



**43<sup>RD</sup> AFRAA ANNUAL GENERAL ASSEMBLY**

**REPORT OF THE SECRETARY GENERAL**

**By**  
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**Secretary General**

21 NOVEMBER 2011  
KINGDOM OF MOROCCO

Mr. President

Distinguished Guests

Ladies and Gentlemen;

Welcome, once again, to the 43<sup>rd</sup> AGA of the Association.

When we met in Addis Ababa last year, the mood, I am sure you will agree, was a bit different. After realising significant growth in traffic and profitability in 2010, we expected that 2011 will see an acceleration of the good news. Alas, we encountered turbulence arising from unexpected events such as political events in North Africa, the Japanese earthquake and resulting Tsunami, the steep rise in the price of oil and the slowing down of world economic performance.

In this report, I will cover the following:

- Performance of the industry globally and in Africa
- Main activities during the year
- The future challenges and opportunities
- Conclusions

## **1. STATE OF THE AIRLINE INDUSTRY**

### **Africa is the Future**

The population of Africa was estimated in June 2011 to be just over 1 billion and is growing fast. The African middle class is also on the rise. According to the ADB, by 2030 Africa's new middle class will be over 300 million and will spend around USD2.2 trillion in a year, equivalent to about 3% of worldwide consumption.

In the last 10 years, six of the world's fastest growing economies have been in sub-Saharan Africa according to the *Economist*. The World Bank forecasts that the economies of sub-Saharan Africa will grow 5.5% in 2011 and 5.9% in 2012.

Africa has 90% of the world's platinum, 50% of the gold, 70% of the cotton and 30% of the world's diamond reserves, according to African Business magazine. This has elicited business and investment interest in the continent.

### **African Air Transport Growth Potential**

With the positive economic growth prospects, the role expected to be played by air transport in the socio-economic development and regional integration is enormous.

Air transport is expected to sustain a 6.1% growth in 2011 and keep the growth rate at or above the historical trend through to 2030.

Direct foreign investment, growing urbanization and rising incomes will continue to spur higher domestic demand for consumer goods and air transport. Intra-Africa air travel which is currently 20% of total air passengers is set to grow significantly to support the fast expanding regional trade which is only 10% at the moment.

The various regional economic communities such as ECOWAS, EAC, COMESA, SADC etc. are working assiduously to eliminate trade barriers and increase cross border trade, investment and movement of goods and people.

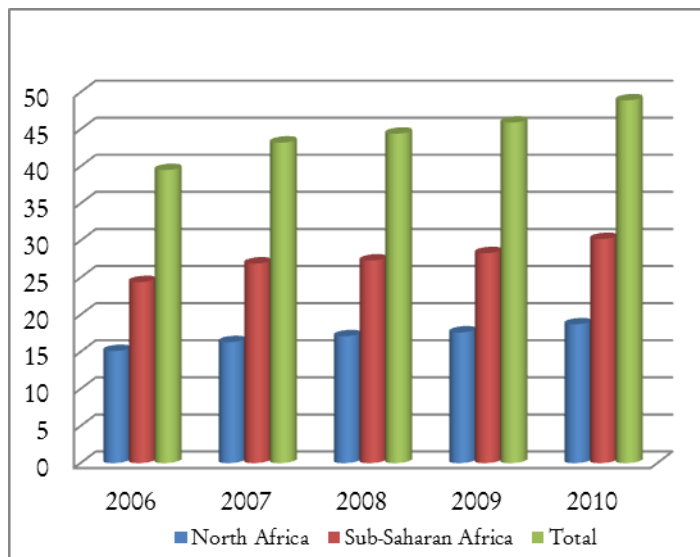
As China and India continue to be major trading partners in almost all African countries, traffic between Africa and Asia will continue to grow. Projections are

that air travel between Africa and Asia will grow at 8.1% annually up to 2030. The Africa-Asia market will be the fastest intercontinental air travel growth region and therefore African carriers would need to focus resources in developing their Asian networks before the Asian carries intensify the operations westwards into Africa.

## Tourism

World tourism grew strongly in 2010 recovering from the shock it suffered in 2008 and 2009 due to the global financial crisis and the economic recession. According to UNWTO World Tourism Barometer, international tourist arrivals globally increased by 6.7% over 2009 to 935 million. Africa achieved a 6% increase on the positive results of 2009 to 48.8 million.

**Africa International Tourist Arrivals (millions) - 2006-2010**



Source: UNWTO

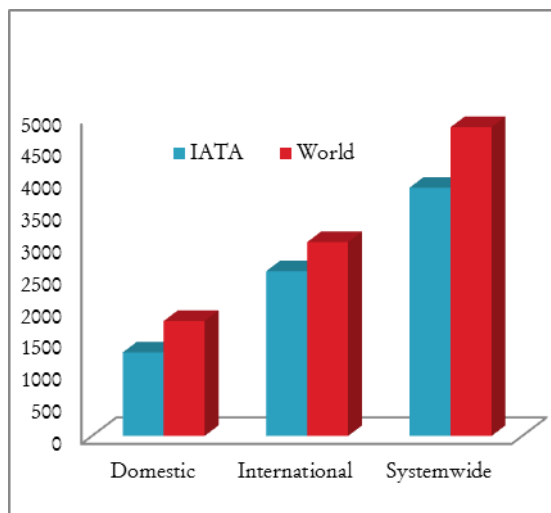
## Airline Performance in 2010

### Global

Global passenger air traffic rose 7.5% in 2010, following the 1.6% decline in 2009. The total number of passengers carried on all scheduled services increased by 7.4% to 1.80 billion for IATA member airlines.

