

JAN
2019

“Better skies for Africa”

Social Media Highlights



AFRAA on Twitter

On behalf of our Secretary General, Mr. Abdérahmane Berthé, we wish to sincerely appreciate you for the support you have accorded us through 2018. We look forward to an even more successful year in 2019 with your able, continued support and cooperation.

Our Secretary General, Mr. Abdérahmane Berthé, joined various Heads of Airlines Associations from around the world to discuss topical #aviation issues in Brussels.



IATA on Twitter

Aviation already supports 6.2M jobs in Africa with much bigger potential if the right infrastructure, regulation & necessary workforce training are put in place @Davos #WEF19 @AfricanAirlines



AFCAC on Twitter

Mr. Tefera Mekonnen, TEFERA, Sec Gen of AFCAC took part in the EU-AU task force meeting on Air Connectivity and collaborative works on SAATM Prioritized Action Plan. The outcomes of the meeting will be part of the Prioritized Action Plan for discussion among all Partners.

Word from the Secretary General



In the year 2018, our industry witnessed key milestones which have laid the foundation to further build our success and seize growth opportunities in the sector. Indeed, as a result of positive developments within the industry most notably the drive towards implementation of the Single African Aviation Market framework, the African airspace is poised for greater heights that will bring us closer to our common goal of an integrated and highly profitable African aviation market.

Implementation of SAATM is closely aligned to flagship projects of Agenda 2063 which include the African Passport and the Continental Free Trade Area (CFTA), equally key initiatives that should be leveraged for the sustainable growth of the industry. AFRAA, in collaboration with other stakeholders such as IATA, AU, AFCAC and Regional Economic Communities, is at the forefront of advocacy on the effective implementation of SAATM to ensure the African aviation industry reaps the full benefits of the open skies arrangement.

As Africa's general economic performance continues to improve, with growth in the continent projected to accelerate to 4 percent in 2019 and 4.1 percent in 2020 according to figures from the African Development Bank, a borderless Africa could be the vehicle that boosts intra-African business, trade, tourism creating economies of scale that will benefit the industry and allow African carriers to dominate African skies. Considering the continent is one of the few remaining global markets with the potential for exponential growth, we should be optimistic about the industry's prospects. After all Africa is projected to become a market of 350 million airline passengers by 2035 with passenger demand set to expand by an average of 5.7 percent annually over the next 20 years, which will open up incredible economic opportunities for the continent's 54 nations.

As the African airlines association, our main priorities will remain the improvement of safety and security standards and lobbying towards the reduction of operating costs for airlines in Africa. In addition to this, we will continue to engage African Airlines in joint projects of common interest and support the urgent need for skilled personnel with an extension of our training capacity programmes.

High Taxes And Charges hindering growth of African Aviation

One of the most fundamental factors that determine the success or failure of any commercial activity is the cost associated with it. If the cost is too high, the net profit is affected, making it difficult for the owners to re-invest, expand and hire more workers. In fact, many businesses die because of the high cost of doing business. Operators in the aviation sector, particularly airlines, are not exempt from this rule, which is why there has been growing concern around the upward trend in Taxes and Charges in the sector, as observed in several countries.

High taxes and charges are among the main factors that have resulted in high cost of operations in the African Aviation industry. At times high taxes are imposed to raise government revenues which are applied to non-aviation purposes. Since taxes and charges imposed on the African airspace are among the highest in the world, this is not only hindering the growth and development of the industry but also greatly affecting its competitiveness.

Costly travel

According to recent figures from the African development bank, the cost of air travel in Africa remains exorbitantly high and is 200 percent costlier than in the European Union and 250 percent higher than in India for similar distances notably because of the very high taxes, fees and levies that are imposed on airlines in many African states. This situation unfortunately excludes a very large section of the African population thus negatively impacting the bottom line of African airlines. It is quite clear that the current cost structure of most African carriers will not allow them to operate well let alone survive the increasingly fierce competition from international carriers. Currently, the aviation industry in Africa supports \$ 55.8 billion in economic activity and 6.2 million jobs. Over the next 20 years, the African market is forecast to grow at nearly 6% per year.

