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# OVERVIEW OF THE STATE OF AIR TRANSPORT IN AFRICA

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## I. GENERAL SITUATION OF AIR TRANSPORT IN AFRICA

### 1. Generalities

Air transport is a facilitator of exchanges between countries and continents. The reliability and speed of these exchanges (passengers and goods) is an important factor of integration and economic development.

Africa represents approximately 3% of global air traffic, which constitutes a real handicap. Indeed, the growth forecasts of Boeing for the 2000-2019 period are about +4.8% per year for passenger air traffic and +6.4% per year for freight, but it will be unsatisfactory if this growth is not accompanied with qualitative improvements.

The situation of air transport in Africa varies considerably according to regions. Although North, Southern and East Africa experience a relatively better situation, French speaking sub-Saharan Africa remains a difficult region with markedly less traffic and unreliable structures. The historical and economic contexts can explain such important differences. Thus, it is observed that 23 countries in the sub-region (West and Central Africa) generate traffic of approximately 11 million pax per year, of which about 2 million is domestic, 3 million intra-African and 6 million inter-continental. This is below what South Africa alone represents in terms of air traffic.

Air transport in Africa also suffers from many dysfunctions in terms of safety/security, ageing of fleets, lack of airports of international standard and well trained personnel, management that is all too often lax and a political will that is not clearly affirmed.

### 2. Status of Passenger Traffic

a. Domestic Traffic

Domestic traffic in most African countries is marginal.

The low GDP per inhabitant is a strong obstacle to the development of domestic traffic. In spite of a poorly developed highway network which is sometimes in a bad state, it is the preferred means of transport of the population. Air transport remains the preserve of the elite of these countries and major traders. However, the GDP does not explain everything: other factors come into play, which aggravate the impact of the GDP (lack of political will, lack of airport infrastructure and efficient transporters, etc).

Nigeria is a special case: it is the only West African country which has a developed internal network. The airlines operating in this country have a sufficiently large market to exist without exploiting the regional or international market.

States made up of islands, particularly Cape Verde, are compelled to develop domestic air transport. In Central Africa, «inhospitable» countries (difficult road transport) have developed their domestic traffic (example Gabon, approximately 350,000 domestic pax per year).

In North Africa, the countries are mostly oriented towards the international route with high tourist traffic. However, Tunisia, Morocco and Egypt have developed internal traffic essentially linked to tourism. Algeria, for its part, will develop its domestic traffic by restructuring its national airline to make it more effective on this market. In Southern Africa, South Africa has a developed domestic network.

b. Regional Traffic

Regional traffic has diverse sources: political trips, regional emigration, visits to friends and seminars. Despite the progress made, to travel from one African country to another, particularly to reach West and Central Africa, more than ever before, it is easier to go through Europe, especially Paris with Air France. The absence of East-West connections in Africa and the prohibitive costs of flights currently penalize passengers who suffer from the lack of coordination and/or synergy between existing airlines.

Regional traffic is very varied: for example, out of 276 pairs of cities in West and Central Africa:

- barely 5% have traffic of over 150 passengers per day and per direction
- 10% have daily traffic of between 70 to 150 passengers and per direction
- 25% have daily traffic of between 30 to 70 passengers and per direction
- 25% have daily traffic of between 10 to 30 passengers per day and per direction
- 35% have daily traffic below 10 passengers per day and per direction

The most frequent connections are:

- Lagos – Accra with nearly 200,000 pax per year
- Dakar - Bamako, Dakar – Abidjan, Bamako – Abidjan, Douala – Libreville, Cotonou – Pointe Noire, etc. have over 100,000 pax per year.

On the intra-African market, only the following corridors:

- Lagos – Accra – Freetown – Banjul,
- Dakar – Bamako – Abidjan,
- Cotonou – Douala – Libreville – Pointe Noire,

justify the provision of aircrafts with more than 100 seats. For the rest, aircrafts of 50 to 70 seats should be used.

The airlines focus on routes with potentially high traffic and as a result experience heavy competition. They neglect other routes which are intrinsically unprofitable, or subsidize through profits made on the first routes since the latter are becoming scarce.

c. International Traffic

International air traffic is unpredictable and very sensitive to economic recessions, international (terrorism, pandemics, etc) and national (political instability) events. It can be divided between three 3 very distinct client groups:

- The Business Group, which is very important between Europe and Africa due to historical and economic ties. Oil companies also generate an incredible amount of high end traffic (Chad, Equatorial Guinea, Gabon, Mauritania, …). Governmental or Non-Governmental International Organizations represent a large part of this traffic.