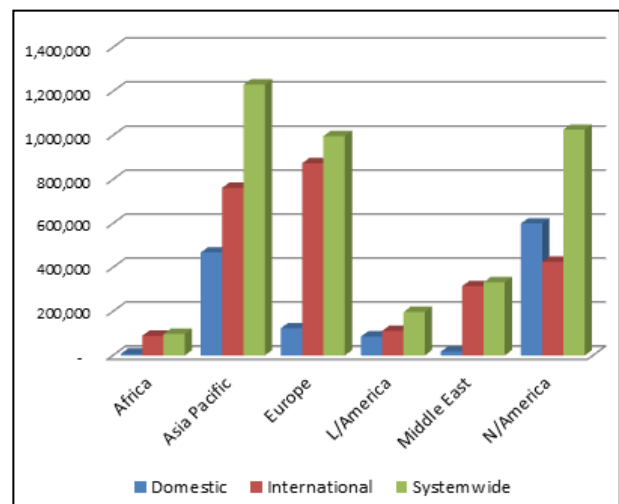
Freight tonnes carried by all scheduled services worldwide grew by 13.4% in 2010 compared to the drop of 8.5% in 2009.

**IATA Share of World's Schedule Passenger-Kilometres (RPKs) 2010 – in Billions**



Source: IATA

**Revenue Tonne-Kilometres per Region - IATA Schedule Services - 2010**



Source: IATA

### African Airlines Performance

In 2010, African airlines mirrored the global industry performance; recording net positive results of over US\$100 million, passenger traffic growth of 12.9% and cargo traffic increase 23.8%. Number of passengers carried grew to 61 million from last year's 56 million.

This growth was achieved through network expansion, new markets development and an increase in domestic and intra-Africa travel.

As highlighted earlier, 2011 is expected to record poorer performance compared to 2010. IATA estimates that in 2011, African airlines may just break even.

The 2010 successes were not achieved without challenges. There were disruptions to air transport operations during the year, among them being the volcanic ash eruption in Iceland in April, 2010, which led to the closure of the EU airspace and the consequent disruption in operations into the EU.

Some of the challenges bedevilling African aviation are just refusing to go away. The first of these is the slow pace of liberalization – implementation of the Yamoussoukro Decision (YD). This is constraining the growth and development of African airlines and curtailing their competitiveness. The result is that in 2010, as in previous years, non-African airlines had the largest market share of intercontinental traffic at 82% compared to African carriers at 18%.

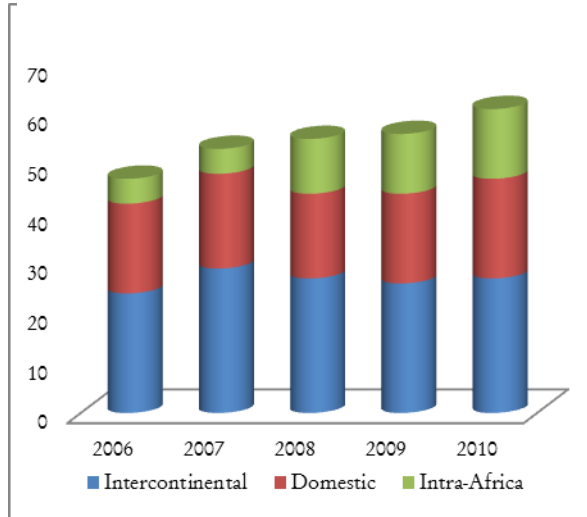
On intra-African routes, the coverage in terms of capacity and frequency as well as new route expansion is significantly improving with EgyptAir, Ethiopian Airlines, Kenya Airways, Royal Air Maroc and South Africa Airways being the dominant operators. Though flights availability is improving, West and Central Africa remains the region with the least number of direct flights between cities. The absence of an effective hub airport in the region accounts for this.

### **Domestic/Regional Passengers**

Domestic passenger numbers increased by 10% due to growing demand, an increase in the number and network of low cost carriers in South Africa and parts of North Africa and competition induced lower cost of travel in some

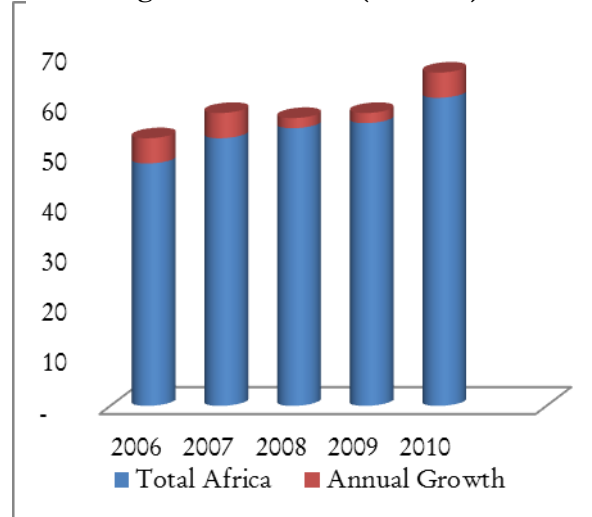
markets such as Kenya. Intra-Africa passenger numbers went up by 15.3% in 2010.

