

REPORT OF THE SECRETARY GENERAL TO THE 41ST ANNUAL GENERAL ASSEMBLY

Mr. President
Distinguished Guests
Ladies and Gentlemen;

Welcome, once again, to the 41st AGA of the Association. This is my last report to you as the AFRAA Secretary General. I joined AFRAA at the beginning of a global economic down-turn and I'm leaving the Association in the midst of another one.

In this report, I will review the state of our industry, discuss what your Association is doing for its members to fly beyond the crisis, report on my achievements during my tenure as Secretary General and conclude with my projection of the possible challenges and opportunities that my successor may face in the future.

In this report, I will therefore cover the following:

- Performance of the industry globally and in Africa
- Main activities during the year
- The report on my 10 years as the AFRAA Secretary General
- The future challenges and opportunities my successor will need to address

1. STATE OF THE AIRLINE INDUSTRY

Mr. President, allow me to begin by giving you an outline of the situation in the airline industry. According to IATA, the industry is expected to make a large loss of USD11 billion by the end of this year. This is in addition to the estimate huge loss of USD16.8 billion for 2008. The losses for this year which IATA has had to periodically revise upwards was on the backdrop of a severe world economic recession which has affected almost all the industries. Although the industry benefited from low fuel prices, this was more than offset by the huge loss of revenue arising from reduced passenger numbers and reduced yields due to intense competition.

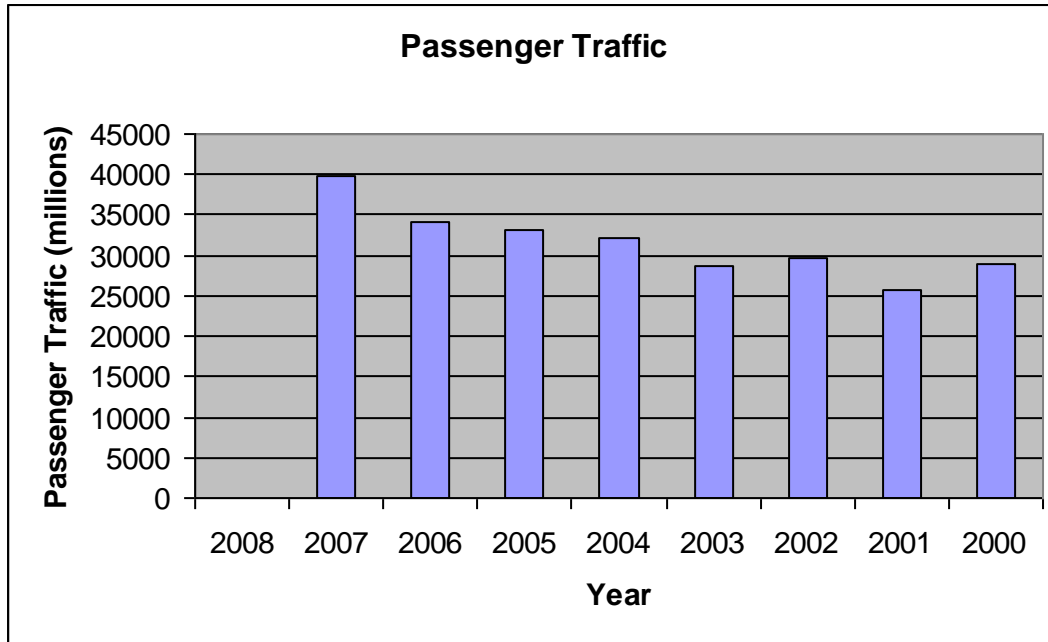
Mr. President, unlike other industries such as banks and vehicle manufacturers, the airline industry has to ride the storm without much assistance. The airline industry has had to continue its cost cutting programmes and other measures particularly linked to simplifying the business model to be able to survive.

The African airline industry has also been adversely affected by the global recession although the effect has been more limited than elsewhere. Africa has not witnessed the significant reduction in passenger numbers and cargo up-lifts as the case elsewhere mainly in North America and Asia-Pacific region. However, the impact is overall loss although generally to a lesser extent than North America, Europe and Asia Pacific. There are signs of a global up-turn and the African airline industry is expected to benefit from this.

TRAFFIC STATISTICS AND FINANCIAL PERFORMANCE

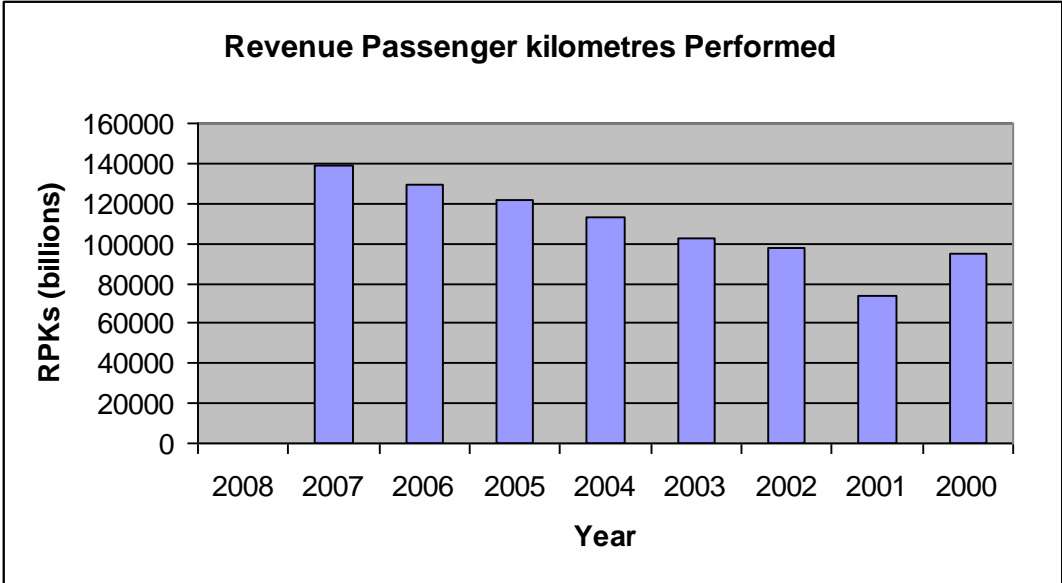
Mr. President, I now move on to traffic statistics and financial performance. The detailed statistics for the 26 AFRAA member airlines which reported are attached to this report which is available. Based on these representative statistics, we are able to draw some trends from which useful conclusions can be made.

