



Better Skies for Africa

ICAO/IATA/AFRAA/AFCAC/ACI /CANSO

Workshop on Aeronautical Charges

Dakar Senegal, 13-14 March 2023

Challenges faced by Airlines





AGENDA

- I. Benefits of aviation in Africa
- II. Challenges faced by African airlines
- III. Propositions to move forward

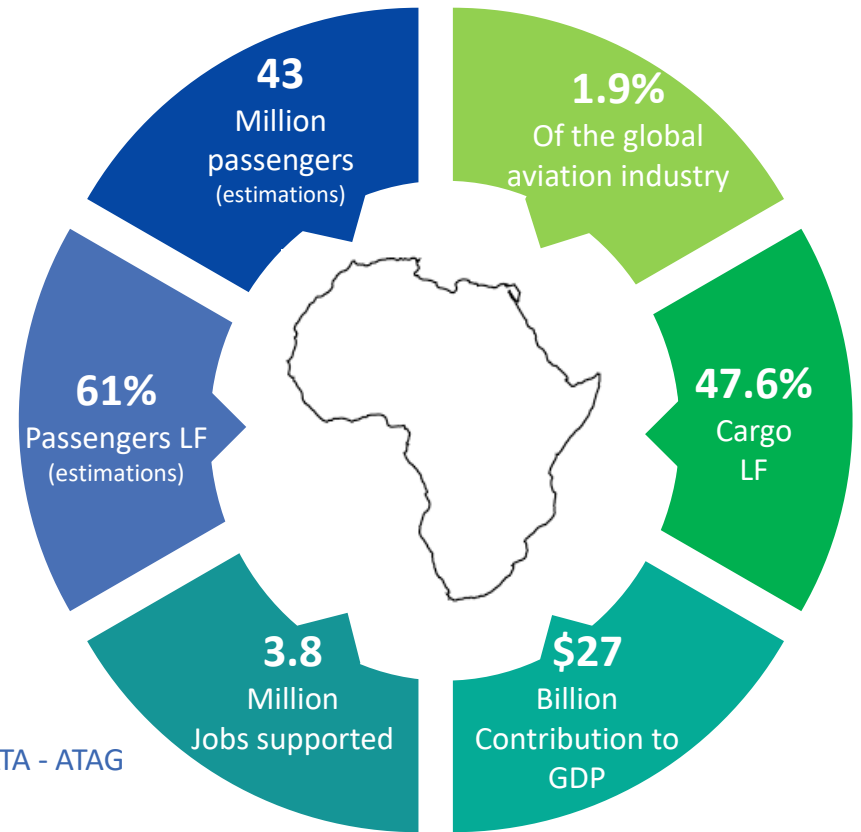
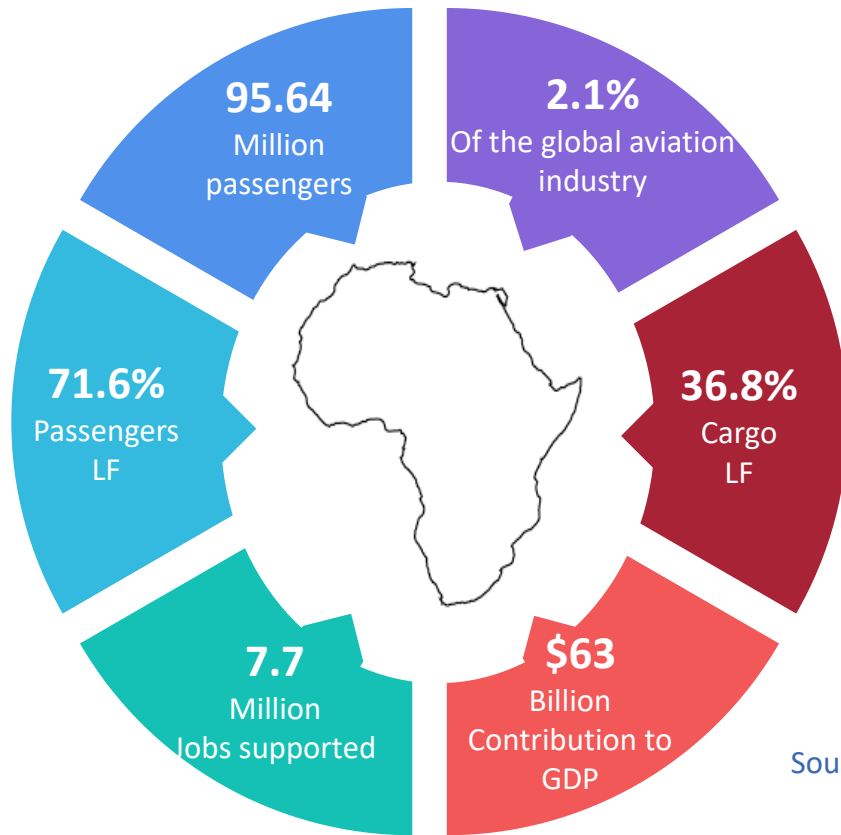