With the understanding that the industry can only thrive in an environment where air travel is made affordable and more Africans are able to travel, all actors must ensure the sector is well-positioned for success. This takes into consideration its direct links into economic growth as a result of spillover effects through the creation of direct and indirect jobs in the industry and other auxiliary sectors such as tourism, the service, and logistics sectors among others. Let us keep in mind that in other regions of the world, the air transportation industry has managed to deliver vast opportunities for the local economy and served as a key driver in the creation of regional and global economic centers.



AFRAA Secretary General, Mr. Abdérahmane BERTHE (second from right) accompanied by IATA and the Senegal Board of Airline Representatives meet the Minister of Transport of Senegal – Hon. Maimouna NDOYE SECK (third from right) to discuss taxes and charges in the region

Noting that high taxation is a significant obstacle to aviation development and Airline's sustainability; industry stakeholders at AFRAA's recently concluded 50th Annual General Assembly called upon governments to reduce taxes, charges and fees especially those related to fuel and passengers and avoid imposing airport development levies on passengers.

The assembly further encouraged members to re-invest taxes relating to air travel in developing and equipping airports as recommended by the International Civil Aviation Organization (ICAO). Ministers responsible for civil aviation were asked to update their respective governments in charge specifically the finance ministers, on the details and rationale behind ICAO's policies on taxation. Airports were urged to adhere to ICAO's principle of user consultation in the determination and fixing of charges and fees to ensure that they are commensurate with the level of service delivered.

It is therefore critical for governments to reduce levies targeting airlines as one of the ways to overcome the challenges faced by the African aviation industry. High taxation and charges in this sector are directly contributing to the high cost of travel giving impetus to the notion that air transport is for the elite effectively losing out on the opportunity to connect the continent. As the African Airlines Association, we will continue our lobbying efforts towards the reduction of these costs to ensure the continent reaps the full benefits of an efficient air transport industry.

Highlights of the Month

Global leaders of airline associations meet in Brussels for high level talks

Leaders from airline associations worldwide met in Brussels on January 23–24 at Eurocontrol Headquarters. Participants noted the importance of the airline industry internationally as a key driver of the global economy, with more than 3.6 per cent of global GDP and 66 million jobs worldwide supported by aviation.

The leaders agreed that the sharing of best practices has helped lead to high levels of safety worldwide, and also shared initiatives to advance the industry on other critical fronts, including ensuring adequate capacity for air traffic demand, safely incorporating drones into the airspace and educating governments across the world to ensure that taxation and regulatory systems do not hinder the industry's ability to grow and support the traveling and shipping public.

In his presentation, AFRAA Secretary General Abdérahmane Berthé called upon the assembly to work for the liberalization of traffic rights and the removal of restrictive rules on ownership and control

which are hindering the growth of the sector.

The group also discussed initiatives to attract talent into the industry to address growing, global workforce demands and ensure long-term sustainability, and to enable the broadest range of the world's population, such as women, to access airline industry careers. The leaders additionally affirmed their commitment to providing leadership on the key issues of safety, security and the environment going forward.

Recognizing the challenges ahead, the group agreed to redouble their joint education and advocacy efforts on all fronts and acknowledged the importance of partnering with governments across the world to ensure the best outcomes for the travelling and shipping public. The airline associations found the dialogue and exchange immensely helpful and have agreed to meet annually in the future.