1.1) Passengers Carried



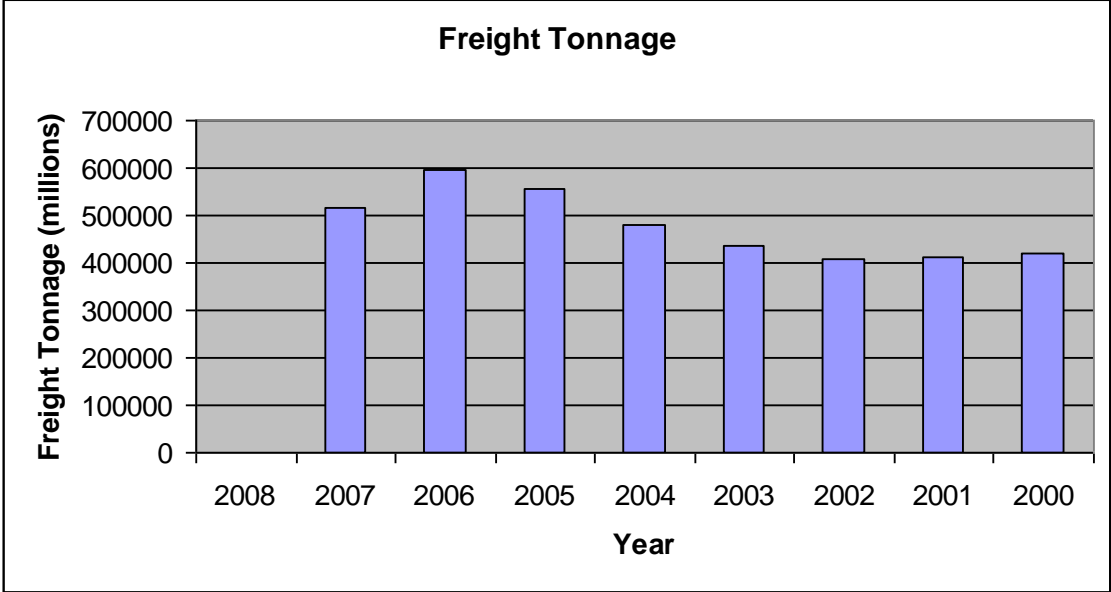
Mr. President the bar-chart on the screen shows the traffic trend since 2000. It is clear that since 2003, total passenger numbers to and from Africa have been steadily rising until 2007. Although the figures for 2008 are incomplete we are expecting a small decline in passenger numbers as a result of the world economic recession.

1.2) Revenue Passenger Kilometres Performed



The figure above shows the same trend as has been highlighted on the numbers of passengers carried.

1.3) Freight Carried



The figure above shows the tonnage of freight carried by AFRAA member airlines. It shows that since the previous recession of 1999 to 2002 freight carried has been steadily rising up to 2006 and since then there has been a drop indicating a slowing down which has been continuous up to today due to the reduced economic activities worldwide.

1.4) **African Airline Fleet**

The African scheduled, cargo and charter airlines had a fleet of 1,141 aircraft flying in 2008, of which 684 were western built jets, 392 turbo propellers and 65 aircraft from the former USSR (jets and turbo props).

Boeing had the largest share of jets (including the McDonald types) with 41%, followed by Airbus with 14% while the rest shared the remaining 45%.

Some carriers on the continent have embarked on fleet modernization. 207 aircraft were on firm orders by the end of 2008. Among the carriers with significant modernization programmes include Afriqiyah Airways, Libyan Airlines, Ethiopian Airlines, EgyptAir, LAM Mozambique Airlines and Arik Air – Nigeria. This is being carried out to benefit from low-operating costs and reducing emissions to the environment.

1.5) **Financial Performance**

According to IATA, African airlines are expected to make a loss of about USD300 million in 2008. This is on the back of high fuel costs for most of 2008 which more than offsets the sterling efforts made by airlines to reduce operational costs through modernizing their fleets and implementing simplified business initiatives such as e-ticketing. For 2009, the estimated loss by the African airline industry is \$0.5 billion, which is better than other regions except Latin America which is expected to break-even. However, despite these unflattering global results on the continent, there are nevertheless some profitable airlines in Africa. These include Ethiopian Airlines, Royal Air Maroc, LAM Mozambique Airlines, Air Seychelles, South African Express and Precision Air. Other carriers such as Kenya Airways, South African Airways and Air Mauritius made some hedging losses otherwise their operating results were sound and in fact Air Mauritius made a profit despite that.

Ethiopian Airlines in particular deserves special mention as it managed to make record profits on the back of record passenger traffic figures and cargo uplifts, record revenues in passenger and cargo traffic, an outstanding example for Africa and the world. Of great concern are a growing number of airlines particularly the small (1 – 5 aircraft fleet) to medium sized (6 – 10 aircraft) which are struggling and whose long term viability is questionable.

2 ACTIVITIES AND ACHIEVEMENTS OF THE SECRETARIAT

I now move to briefly present to you the activities and achievements of the Secretariat during 2009.

2.1) **Cooperation among Airlines**

Mr. President, given the various challenges staked against our airlines, cooperation is vital. AFRAA has consistently called upon African airlines to cooperate among themselves to establish strategic partnerships, joint ventures or cooperation between the larger more resource endowed carriers with their smaller counterparts. In addition, there are other areas of cooperation in

enhancing safety, capacity building and human resource development as well as technical cooperation. Among the areas that deserve special mention are as follows:

a) ASKY and Ethiopian Airlines

Ethiopian Airlines and some West African investors established a regional airline based in Lome, Togo called ASKY. Ethiopian Airlines is the strategic partner with equity participation. This partnership will facilitate the development of more regular services in the Western and Central African region to the rest of the world. The airline is expected to take off in the near future.

AFRAA and its Secretary General have been instrumental in the establishment of this partnership.

b) Air CEMAC

South African Airways is concluding a partnership agreement with the member states of CEMAC with a view to establish Air CEMAC in Central Africa with equity participation from SAA. The negotiations are reported to be making good progress and AFRAA lends its full support to this mutually beneficial project for all stakeholders.

c) Nigerian Eagle Airlines

Virgin Nigeria was re-launched as a new airline called Nigerian Eagle Airlines. Ethiopian Airlines is a technical partner and has seconded a senior executive to the airline and with the airline already established in the lucrative and populace state of Nigeria in particular and West and Central Africa in general, the airline is expected to grow and prosper.

d) Safety

Member airlines cooperated very effectively to ensure that airlines enhance their safety and security levels. Specifically, many of the smaller airlines that were facing challenges in meeting IOSA requirements were greatly assisted by their larger and better resourced counterparts. Those few member airlines that are still in the process of working towards IOSA certification continue to receive assistance from other airlines.

