

**Address by Mr. Malusi Gigaba MP, Minister of Public Enterprises, on the occasion of the African Airlines Association's 44<sup>th</sup> Annual General Assembly and Conference in Sandton, Johannesburg, on the 19<sup>th</sup> November 2012**

I am delighted and honoured to have been invited to address you this morning on this very important occasion of the opening of this, the 44<sup>th</sup> Annual General Assembly and Conference of the African Airlines Association.

On behalf of Government and people of South Africa, we consider it a high privilege once more, for the second time in the last seven years, to host this Annual General Assembly (AGA).

I am informed that some of you had the pleasure of enjoying our historic Soweto Township, a township that boasts a proud role and contribution in the struggle for the liberation of our country and restoration of the human dignity of the majority and which further boasts two Nobel Laureates.

I further understand that you also visited the epic Apartheid Museum that highlights the struggle that South Africans with great support from the African Diaspora and the world waged which gave birth to this proud African nation.

To this day, we still feel a profound debt of gratitude to the African people for the role they played and the unwavering support they demonstrated in the true spirit of ubuntu and African solidarity to help us vanquish the beast that was the apartheid system.

The full weight of that support will be remembered by our children and their children in futures unknown for eternity.

Ladies and Gentlemen:

As your 44<sup>th</sup> Annual General Assembly commences, we are mindful of the fact that this is a critical and challenging time for the global economy, which is going through an extraordinarily difficult time.

As the European and US economies go through prolonged crisis, with no end in sight, the positive news are that Africa is forecast to grow at about 5 percent during 2012 in contrast to the low growth prospects in the developed world.

For the continent to sustain this growth there are structural imperatives that will support this expected growth.

These include its evolving economic ties with the global economic community, its growing access to international capital with less stringent conditions, the emergence of an urban African middle class consumer, investment in growth-enhancing sectors and investment in agriculture in order to increase food security and raise rural incomes.

Africa's collective long-term prospects are strong and this moment calls for collective action, in the true spirit of ubuntu and African solidarity that inspired our struggle to rid ourselves of colonialism, in the best interests of all the peoples of our continent.

This time calls for greater and not less African unity and integration.

In the fullness of time, the dream of African unity and economic integration must have benefited immensely from the opportunities that today presents.

The eminent African scholar, Professor Ali Mazrui, makes the critical point in this preface to Adekeye Adebajo's book, "The Curse of Berlin: Africa After the Cold War", as he talks about Africa post the infamous 1884-1885 Berlin Conference of a cartel of European states which resolved to partition Africa and slice it all up into a number of European colonies, that:

“Africa, since its partition, has seen its mineral wealth exploited for the benefit of others, its fertile land left undercultivated, its rich cultures destroyed, and its brain-power ‘drained’ to other parts of the world. At the centre of this calamity is the role of the West in creating an international system that reduced proud Africans to the lowest caste of the twentieth century. How will post-colonial Africans overcome this condition in the twenty-first century?”

The journey from Africa's colonisation to her independence took many centuries, many generations, much effort, sweat, toil and blood.

Countless undeserving lives were lost, the price was too high but it was all worth it!

Given the challenges we face today which are sometimes a direct legacy of this history, or the results of the socio-economic disparities of the world we live in today, tilted as it is in favour of the beneficiaries of our colonisation and / or which are often the result of our own folly, we must be of the same mind that the journey still to be traversed, is still much longer and more arduous.

The question that Mazrui posed addresses itself no longer to victims, but to people who for all intents and purposes must be regarded as the masters of their own destiny, capable of answering most affirmatively and with absolute clarity the question regarding how we, post-colonial Africans, intend to overcome our condition of being the lowest caste of the twentieth century.

First and foremost, we must break up and destroy all colonial ideas and practices.

We must proceed from the premise that Africa is one continent; that the peoples of Africa are one people, their destiny is common and therefore their unity is paramount.

As a result of this legacy of which Mazrui spoke so sharply, intra-African trade amounts to less than 15% whereas intra-European trade totals 80%.

What this tale tells is that Africans are not trading with one another, largely because of the absence or lack of infrastructure networks, persistent colonial ties and over-reliance on commodity exports and importation of manufactured goods.

This latter point has for centuries made Africa a target for the global scramble, which is still true today.

This has a direct impact on the aviation sector in Africa and most importantly on the ability of the African peoples to commute within their continent as well as between and within their countries in a safe manner given another important fact that the absence of adequate road and rail infrastructure makes travel and commuting in Africa nigh impossible.

The political commitment by African governments to trade with each other is an opportunity we must seize as the airline industry and be more pro-active.

African economic integration and the role of infrastructure development on the continent is an important strategic priority for Africa.

It is not only an economic imperative, but also a political imperative that must be led by the Africans themselves, for their own benefit in order ultimately to negate the colonisation project.

Ladies and Gentlemen:

Global economic integration and the interdependency of our economies to the global system continues to hamstring the growth of the aviation sector in Africa.

Air-transport is one of the key enablers of international trade, investment and tourism.

Efficient and inexpensive face-to-face contact enabled by air-travel is often a precondition for foreign direct investment both in relation to making the investment and enabling the transport of highly skilled management to oversee the enterprise.

In addition, high levels of air-connectivity enable the development and maintenance of large trade networks.

Given the poor transport infrastructure such as road and rail, air transport can and does play a pivotal role in enabling both the movement of passengers and freight in Africa.

