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GENERAL PAPER ON CIVIL AVIATION IN AFRICA

(prepared by Tanzania – Ministry of Communications and Transport)

A GENERAL PAPER
FOR THE PREPARATORY COMMITTEE
ON THE CONFERENCE OF AFRICAN MINISTERS
RESPONSIBLE FOR CIVIL AVIATION

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A. DEVELOPMENT OF AIR TRANSPORT IN AFRICA

1. The development of civil aviation and air transport industry globally, regionally and even domestically is always influenced by changes and developments in some of or all of the economic, technological, political and social factors. This manifests itself clearly in the manner in which for all the time of growth in air transport, a number of states have regarded their national airlines as “flag carriers” and national political symbols of identity.
2. Logically, therefore, governments gave their “flag carriers” the needed resources to keep them flying, and any financial difficulties for the airlines was seen as national issues. With this strong ownership and support, governments took direct control in appointments of the governing boards, chief executives and sometimes even senior management.
3. As most African states gained their political independence in the 60's and 70's they inherited the modus operandi of national “flag carriers” described above. Where no airline existed, they were created to serve the emerging nations in their air transport needs domestically and internationally.
4. In a number of cases emerging African airlines had varying degrees of affiliations with airlines of the cosmopolitan states. Such affiliations took many forms ranging from technical and management personnel contracts, joint use of equipment, maintenance contracts for shared reservation facilities. As time progressed some of the cooperative affiliations weakened and the young emerging African airlines became direct competitors with the more powerful airlines of the cosmopolitan states with abundance of resources. Consequently, the competition was one-sided to a large extent. This has led to many of the international routes or are unable to exploit fully their rights created from bilateral agreements. This imbalance has been addressed by commercial agreements between the designated carriers on the routes, but even in these agreements the stronger airlines usually have the upper hand in the types of agreements concluded.

B. AFRICAN AIR TRANSPORT CHALLENGES AND PROSPECTS

5. With the changing economic conditions since the achievement of political independence generally resources have not been maintained by governments at levels to sustain growth and competitive advantage to African airlines.
6. with the structural adjustments now sweeping the economics of African States in varying degrees and compounded by the rising indebtedness on the governments in Africa it has made the situation even more critical to provide the needed resources for national airlines to continue operations and equipment replacements. Governments have been requested to adhere to certain conditionalities in their structural adjustments and airlines loan support applications or funding advances have been reviewed.
7. Hence, with the exception of a few, airlines in Africa are now led with aged aircraft and other equipment with the rising costs for their maintenance. This is an important challenge which has been addressed at various fora of African policy makers and experts. The solutions will be mentioned in the paragraphs which will follow.

8. The lack of resources to replace aircraft equipment is not the only challenge, but the appropriate and necessary personnel training has been equally illusive in arriving at a systematic solution. In this area too, solutions have been sought and policy formulated but the implementation of such policies has not been achieved to the desired degree.
9. The operation, by African airlines, of aged aircraft has been affected by the imposition, by governments in certain regions, of restrictions in regard to Aircraft Noise. Although this policy has been affected by the Memorandum of Understanding of 1990 between ECAC and AFCAC and the adoption, by the ICAO Assembly, of Assembly Resolution A 31 11, the older generation aircraft in Africa are restricted operating, into regions where restrictions and/or penalties are imposed.

C. EMERGING MEGA AND GLOBAL CARRIERS

10. Spurred by regulatory barriers, such as lack of access to domestic and regional markets, limits on foreign ownership or simply the feat of being left behind the airline industry strategic market, specific alliance movements are now in full swing. In a recent survey of the industry it has been determined that there are over 280 different alliances which have been created involving over 136 carriers. These alliances, range from joint sales and marketing, joint passenger and cargo flights, code-sharing, joint frequent flier programmes, management contracts, catering services, ground handling and maintenance joint ventures. About 117 of the alliances, around 62 percent have been entered into since the beginning of this decade. This underlines the recent frantic activity in the alliances field.
11. As an illustration of the alliances strategy, it was found by a study by Airline Business (July 1994) that major airlines have a number of alliances as indicated in brackets) :

Air France (25) ; Lufthansa (25) ; Iberia (21) ; Malaysia Airlines (17) ; Australian Airline (15) ; Delta (14) ; Korean Airline (12) ; United Airline (12), British Airways (11), Varig (11) ; Cathay Airways (10) ; KLM(10). These major carriers possessed, at that time, just about one third of such agreements between them. Of those agreements 40% involved equity holdings.
12. Although carriers are pressing on with new more comprehensive agreements there is doubt in the industry that many are forming strategic partnerships with no clear game plan for rousing and substantial gains. It was learnt by the study that a number of the earlier agreements had failed, were close to failure or were merely treating water, almost paralysed by the inertia that comes from the lack of a clear sense of direction. Even some of these alliances may not appear profitable, remain an available card to play at some suitable time of the game.
13. While comprehensive strategic alliances are being set, there is growing emphasis on smaller more targeted agreements that focus on specific routes or fields of cooperation. These agreements, many of which are longstanding and well tried can run alone or in team with wider strategic alliances. Some are short lived, tactical moves, which others are much longer lasting. Their importance in number or scope far outweighs that of broader strategic alliances which remain in a minority.
14. Against this background , various studies have pointed out that African airlines have generic problems in the following areas :