**Passengers Carried by African Airlines (Millions)**



Source: AFRAA/ICAO

**Passengers Carried by African Airlines Showing Annual Growth (Millions)**

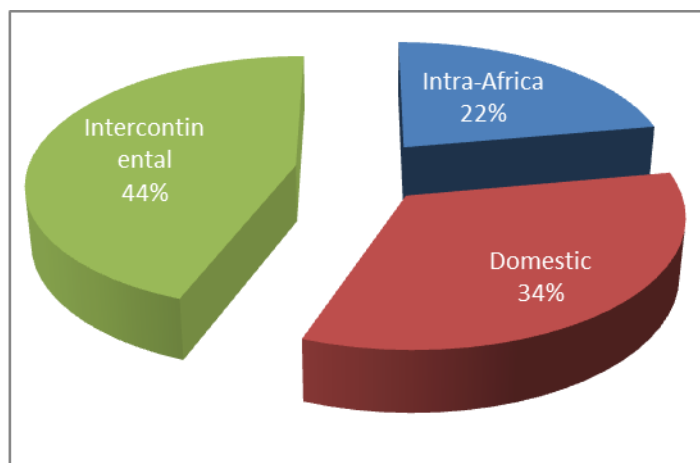


Source: AFRAA/ICAO

### Intercontinental Passengers

On the intercontinental segment, passengers carried by African airlines were up 5.6% compared to 2009.

### Passenger Market Share-2010

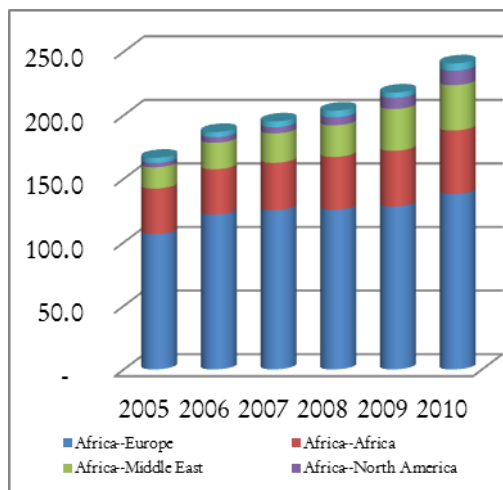


Source: AFRAA

The intercontinental passenger market segment remains the biggest with 44% of total passengers while intra-Africa and domestic travel accounts for 22% and 34% of the market share respectively.

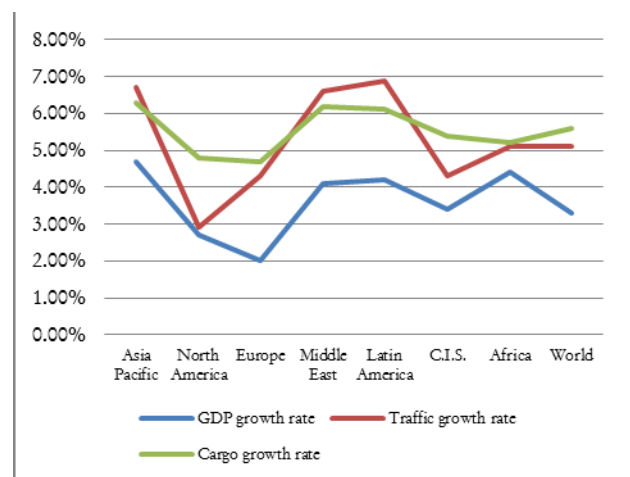
In 2010, Africa presented the second-highest traffic growth region in the world at 12.9%. Domestic and international traffic (RPKs) expanded by 7.6% and 12.2% respectively. Africa’s strong economic ties with Asia and increasing investments from developed regions are contributing to the positive trend in air travel demand.

African Traffic Growth by Regional Flow - RPKs (in Billions)



Source: Boeing

GDP, Passenger and Cargo Growth for Various Regions - 2010



Source: Boeing

## Passenger Traffic Forecast

The forecast average traffic growth for Africa is projected at over 6% per annum over the next 20 years.

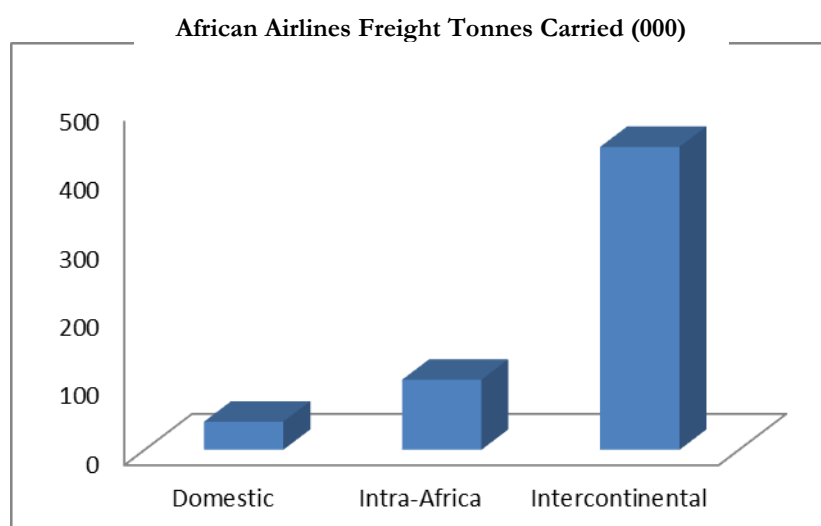
Over the next 20 years, the fastest growth region for Africa will be Asia Pacific at 8.1% per year followed by North America and the Middle East at 6.4% each. Latin America and Intra-Africa are estimated to grow at about 6.0% and 5.1% respectively. Europe will be the least growth region at 4.6% per year.