In addition, Africa is already the largest market for South African tourism accounting for the bulk (60% +) of inbound tourism.

Africa remains a key market for South African airlines to expand into due to the lack of existing connectivity and the rapid growth of these economies.

By nature, the aviation sector is a price taker and it is influenced by a myriad of economic factors such as the sharp rises in the fuel price over a sustained period, slow development of fuel

efficient technology, escalating competition within the industry, particularly from the Middle-Eastern airlines as well as the rising airport charges, taxes which include tourism levies and environmental taxes, fees for navigation services and weather forecasting, all of which constitute cost factors that inhibit the growth of this sector.

This trend has heightened the need for ever more fuel-efficient aircraft and improved regional co-ordination.

All these trends mean that the members of AFRAA need to constantly review their business models and cost structures to remain competitive.

The African Airline landscape has seen tested and untested airline businesses try to capture markets.

It is important that your members collaborate more if you intend to expand on the continent, whilst increasing intra-African travel and expanding our continent's links with the world.

Hence the relevance of the theme for this year's AGA; that is, "Business together in an era of growing opportunities".

Given the growth prospects of our continent, I would like to believe that there are many opportunities for the consequent growth of the aviation industry on our continent in order to support our continental and regional economic activity.

Unlike in the west, much of our emerging middle class is only now getting introduced to air travel and is taking up this mode of travel with real panache.

Both the absence of road infrastructure in most of our countries as well as the urbanisation of African people present massive opportunities for the airline industry, through the introduction of low cost airline, technical skills development and job creation.

Empirical evidence suggests that Africa has a trajectory of sustainable economic growth that is correlated to its mineral wealth and rising middle class with spending power.

However for the airline industry to capture this emerging market share, it has to confront and correct some of the structural impediments of the airline industry in Africa, issues which were well articulated in the Yamoussoukro Declaration (YD), which include

- an over-regulated and fractured market;
- poor airport infrastructure – development is uneven and lags behind growth;
- high user charges; and
- human resources constraints – pilots, engineers and many skilled workers are being poached away from Africa by the fast-growing carriers in the Gulf and other regions.

Ladies and Gentlemen:

The ability of our airlines to connect our countries with cities in foreign countries, without doubt, opens up export markets, lowers transport costs and increases productivity, which supports critically needed job creation.

A well-run airline that transports people and goods safely, reliably and efficiently is a prerequisite for growing our economies and realizing the continent's socio-economic aspirations.

If our airlines are not meeting international regulatory standards, we are not going to be able to facilitate Africa intra-trade.

I am of a very view that African States must endeavour to invest in aviation, emulating the many states that have used aviation to support their developmental state objectives.

With regard to SAA, I have spearheaded the development of its African Expansion Strategy that should shift its focus towards creating greater connectivity on the African continent.

This raises another challenge which emanates from that Africa's aviation policies are fragmented, which impacts negatively the passenger and cargo aviation which are already a strong contributor to economic growth and job creation.

It is unfortunate that African markets are liberalising slowly relative to global markets, which is exacerbated by the uneven market liberalisation (particularly between Africa and non-African open markets) and mid-hemisphere advantaged Gulf Carriers combining to create strategic threats.

In Africa, South African Airlines continue to be "closed" out of key markets whilst airlines that have no socio-development focus on the continent are allowed to operate with limited or no "shackles".

I therefore urge the members of this forum to work towards liberalising the African skies which will unlock growth and facilitate inter-African co-operation on the continent.

Ladies and Gentlemen:

Africa needs greater integration, solidarity and cooperation if we must confront the new challenges that the aviation sector in particular faces globally.

The geo-political dynamics are manifesting themselves through implementation of revenue generation mechanisms such as the Emissions Trading Scheme.

The International Civil Aviation Organisation negotiated against the implementation of such a scheme but was unsuccessful due to lack of support from the AU.

AFRAA therefore needs to galvanise support and buy-in from the AU to counter the EU's stance of negotiating as a trade block.

The AU in the near future would need to also consider upcoming challenges such as the negotiation of Bilateral Agreements by the EU also as a trade block to build the airline issues into the negotiation process.

Ladies and Gentlemen:

I am mindful of the multitude of challenges in operating on the continent due to various reasons such as increased pressure from the middle hemisphere carriers and international airlines increasing their African route network.

In order to mitigate this it is necessary that airlines initiate opportunities of mutual benefits such as Joint Ventures and Mergers.

The African Aviation Industry has seen phenomenal growth and it is often regarded as the fastest growing market in terms of passengers, yield and markets.

It is common to fly to European Capitals to connect two African Capital cities which means that Africa countries miss out on the opportunity to feed off each other due to lack of a coherent airline strategy to ensure that, for example, Conference delegates who come to South Africa for international conferences are able to extend their stay in Africa by a few more days by being able to travel to other parts of our continent.

I would urge that all the relevant authorities and decision-makers seriously to engage on how best we can connect all African countries by flying African Airlines flown by African Pilots.

Regional connectivity will also increase investor, conference and leisure tourism.

Ladies and Gentlemen:

I believe the aviation sector is well poised to continue its strong support of Africa's development objectives.

However its potential will not be fully realised until Africa fulfils the Yamoussoukro Declaration and dovetail its aviation strategy to trade policies of the continent.

What you do at this conference is centrally relevant to the question Professor Mazrui asked, what do we post-colonial Africans intend to do in the 21<sup>st</sup> Century to overcome our condition of being the lowest caste in the world!

I thank you