

Remarks of Tony Tyler at the AFRAA Annual General Assembly, Brazzaville

A Recipe for Successful Aviation in Africa

Good morning. I am delighted to be here at the 47th AFRAA Annual General Assembly. And I am once again grateful to your Secretary General Dr. Elijah Chingosho for the opportunity to speak to you today.

2015 is a special year for the airline industry. Seventy years ago, the leaders of 57 airlines came together in Havana, Cuba to form IATA. The goals of the Association were clear. IATA was to promote safe, efficient, and economical air transport. In doing so, it would create great value—benefitting the peoples of the world and fostering commerce. We would also be a vehicle to support the development of the standards and best practices necessary for the safe and efficient operation of the global air transport network.

That mission remains even more relevant today, and it is especially important for our work in Africa. Africa covers more than 30 million square kilometers and is home to more than a billion people. Due to its challenging terrain, air transport is often the best—sometimes the only—way to connect this amazing continent. Africa needs safe, efficient and affordable air transport links to make the most of its people and resources. You are the professionals that are making that a reality and IATA is dedicated to working with you and assisting in any way we can.

It is no easy task, as all of you in this room know well. Connecting Africa brings considerable challenges. Yet 70 years of IATA's experience, together with almost 50 years of AFRAA's work, has shown us that creating a thriving aviation sector is not something that happens by magic. There is no secret formula or intangible spell for strong aviation connectivity. On the contrary, there are but a few simple ingredients required for success. And the good news is, this is available to every nation – all they have to do is trust that the recipe will work.

There are five key ingredients to this dish: world-class safety, smart regulation, a low cost environment, appropriate infrastructure, and sustainability for the future. Let us look at each ingredient in turn, and together, send a message to policy makers and regulators of the work that is needed to “bake in” success.

World-class Safety

World-class safety and security is a prerequisite for a thriving aviation industry. We have recently had two sad reminders that there is still work to be done in this region if it is to consistently reach the average elsewhere in the world. I am not going to speculate on the causes of the tragedies of Flight KGL 9268 or the Allied Services cargo flight from Juba, but we are following developments closely. And of course, we are keeping everyone affected in our thoughts and prayers.

These incidents remind us that aviation safety is a never-ending quest, in which every tool at our disposal is required. And it should be said that the focus on global standards and best practices has had an appreciable effect on African air safety in recent years. In 2014, in terms of jet hull losses, the African rate was zero. This good 2014 result was a culmination of a number of initiatives set down by governments in their efforts to meet the Abuja Declaration objectives. But we cannot relax our efforts. The all-accident rate for the region last year was 11.18 for every one million flights, far higher than the global average of 1.92, so it shows that there is still work to be done. As of October this year, only 17 out of 54 African States comply with 60% or more International Civil Aviation Organization (ICAO) Standards and Recommended Practices. We would like to see national civil aviation authorities given greater resources and operational independence, and where necessary, rely on regional pooling initiatives across the continent to promote safety.

In terms of global standards, the IATA Operational Safety Audit (IOSA) is a proven tool for raising safety. We are working with a number of airlines to bring them onto the IOSA registry. Eleven have joined since the Abuja Declaration was signed, which means 29 airlines from sub-Saharan Africa now benefit from this rigorous safety audit.

For those airlines not eligible for IOSA, we have created the IATA Standard Safety Assessment (ISSA), giving even the smallest carrier the opportunity to benchmark its safety performance. This program was unveiled in Africa in June 2015 and our team has since conducted two workshops to assist all eligible operators that feel ready to start preparing for an assessment.

With government commitment, the adoption of global best practices, and the continued vigilance and excellence of Africa's aviation professionals, there's no reason why Africa cannot soon match the levels of safety enjoyed in other regions of the world: and once that's been done, to keep making even more progress.

Smarter regulation

Our second ingredient is smarter regulation. What do we mean by this? Smarter regulation means solving real problems while respecting global standards and consulting the industry. The aim is to achieve efficient policy outcomes that avoid unintended consequences.

Two important pieces of regulation which we need African States to adopt without delay are the Montreal Convention 1999 (MC99) and the Montreal Protocol 2014 (MP14). They are both excellent examples of the common framework and global consistency elements of smarter regulation. MC99 establishes a standard approach to airline liability, delivering benefits to all stakeholders without creating a regulatory burden. It provides better protection and compensation to passengers, and it provides the legal framework for digital invoicing, meaning faster shipments for time-sensitive goods—something particularly important for Africa's perishable export industry. It is reassuring to see that the majority of nations recently ratifying MC99 have come from Africa, the latest being Rwanda, where it comes into effect in December. A number of African States, however, such as Algeria, Angola, Ghana, Mauritius, Senegal and Uganda, are yet to ratify, and we hope they will do so soon.