- The Leisure and Tourism Group which is highly localized in the north-south direction, to countries such as Senegal, Cape Verde, Morocco, Tunisia, Egypt, South Africa, Kenya, etc. In the South-North direction, it concerns the high-income population group that has the means to travel by air. These persons travel frequently to Europe, the United States of America and the Middle East for various reasons (shopping, visits to friends, medical check-ups…). Flights for the Hajj are a specific case which each year, generate an important but frequently badly managed traffic.

- The Ethnic Passenger Group: seasonal, the ties between the European powers and their former colonies have survived and create a natural emigration of workers in the South-North direction.

Today, nearly 75% of international African air traffic is ensured by major Western airlines: Air France and KLM, British Airways, TAP, Alitalia, SN Brussels, Swiss, Iberia and Lufthansa. The clientele generally has the possibility of choosing other airlines, but the above-mentioned airlines offer the services and products they expect. National preference only comes into play when all other things are "equal" or it offers more attractive tariffs.

In international traffic, for the West and Central Africa region, the dominant connection is towards Europe, with nearly 4.6 million passengers per year and a 12% average yearly growth.

Popular African destinations are:

- Nigeria with nearly one million passengers;
- Senegal (about 1 million pax in 2003 according to ASECNA);
- Cape Verde (about 500,000 pax) and Ghana.

These 4 countries account for two-thirds of the traffic between Europe and the 23 West and Central African countries. Traffic for the other countries varies between 100,000 to 400,000 passengers for the majority.

France receives nearly half of the traffic with Africa, followed by Great Britain (about 1 million), and Portugal (about 400,000).

Traffic towards the Middle East is increasing, mostly due to the attraction of Dubai and pilgrimage to Mecca.

Traffic towards the United States of America is carried out essentially via Europe. It should represent approximately 25% of this traffic, that is, 1 million passengers per year.

North Africa/West and Central African traffic is also increasing due to the dynamism of Maghrebian airlines such as Royal Air Morocco, Afriquyah and Tunisair, which take a large share of the 6th freedom traffic departing from Paris to West and Central Africa.

Traffic towards the Far East is on the rise but the connections are not direct: they go either through South Africa and the Middle East or through Europe.

International traffic in South Africa is in full expansion. It often serves as a “crossroads”.

## 3. Study on the Air Transport Industry in Africa

a. African Airlines

From a general viewpoint, the recurrent problems observed are as follows:

- Many small airlines are established but their existence is often fleeting: they are run by managers from the private sector generally with little knowledge of the air transport profession; the market is badly surveyed; costs have no relation with income. It is also observed that in some cases, there is a willingness to make “deals”: these airlines tend to want “charter” rights which allow them to transport passengers during high seasons and abandon these routes during off seasons.

- The populations are poor which narrows the markets and makes it difficult to make an operation profitable. The lack of financial resources of these small airlines, more often under-capitalized, prevents them from gaining access to transport modules adapted to their market.

- The tariff scales are often inexistent or inappropriate for the demand.

- Operating costs in the Continent are high: purchase of fuel, financial costs (capital cost), personnel training, information technology and telecommunications tools, etc.

- Global alliances are one of the conditions for the survival of airlines. It is however observed that African airlines are for the most part marginalized in these alliances due to non-compliance with international norms and standards or their inability to bring in quality traffic to alliances.

It should be pointed out that any first-class comparative study on these airlines remains difficult due to lack of current credible data and reliable statistics.

*North Africa*

The majority of North African national airlines are economically in good shape. Existing tourist traffic and historical ties with former colonial powers such as France and Great Britain, and the resulting migratory flows explain the high volume of traffic. Algeria and Libya are a bit special due to the political context and more difficult relations with Western countries. In the past few years, the trend is being reversed, but the connections are marked more by business than by tourism.

The airlines have recently returned to profitability and are beginning to seek to join major alliances in order to consolidate their development. For the time being, only Royal Air Morocco is at an advanced stage of negotiations to join SkyTeam. The exigencies of the leaders of these alliances are very high and the airlines must be prepared to make many sacrifices (from a commercial point of view) in order to be admitted into the circle of the "chosen" and thus benefit from the financial and commercial advantages resulting from membership in these groupings.