The issue of the blacklisting of airlines has been of concern to all the carriers as it adversely affects the image of the whole continent. African airlines have cooperated in presenting a united voice to the European Union in particular highlighting the unfairness of the procedures they use against certain African carriers.

e) Training

Airlines have also cooperated in areas of training and human resources development by hosting a number of free courses that AFRAA in conjunction with IATA have provided during the course of the year.

f) Technical Cooperation

Successful efforts have been made in technical handling by some airlines which has, for example, avoided carrying of a technician on board the aircraft and reducing costs of handling each other.

2.2) **Training and Human Resource Development**

AFRAA has continued its focus and emphasis on safety as well as managerial training for member airlines. Several courses were held at different airline training centres on the continent. Most of these courses were free and provided in cooperation with IATF in recognition of the challenging environment airlines are in at the moment.

During the Standing Committee meetings, high level presentations have been made on their respective professional issues to enrich the expertise of members.

The Training Committee came up with an Executive Training Curriculum which would take 30 days and comprising eight modules. Airlines are called upon to take advantage of this so as to benefice the critical senior decision makers.

2.3) **The Brain Drain**

AFRAA participated at a conference held in Addis Ababa on how to deal with the perennial problem of the brain drain from the continent which was severely adversely affecting the operations of many aviation entities. A number of recommendations were made among which was the need to redouble efforts to train people to fill the gap left by departing highly experienced professionals. I therefore call upon airlines to make use of the world class training facilities and institutions on the continent at centres like EgyptAir, Ethiopian Airlines Training Academy, Royal Air Maroc Training Academy, the Pride Centre of Kenya Airways, various training centres in South Africa and Libya, among others.

2.4) **E-Ticketing Inter-lining**

Following the expiry of the deadline to migration to e-ticketing by IATA in May 2008, one of the major challenges many African airlines were facing was their inability to interline with some of the mega carriers of the world. To resolve this issue, AFRAA worked in conjunction with Hahn Air which has a platform to provide e-ticketing interlining those airlines can use to enable them to access the large carriers without the need to sign individual agreements with those carriers. I am happy to report that many African airlines have taken advantage of this opportunity which has largely reduced e-ticketing inter-lining challenges. Hahn Air is a valued partner to AFRAA and we upload their innovative solution to one of the major problems that our members were facing.

2.5) ICAO Working Group of Training Experts

Under the umbrella of the ICAO's Comprehensive Regional Implementation Plan for Aviation Safety in Africa, AFRAA is working in conjunction with various stakeholders which provide training so as to come up with coordinated and harmonized training strategies for safety in Africa. AFRAA was nominated to be among the working group which comprises other stakeholders in the air navigation service providers, airports and airlines. By early 2010, it is expected that a blueprint for the coordinated and harmonised provision of high quality safety training courses will be completed. I would like to urge all the providers of training services to take advantage of new opportunities of extending their customer base to stakeholders that they did not traditionally serve.

2.6) Workshops and Seminars in 2009

The following workshops/seminars were organized by AFRAA during the year which significantly helped to enhance, update and deepen the expertise of participants.

a. AFRAA/Kenyon Workshop

AFRAA in conjunction with Kenyon International held a workshop on Airline Emergency Planning and Response Management on 24 – 25 September 2009 in Nairobi. The workshop was attended by 35 participants from 18 airlines and aviation companies. Kenyon International, which recently joined AFRAA as a valued partner, has pledged to continue sponsoring this important event which is very critical in helping airlines to successfully handle any emergency and thereby allowing them to remain viable even after following a major disaster.

b. 2nd ICT Forum

AFRAA in conjunction with SITA, held its 2nd African Aviation ICT Forum in Johannesburg, South Africa on 26 – 27 May, 2009. This successful workshop was attended by 131 participants from airlines, airports, civil aviation authorities and other stakeholders. SITA have agreed to continue to sponsor this important event annually which will enable aviation stakeholders to be kept abreast of the latest technologies which are critical for cost savings, efficiency improvement as well as revenue enhancement.

c. 2nd AFRAA/ICAO Aviation Statistics Conference

The 2nd AFRAA/ICAO Aviation Statistics workshop was held in Nairobi on the 25 – 27 August 2009. The workshop was attended by 67 participants representing 11 airlines, 9 civil aviation authorities, 4 airport authorities, AFCAC and ASECNA. This annual forum is greatly assisting in addressing one of the major challenges on the African continent of lack of adequate statistics on which to base their decisions.

d. Air Law for Managers in an African Context

IATA in conjunction with the Air Traffic and Navigation Services South Africa and AFRAA held a training course on 27 – 31 July 2009 on air law for managers. The participants came from

airlines, civil aviation authorities and other stakeholders of the aviation business. This course was very critical in sensitizing stakeholders on the latest regulatory developments worldwide with an impact on air operations which should help aviation entities in Africa to comply or to meaningfully contribute in the review of these regulatory developments.

2.7) FIFA 2010 World Football Cup

AFRAA participated at a meeting held in South Africa concerning the preparations for the forthcoming FIFA world Cup finals in South Africa in June 2010. These games are expected to spin-off opportunities to all sectors of the economy including air transport and therefore airlines have been discussing with each other how to take advantage of these opportunities next year. Airlines can collaborate through network planning, development and promotion of joint tour packages and product price bundling.

Some airlines have already planned to increase flight frequencies between their home-bases and Johannesburg in 2010. Other airlines are engaged with the SADC transport planning team for 2010, while some are discussing and concluding various commercial agreements with South Africa based airlines in preparation for the games next year.

2.8) New AFRAA Members and Partners

I am happy to report that two airlines namely Rwanda Air and Zambezi Airlines Limited and six new partners namely American General Supplies, Inc. (AGS), A. J. Walter Aviation Ltd., Shorooq Handling, Kenyon International, Hahn Airlines GmbH and Aldus Aviation joined the Association. We heartily welcome them into the AFRAA fraternity and look forward to fruitful and productive relationship. It is also worth mentioning that Air Ivoire has reactivated its membership under its current new management. I wish to equally congratulate them.