MP14 is an example of strong leadership from African States in developing effective global regulations. African States worked together at the 2014 ICAO Diplomatic Conference to shape MP14, which amends the 50-year-old Tokyo Convention on unruly passengers. Together with the initiatives already undertaken by airlines to prevent and manage unruly passengers, this important international law will act as a deterrent, giving States the legal powers they need to take action. African nations have been at the forefront, comprising 16 of the 28 States to sign it, and with the Republic of the Congo being the first in the world to ratify. We look forward to more African States ratifying MP14 and continuing to demonstrate leadership on this issue.

Connectivity

Most important of all, regulation—or more accurately, de-regulation—has the opportunity to turbo-charge African aviation, through opening up landing rights across the continent. There is a regulatory framework standing ready to achieve this: the Yamoussoukro Decision (YD) commits its 44 signatory countries to deregulating air services and to opening regional air markets to transnational competition. Unfortunately, however, the implementation of this agreement has been slow, and the benefits have not been fully realized. To quantify some of those benefits, we recently commissioned independent economists to research the impact of applying the Decision to 12 key markets across Africa. The results were startling: intra-African liberalization between these 12 markets would provide an extra 155,000 jobs and \$1.3 billion in annual GDP. A potential five million extra passengers a year would have the chance to travel.

And the good news is that there are both established and new-entrant carriers ready to service this demand. Fast Jet is building a multi-national brand presence. Sub-Saharan Africa now has three major hubs in Ethiopia, Johannesburg and Nairobi, and their home carriers are strong brands. Moreover, regional players are gaining strength—like ECAir, based here, and run by AFRAA's current President, Fatima Beyina-Moussa. It has already transported over a million passengers since it began, and operates a modern Boeing fleet. Some have argued that opening up Africa's skies will weaken African airlines, but I believe more traffic and more services opens up greater opportunities for all.

The logic for opening Africa's skies is inescapable, and it is very encouraging to see the States of the African Union commit themselves to implementing Yamoussoukro by 2017. We commend the 14 States that have signed up to full implementation of the YD since January 2015 and urge other States to follow suit for their benefit and the overall benefit of Africa. Lastly, I would also urge States to accede to and implement the World Trade Organization Trade Facilitation Agreement (TFA). This Agreement offers enormous potential for least developed and developing countries to reduce transport costs by expediting air cargo through smart borders, thus making them more competitive in the global economy.

The TFA sets down clear and practical provisions to help States establish smart borders. These include automated procedures, pre-clearance of cargo, creation of trusted traders programs, border agency cooperation, and the application of risk management procedures, allowing compliant traders to proceed quickly through borders and switch resources to manage high risk

cargo shipments. Overall, the OECD estimates that full implementation of the TFA will reduce the cost of trade by 15% in less-developed countries—an important tool in creating more prosperous, stable economies.

On 10 November, we will jointly be hosting an Aeropolitical Forum aimed at building mutual cooperation to advance a smarter regulation agenda for aviation in Africa. I warmly urge you to attend that event if you can – I am sure you will find it valuable.

Low costs

Our third ingredient is a low-cost environment. Aviation is a business that requires intensive investment, and that means it has to turn a profit. Unfortunately, African airlines in particular do not have a strong profitability record. Our June profit forecast for the industry calculated airlines in this region would make a collective profit of \$100 million this year, for a margin of only 0.8%, the lowest of any region of the world. Over the last five years, African airlines have, at best, broken even.

A large part of the reason for this has been that the cost of doing business here is too high. Fuel, for example, costs on average around 20% more than elsewhere in the world. When you consider that fuel accounts for approximately 30% of airline operating costs, then the scale of the problem becomes clear. Fuel is more expensive because many African states tax it, and restrict competition in the market, including, I'm afraid to say, here in Brazzaville. In fact, governments across Africa levy some 15% of all the aviation taxes worldwide.

In addition to jet fuel taxes, there are passenger taxes, solidarity taxes, tourism taxes, fiscal stamp taxes, value-added taxes, sales taxes, and transportation taxes. It all adds up to a costly burden on airlines in this region. And that's before we get to the issue of charges, which at some African airports are among the highest in the world.