- Losing money in their operations.
 - Have low equipment utilization.
 - Have low Revenue per kilometre (RPK) yield.
 - Have low load factors which has, on average, dropped from 61% to about 53%.
 - Have individually not been able to face international competition with the mega carriers on long routes.
 - Lack self contained maintenance facilities for all their equipment.
 - Most of their long haul, and even some of the domestic equipment is aged.
 - Have no easy access to capital for replacement of their equipment.
 - Faced with frequent management changes which affect, to a large extent, the operations and stability of the airline.
 - Have a problem of over employment.
15. This situation is the « reason d'être » for the preparation of the Ministers' Conference for those directly involved with the development of the industry to determine a policy direction for the African airlines, and to create conditions in which such airlines will begin to operate profitably.
16. In spite of the challenges which seem to be perpetual for African airlines, the future prospects are encouraging, in view of the fact that Africa is the continent for great development. This can be examined in the light of the great potentials for her natural resources which can be tapped. The abundance in natural resources is already attracting investors and trade is bound to increase between Africa and neighbouring continents. This outlook, seen also in terms of the tourism potentials existing here is a recipe for growth in air transport in Africa if the correct environment can be created now to facilitate such growth.

D. REGULATORY FRAMEWORKS FOR THE AFRICAN REGION

17. Africa has long recognised her weakness in the air transport industry and hence has supported any policy formulation which can provide equitable distribution of the gains from the air transport trade with other countries outside Africa or other regions and economic blocks or groupings.
18. A major step was taken when Africa proposed and took measures to create a regional body AFCAC in 1969 so as to be a centre of focus for discussion, with other regional bodies which existed at the time (e. g. ECAC). AFCAC created by the wish of the African states was brought to life by the efforts of OAU, ECA and ICAO. From this tripartite bodies, a suitable policy on air transport can emerge and be formulated for the benefit of the continent. Several resolutions have been adopted to create conditions for the sustenance of the African air transport but implementation still remains slow.

19. In the regulatory environment the basic principles established in the ICAO Convention for International Civil Aviation: Articles 1 (Sovereignty), 5 (rights of non-scheduled flights), 6 (scheduled air services); 7 (cabotage); 15 (airport and similar charges); 18 (Dual Registration); 96 (Definitions) remain intact and states apply these in their bilateral agreements to regulate air transport, between them. While these principles remain valid, application of the same is under pressure from the industry in the light of the rapidly changing panorama in the economic, social, political and technological environment.
20. In an Annex to the general Agreement on Trade and Services (GATS) three elements of air transport services have been included. These are :
- Aircraft repair and maintenance services (exchange line maintenance).
 - Selling and marketing of air transport services. These include opportunities for the air carriers to sell and market freely its air transport services covering such elements as market research, advertizing and distribution.
 - computer reservation system (CRS) services, covering carrier schedules, availability, fares and fare rules.
 - air carriers to sell and market freely its air transport services covering such elements as market research, advertiwing and distribution.
 - Computer reservation system (CRS) services, covering carrier schedules, availability, fares and fare rules.
21. The GATS provisions, however, do not apply to traffic rights. It is seen here that the GATS rules have potential long term implications for the international air transport as a multilateral non regional alternative to, existing regulatory arrangements since its scope will be reviewed every five years and its coverage could expand beyond the three service elements.
22. During the Fourth Air Transport Conference in 1994, the African States supported the principles that the regulatory regime in the air transport industry was still valid. Any departure from these principles has to take into account the wider interests of Africa. Prior to the holding of the 4th Air Transport Conference, ECA convened a Ministerial Conference in Mauritius to review the Yamoussoukro Declaration and AFCAC reviewed the 4th Air Transport Conference Agenda. The Conference of Ministers laid down solid guidelines on the way forward to implement the Yamoussoukro Declaration. In a nutshell, the reviewed Yamoussoukro Declaration calls upon states to give preference to African airlines in their regulatory practices.

B. CONSTRAINTS TO THE IMPLEMENTATION OF THE YAMO USSOUKRO DECLARATION

23. The original (1988) Yamoussoukro Declaration and the revised (1994) version laid down clear but ambitious guidelines. The revised version has established in simple terms the methodology for implementation but the slow progress in the current economic changes lies in the fact that the implementation of the Yamoussoukro Declaration is heavily government driven. In the present day air transport industry, the airlines could take lead in the exploitation of the guidelines, and the governments will serve to facilitate such arrangements. The other main difficulty in the implementation of the Declaration is self

protectionism on the side of the airlines themselves. It is believed that a fair, equitable and transparent arrangement made between African airlines to exploit a route or routes in the continent of Africa or even outside the continent can find sympathetic support from the African governments.

F. AMENDMENTS NECESSARY TO THE YAMOUSSOUKRO DECLARATION

24. As mentioned above, the Declaration has been heavily driven by governments. The African airlines may wish to use the Declaration guidelines to establish cooperative ventures and arrangements to be submitted to appropriate authorities for approval.
25. It is not necessary to amend the revised (1994) Yamoussoukro Declaration since the time lapse from 1994 is too brief to justify such a review.