*Principal Airlines: Royal Air Morocco (RAM), Air Algeria, Tunisair, Afriquyah, Egyptair.*

*West and Central Africa*

Since the dissolution of the multinational airline Air Afrique, the countries that were stakeholders have revived their national airlines by designating them as the country's instrument while leaving them under the control of private capital (Air Ivoire, Air Senegal International). The issue of profitability is crucial in the region: the market is narrow; it is therefore difficult for an airline to raise the necessary investment required by the standards of a modern airline. These airlines most often ply the same routes, which frequently leads to a "price war" resulting merely in weakening the economic health of these companies which have difficulties in covering their operating costs. The negative impacts of these policies will soon be felt. These airlines do not develop comprehensive partnerships which could limit the harmful effects since the owners frequently have incompatible strategies.

*Principal Airlines: TACV, Air Senegal International, Air Ivoire, Air Burkina, Air Mauritanie, Air Togo, Air Gabon, Cameroon Airlines, Toumaï Air Chad.*

*East and Southern Africa*

In this region, "historical" airlines can be counted that have managed their traffic rights as well as human and material resources efficiently.

South African Airlines profited from the economic soundness of South Africa to develop its network and is now in a position to join one of the major global alliances. The case of Ethiopia should be highlighted since the airline benefits from State protectionism but also the presence of the Headquarters of the African Union and the ECA which attracts a lot of traffic. It should be noted that these two airlines were established or managed for a long time by major companies: Ethiopian was created by TWA, and South African Airways benefited from the management of British Airways. Kenyan Airways benefits from the takeover of its shareholding by KLM which put it back on the track to profitability. However, in the region, it is also observed that in some countries like Angola, private air transport is widespread and made up of many small airlines which defy any form of control. There is a real risk for passengers: lack of maintenance of equipment and training of personnel.

*Principal Airlines: TAAG, South African Airways, Ethiopian Airlines, Kenyan Airways.*

a. Airport Industry

The airport sector is not free from management, financing, safety and security problems. Here also, there are the same needs for the updating of installations to meet international standards, amendment of regulatory texts to incorporate new exigencies in terms of security (airport certification), strengthening of staff qualifications.

Airports are not protected and it is feared that the ICAO audits (Annex 14) will ban international traffic in some airports which do not comply with ICAO recommended certification items.

b. Tourism Industry

Africa's share in global tourism is rather low given the geographical dimension of the Continent and its population. Arrivals of international tourists doubled between 1987 (10 million) and 1996 (20 million). As for the income generated by International Tourism, it rose from 3,800 million dollars in 1987 to 7,700 million in 1996. However, when these figures are compared with that of International Tourism in general, they are relatively low. Arrivals on the African continent represented 2.5% of global tourist flows in 1990, 3.5% in 1993, and 3.4% in 1996, while income generated from the same international tourism fell from 2.5% in 1980 to 2.2% in 1985, 2% in 1990, 1.9% in 1993 and 1.8% in 1996. Furthermore, most tourists travel to North Africa, Southern Africa and East Africa. In 1996, out of 20 million arrivals of tourists, 36% were travelling to North Africa, 30.5% to Southern Africa, 23% to East Africa, 8.15% to West Africa and 1.6% to Central Africa.

In North Africa, the tourism industry is well developed. In fact, it is one of the principal sources of income for these countries. It is mass tourism that creates a significant volume of passenger traffic between countries of the North and this region. This is particularly true for the following countries: Morocco, Tunisia and Egypt.

Tourism in West Africa is marginal. Investors are very cautious because lack of statistics is the rule; returns on investments are very slow and the risks incurred are not proportionate to the expected benefits. This is a factor which particularly affects the level of traffic in the region. Only Senegal enjoys a special position due to the development of its coastal region to Western tastes, backed by the establishment of Tour Operators with their own charter companies. Some countries such as Côte d'Ivoire had recently developed their accommodation capacities and improved the quality of their products: however, political instability reduced their efforts to naught.

In Central Africa, the situation is even worse: tourism is virtually non-existent. The many conflicts that have raged in this region do not contribute to attracting tourism. Moreover, most of the existing scanty infrastructure was seriously damaged during hostilities.

East and Southern Africa benefit from tourist contribution due to the magnificence of the fauna and flora in this region. South Africa (5,898,000 in 1998) and Zimbabwe (1,984,000 in 1998) are among the first 4 countries of the African continent which attract the bulk of the influx of tourists.

However, on the whole the conditions are unfavourable for the take-off of mass international tourism because the Continent still has a negative image with the public in major tourist markets.

c. Building Industry – aircraft maintenance

It is virtually non-existent (for the record).

d. Ground Handling

The dissolution of the multinational company Air Afrique which supervised airport activities in Francophone African stopovers constitutes a major handicap for all operators in the sector. Know-how is no longer guaranteed, efficiency and reliability of human resources has diminished.

The market of ground handling companies was recently liberalized and many European companies obtain contracts after submission of bids.

