

Air Transport Services as Economic Catalyst for Africa

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Air Transport

- ✚ Provides the only world wide transportation network
- ✚ Close to 2 billion passengers travel by air annually
- ✚ 40% of interregional exports of goods by value
- ✚ 40% of international tourists now travel by air
- ✚ Facilitates investment by influencing where international companies choose to invest

Air Transport (*Contd.*)

- Affects the performance of the world economy, improving the efficiency of other industries, through catalytic or “spin off” benefits.
- Supports wealth creation by unlocking country’s potential for Trade and Tourism

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Air Transport (Contd.)

In Africa

- ✦ It is crucial for economic development given that Almost one-third of African countries are landlocked .
- ✦ Sometimes it is the only transportation means in remote areas
- ✦ Crucial for the sustainable development of trade and tourism

Air Transport (Contd.)

- ✚ Major employer,
 - Generates around 470,000 jobs in Africa
 - Contributes more than US\$11.3 billion to African GDP

- ✚ If catalytic impacts are included:
 - the number of jobs increases to 3.1 million
 - and GDP to US\$ 55.5 billion.

*Air Transport as a Catalyst for
Growth in Tourism*

Tourism (Contd.)

- ✚ Airlines are the backbone of tourism which represents 11% of global GDP
- ✚ Number of international tourists has risen from 25 million in 1950 to 842 million in 2006
- ✚ International tourism receipts reached US\$ 680 billion in 2005, making it one of the largest categories in international trade

Tourism (Contd.)

- ✚ It is the major source of foreign exchange in 46 of the 49 least developed countries
- ✚ Africa registered the strongest growth in tourism both in 2005 and 2006

Tourism (Contd.)

INTERNATIONAL TOURIST ARRIVAL BY REGION (in million)

	2005	2006	% change
World	806	842	4.5
Europe	441	458	3.9
Asia & Pacific	155.4	167.1	7.6
Americas	133.5	136.3	2.1
Africa	37.3	40.3	8.1
Middle East	39.2	40.8	3.9

Source: World Tourism Organization (UNWTO) January 2007

Tourism (Contd.)

- ✚ By facilitating tourism, air transport helps to:
 - Generate economic growth
 - Alleviate poverty by providing employment opportunities
 - Increase revenue from tax
 - Promote natural and cultural heritage
 - Most importantly act as catalyst for kick starting other sectors of the economy

Tourism (Contd.)

In addition to sectors like hotels and recreation centers, tourism has the potential to generate strong linkage with other industries such as:

- Agriculture
- Fishing
- Craft production

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Tourism (Contd.)

Africa's tourism potential is acknowledged to be significant but underdeveloped due to:

- Poor tourism infrastructure,
- Inadequate information and marketing
- High health risk such as malaria

Tourism (Contd.)

- Political and social instability
- The negative image of Africa portrayed by the media
- The insufficiency of air transport:
 - between Africa and the rest of the world
 - between African countries themselves.

Tourism (Contd.)

Airlines can play a major role by;

- Providing adequate domestic air transport services to access tourist sites
- Sponsoring trade fairs and films that promote tourism potential of the country
- Encouraging and sponsoring foreign journalists to promote the country and tourist attraction sites
- Facilitating Educational Tours by covering different expenses in cooperation with Hotels and Tour Operators

*Air Transport As a Catalyst for
Growth in Trade*

Trade (*Contd.*)

- ✚ Important trade facilitator by increasing the global reach of companies
- ✚ Contribute to trade in same-day and next-day delivery service
- ✚ Transportation of time sensitive goods such as perishables
- ✚ Critical to land locked countries

Trade (Contd.)

- ✚ Africa accounts lower proportion of world cargo
 - 3.5% of the world tonnage
 - 3.7% of the world RTK
- ✚ But growing faster than the Industry

Trade (Contd.)

IATA: 2006 Freight Traffic Data (Jan –Dec /06)

Region	FTK Growth	ATK Growth
Africa	5.90%	6.2%
Asia Pacific	4.70%	3.40%
Europe	1.70%	3.80%
Latin America	-2.60%	-2.50%
Middle East	16.10%	16.80%
North America	6.00%	7.20%
Industry	4.60%	5.20%

Trade (Contd.)

- ✚ Europe Accounts 70% of Africa's Market followed by Asia & Middle East (11%)
- ✚ Trade between Africa and Middle East & Asia becoming significant
 - Dubai Flower Center
 - China and India increasing trade activity in Africa

Trade (Contd.)

- Principal Export and Import items by air

Exports - Perishables and apparel
(E.g. Fruits, vegetables, cut flowers,
seafood, clothing)

Imports - Machinery, telecommunication
equipment, pharmaceuticals, and finished
goods

Trade (Contd.)

Opportunities:

- Growing World and African Economy
- Growing cargo market
- Regional integration and promotion of intra-Africa trade as poverty reduction scheme
NEPAD/ COMESA/ECOWAS/SADC etc...

Trade (Contd.)

In Ethiopia

- As a landlocked country, air transport is the most important link to the global market
- Growing market for vegetables, cut flowers, textiles and leather products
- State of the art cargo terminal with large cold rooms for perishables commissioned

*Why Africa is not benefiting enough
from air transport*

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Why Africa is not benefiting (cont'd)

- ✚ In most African countries, national and regional airlines founded in the immediate post independence years have collapsed mainly due to:
 - High operating cost
 - Management problem
 - Competition from industrialized countries
 - Lack of financial resources
 - Other avoidable causes

Why Africa is not benefiting.. (cont'd)

- ✚ Lack of affordable and dependable air link:
 - Inefficient and unreliable service
 - Inadequacy of airline links
 - Poor coordination of airlines network
 - High passenger fare and cargo rates
- High accident rates scaring away potential customers from African carriers

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RECOMMENDATIONS

- ✚ African countries should liberalize policies without compromising safety and security:
 - More open markets
 - Lifting capacity restrictions
 - More airlines entering the market
 - More service options and reduced prices to customers

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Recommendations – (Contd.)

- ✚ Integration of the African economy to promote intra-African movement
 - Bilateral/Regional/Intercontinental
- ✚ Airlines to gear themselves either through direct operations or through Alliance/Partnership to improve African export through promotional pricing

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Recommendations – (Contd.)

Regional liberalization

✚ Yamoussoukro Declaration – **Time for action**

- US and Europe have finalized discussion on open sky agreement
- China is pushing forward with liberal air service agreements
- The Middle East is moving forward with regional liberalization

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Recommendations – (Contd.)

- ✚ Recent study shows that a 10 % increase in air transport utilization adds 1.6% to GDP
- ✚ Governments should formulate strategy to;
 - Introduce stiffer safety rules and ban aging aircraft
 - And more importantly financially support the air transport sector and gain economic benefit

Recommendations – (Contd.)

- Since air transport has an important role to play in achieving sustainable development, the World Bank should also consider extending soft loans to Africa in order to improve the transport sector.
- With a common vision , commitment and action it is possible to create an improved air transport link in Africa and also be rewarded from the economic and social benefits of air transport.

AFRICA'S WORLD CLASS AIRLINE



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