Regions	RPKs in 2010 (billions)	Av. Forecast Growth (2011-2030)
Africa-Africa	50.0	5.1%
Africa-Europe	138.1	4.6%
Africa-Middle East	35.7	6.4%
Africa-North America	11.4	6.4%
Africa-Asia Pacific	5.6	8.1%
Africa-Latin America		6.0%

Source: Boeing Forecast

## Freight



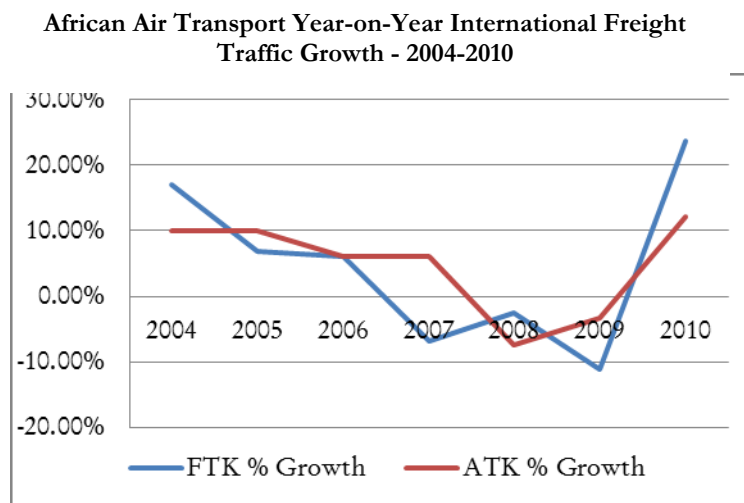
Source: AFRAA

Air freight shipment in Africa is still very low. In 2010 the continent accounted for about 584,000 tonnes of total global freight carried. Freight carried within Africa (intra-Africa) was 102,000 tonnes reflecting the limited intra-Africa trade while domestic freight movement was 41,000 tonnes.

76% of all freight carried was between Africa and other regions.

## AFRAA Carriers Freight Data

The failure by many airlines to develop the cargo component of their operations has led to dominance of this sector by non-African airlines. On the domestic and regional level, airlines have lost freight business to rail and road transporters due to lack of capacity and bureaucratic customs clearance processes at airports.

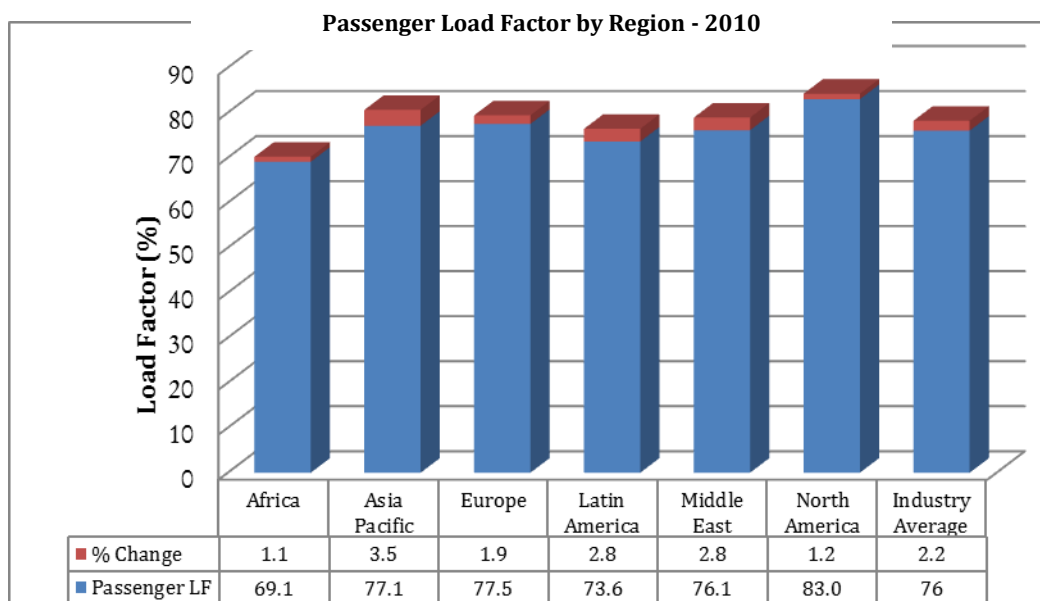


Source: AFRAA/IATA

## Load Factor

The imbalance of capacity and demand continues to create inefficiencies in many African airlines. The average passenger load factor for Africa in 2010 was 69.1% compared to global industry average of 76%; a 6.9 percentage points above the load factor achieved by Africa.

Traffic rights and frequency restrictions as result of failure to open market access also contributes to low load factors as airlines have limited flexibility to deploy capacity where the traffic is.



Source: AFRAA/IATA

With many airlines now investing in right-size aircraft to replace oversized and ageing fleet, load factors will likely improve in coming years.

Load Factor for all Regions – 2010

	Passenger LF	% Change	Weight LF	% change
Africa	69.1%	1.1	68.1%	2.2
Asia Pacific	77.1%	3.5	72.4%	4.6
Europe	77.5%	1.9	70.4%	3.1
Latin America	73.6%	2.8	62.4%	1.0
Middle East	76.1%	2.8	63.1%	3.3
North America	83.0%	1.2	63.2%	1.9
Industry Average	76.0%	2.2	66.6%	2.7

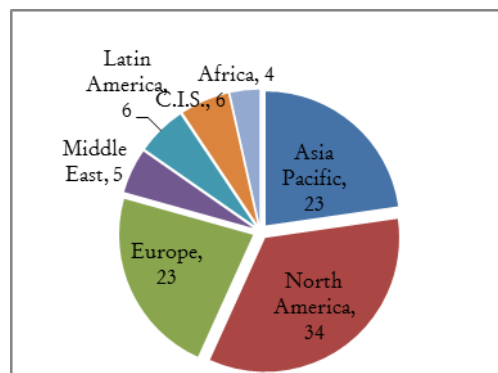
Source: AFRAA/IATA

45% of flights within Africa use aircraft with more than 120 seats, yet 87% of those departures carry, on average, fewer than 110 passengers. The deployment of high-capacity jets on low and mid-density markets not only drive down load factors, but also stifle incentive to add frequency.