Ground handling is very expensive for companies in African airports although that should not be the case since African labour is less costly than in other continents. However, the low volume of operations does not allow handling companies to benefit from economies of scale, which makes the situation difficult where new competitors are gaining a foothold.

## 4. Other Stakeholders in Air Transport

a. Civil Aviation Authorities

The most serious problem in Africa is the security/safety level, which frequently does not meet ICAO standards. With the development of air traffic, there is an urgent need to detect and remedy the shortcomings. It is observed that the rate of air disasters in Africa is five times higher than the world rate, while the Continent only accounts for an infinitesimal part of the traffic. The risks are on the increase while at the same time, civil aviation authorities are finding it increasingly difficult to address these crucial problems. The fundamental causes are lack of financial and human resources, but also of a clearly affirmed political will. In the past one or two years, many of the oldest Civil Aviation Departments have been transformed into National Civil Aviation Agencies (NCAA) with their own budgets to manage although the source of the funds is not yet well defined, which makes their management autonomy unpredictable and attenuates their feeling of responsibility.

The results of audits conducted within the framework of the Universal Safety Oversight Audit Programme (USOAP), revealed important weaknesses in very many African States. These shortcomings, or even serious dysfunctions, focus principally on the following points:

- Basic legislation: which requires a few amendments or even rewriting of texts to comply with ICAO recommended Standards and Practices;

- Regulation of air navigation: where many amendments should be made, or even in some cases, completely elaborated. With regard to the technical operation and navigability of aircrafts, few States such as Ghana and South Africa, have qualified staff to carry out the duties of inspector;

- Organization of services where lack of qualified technical staff is observed or which will necessitate additional training to assume the responsibilities entrusted to them. This situation is further aggravated by lack of technical and financial resources (operating budgets that are often ridiculously low).

WAEMU is interested in implementing projects such as COSCAP, pertaining to the supervision of air transport safety, which is in a transition phase towards the establishment of a Community Agency for air transport safety in WAEMU Member States. Without safety, air transport cannot develop in Africa: it is the essential link in the chain.

b. Air Traffic Management Bodies

Air traffic management bodies are generally the responsibility of the public, but many organs with autonomous financial management are developing. ASECNA remains an example of successful multinational integration.

Air traffic control requires important investments and the low level of traffic makes returns on the latter unpredictable. By defining recommended standards and practices, ICAO plays a dominant role in this area. Training efforts are still inadequate and inadequately managed. Increased regional cooperation should make it possible to obtain important savings and greater efficiency at African continental level, for example, when implementing control systems based on satellite techniques (CNS/ATM).

The problem posed is that of high fees in return for incomplete services rendered to users.

## II. HOW TO IMPROVE THE AIR TRANSPORT SITUATION

### 1. New Challenges of Air Transport in Africa

a. The Yamoussoukro Decision

The effects on air transport in Africa of the Yamoussoukro Decision adopted by the Heads of State in Lomé, Togo, in August 2000, varied according to the regions:

- In some regions where passenger traffic exists, the number of airlines increased, leading to a fall in tariffs which was beneficial to the consumer. However, operating costs have not diminished, thus weakening the position of these airlines;

- In other regions where operation was limited to public service constraints, routes were abandoned by small airlines that only seek profit and not the development of high quality air transport in the region, in the interest of travellers.

Traffic rights were liberalized although bilateral agreements still prevail in the region despite the existence of the Yamoussoukro Decision. Lack of experience and training of agents responsible for implementation results in the circumvention of this Decision and therefore delays its impact in Africa.

Today, only a dozen African airlines are in good shape, but they are all faced with the same dangers: the first is that of the creation of a single European market. The European Union Commission has made overtures to African States individually, to revise the bilateral agreements signed with European countries so as to introduce the idea of this single European space. This would authorize European airlines to ply African States from all airports of the European Union. The pressure of competition on African airlines is thereby increased, aggravated by the alliance phenomenon, of which the principal groups transport more than 60% of world traffic.

To preserve high quality African air transport, it is essential to define the role of the AU in the implementation of the Yamoussoukro Decision, while adopting the regional approach as the most effective and coordinating it (definition of clear rules of competition). The implementation organ provided for under the Decision should be established and provided with real financial resources to enable it to fully assume its role, which will be defined concurrently with its competences and area of action. For increased effectiveness, it would be interesting to associate, at regional level, all air transport stakeholders: airports, handling companies, tourism promotion bodies, travel agent organizations, etc.

b. International Assistance

The action of donors and UN bodies requires the establishment by the AU of real system for the coordination of assistance and a monitoring system for actions initiated.