2.9) Environmental Issues

Although the impact of African Airlines on the environment is tiny, AFRAA takes environmental responsibility seriously. For this reason the Association has encouraged African Airlines to modernize their fleets so as to use the more fuel-efficient and less noisy equipment. AFRAA supports ICAO efforts to come up with a global scheme to reduce emissions as well as IATA's goal of carbon neutrality by the year 2020.

In view of the EU requirements pertaining to carbon emissions and carbon emission trading, AFRAA wrote to airlines advising them on the requirements on emission trading and reporting. Based on IATA's advice, airlines were advised that even though AFRAA like many other entities worldwide are opposed to the EU regulation on emissions trading, they can submit the reporting requirements under protest unless they receive strong government backing not to do it.

SECRETARY GENERAL'S SPECIAL REPORT ON THE TENURE

3 MAJOR CHALLENGES AT THE TAKEOVER TIME

When the incumbent Management took office in March 2000, the mission assigned was to restructure the Organization, to improve its outreach and to expand its training activities for the benefit of member airlines. Below I present a summary of the major achievements:

SUMMARY OF ACHIEVEMENTS

This report is on the major achievements of the Association during the past 10 years and outlines what I believe to be the future challenges that need to be addressed by my successor.

3.1) Financial Results

The financial years 2001 - 2008 which were entirely budgeted for and run by the incumbent Management, concluded successively with positive results. The year 2009 is equally poised to conclude positively.

Due to the need to reduce costs and thereby avoid increasing the member subscriptions, the staff complement was reduced from 19 to 15 members.

The Association recorded a significant increase in training revenue and additional revenue was obtained from the increase in member airlines as well as the launch of the partnership programme. Also we were able to recover some long standing bad debts.

3.2) Membership Expansion and Partnership Programme

The Association's membership increased from 33 to 40 airlines though the Industry recorded around 17 bankruptcies in the same period including ADC Airlines (Nigeria), Air Djibouti, Air Gabon, Air Senegal International, Antinea Airlines (Algeria), Air Afrique, Air Mauritanie, Cameroon Airlines, East African Airways, Ghana Airways, Khalifa Airways (Algeria), Nigeria Airways, STA-Mali Trans African Airlines, Trans Arabian Air Transport and Uganda Airlines. Royal Air Maroc and Tunisair reactivated their membership.

AFRAA also introduced the partnership programme in 2002. I am happy to report that AFRAA now has 24 partners. This has allowed industry service providers to be associated with AFRAA, allowing members to benefit from various activities such as workshops and seminars and also enabling the partners to be exposed to AFRAA members. This has also expanded the revenue base for the Association.

3.3) **Restructuring Programme**

The restructuring of the Association, which began two years earlier without much success, was completed within the first year of tenure with the assistance of Carat consulting firm, a subsidiary of Air Mauritius.

On the legal side, the Articles of Association and the By-Laws were reviewed with the objective of establishing a strong Secretariat and a strong Executive Committee following the recommendation of the Executive Committee. Provisions were also made to expand the membership base, to create a new category of associate members and to launch a partnership programme designed to allow other industry operators to join the Association and enrich its activities and outreach.

The terms of reference of the existing Standing Committees were redefined and enriched. In addition, a new ICT Standing Committee was created.

3.4) **Training**

The aviation industry requires adequately trained and competent personnel to ensure safe, secure and profitable operations. Among the key result areas arising from the work by Carat Consultants at the beginning of my tenure was training and human resource development of member airline personnel.

I am pleased to say that between 2003 and 2009, AFRAA trained a record of 1950 airline staff members and industry personnel from more than 45 different carriers and the airline industry. In this regard, AFRAA worked closely with IATF particularly to provide safety, security and quality courses for free to enable airlines to pass IOSA audits. The Association also managed to obtain a grant from the EU through an organization called Pro-Invest which enabled us to provide 12 courses for free benefiting 270 airline personnel.

The courses were complemented by various workshops and seminars in conjunction with air partners including SITA, Sabre, IATA and Pratt & Whitney.

All in all, we estimate that AFRAA has managed to save member airlines in excess of \$5 million over the last 10 years in terms of training costs and per diem saved by sitting training at various airline training centres.

3.5 **Safety within the African Continent**

The safety statistics on the continent at the time that I joined AFRAA were unflattering. Africa had consistently recorded higher rates of accidents than all the other continents. The Secretariat took this challenge seriously and worked with various stakeholders including governments, civil aviation authorities, AFCAC and IATA to coordinate our efforts in rectifying this unsatisfactory situation. On AFRAA's part, various training programmes were conducted to enhance the skill levels. States were called upon to enhance their safety oversight capabilities. AFRAA called upon states to avoid importing to the continent, some of the aging aircraft particularly from the

former USSR whose maintenance records were not known. AFRAA applauded efforts by some states including Nigeria to limit the age of aircraft being imported into their countries as well as the initiative by Angola to ban the use of aging aircraft from the former USSR on civil air transport operations.

As a result of AFRAA's efforts and those of our partners and stakeholders, safety levels within the continent have improved significantly. AFRAA has also endorsed IOSA for its members. All these efforts have had a positive impact on air operations in Africa.

3.6) **IT Developments**

AFRAA websites were developed with the assistance of SITA (afraa.org and afraa.net). They provide visitors with all necessary information on AFRAA's activities, schedule of meetings, working documents, and new developments and trends in the Industry. In partnership with Panapress, AFRAA publishes a newsletter on the website which contains the current topical subjects which I urge all stakeholders to regularly consult to acquaint themselves on the developments in the industry.

In view of IT developments, which are revolutionizing the Industry telecommunication, reservation, ticketing, distribution systems and management as a whole, an ICT Committee has worked closely with service providers including SITA, Sabre and Amadeus to promote IT usage and conduct seminars and workshops for the benefit of African airlines and other stakeholders. AFRAA played a key role in ensuring that the member airlines meet the May 2008 deadline for e-ticketing. The Association, in communication with IATA, are fully on board on implementing the other "Simplifying the Business" programmes which includes e-freight, common-user-service-terminals and bar-coded boarding passes, among others.

3.7) **Achievements on Regulatory and Aeropolitical Issues**

In conjunction with the African Civil Aviation Commission (AFCAC), AFRAA actively participated in soliciting African States' support to airlines following the cancellation of Third Party War Risk Insurance as a short term solution and successful promotion of African States' support for the ICAO global time.