## Fleet Composition and Development

Africa's passenger aircraft are made up of 680 comprising 500 jets and 160 turboprops of various sizes and types. In addition, the continent has less than 10 freighter aircraft. AFRAA airlines in 2010 operated a total of 501 aircraft. The order book stands at 215 aircraft comprising 190 jets (88%) and 25 turboprops (12%).

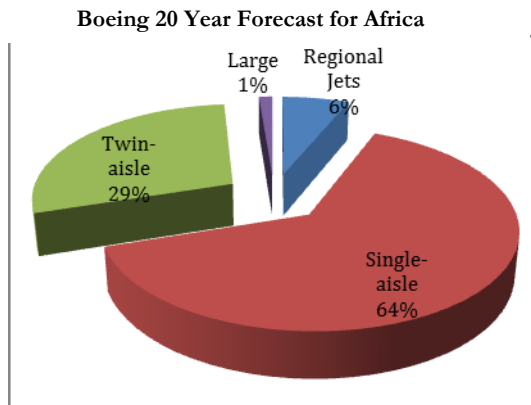
World Commercial Passenger Airline Fleet Composition (%) - 2010



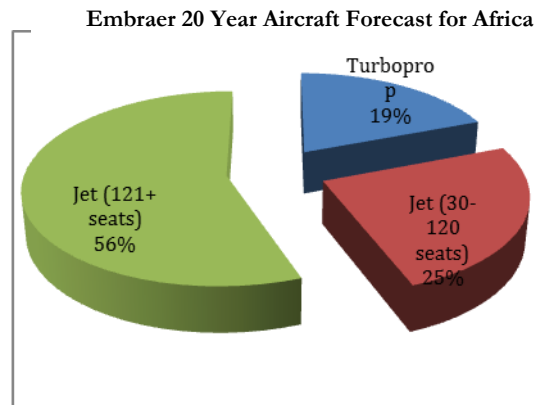
Source: Boeing

## Fleet Forecast

Africa's fleet requirement is estimated at between 780 and 1050 over the next 20 years. More than 80% of the new aircraft are expected to be in the single aisle and mid-range aircraft category. This fleet is anticipated to meet the growing intra-Africa travel demand. Boeing forecasts that Africa will need 800 new aircraft worth about USD100 billion over the next 20 years to 2030. Airbus forecast was much higher at 1050 new aircraft deliveries in the next 20 years while Embraer conservatively forecast 780 new deliveries between now and 2030.



Source: Boeing



Source: Embraer

## Financial Performance

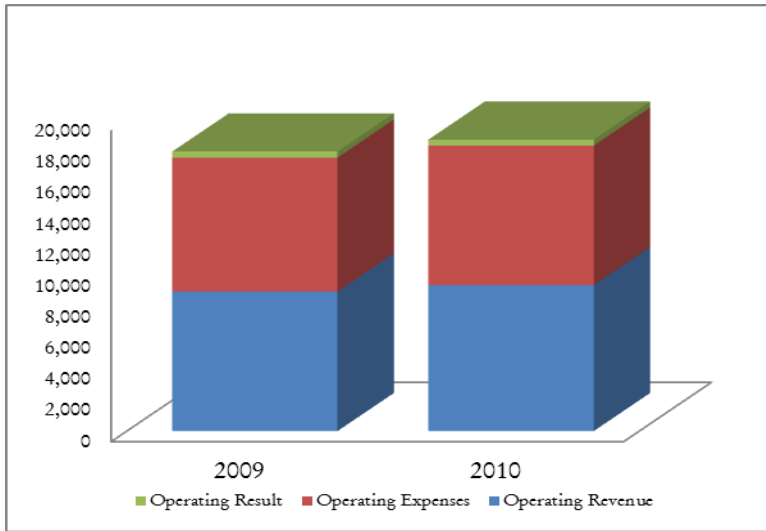
Global airline revenues grew an estimated 15% over 2009 levels to \$554 billion in 2010. Growth in cargo revenues was even stronger with a rise of almost one-third to \$66 billion. The industry went from net pre-tax losses of \$9.9 billion in 2009 to profits of \$18 billion in 2010 – the largest financial performance improvement in over 60 years according to IATA. African airlines share of profit in 2010 was \$100 million.

## Operating Revenue and Expenses

The 15 reporting AFRAA carriers generated total revenues of \$9.4 billion in 2010 compared to \$8.9 billion in 2009. This represents a revenue growth of 6% year-on-year.

Over the same period, total operating expenses for the reported airlines was \$8.9 billion compared to \$8.6 billion, an increase of 3.5% over 2009. Fuel cost accounted for 39% of the total operating cost. Average operating results by the reported airlines in 2010 was \$388 million with net average result of \$58 million.

### AFRAA Airlines Operating Performance (\$ millions)

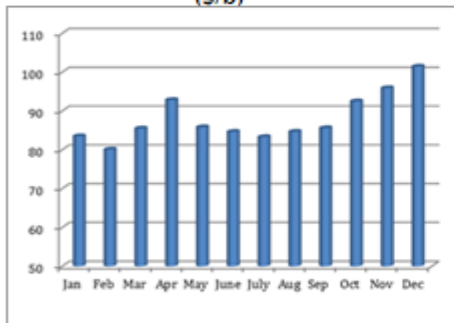


Source: AFRAA

### Price of Oil

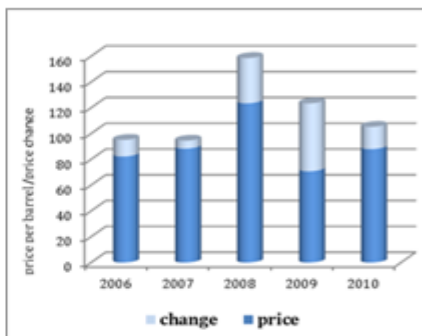
During the year, the price of oil see-sawed but eventually stabilized and averaging about US\$88 per barrel.