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Benefits of aviation in Africa



Aviation in Africa 2019 vs 2021



Source : AFRAA – IATA - ATAG

The aviation industry is a critical sector of the global economy:

- Facilitates the movements of people and goods across our continent
- Generates revenue for the economy
- Creates Jobs



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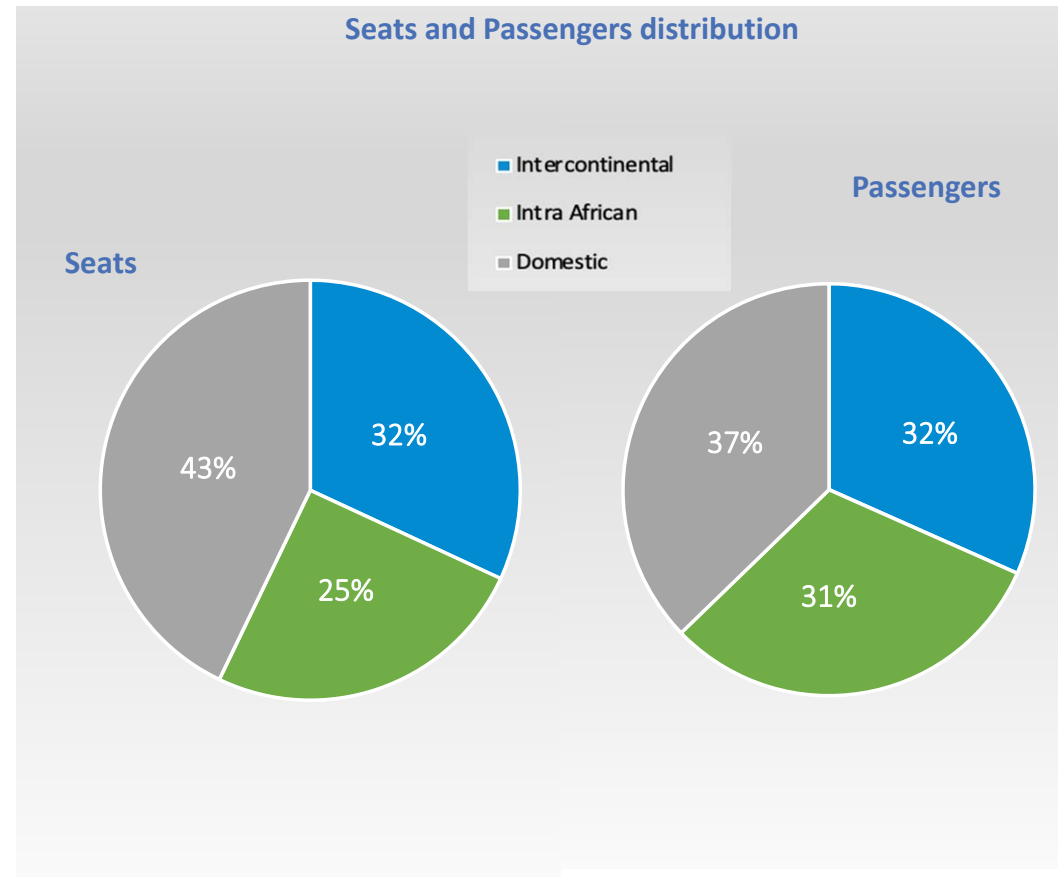
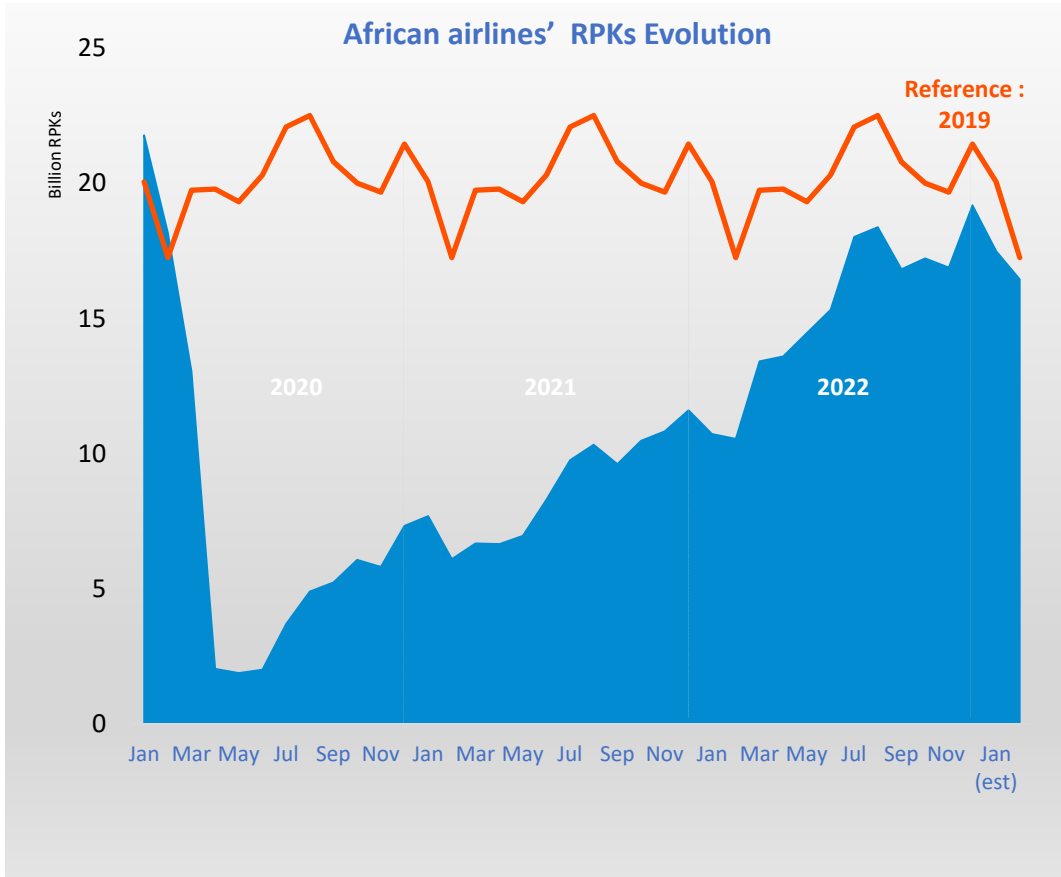
Challenges facing African airlines