In addition, the African Airlines Association (AFRAA) circulated to the States recommendations on critical issues as follows:

- Noise stringency and gas emission regulations;
- Protection of Aviation Radio frequency spectrum;
- Franchising;
- "Open Sky" Agreement proposed by the United States to African States;
- BASA's review undertaken by the European Commission.
- The Cape Town Convention and Protocol

3.8) **AFRAA Image & Communication with the Media**

Another paramount challenge was to rebuild AFRAA's image and credibility so as to present the Organization as a professional body which represents the Industry and expresses its views and recommendations to decision makers at governmental and international organizations levels.

During his tenure, the Secretary General held several media conferences in Africa, the USA and in Europe on various issues ranging from airspace safety in Africa, blacklisting airlines to challenges relating to globalization and liberalization.

AFRAA has featured in various publications including "African Aviation" and "Aviation & Allied Business" magazines. The organization started its own publication called "Africa Wings" which has allowed AFRAA to directly promote African aviation particularly the achievements of our member airlines. This high quality magazine is available at this conference for you to see for yourself.

In addition, I wish to invite you to search for AFRAA and for Christian Folly-Kossi through the internet's major engines. The number of publications across the world regarding AFRAA or the Secretary General that are highly rated by the search engines is impressive.

3.9) **Relations with States**

Heads of State are increasingly gracing AFRAA's Annual General Assemblies with their effective presence. The Secretary General has had audiences with many of them particularly during the African Union summits and AFRAA AGA's.

Upon invitations from COMESA, ECOWAS and SADC, the Secretariat has addressed many regional Ministerial conferences. All these opportunities were used to transmit the critical messages of the Industry.

3.10) **Relations with Leading Continental and Other Industry Organizations**

AFRAA has developed close working relationships with the African Development Bank (ADB), African Union (AU), NEPAD and Regional Economic Communities such as SADC, ECOWAS, COMESA. All of them highly value AFRAA's contribution to their reflections and strategies for the Continent's air transport development. Thus AFRAA is associated with most of their conferences, workshops and brainstorming meetings.

The Association has strengthened its working relations with industry organizations including IATA, AACO, AFCAC, SITA and ACI, among others. Since the year 2000, the various organizations have attended AFRAA Annual General Assemblies (AGAs) at their top management level. The Director General of IATA has personally participated in a number of AGAs since 2001. He personally visited AFRAA offices in Nairobi – so did the Secretary General and the President of the Council of ICAO.

Joint meetings, workshops and seminars have been organized with IATA to the benefit of member airlines.

AACO and AFRAA are also working hand in hand. Crossed visits have been organized to each other's Headquarters and it is now customary that the two Associations present common positions on regulatory issues at meetings with IATA, ICAO and the European Commission.

AFCAC and AFRAA have continued to develop close working relations. Together with ACI-Africa, they have signed an MOU where they agree to join forces to address the industry's challenges. Before each ICAO Conference, the two organizations draft African position papers together. As for SITA, they contributed immensely to AFRAA ICT developments and initiatives.

3.11) **Annual Awards**

The Annual Awards Presentations were inaugurated in 2002 to honor individuals who distinguished themselves in serving the Association or African aviation. During the past 10 year, several individuals and organizations have been recognized for their exemplary and distinguished services to the African aviation industry.

3.12) **Direct Assistance to member airlines**

The Secretary General has visited almost all member airlines. At each visit, after consultation with the host airline's Management, a courtesy call is made to the Minister of Transport and sometimes the Head of State to update them on the Industry challenges and brief them on AFRAA's expectations in the interest of their national airline and that of the whole Industry in Africa.

3.13) **AFRAA Status in Kenya**

The relationship with the Government of Kenya has tremendously improved. His Excellency President Daniel Arap Moi and his successor His Excellency, President Mwai Kibaki received AFRAA Secretary General in audience. I am happy to report that the Head quarters agreement has been signed and AFRAA now enjoys full diplomatic status in Kenya, a major change for the Association since its inception.

Also AFRAA is now exempt from paying Value Added Tax (VAT) for goods and services purchased.

3.14) **Facilities at AFRAA Headquarters building**

Steps were taken to cover the roof of the Head office building. Water tank and power generator were provided to stem out the water and power cuts. Ever since, staff members and participants to the Association's meetings are delighted to come and work in this Head office environment.

In a nutshell, the objectives of good governance, image improvement and visibility, radiance, influence and impact on the continent's air transport policy have been achieved. This has translated into an increase in airline membership and involvement in the activities of the Organization.

3.15) **Environmental Protection**

AFRAA is concerned about the impact of aviation on global warming, global dimming and noise pollution and the Association researched on the various strategies worldwide to minimize these. These strategies were shared among members. On aviation fuel efficiency, the range of methods that can be employed to achieve fuel savings particularly improving fuel efficiency through technology, air traffic management, operational measures and the use of alternative fuels were disseminated to airlines.

AFRAA has worked with bodies such as AFCAC and the AU to sensitize states and urge them for their support to the forthcoming Copenhagen Environmental Conference particularly the concept of a global sectoral approach for aviation and mandating ICAO to develop a global approach as a way to tackle emissions.

3.16) **Journalists**

One of the unique achievements by AFRAA has been to organize journalists from one part of the continent to visit the other parts, thereby enriching their knowledge allowing them to report on their experiences, for example on tourist's sights, the different countries including the AFRAA AGAs. This has significantly contributed in showcasing African airlines, report on the various positive developments on the continent which contributes to the social, economic and political integration of the continent.

3.17) **Annual General Assemblies**

Prior to my appointment, AFRAA AGAs used to be graced by around 100 – 150 people. However, AFRAA has since transformed this by encouraging greater participation to allow greater visibility and appreciation by the various stakeholders of African airline industry views through attracting between 250 – 300 people for the event. AFRAA is now more widely known and its views are sought on various industry issues thereby helping to propagate the interests of member airlines.

3.18) **Recognition and Tributes**

Mr. President, I would like to end the presentation of my achievements by paying special tribute to certain organizations and personnel.

I would like to start by recognizing Captain Boyo and Nick Fadugba. These two individuals are well known not only throughout the African aviation industry but world-wide for the informative journals and conferences they hold on various topical subjects. They have gone a long way to sensitize and articulate African aviation views and in particular put African airlines on the world

map. Their achievements over a long period of time are immeasurable and I would like to express my sincere gratitude for the close working relationships we have established over the years.