Ten associations, including African Airlines Association (AFRAA), Airlines Association of Southern Africa (AASA), Airlines for America (A4A), Airlines for Europe (A4E), Airlines International Representation in Europe (AIRE), Association of Asia Pacific Airlines (AAPA), European Regions Airlines Association (ERA), International Air Transport (IATA), Latin America and Caribbean Air Transport Association (ALTA), and the Regional Airline Association (RAA) attended the meeting. Today's statement was additionally ratified by Airlines for Australia and New Zealand (A4ANZ), Arab Air Carriers' Organisation (AACO), and the Regional Airlines Association of Australia (RAAA).

AFRAA launches three new Task Forces of value addition to its members

In line with the new Action Plan for AFRAA, the Secretariat held launch meetings for three new Task Forces from 29 – 31 January 2019 at the AFRAA headquarters in Nairobi – Kenya.



Member airlines at the Task Forces launch meetings

The new Projects which were launched include: the Distribution, Governance and Training Task Forces. Through the new Projects, AFRAA seeks to address pertinent challenges and identify common solutions to pave way for a stronger association for its members.

AFRAA will vigorously implement its Action plan that will transform the industry as well as help fuel positive economic progress across the African continent. The airline industry has a major transformational role to play in the area of partnerships and commercial cooperation in a globally inter-dependent business environment.

New appointments

The African Airlines Association is pleased to announce the following appointments which have been made effective 01 January 2019:



Mr. Gaoussou Konate appointed as Consulting Director Technical and Operations

Mr. Konate joins AFRAA just after he completed a nine-month consultancy contract with the African Development Bank and contributed to the development of the Bank Framework and Guidelines to Support the Aviation Sector in the Region. He brings a vast experience comprising both air transport and civil aviation. His 35-year-corporate experience covered: International Civil Organisation (ICAO), he served as Deputy Regional Director of the Western and Central; for 8 years, he serviced IATA Regional Office for Africa and Indian Ocean (AFI) where he joined as Manager Safety and became Regional Director Safety, Operations, and Infrastructure; as AFRAA Technical Director, he fostered cooperation among African air carriers for 11 years. Before AFRAA, he worked at Air Afrique for just over a decade.

Mr. Konate graduated as a Mechanical Engineer in 1979 at the “Institut National des Sciences Appliquées de Lyon,” in France.

Ms. Raffaella Daniah Irie appointed as Manager Data and Statistics

Ms. Irie is a holder of a Technical Diploma in Statistics from ENSEA Abidjan since 2005, and recently of a Master's degree in Data Science and Big Data. Raffaella IRIE has a total of 13 years of experience in the airline industry.

From the end of her studies, in 2005, she joined the Marketing Department of SN Air Ivoire as Flight Analyst. 6 years later, in 2010, she became head of section in charge of maximizing flights of the SAHEL region until 2011. In July 2012, Raffaella joined Air Côte d'Ivoire as a Revenue Management Analyst. For 7 years she was in charge of flight analysis, management of codeshare and contract analysis.



Africa's Opportunity

Author | Inmarsat Aviation

Africa, with its expanding middle class now represents one of the biggest growth markets in the world. The International Monetary Fund has predicted that Africa's overall growth prospects are among the best in the world for the next five years, and it is home to six of the world's 12 fastest growing economies. According to the African Development Bank (AfDB), who define the African middle class according to their income, this portion of the population has grown by more than 240 percent in just over a decade. The bank defines 15 million households as now being middle class. Ipsos redefined the middle class in Africa, beyond the dollar terms used by the AfDB and their research found that over 60% of people surveyed across 10 key cities in Africa fell into this category. The same Ipsos research, indicates that by that definition, there are over a 100 million middle class people in Sub Saharan Africa (excluding South Africa) and they represent a total spending power of +\$400 million per day. This potential spending power could transform the aviation industry. The Sky-High Economics study of the commercial impact of inflight connectivity by the London School of Economics and Political Science predicts that inflight connectivity could be worth \$587m to airlines in Africa by 2035.