Monthly Average Fuel Prices for 2010 (\$/b)



Source: Platts

Global Average Jet Fuel Price (\$/b)

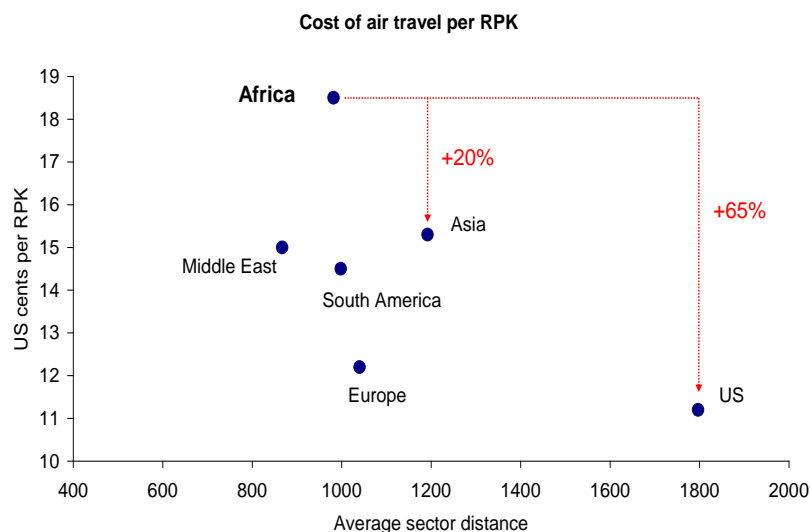


Source: Platts

## High Cost of Travel

Cost of air travel per RPK in Africa remains the highest in the world. Travel cost in Africa average 18.5 US cents per RPK compared to 15.3 cents in Asia and 11 cents in the USA.

The refusal by most African governments to open up market accesses particularly fifth freedom has significantly contributed to distortion in competition as well as prevented rational use of fleet and optimization of aircraft utilization. Increased cooperation among African carriers in form of interlining, codeshare and other commercial arrangement including capacity sharing will significantly increase load factors.



Source: IATA

The high cost is partly due to low economies of scale due to the small size of most airlines, the use of the wrong type of equipment in thin routes, the excessive taxes, charges and fees imposed on air travellers in Africa.

## **2. MAIN SECRETARIAT ACTIVITIES DURING THE YEAR**

I now move on to discuss the main activities of the Secretariat during the year.

On assuming office as Secretary General in January this year, one thing was very clear in my mind. The African aviation industry has to change the way it does business, as this is the only way to assure the future of African aviation.

Under the direction of the Executive Committee, the Secretary General came up with a 3 year business plan outlining a new Vision for the Association to ensure that AFRAA re-aligns its strategies in line with current business imperatives.

The business plan had clear goals based on the agreed priorities of the Association with clear key performance indicators for the Secretariat. The Association is focusing its activities on joint projects to reduce airline costs, increase airline revenues and adopt industry best practices.

Based on the concept that what gets measured gets done, the Secretariat has adopted a new culture of setting targets for achieving goals with specified time lines.

A new Secretariat structure was approved in line with the new Vision and realignment strategy to flexibly focus on issues and projects of common interest. Among the changes in the organs of AFRAA is that the old Standing Committees with generic objectives with no specific deliverables have been replaced by Task Forces dealing with specific issues of common interest to members. Steering Committees were set up to implement viable projects arising from the work of Task Forces.



## **PRIORITIES OF THE ASSOCIATION**

The activities of the Secretariat and the Task Forces and Steering Committees were guided by the following priorities that were approved by the Executive Committee:

- Safety
- Security
- Industry costs
- Human Capital Development
- AFRAA and African airline image
- Environment
- Regulatory

### **a. Safety**

Safety is the greatest challenge facing African aviation with accident rates being above world average rates. AFRAA has lobbied regulatory authorities to make IOSA certification a requirement for issuance of an air operator's certificate.

Currently over a quarter of African States are on the EU banned list. Over 110 African airlines are on the list. These include two AFRAA members that are IOSA certified and have a very good safety record. Hence AFRAA has called for the removal of the blacklist which is not helping to enhance safety but just bringing commercial advantage to European carriers.

AFRAA has carried out 9 training courses on safety of which 5 were for FREE with the generous assistance of IATA to help enhance a safety culture within African airlines.

AFRAA would like to express its sincere gratitude to IATA for its continued assistance in human resource development. This year alone, 113 people have benefitted from 5 courses on safety and security provided by IATA for FREE.

### **b. Security**

To help African airline security processes adhere to industry best practices, AFRAA held a joint security training workshop for airlines during the year.

### **c. Industry Costs**

The biggest risk to the industry profitability is the high price of oil, with fuel constituting around 40% of our operating costs. To alleviate the impact of this volatile demon, AFRAA set up the Joint Fuel Purchase programme in which 9 airlines have agreed to cooperate. This will start to operate from 2012.

We expect to save participating airlines millions of dollars from lower fuel prices. We call upon other airlines to join this laudable project to reduce costs. If airlines from the oil rich Arab States find it very important to embark on joint fuel purchase, why would airlines from the poorest continent think they can go it alone and expect to survive the cut-throat competition?

I would like to express my deep gratitude to the CEO of Afriqiyah Airways, Mr Rammah Ettir and the Secretary General of AACO, Mr Abdul Wahab, for

availing personnel to provide technical advice and expertise to ensure that the AFRAA Joint Fuel Purchase Programme gets to a successful start.