My tribute also goes to the Association of South African Airlines (ASAA) specifically to John Morrison and Chris Zwiengenthal for the sterling work they are doing for their members which is complementing our activities. Their support to AFRAA activities is very much appreciated.

African Aviation, Aviation and Allied Business and ASAA have publicly recognized me for my achievements over the past 10 years through awards and I would like to publicly express my profound gratitude for their goodwill gesture. I have no doubt that they will continue to extend the same support not only to AFRAA but to the whole African aviation industry in the years to come.

All the achievements I have outlined above were not due to my efforts alone. These successes were as a result of the excellent staff that I have within the Secretariat. I would like to thank them for their hard work and exceptional expertise. I would like to assure the incoming Secretary General that he is going to inherit some highly qualified and motivated people who will ensure that his agenda is successfully accomplished.

4 POSSIBLE FUTURE CHALLENGES

Mr. Chairman, here I present my views on the possible future challenges that my successor may wish to address.

Globalisation and the subsequent overwhelming penetration of African markets by the mega carriers of the world stand as the main challenges of our Industry in the years to come. Currently, mega carriers transport over 70% of intercontinental traffic to and from the continent and this proportion continues to increase.

The biggest risk is seeing African carriers run out of business one by one with all imaginable consequences such as job losses and lack of transportation facilities to promote the African tourism Industry and to support the noble objectives of social, economic and political integration of the Continent. A headcount reveals that barely a dozen African airlines are faring well for the time being. Even ahead of this short list of airlines, a number of threats loom at the horizon. These include:

- Formation of a single airspace in Europe and change of the national ownership status of the airlines to that of the Union;
- Cross-border consolidation and foreseeable gigantism of the European competitors;
- Fierce competition on African routes: increasing and outnumbering the volume of services from mega-carriers;

In view of these developments and perspectives, member airlines have the duty to come up, through their Association with a clear vision and strategy. These are the directions in which AFRAA should work in the future.

4.1) **Close co-operation with African Union and NEPAD**

I believe that through a close co-operation with the AU and NEPAD, AFRAA will be able to ensure that air transport is upheld as one of the priority sectors to salvage the Continent's economic recovery. This co-operation should equally be extended to the Regional Economic Communities (RECs), which implement economic integration policies on the field.

4.2) **Market liberalization within the Continent**

The Implementation of the Yamoussoukro Decision is already at an advanced state and the challenge is to ensure its total implementation so as to completely open up the African market to African carriers. This will require AFRAA's lobbying on resisting Governments and to work with the AU and the various Regional Economic Communities (RECs) to expedite the full implementation process.

Furthermore, AFRAA will need to work with the other stakeholders particularly the AU and AFCAC to come up with African position vis-à-vis the European Union (EU) on issues concerning liberalization and market access.

The work by the Yamoussoukro Decision Executing Agency (AFCAC) will need to be supported by the African stakeholders to complete the African liberalization process.

4.3 **International Conventions and Treaties**

AFRAA will continue to work for the ratification and implementation of International Conventions and Treaties that are of critical importance to its member airlines. They include the Cape Town Treaty and the Conventions of Montreal and Rome.

4.4) **Airline Funding**

AFRAA will need to continue to seek funding to enable it to provide services such as training to airlines for free. This will alleviate the burden on airlines who are railing under the effects of the recession.

The Industry will not be revamped, at least in most African countries, unless financial institutions and development agencies assist in providing affordable financial resources. These resources should be made accessible only to eligible businesses or projects against strict criteria of viability and profitability. Following the Tunis airline CEOs High Level Meeting in 2007, AFRAA, AU and NEPAD should continue urging ADB to spearhead the implementation of this idea.

4.5) **Safety Improvement in Africa**

The African Airlines Association (AFRAA) needs to continue to be at the forefront of the battle to improved safety and security within the continent and to work hand in hand with AFCAC, the African Union, the media and all other stakeholders to ensure that safety levels continue to improve.

4.6) **Information and Communication Technology (ICT)**

African airlines cannot hope to effectively compete in the current hostile and dynamic operating environment unless they can exploit the vast opportunities offered by the ICT tools available on the market.

Through its ICT Committee, AFRAA will need to re-double its efforts to sensitize and assist airlines to exploit the opportunities afforded by e-commerce and work with industry partners like SITA, Amadeus and Sabre to enhance ICT usage on the continent.

4.7) **Simplifying the Business**

AFRAA will need to be fully on board the implementation of the “Simplifying the Business” programme. The various initiatives by IATA will need to be supported

4.8) **Cost Reduction and Revenue Enhancement**

In the current crisis, it is critical that airlines reduce and effectively manage costs so as to remain in business. Airlines need to continue to modernize their fleets to reduce fuel and maintenance costs. AFRAA will need to continue to assist airlines to employ ICT solutions to simplify the business model.

Airlines need to be encouraged to exploit ancillary revenue opportunities to boost revenues. This includes enhancing in-flight sales, in-flight advertising, product un-bundling, yield management and co-branding of frequent flyer programmes with financial institutions.

4.9) **Risk Management Hedging and Common Projects**

In consideration of the anticipated increase in fuel costs, AFRAA will need to intensify and spread out its presentations and training courses on “Risk Management and Hedging”.

It will be necessary to promote again and again our common cost saving projects such as:

- Joint fuel purchasing,
- Joint handling services,
- Joint insurance schemes.

4.10) **Membership Expansion and Partnership Programme**

In view of the challenges and hardships that continue to confront African member airlines, the Secretariat will need to increase the proportion of revenue from internally generation activities and reduce dependence on member contributions. This will entail coming up with innovative ideas in areas such as training, consultancy and the use of the training facilities at AFRAA headquarters, among other areas.

It will also be necessary to increase the number of members particularly targeting some of the new carriers emerging on the continent as well as expanding the partnership programme to include airports, fuel companies and other service providers that are currently not in the partnership programme.

AFRAA will also need to recover the bad debts and encourage airlines that have discontinued their contribution and participation to reactivate their membership.

4.11) **Continental Manpower Market**

Frequent changes in African airlines' management teams release on the market a lot of experts that the Industry as a whole does not utilize any longer for lack of adequate information.

AFRAA will need to circulate this information among its members so as to optimize the use of available African expertise.