Appropriate infrastructure

That brings me to the fourth ingredient: appropriate infrastructure. This is a particular challenge in Africa. Investment is certainly needed to create the right airport and air navigation facilities to ensure the expected growth in passenger numbers and aircraft movements can be accommodated. But investments must be considered wisely and decided in close consultation with airlines. ICAO has very clear guidelines on infrastructure funding— user consultation, transparency, cost-relatedness, and non-discrimination. Elements such as cross-subsidy and pre-funding, respectively, forbidden and strongly discouraged under ICAO rules, are all too prevalent. Even where much-needed investment is being put in, we have concerns on the levels of expenditure. Airlines have a right to be consulted in detail when you consider the spending of a billion dollars in Ndjamena, three billion dollars in Addis Ababa, and three-quarters of a billion dollars in Dakar, to take just three examples. Some States are getting it right. Although its airport development charge remains too high, Senegal has moved to reduce airport and passenger taxes earlier this year. But I'm sure I speak for all of us in urging African nations to adhere to global best practices in order to improve their competitiveness and give their airlines a fighting chance.

Over-investment will cripple the industry with a cost burden that will weigh down air connectivity. If African governments were to take the lead in genuinely consulting the users of the infrastructure before it gets funded, built or operated, they would soon find themselves with the right mix of facilities, growing lock-step with demand, providing the right level of world-class quality, and at the right price to maximize growth.

Sustainability for the Future

Finally, a word on sustainability. Unless aviation is united on a vision for a sustainable future, governments will limit our license to grow. We will also likely see a global patchwork of taxes and charges, further hindering air connectivity. Importantly, the industry is committed to a strategy and targets for carbon emissions. In particular, our goal of carbon-neutral growth from 2020 is of utmost priority. Airlines are making great strides with the adoption of new aircraft, more efficient operations, and better use of infrastructure. It is the adoption of a global market-based mechanism (MBM), however, that will be the most important piece in the jigsaw. A global MBM can only be agreed by governments, working at ICAO. We are in a crucial period ahead of next year's Triennial Assembly, where a proposal for a global MBM to be implemented by 2020 must be agreed. African States have a lot of influence on the outcome of the Assembly, and I urge everyone in this room to ask your governments to commit to a workable solution. As part of this process, IATA is conducting a series of workshops for airlines. We have already held two in Africa, in Johannesburg and Casablanca, and more are planned next year. We strongly encourage AFRAA members to attend these.

Aviation also has a bearing on the sustainability of the natural world around us. The illegal trade in endangered animals and plants trafficked by air is increasing. IATA is working with CITES, the UN body responsible for the safe transit of wildlife, to put an end to this trade. Airline staff are on the front line, so training and awareness is crucial. In August we held a workshop in Kenya with the support of Kenya Airways, and more are planned. I ask you all to get involved. Africa is home to many of the world's most endangered animals, and tourism to see these wonders is a vital source of income. It is my hope that together we can play our part in ensuring this exceptional biological inheritance is not lost.

Conclusion

Aviation is the lifeblood of Africa, supporting 6.9 million jobs and \$80 billion in GDP. It sends African goods and its people out into the world, and brings in economic investment, tourism, trade and aid. Without aviation, Africa would be a more fractured and constrained continent; with aviation, it can better realize its ideals of regional integration, peace and prosperity.

IATA's 20-year passenger forecast shows plainly that Africa is set for strong expansion in air connectivity. We expect passenger growth to average 4.4% between now and 2034. Seven of the top 10 fastest growing markets over this period will be in Africa. And yet despite this, I still feel that Africa will have unfulfilled potential. Asia-Pacific growth is set to average 4.8% over the

same period. How much faster could growth be in Africa if we tackle these issues that I have outlined today?

For aviation to truly thrive here, the recipe we know brings success must be followed exactly. Half-measures will not be enough. We all know when we have prepared a meal that missed a crucial ingredient—it does not taste as good as it should have. So it is with aviation policy.

A good dish is best shared. And as we move forward with this vital agenda for African aviation, I am heartened by the close relationships IATA has formed with governments and important institutions such as AFRAA, the AU, and the African Development Bank. Since IATA was first formed 70 years ago, building partnerships for the mutual benefit of the industry has been a key objective. We've also strengthened our links to the airline industry as it has grown through the years. We now stand at 260 members, and more join us every year. This year, I'm delighted to say, RwandAir, AeroContractors of Nigeria and Air Cairo from this region have joined us.

As I look around this room, I can see that AFRAA is in a similarly strong position. Strong aviation associations are a backbone of the industry, helping ensure airlines have the right fiscal and regulatory environment in which to do business. If we can persuade governments to follow that recipe, then I am certain that African aviation will be well-placed to give Africa's citizens wings.

Thank you very much.