AFRAA realises that some of our member airlines are not taking advantage of the huge benefits to be derived from pragmatically adopting the right ICT technologies. In this regard, AFRAA is working with technology partners to help airlines maximise the benefits from the latest ICT technologies. AFRAA held a very successful joint ICT Forum with SITA, our long time trusted technology partner.

Also in conjunction with IATA and with the support of Hahn Air and Travelport, AFRAA held a successful and well attended Simplified Interline Settlement workshop during the year.

AFRAA set up a Task Force to assess how the competitive position of member airlines can be strengthened through network coordination and optimisation. AFRAA obtained technical assistance from one of our valued technology partners, Sabre, which has identified opportunities for airlines to coordinate and harmonise their networks in order to facilitate connectivity of air services and help align schedules which would generate incremental revenues.

The representatives of Sabre are here and airlines are encouraged to link up with them on how they can benefit from network coordination and harmonisation.

The other major cost driver is monopoly fuel companies, ground handlers or catering companies at some stations. AFRAA has called upon Governments to ensure more players, facilitate competition and provide users with choice, like in the rest of the world.

To realize these and other initiatives by the Associations of course requires member's full support and active participation and the support and assistance of our industry partners. I am confident that you will all support the secretariat efforts and actively participate in these projects.

AFRAA has carried out a study of stations where passengers' charges are excessive. Some of these are shown on the chart where charges of between US\$40-80 are a major constraint to the development of African aviation particularly low cost carriers. AFRAA has lobbied at various forums for government and airports to charge competitive fees commensurate with services provided on a consultative basis with stakeholders.

#### **d. Human Resource Development**

The Association has redoubled efforts to train people and so far this year conducted 16 courses, seminars and workshops benefiting over 430 people from over 30 airlines mainly on safety but also covering topical subjects such as latest technology and regulatory developments.

Some member airlines have world class training centres which are featured in the Annual Report. AFRAA encourages operators to make use of these cost effective and high quality facilities.

As mentioned earlier, AFRAA is cooperating very closely with IATA in human capital development and we appreciate the positive role that IATA is playing in developing people on the continent.

## **e. Effective Communication and Improving Airline Image and Reputation**

Several African airlines are making great achievements against tremendous odds. Unfortunately quite often these positive achievements are not made known while negative news seems to be given more attention by media.

The Secretariat sought to ensure regular communication with members, partners and other stakeholders through monthly e-newsletter, quarterly Africa Wings Magazine and through a revamped and easy to navigate website also featuring Facebook and Twitter.

We have featured your success stories including spreading the information about the world class EASA/FAA certified Maintenance, Repair and Overhaul facilities, Training centres and providers of simulator services on the African continent which are all featured in the Annual Report availed to you all.

AFRAA is regularly contacted by the media for comments or information on developments in the aviation industry. The SG has held several press conferences on various pertinent issues affecting the industry.

Our constraint is timely access to data and information from airlines. I would like to request that airlines regularly update the Secretariat of developments to facilitate our communication endeavours.

## **f. The Environment**

The African airline industry needs and is indeed committed to environmentally responsible growth.

AFRAA has consistently called upon African airlines to modernise their fleets to reduce operational costs as well as fuel burn. Indeed, African airlines are modernising their fleets with average age reducing from 20 years five years ago to 14 years currently resulting in significant reduction in CO<sub>2</sub> emissions.

AFRAA has consistently lobbied States that have not done so to accede to the Cape Town Convention and protocol to reduce financing costs of new aircraft.

Though opposed to the regulation, AFRAA nonetheless took measures to help airlines prepare for the introduction of the EU-Emission Trading Scheme in 2012 by providing technical advice on how to comply with the requirements.

AFRAA has joined various governments, Airline Associations like IATA, AACO, AAPA, to express its opposition to the unilateral measures by the EU to impose their Emission Trading Scheme which is contrary to the well-established norm of ICAO being the only global body that is mandated to regulate international air transport. AFRAA is concerned with the possible introduction of similar punitive measures by other States as a reciprocal measure to the EU ETS which will result in further cost burdens to airlines.

We have managed to get the issue to be included in the Conference of African Ministers of Transport which starts tomorrow in Luanda, Angola. We anticipate the Ministers will send out a clear message to the EU registering their objection to its unilateral imposition of ETS on non-EU carriers as well as agree on measures that they will take if the EU persists

### **3. FUTURE CHALLENGES AND OPPORTUNITIES**

#### **a. Safety**

Going forward, Safety will continue to be the greatest challenge facing African aviation. We therefore need to tackle safety issues seriously and head-on.

There are very few countries on the continent with serious safety concerns. The DRC is the country with the worst safety record. So efforts to improve safety in Africa have to address safety issues in countries like the DRC.

It is for this reason that a major safety summit is planned to be held in early May in the DRC where all the major aviation stakeholders on the continent are expected to participate. This is being coordinated with the IATA office in Johannesburg. I call upon CEOs of African airlines to attend so that together we can craft strategies to improve safety in the DRC and on the continent and ensure that all the countries on the EU blacklist are removed by 2015.

AFRAA has supported the current initiative to develop Regional Safety Oversight Organisations (RSOOSs) by ICAO and AFCAC. These should ensure the effective use of limited oversight expertise in some States especially those with serious safety concerns highlighted through ICAO USOAP Programme.

AFRAA will continue to assist member airlines and other African carriers to achieve IOSA registration by providing training as well as facilitating cooperation and assistance among African Airlines particularly in availing expertise and sharing of experience in this area. It will work to reduce cost and make it more affordable for airlines to obtain and maintain IOSA registration.

## **b. Industry Costs**

African Governments have to change the way they treat airlines. Airlines cannot be the source of revenue to balance national budgets. Studies commissioned by IATA and conducted by the Oxford Economics Unit have clearly demonstrated the huge economic benefits of aviation. Hence there is no need to constrain the development of such a critical economic sector by imposing charges and taxes which make African aviation uncompetitive.