In addition, the Secretariat will need to continue to promote and recommend outstanding experts for consultancy management jobs across the Continent with the objective of stopping the inflow of oversea costly experts and giving priority to African professionals who can provide the same services at lower costs and with a better knowledge of the environment. Together with AFCAC, ACI-Africa, the civil aviation and Airports authorities, the industry needs to form continental e-manpower market to promote these experts.

4.12) **Environmental Issues**

The issues concerning the environment particularly with respect to environmental emissions will progressively take centre stage. It will be necessary for airlines to proactively adopt positions which demonstrate concern about the world-wide anxiety about global warming.

4.13) **Journalists**

As has been highlighted before, AFRAA has considered journalists as critical stakeholders in the propagation of member airline activities and positions on critical topical subjects as well as informing the public about the various tourists' and other attractions in various parts of the continent. I would like to suggest to my successor to continue this valuable practice which promotes understanding among people, encourage inter-Africa travel, trade, tourism and business, among other benefits.

CONCLUSIONS

Mr. President, we are in an age of market volatility in which many traditional pillars of stability are being questioned including the financial systems, the resilience of developed markets and regulatory regimes. However, as the world is slowly getting out of the recession, we expect that by next year, there may be significant traffic growth which coupled with our cost efficiency measure, should help airlines to be profitable. However, it will be those airlines that manage and reduce their costs consistently, who build strong relationships with customers, who can identify and grow new sources of revenue and can manage their yields effectively that will be successful. African airlines will have to embrace new technologies to exploit the opportunities provided by e-commerce.

As I leave the African Airlines Association, I have every confidence that my successor will consolidate and further build on the achievements of the last 10 years so that African airlines and AFRAA can continue to have a strong voice and play their rightful role in providing safe and secure transportation of people and goods efficiently and profitably.

Thank you for your attention

Appendix 1

Passenger Traffic Statistics

Airline	2008 (000)	2007 (000)	2006 (000)	2005 (000)	2004 (000)	2003 (000)	2002 (000)	2001 (000)	2000 (000)
Afriqiyah Airways	554	455	306	327	350		290		
Air Algerie	3354	3,023	2,902	3,037	3,236	3,010	2,700	2,893	2,939
Air Botswana		227	213	229	212	188	179	169	151
Air Burkina		77	73	66	61	54	53	53	66
Air Burundi		91							4
Air Madagascar	560	677	573	593	514	541	266	657	668
Air Malawi		159	151	138	129	114	109	118	117
Air Mauritius	1257	1,290	1,135	1,147	1,092	1,042	1,029	1,002	940
Air Namibia		430	400	306	277	262	222	215	247
Air Seychelles	416	574	473	498	461	413	518	419	394
Air Senegal Int'l		547	510	265	428	307	236	126	
Air Tanzania		250	94	265	249	150	134	177	200
Air Zimbabwe		254	239	243	225	200	250	308	470
Bellview Airlines		514	496	461	427	387	328	365	201
Cameroon Airlines		453	425	384	356	315	243	324	293
Egypt Air	6602	6,796	5,299	5,332	5,286	4,688	4,997	4,895	5,352
Ethiopian Airlines	2744	2,290	1,896	1,669	1,406	1,119	1,105	1,031	964
Kenya Airways	2801	2,776	2,367	2,351	1,938	1,628	1592	1411	1,441
LAM Mozambique		417	377	352	294	285	284	266	261
Libya Airways		796	744	347	722	543	357	542	304
Royal Air Maroc	3812	4,832	4,262	3,587	3,684	3,314	3,218	535	3,742
South African Airways	7115	7,525	7,713	7,054	6,740	6,545	8,041	6,123	6,129
Sudan Airways		612	578	526	493	436	423	431	430
TAAG Angola Tchad		277	262	239	222	198	189	193	276
Tunisair	2204	3,701	2,013	3,755	3,604	2,960	3,138	3,544	3,456
Virgin Nigeria		714	680						
Total		39,757	34,181	33,171	32,056	28,699	29,611	25,797	29,045
Itime	1605								
Comair	3467								

Revenue Passenger Kilometres (RPKs)

Airline	2008 (mills)	2007 (mills)	2006 (mills)	2005 (mills)	2004 (mills)	2003 (mills)	2002 (mills)	2001 (mills)	2000 (mills)
Afriqiyah	1,324	1,025	892	949	1,003				
Air Algerie	4,095	3,226	2,945	3,101	3,353	3,343	2,979	2,944	3,264
Air Botswana		115	110	103	94	83	80	76	68
Air Burkina		42	39	36	33	29	28	28	36
Air Burundi		10	3	1	9	7	4	8	2
Air Madagascar	1,042	1,247	1,206	1,283	911	715	418	835	1,146
Air Malawi		222	215	200	189	166	157	240	83
Air Mauritius	6,630	6,964	6,226	6,274	5,751	5,243	5,170	5,193	4,776
Air Namibia		1,682	1,588	1,012	912	930	759	754	739
Air Seychelles	1,091	1,593	1,480	1,257	1,133	986	1396	924	806
Air Senegal Int'l		1,073	1,480	851	808	721	596	189	
Air Tanzania		251	296	246	227	154	136	189	170
Air Zimbabwe		710	671	553	500	589	674	723	841
Bellview Airlines		514	743	682	637	574	343	323	201
Cameroon Airlines		910	861	797	740	629	494	672	473
Egypt Air	16,283	14,093	10,832	10,048	9,782	8,790	9,348	9,467	9,875
Ethiopian Airlines	9,316	7,947	6,381	5,420	4,396	3,576	3,292	2,969	2,757
Kenya Airways	7,933	7,919	6,529	6,511	5,283	3,952	3,935	3,703	3,222
LAM Mozambique		476	403	451	374	410	402	354	221
Libya Airways		48,829	47,407	44,327	40,316	36,978	32,232	32,238	32,257
Royal Air Maroc	7,759	9,875	8,463	6,840	7,328	6,677	6,346	6,051	7,437
South African Airways	22,920	24,849	25,495	24,277	23,080	22,226	23,100		19,758
Sudan Airways		1,172	1,118	1,039	957	835	806	803	1,157
TAAG Angola		691	655	605	548	478	470	465	555
Tunisair	3,197	3,035	3,244	5,989	5,252	4,256	4,436	5,051	5,085
Virgin Nigeria		1,018	969						
Total		138,463	129,359	121,903	112,613	102,347	97,601	74,199	94,929

