An Integrated Investment Incentives and Cargo Hub Airports to Stimulate Air Cargo Demand

June, 2017
I. Introduction

- Africa has huge opportunity for air transport countries need proactively exploit.
- 1 billion people – with overwhelming majority of youth
- GDP of $2.2 trillion with growth rate of 3.4%
- 60% of world’s uncultivated land is in Africa
- Growing demand for technology
- Large underserved markets
- Air Transport – best alternative for connectivity-
- *Though Africa looks to a much improved future for aviation, it can be considered as underdeveloped that needs change*
- Currently accounts for just 1.6% of the global air cargo market share.
• **Cargo and logistics in general is paramount for economic growth**

• **Aviation is becoming important not only for passenger but for cargo these days**

• **well-thought-through interventions would make the difference in Africa's air cargo sub-sector.**

• **Stimulating the major demand drivers for passenger and cargo is vital for air transport development**
Cont..

• Stimulating of the economic with investment, tourism, foreign trades would drive traffic significantly

• infrastructure development and enhancing service quality is vital

• A well-established investment attractions & incentives, a collaboration of air cargo actors and creating cargo hub airport will play critical role in shaping the future of air cargo development
## II. Investment incentives & attractions Ethiopia

<table>
<thead>
<tr>
<th>No</th>
<th>Type of incentives</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Custom duty</td>
<td>• customs duty exemption provided for investors engaged in manufacturing, agriculture, agro-industries and other sectors.</td>
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<td>• 100 per cent exemption from the payment of customs duties and other taxes levied on imports is granted to all capital goods.</td>
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<td>2</td>
<td>Income tax exemption</td>
<td>• Investors engaged in manufacturing and agro-processing, the production of agricultural products, the generation, transmission and supply of electrical energy, and ICT development will be entitled to income tax exemption.</td>
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<td>3</td>
<td>Export incentives</td>
<td>• With the exception of a few products (e.g. semi-processed hides and skins-150 per cent), no export tax is levied on export products of Ethiopia.</td>
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<td>• Duty drawback scheme</td>
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<td>• Exporters are allowed to retain and deposit in a bank account up to 20 per cent of their foreign exchange earnings for future use in the operation of their enterprises</td>
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| 4  | Incentives applicable to industrial parks | • Exempted from income tax up to 8 - 10 years  
• One-stop government services within the parks premises  
• Loss carry forward (for half on income tax exemption of period granted)  
• Land lease term: 60-80 years at nominal rate for factories & residential quarters  
• Expedited procedure of securing entry, work permit and certificate of residency Customs facilitation - transport of imported raw materials straight from customs post to factory through bonded export factory scheme  
• Investors also benefit from no taxes on exports |
| 5  | Remittance of capital                | • A foreign investor has the right to make the following remittances out of Ethiopia in convertible foreign currency:  
  ✓ Profits and dividends  
  ✓ Principals and interest payments on external loans  
  ✓ Payments related to technology transfer agreements.  
  ✓ Proceeds from the sale or liquidation of an enterprise |
Moreover, Ethiopia is becoming one of the most attractive countries to invest and do business for local and foreign investors.

The growing economy - With over 50 million workers, Ethiopia has the second largest labor force in Africa (World Bank). Ethiopia’s minimum wage is among the lowest in Africa.

Improved economic infrastructure

The abundance of natural resources and raw material for industry input etc...
III. Creating Strong Cargo Hub Airports

Currently, EAE and ET are massively investing both in passenger and cargo facilities

**Ethiopian airports enterprise**

- Construction of cold chain facilities both in Addis Ababa and regional airports given special attention Mekele, Bahirdar, Hawassa, and Diredawa.
- Dedicated space for cargo development
- In addition, the other infrastructure development supports the air cargo development
Airport Infrastructure development

- Ethiopia is one of the earliest countries in Africa to develop aviation service

- **1929** - French made airplane landed in western side of Addis Ababa

- **1940** - The airport was founded at Lideta area currently known as ‘old airport’

- **1961-62** - Bole Airport was constructed

- **2003** - the new terminal were constructed
Cont...

- EAE currently administer 23 airports, 4 int’l, 19 Domestic
- 12 airports handling scheduled flight
- Less than 10 asphalted airports before 10 years has increased to 17 asphalted airports
- Addis Ababa Bole International Airport Expansion
Expected to handle 22 million pax by 2025
EAE has taken a bold step to develop New Hub Airport at the vicinity of Addis Ababa which is expected to move the countries aviation in to a higher step

site selection, feasibility study and master preparation for the construction Major Mega Hub Airport has been undertaken

This Major Mega Airport is planned to serve in the long term which will have a capacity of accommodating more than 75 million passengers per year
Ethiopian Airlines

Current Cargo Operation

- Ethiopian Airlines has done tremendous work in establishing Addis Ababa as the East African cargo hub
- No of Fleet 8
- Fleet capacity 668
- Warehouse capacity (tonnage/annum 290,000
- Warehouse capacity (SQM) 19680

Cargo uplift

<table>
<thead>
<tr>
<th>Year</th>
<th>Uplift (Tons)</th>
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<tr>
<td>2010-11</td>
<td>50,000.00</td>
</tr>
<tr>
<td>2011-12</td>
<td>100,000.00</td>
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<tr>
<td>2012-13</td>
<td>150,000.00</td>
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<td>2013-14</td>
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<td>2014-15</td>
<td>250,000.00</td>
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<td>2015-16</td>
<td>300,000.00</td>
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<tr>
<td>2016-17</td>
<td>350,000.00</td>
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Uplift (Tons)
Future plan

• No of fleet 18 jet aircraft
• Destinations 37 international freighters destinations
• Warehouse capacity (tonnage/annum) 1.5 million
• Warehouse capacity (SQM) 99,680
• Cargo uplift 820,000 tones/annum
Total passenger and cargo

Passenger

- 25 million passenger/annum by 2025

Cargo

>1 million tonnes per year by 2025
Conclusion

• The Journey for air cargo dev’t
• An integrated approach
• Working on basic drivers – economy, tourist attractions
• Cargo hub airport development
• Enhancing efficiency and productivity
• Innovation & digital processes will drive efficiency and customer satisfaction
Thank you