Deregulation for growth

To add to this, The Single African Air Transport Market (SAATM) became a reality in January 2018. A project of the African Union, starting back in 1999 after the Yamoussoukro Decision, when 44 countries agreed to deregulate air services in Africa. Working to create a single market for air transport in Africa, the SAATM includes an initial 23-member countries, and a new arrangement to remove restrictions and grant extended air traffic rights, frequencies and capacity; bringing more routes across Africa as well as lower fares. This is a significant step on a continent where passengers have long been forced to undertake time-consuming routes via Europe or the Middle East when flying between African countries. The benefits of the SAATM partnered with inflight connectivity go far beyond passengers enjoying open skies. According to an IATA survey, if just 12 key African countries opened their markets and increased connectivity, an extra 155,000 jobs and an additional US\$1.3 billion in annual GDP could be created in those countries. IATA predicts that SAATM could have an “immense impact” on African aviation

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Restructuring Strategy for African Airlines.

The airline industry globally often faces serious financial and operational challenges, and in recent times it has not been uncommon to see airlines even in many industrialized countries undergo major restructurings. However, the travails facing airlines in Africa generally seem to be more acute than in most other parts of the world. The disparity between the performance of African and non-African airlines is evident most clearly and strikingly in the profitability results for airlines in different regions around the globe. As shown in data from the International Air Transport Association (IATA), Africa stands out starkly as one of the few regions in the world where airlines in the region collectively have shown negative profitability in recent years. In fact, among the major airlines in Africa, very few operate on a profitable basis. In this article, we will provide a brief overview of major challenges facing African airlines and how the African airlines can respond to these challenges through the use of restructuring and turnaround tools and techniques employed by troubled companies across a range of industries.

Challenges facing African airlines

The African airline industry is subject not only to challenges affecting the airline industry globally – e.g., high fuel costs, fierce competition, high labour and capital costs, narrow profit margins, etc – but also to a unique array of challenges specific to African airlines in particular. Airlines in Africa must potentially contend with a broad range of nettlesome issues specific to Africa such as high taxes and fees imposed by African governments, higher prices for jet fuel than in other parts of the world, payments owing to the airlines blocked by African governments seeking to limit the outflow of foreign exchange, and unfavourable regulatory environments such as limited landing hours.

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Airline IT Trends

New digital technologies promise to meet many of the pressing issues and requirements faced by the airlines. This is one of the results of SITA's new Airport Transport Insights 2018 report, which includes the Airline and Airport IT Trends Surveys. Even though airline IT spend has stayed broadly the same since SITA's last survey, change is very much on the cards. We're now set to see much higher budget on technology for 2018 with IT spend reaching 3.67%of revenue. As part of this investment growth, airline priorities are placed firmly on improving passenger mobile services and strengthening cyber security capabilities.

Creating a connected passenger experience

A key airline aspiration is to create a 'connected passenger experience'. Mobile flight status notifications have now become commonplace. At the same time, airlines are communicating more about missing baggage information via mobile – clearly helped by their efforts to comply with IATA's Resolution 753 for baggage tracking. Investing in biometric technology to automate passenger ID management is another trend evident in this year's survey. Airlines are increasingly investing in, and piloting, biometric solutions. The installation of self-boarding gates using biometrics with ID documentation, are set to become commonplace over the next three years with 63%of airlines expecting to use them. What's more, mobile-app check-in will overtake 'traditional methods' as the most common check-in procedure.

To create the connected passenger experience, airlines are investing in digitalization, especially new technologies such as Artificial Intelligence (AI) and Blockchain. High on airline agendas are AI-driven virtual agents and chatbots, with 85%of airlines using or planning to use AI for these services by 2021. This will help to deliver a more connected experience for travelers, by answering questions and relaying flight status information. Blockchain is in the mix as potentially enabling airlines to enhance passenger identification. Airlines are looking for innovation strategies to trial these technologies. Clearly, it's an exciting time when the 'hot' technologies of the day align well with the industry's pressing needs, says the SITA survey.

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Need more information? Contact us!

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