Freight Tonnage

Airline	2008	2007	2006	2005	2004	2003	2002	2001	2000
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Afriqiyah			1,607	2,730	1,500				
Air Algerie		14,453	15,629	21,302	19,494	19,243	20,548	21,031	19,068
Air Botswana				1,410	844	761	714	759	697
Air Burkina									
Air Burundi									
Air Madagascar		5,606	4,319	3,718	3,902	3,057	3,600	7,198	6,468
Air Malawi		5,091	5,698	5,630	1,298	1,169	899	757	737
Air Mauritius		33,511	33,620	36,548	37,434	32,866	30,678	28,056	28,721
Air Namibia		4,876	5,419	14,618	8,068	6,770	3,204	10,505	10,810
Air Seychelles		7,184	7,982	7,256	3,987	3,560	4,307	3,790	3,234
Air Senegal Int'l		547				85	249	265	
Air Tanzania		1,418	1,460	2,676	2,027	1,431	2,233	2,874	3,042
Air Zimbabwe		1,738	1,932	8,080	4,845	4,371	6,458	6,956	8,967
Bellview Airlines		6,879	7,708	7,716	6,477	5,966	5,446	1,864	5,886
Cameroon Airlines		9,391	10,443	9,591	5,464	4,900	8,653	8,650	9,800
Egypt Air		72,018	104,772	103,350	83,182	79,573	81,039	76,289	86,030
Ethiopian Airlines		61,371	67,234	54,301	48,320	38,078	36,338	35,110	33,890
Kenya Airways		60,388	57,497	52,464	40,021	32,304	27,070	22,577	20,275
LAM Mozambique		4,779	4,560	1,483	3,387	3,123	3,042	2,919	2,951
Royal Air Maroc		33,262	35,286	33,383	28,911	24,859	26,393	30,379	30,579
South African Airways		158,774	191,172	154,155	153,566	145,478	119,786	124,560	116,446
TAAG Angola		25,139	27,949	25,635	14,534	13,020	12,264	12,291	15,791
Tunisair		10,721	12,982	12,616	14,432	14,104	14,469	15,247	15,986
Virgin Nigeria									
Total		517,146	595,662	555,932	480,193	434,718	407,390	412,077	419,378

Freight Tonnage Kilometres (FTKs)

Airline	2008	2007	2006	2005	2004	2003	2002	2001	2000
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Afriqiyah									
Air Algerie		17,561	27,238	36,177	25,684	24,329	17,890	22,703	14,000
Air Botswana	0	0	0	315	299	277	306	287	267
Air Burkina									
Air Burundi									
Air Madagascar		23,941	18,773	15,363	12,657	9,720	10,863	10,206	2,732
Air Malawi		1,438	1,601	1,364	1,289	1,176	1,246	798	800
Air Mauritius		202,814	194,842	211,715	219,998	186,807	185,571	174,226	182,982
Air Namibia		4		60,429	56,479	45,675	21,059	74,744	76,007
Air Seychelles		27,644	30,716	25,812	24,123	21,348	28,235	22,009	19,883
Air Senegal Int'l		547				85	249	265	
Air Tanzania		1,447	1,690	2,364	2,250	1,785	2,321	3,253	3,449
Air Zimbabwe		7,692	8,547	22,288	20,823	18,494	25,813	28,829	36,178
Bellview Airlines		10,036	11,269	10,029	9,809	9,753	8,079	2,132	6,873
Cameroon Airlines		26,095	29,001	24,399	22,825	20,254	42,717	36,880	42,030
Egypt Air		206,902	309,701	287,561	242,447	239,008	253,327	242,665	279,503
Ethiopian Airlines		281,326	271,282	201,311	189,381	146,273	128,869	136,444	133,166
Kenya Airways		298,053	301,185	253,133	193,430	141,539	118,382	92,732	77,045
LAM Mozambique		5,802	5,137	4,968	5,354	6,674	7,210	6,899	7,172
Royal Air Maroc		63,970	50,626	88,567	62,568	52,958	51,350	63,032	62,677
South African Airways		923,544	1,218,763	910,875	917,107	879,086	762,013	734,917	677,048
TAAG Angola		72,930	81,030	68,142	63,715	56,472	51,318	50,843	60,636
Tunisair		16,189	19,315	18,770	21,062	20,026	20,045	21,173	22,394
Virgin Nigeria									
Total		2,187,935	2,580,716	2,243,582	2,091,300	1,881,739	1,736,863	1,725,037	1,704,842

Load Factors (%)						
Airline	2008	2007	2006	2005	2004	2003
Afriqiyah	49	48.3				
Air Algerie	62.1	61		57.1	62.7	
Air Madagascar	63.9	61.5		58.6	55.6	
Air Mauritius	73.4	76.3		77.1	73.1	
Air Seychelles	62	76				
Air Namibia				62.4	64	
Air Senegal Int'l					89	
Air Tanzania				50.7	50.9	
Air Zimbabwe					61	
Comair					74.4	
Egypt Air	66.9	64.6		60.6	63	
Ethiopian	71.5	67.4		68.3	64.1	
Kenya Airways	70.4	73.6		75.4	74.3	
LAM Mozambique		69.7		65.8		
Royal Air Maroc	65.8	60		64	69.3	
SA Airlink					57.6	
South African Airways	74.3	75		69.6	69.3	
Tunisair	64.9	63		61.6	69.9	

Itime	83.0
Comair	80.0
Novelair Tunisee	81.0

Finance - 2008

Airline	Operating Revenue	% Change	Expenses	Operationg Profit	Net Profit
	000'		000'	000'	000'
Afriqiyah					
Air Algerie					
Air Madagascar	180,295	1	180,047	248	-5,913
Air Mauritius	707,516	8	668,505	39,011	26,859
Air Seychelles	163,000	21	162,000	1,000	1,000
Air Namibia					
Air Senegal Int'l					
Air Tanzania					
Air Zimbabwe					
Comair					
Egypt Air	1,704,640	33	1,661,975	42,665	42,665
Ethiopian	939,920	34	896,291	43,629	51,809
Kenya Airways	859,435	19	811,072	48,363	-48,853
LAM Mozambique					
Royal Air Maroc					
SA Airlink					
South African Airways	2,747,254	56	2,914,694	-167,440	-132,414
Tunisair					
Itime	110,935	56	110,618	317	-1,057
Comair	337,559	22	323,481	14,078	7,760
Nouvelair	348,038	26	314,951	33,087	37,685