## 2. Development of Synergy and Integration of Airlines

The costs of operating airlines in Africa are higher than in the rest of the world. To overcome this handicap, it would be in the interest of airlines to forge greater cooperation among themselves. The advantages of cooperation among airlines are many: group purchases of kerosene and spare parts, better negotiation of insurance premiums, improved occupancy of aircrafts, economies of scale on maintenance, repairs, research and development and easier access to financing. Indeed, the airlines would gain credibility with their clients and bankers.

A few cases of rapprochement between some African airlines have been observed with the buyout of shares in smaller airlines with high potential (Kenya Airways with Precision Air, South African Airways with Air Tanzania). Others such as Ethiopian Airlines, on the contrary, have chosen to prosper alone, assisted in this regard by the existence of an airport endowed with a hub, traffic boosted by the presence of international organizations, and above all, the closing of its airspace, which will not resist the pressure brought to bear by the United States of America and Europe for the liberalization of African airspace.

Whatever the case may be, the need for a new regional airline is still felt, but this time with private capital. Failing this, States with no airlines could conclude African partnerships or give their rights to other successful African airlines to carry out long-distance flights from their countries. These partnerships could take the form of code sharing, block seat purchase agreements, joint ventures, strategic partnerships or big companies buying shares in African companies.

## 3. A Community Airline?

Studies led to the following observations:

- African domestic markets are narrow;
- competition occurs on high-potential routes, leading to a price war which results in airlines unable or barely able to cover their operating costs;
- some airlines are abandoned because it is impossible for them to operate barely profitable routes for "public service" purposes since they are unable to make profit by operating other routes;
- intra-African air connections are non-existent on certain axis;
- direct operating costs and services in Africa are higher than in other parts of the world (fuel, maintenance, airport handling, etc);
- investment needs (aircrafts, infrastructure, …) are similar for big and small airlines;
- countries that have not developed mass tourism attract low volumes of traffic.

These different basic premises all relate back to the problem of the profitability of African airlines whose market is unable to raise them to international standards.

It is therefore clear that the creation of synergy, pooling of resources (human, financial and technical) are the only way out for these African airlines. However, because their strategies are rather conflicting, this solution can only be viable selectively and on quite specific issues.

One of the most viable solutions would be to establish a regional or sub-regional airline with the traffic rights of several African States in whose interest it would be to constitute this airline (non-existence of national airline, opening up, etc). The airline could thus operate a coherent network that will enable it to pay off the cost of operating the most appropriate modules for long-distance and inter-state transport. It would therefore save on:

- the costs of leasing aircrafts (more flight hours)
- insurance
- fuel cost (more volume)
- etc.

## III. CONDITIONS CONDUCIVE TO INVESTMENT IN AFRICA

### 1. Legal Framework

It is important for the AU to participate more actively in the air transport sector in Africa. Its development goes hand in hand with the Continent's economic development.

The respect of property should be guaranteed in all African countries. Similarly, the rules of competition should be enacted at the level of the AU and respected at regional level.

Beyond the legal framework, it is the security and stability of African countries that will motivate investors to show interest in the Continent.

### 2. Access to External Financial Resources

With regard to direct foreign investment, influx towards Africa was stagnant and highly concentrated on a handful of countries in the 90s. This partly reflected the fact that the existence and quality of infrastructure, including energy, communication and transport are crucial elements in the decisions of foreign investors.

As reported by the United Nations Conference on Trade and Development (UNCTAD, 2002b), between 1996 and 2000, the level of direct foreign investment remained quite stable (approximately 9.4 billion dollars), although it represented double the annual average during the first half of the 90s (4.3 billion dollars).

2001 recorded a 90% increase, to the tune of 17 billion dollars, but this was for the most part the transfer of the shares of two companies in South Africa. Even during this exceptional year, Africa accounted for only 2% of net inflows of global foreign investments.

The figures for 2002 show a 65% fall in the inflow of direct foreign investments towards the Continent, to the tune of 6 billion dollars, partly due to the abnormally high results of 2001 but also because of political uncertainty in some African countries, which affected the perceptions of investors.

The 10 countries most capable of attracting direct foreign investments accounted for 73% of the total inflow in 2000. In recent years, the principal recipients of direct foreign investments in Africa were South Africa, Angola, Algeria and Tunisia. North Africa accounted for over 30% of the Continent's total direct foreign investments during the second half of the 90s. The absence of infrastructure, particularly for air transport, and the shortcomings in communication explain this lack of enthusiasm on the part of investors.