



## **COMMUNIQUE OF THE AFRICAN AVIATION INDUSTRY GROUP (AAIG) WEBINAR ON “ACHIEVING AFFORDABLE AIR TRANSPORT ACROSS AFRICA” HELD ON THE 3<sup>RD</sup> OF MARCH, 2021.**

### **The AAIG Defines Actions for Reduction of High Cost of Air Transport Operations and Measures for Sustainable Growth of African aviation**

**03 March 2021**

The African Aviation Industry Group (AAIG) held a high-level webinar to deliberate on practical solutions for the reduction of high cost of air transport operations in Africa. Staged under the theme: **“Achieving Affordable Air Transport across Africa”**, stakeholders at the webinar agreed on a set of actions for implementation with defined timelines to achieve the goal of a sustainable African aviation industry.

In addition to the main topic of the webinar, which is the high cost of aviation in Africa, Aviation stakeholders at the webinar further identified key challenges affecting the sustainability of African aviation such as safety and security concerns, poor intra-Africa connectivity/market access limitations and inadequate infrastructure, among others.

The forum articulated the following recommendations as a matter of strategic priority:

#### **1. High operational costs in Africa**

Aviation stakeholders have been severely impacted by the COVID-19 pandemic and the industry restart and recovery must be viewed as an opportunity for the aviation industry ecosystem to address the issue of high operational costs in Africa.

Excessive and unjustified taxes, charges and other government-imposed fees and levies on international aviation have negative impacts on the industry’s competitiveness and national economies.

- i. States are urged and encouraged to adhere to ICAO’s Policies on User Charges (Doc 9082) and ICAO’s Policies on Taxation on International Air Transport (Doc 8632). These are the reference documents which can ensure that all States levy fully justified aviation charges and taxes.
- ii. It is therefore important that there is an appropriate regulatory body in each State to oversee and ensure the implementation of these policies. Only under such favorable regulatory environment, can we expect to see lower industry operating costs translated into lower fares for passengers.

- iii. The African Union can play a pivotal role in achieving this objective especially by providing the right platform for States, RECs and economic regulatory bodies to align taxes, fees and charges across the continent with the view of promoting lower fares, stimulating travel, creating jobs and boosting economic activities.
- iv. African Aviation also faces a high cost of financing: Aviation is very capital intensive and access to competitive financing will contribute to reduce the operating cost to African airlines. The risk perception is very often biased and leads to high interest rates, which generate high cost of ownership and high fares, if any financing at all. African financing Institutions have a role to play in de-risking aviation sector, in other to allow more favourable terms for the sector.
- v. In respect of Operators' costs structures, Airlines, Airports, ANS, and services providers need to constantly monitor their costs structures, in order to operate at maximum efficiency. They also need to extend cost-saving and cost avoidance measures to operators. High fuel costs for African Aviation is also extremely burdensome on the operating cost structure of airlines.
- vi. OEMs on their part should extend more accessible and affordable product support to airlines.
- vii. A multi-sectorial engagement of all concerned stakeholders: airlines, service providers, governments and policy makers to converge to review all cost components and discuss strategies for reduction of high taxes and charges to achieve reasonable cost structure for air transport.

## **2. Air Transport Affordability**

For equivalent distances, it is a fact that air ticket fares are higher in Africa compared to other regions. Due to the prevailing low GDP in most African States, its citizens cannot afford to fly as often as citizens from other continents. Stakeholders must address the fact that African citizens pay the highest fares to travel by air, regionally and internationally.

- i. Appropriate measures need to be taken by governments to reduce the cost of aviation to make travel more affordable for African citizens.
- ii. Appropriate measures need to be taken by the airline industry to enhance airline efficiencies. This has the potential to reduce costs so that the air transport sector can be made accessible and more affordable to a wider demographic of travelers across Africa. In addition, the removal of other recently introduced passenger costs, such as PCR test and quarantine, will no doubt accelerate traffic growth.
- iii. To achieve the objective of aviation sustainability and air transport affordability through the growth of air traffic and revenues for all the industry players, specific targets should be set. An Implementation Action Plan with key performance indicators and timelines should be set by the AAIG members on:
  - Reduction of cost of operations
  - Reduction of air fares

- iv. The affordability of air transport is also dependent on the economic prosperity of the population. Government are urged to promote and implement policies to encourage investments in all economic sectors to create jobs, to create economic mobility, to reduce poverty, to grow the middle class.

### 3. Addressing other barriers constraining the sustainable growth of African aviation

Other challenges being faced by the air transport industry need to be addressed, including:

- i. **Safety:** The joint interventions of industry stakeholders and governments have resulted in improved safety performance for Africa. The ICAO requirement of 60% Effective Implementation (EI) performance for SAATM implementation underlines Africa's commitment to maintaining safety as the first aviation priority in the Region.

To address public perception about the safety of African operators, aviation stakeholders need to continue coordinated efforts to safeguard the commendable performance achieved from 2015 to 2018. States are urged to implement the Abuja Aviation Safety targets, the ICAO USOP Audit findings and the Namibia Declaration on aviation security.

- ii. **Intra-African connectivity:** Full implementation of SAATM complemented by AfCFTA rollout will unleash the multiplier benefits of air transport for economic growth and leapfrog the inclusion of isolated African countries or regions in the international market. States and airlines that are prepared to proceed are encouraged to do so.
- iii. **Infrastructure:** Much of the aviation infrastructure in Africa is below international standards yet attracts higher user cost than elsewhere. Infrastructural development should take into consideration the industry's traffic needs and dynamics of the markets to build functional, environmentally friendly and cost effective infrastructure.
- iv. **Airline economies of scale:** Whilst remaining competitive, African Airlines must increase their level of cooperation. They must put in place appropriate strategies to reduce their costs and increase their frequencies and improve connectivity. Among others, airlines are entreated to forge alliances and consolidate their businesses, optimize ticket-selling process, jointly procure spares and supplies, adopt modern cutting-edge technology and advocate for States to fully implement SAATM.

The event was attended by over 250 participants comprising representatives of African aviation institutions, Development agencies, African airlines, Civil Aviation Authorities, Airport Operators, Airline Associations, government entities, Aircraft manufacturers and aviation solutions and service providers.

#### About the AAIG

The African Aviation Industry Group (AAIG) brings together airlines through their associations AFRAA, IATA, AASA, airports through ACI-Africa, ANS providers through CANSO Africa, OEMs, DFIs, and individuals passionate about Aviation in Africa, for a strong advocacy power, and common initiatives.