The Association will continue to sensitize Governments, airports and other service providers on the need to reduce taxes and charges improve efficiency and services As this requires collaborative effort we will closely work with all stakeholders.

## **c. Collaboration**

On our part as airlines, we have to realize that small is not beautiful in this industry. The days of small Government owned airlines are long over. We have to change, accept to consolidate and enjoy economies of scale. If mega carriers worldwide find it necessary to consolidate including to be part of worldwide alliance groups, how can we, small as we are, hope to make it in a globalized operating environment?

AFRAA will continue to send out this message and work to create a conducive environment for better cooperation and consolidation, including providing information and data, consultation and advice to facilitate better cooperation.

## **d. Human Resource Development**



Studies by ICAO, Boeing, and others all indicate that in the next 20 years, there will be huge shortages of critical skills in aviation worldwide such as pilots and maintenance personnel. This presents opportunities to train and develop human resources not just for our airlines but also for export.

This requires new thinking on strategies to develop people. With Africa's huge hunger for learning, why not create large profitable world class training centres that train excess people for export? Why not look for innovative financing for training? All this requires thinking outside the box.

AFRAA will continue to strengthen the training unit to increase the number of training programmes that benefit members. We will continue to strengthen collaboration with IATA and our partners like SITA, Kenyon, Rolls Royce and others to jointly hold courses and seminars to ensure that African airlines have information on the latest developments in the industry.

#### **e. Opportunities Abound**

Africa is a huge continent with a population of over a billion people of which less than 10% have ever been in an aircraft. The economies are growing at well above world average rates. With the poor alternative surface transport systems, the opportunities to develop air transport are virtually limitless.

These opportunities are attracting carriers from outside Africa. It is incumbent upon us to exploit these opportunities. Some airlines such as Ethiopian Airlines, EgyptAir, Kenya Airways, South African Airways and Royal Air Maroc, to mention just 5, are already doing this.

We are fortunate to have partners that are interested in the development of African aviation. We have partners providing aircraft to effectively serve relatively both dense and thin routes with good load factors. We have technology partners that can assist us simplify our business models and maximize e-commerce opportunities. Let's make use of them.

#### **f. New Economic Order**

Ladies and gentlemen, a new world economic order is emerging. The centre of global economic power has shifted eastwards, to Asia Pacific region which currently constitutes almost 30% of air transport business worldwide. This has been accompanied by rapid growth in trade between Africa and this rapidly developing region. The middle –East is also a rapidly growing market. Latin America has to be explored. This presents enormous opportunities for African airlines.

However, Europe - Africa still remains a significant international traffic market and African airlines need to fight to get their fair market share. Unfortunately with the EU leading, Europe is increasingly putting regulatory and other barriers that disadvantages carriers from developing countries and create significant advantage to the EU carriers. Slot allocation, blacklisting, ETS, and horizontal agreement are but few examples that have tended to marginalize the small but developing African carriers.

On the other hand European carriers are afforded in Africa liberal traffic rights including fifth freedom on intra-African routes, the best slots choice and a near monopoly dominance on some Africa – Europe routes. These imbalances have to be addressed and a fairer balance created for African airlines to be able to enter and sustain within the Africa- Europe market.

In order to establish a fair balance African States need to establish a common approach and coordinate their policies and negotiate as a block particularly with the EU rather than as individual States. Europe is acting as a block in air transport though the form of agreement may still seem bilateral based. AFRAA will continue to work closely with Regional Economic Communities and the African Union to help create policy frame work that will enable Africa act as a group on key aviation issues relating to third countries.

### **g. Embracing Change**

We can only survive and prosper by embracing change. We need to change fast. We need to reduce our costs. The AFRAA Joint Fuel Purchase Project is one initiative for airlines to work together to reduce costs. Network coordination and harmonization is another. Making use of world class MROs, training centres and simulator facilities on the continent is much more cost effective than using facilities outside the continent. Our airlines have to consolidate to reap economies of scale.

Governments also have to embrace change. They have to make it easier to do business in their countries, allow airlines to buy equity into each other, open up the continent to African operators, stop these frequent changes in top management which destabilize the operations of airlines, remove non-physical barriers like visas and streamline security procedures to facilitate travel.

Airports have to change. They should make themselves attractive to airlines, charge competitive fees on a consultative basis with users, and maintain world class safety, security and service levels.

Strong collaboration between regulators and industry stakeholders is essential for success.

#### **4. CONCLUSIONS**

The strength of AFRAA lies in its capacity to adapt and respond to the rapidly changing needs of our industry. AFRAA is committed to finding ways to resolve industry's most pressing problems and facilitate solutions to propel it forward.

I will continue to look to you for your strong support as we drive towards our goal of sustainable growth of the African air transport business with our carriers having a significant share of intercontinental traffic. I am in the process of transforming AFRAA into a relevant, cost conscious organisation, successfully serving the different and dynamic needs of our industry.

I wish to acknowledge the support of the Executive Committee which ensured that we met almost all the targets we set for ourselves during the year. My appreciation to the AFRAA team for embracing the changes that we introduced especially the introduction of key performance indicators for all staff which helped inculcate a culture of goal directed activities.

I also wish to record my appreciation to all AFRAA Member airlines and partners, regional and international organisations especially the AU, IATA, ICAO, AACO, AASA, AFCAC; our stakeholders, the press and colleagues for your support and cooperation during the year which facilitated our success. The AFRAA Secretariat will continue to be of service in the years ahead and invite members to bring new industry issues to the attention of the Secretariat and

welcome feedback on all aspects of our work with a view for continuous improvement.