Collaboration and Strategic Partnerships hold much promise for the African air transport industry

One easily notices that it is less expensive to travel within Europe, to the Middle East, or even between cities in North America than it is to travel within the African continent. For comparable distances, air tickets in Africa cost twice as much as for similar comparable distances in Europe or in the USA and up to three times more in India. Consequently, when aggregated with the GDP per capita, an African middle-class citizen can afford only 1.1 trips by air per year while their counterparts on other continents can respectively afford 5.4 trips in Latin America, 6 in Asia Pacific, 11 in the Middle East, 26.4 in Europe and 33 in North America. Stakeholders must engage in addressing the fact that African citizens have the lowest GDP, yet they are the ones to pay the highest fares to travel by air. There is a desperate need to find a way to change this sad state of affairs.

High cost of doing business

African airlines face many challenges such as high fees, taxes and charges. They contend with high finance/insurance costs for their aircraft acquisitions. Add to that the dismally poor intra-Africa connectivity, market access limitations and high cost of jet fuel. In Africa, jet fuel accounts for over 35% of the total airline operating costs and a significant part of that jet fuel costs is levied by the authorities in one form or another. The aviation industry is a capital-intensive business requiring high cost capital input for the acquisition of equipment such as aircraft and technical infrastructure for the Maintenance Repairs and Overhaul facilities. While the bulk of revenue is generated in local currencies which are weak compared to foreign currencies, the majority of the overheads – capital, financing, lease rentals, fuel uplift at foreign airports, and airport charges are often incurred in the stronger currencies.

As a result, the African aviation sector operates in one of the highest cost environments in the world. These conditions negatively impact on the ability of African airlines to grow their footprint. They are unable to offer competitive fares to passengers. Unless these challenges are addressed, escalating costs will derail the prospects of developing the aviation sector in many African countries.

Partnerships and alliances to unlock Africa’s full potential

African airlines as a whole are not profitable. In its mid-year airline industry forecast, the International Air Transport Association (IATA) predicted that just like in 2018, African airlines will collectively make a loss of $100 million in 2019.

There is an opportunity to address the African aviation industry's unprofitability on two fronts: cost reduction and increase in revenues. One sure way to achieve both of these goals is through enhanced cooperation among African airlines at a commercial level.

Commercial cooperation among African airlines will lead to higher yields and higher load factors thus enabling African carriers to lower fares, attract more passengers, increase revenues and reclaim market share from foreign carriers that currently dominate the African skies.

Globally, the aviation industry has benefited from strategic alliances that have allowed a number of airlines to address common solutions by working in synergy. Alliances offer significant scale to their members. One global branded alliance, for instance, consists of 27 member airlines serving more than 1,300 airports in 193
countries, while another such alliance brings together 19 carriers from five continents with a cargo alliance operation which includes ten carriers. The third-largest global alliance, serves about 1,000 airports in more than 158 countries.

The African Airlines Association (AFRAA) is engaging and encouraging its members to take up the initiative of cooperating and coordinating their efforts on various fronts. AFRAA is coordinating various task teams in this regard to address common objectives such as Aeropolitical, Fuel Purchasing, Taxes and Charges, training, distribution, cargo and Technical Operations. The ultimate objective is no doubt the creation of an African Airlines Alliance as the culmination of the Route Network Coordination project that has seen 23 Interline agreements implemented and 11 code-share agreements signed among AFRAA members. The African Airlines Alliance project will positively impact intra African connectivity, trade and tourism. An alliance provides a structure for a network of codeshares between members as well as providing them with synergies on the cost side such as joint procurement or savings in shared facilities.

In addition to passenger operations, air cargo forms an essential component of air transport and international trade. However, the bulk of freight within the African continent is transported by rail or road. Through collaboration, stakeholders can address the issues constraining the development of air cargo in Africa for proper coordination and functioning of this important component of air transport. AFRAA Cargo Committee seeks to identify areas where African airlines could cooperate to reduce costs and enhance revenues in collaboration with other relevant stakeholders. The Committee further identifies areas to lobby authorities to facilitate smarter regulations, reduction in industry costs, development of e-freight and the improvement of cargo infrastructure.

There are also other forms of collaboration and resource sharing among airlines which AFRAA is addressing. These initiatives include coordinating the utilization of existing training centers and experienced trainers on the continent, shared maintenance facilities and pooling of resources. Such forms of collaboration will not only ensure survival of the airlines, but will also promote the industry’s viability and sustainability.

If carriers in the African region were to focus on commercial co-operation as a key area of development, this would result in many more people being able to afford travel by air due to lower fares, increased frequencies on existing routes and growth in new routes. All this will signal an end to the inconvenient itineraries that involve connecting flights even on short distances within the region.

“Winning together”

One of the key areas emphasized at the African Airlines Association recently concluded 8th Aviation Stakeholder’s Convention held in Mauritius in May 2019, which brought together more than 300 delegates from across the continent and internationally was the need to enhance collaboration for accelerated growth.

Investing in win-win collaborations will ensure that the African Aviation sector can meet future demand which is projected to double in the next 20 years. It is clear from the impressive results observed in other regions of the world that a stronger commitment to collaborative approaches will deliver the kind of air transport market that benefits airlines, passengers and local economies.