako from 18-20th November 2012.

In a speech following his election as President, Mr. Berthé assured the Assembly of a memorable AGA similar to the Marrakech event and invited all to make a date to visit Bamako. As a prelude to what delegates should expect next year, a short video clip on some of the facilities and attractions that will be sampled during the AGA was played.

Winners of AFRAA Awards 2011

At a colourful gala dinner sponsored by Airbus, AFRAA presented Awards to deserving individuals and companies that excelled in their service delivery and dedication to the airline industry. Ethiopian Airlines was crowned the AFRAA Airline of the Year while Kenya Airways was conferred the AFRAA Outstanding Service Award (International Operations) and Air Burkina and Air Mali jointly conferred the AFRAA Outstanding Service Award for Regional Operations.

On individual awards, the Distinguished Service Award went to Mr. Mohamed Ghelala, former CEO of Air Burkina. Three persons were each crowned with the Individual Achievement Award.

They are: President Gervais K. Djondo, Chairman of ASKY Airlines; Ato Girma Wake, former CEO of Ethiopian Airlines and Dr. Olumuyiwa B. Aliu, Nigeria Representative on the ICAO Council. Mr. Hassan Hihi, the Deputy General Manager – Development, of Royal Air Maroc won the Meritorious Service Award.

Notes for Editors

The African Airlines Association, also known by its acronym AFRAA, is a trade association of airlines from the member States of Africa. Founded in Accra, Ghana, in April, 1968, and headquartered in Nairobi, Kenya, the primary purposes of AFRAA are to foster commercial and technical co-operation among African airlines and to represent their common interests.

AFRAA membership cuts across the entire continent and includes all the major intercontinental African operators. The Association members represent about 83% of total international traffic carried by African airlines.

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