Challenges faced by African airlines

- ▶ The Covid 19 disruption
 - ▶ Poor intra-African connectivity coupled with market access limitations
 - ▶ High cost of operation
 - ▶ Lack of competitiveness
 - ▶ Modernization of the regulatory framework and alignment to global standards

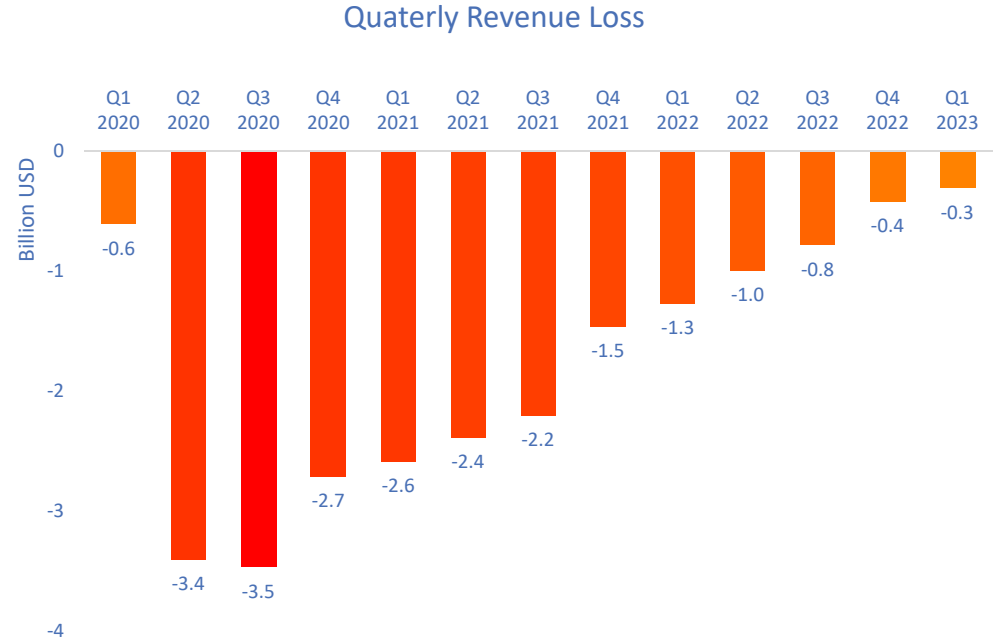
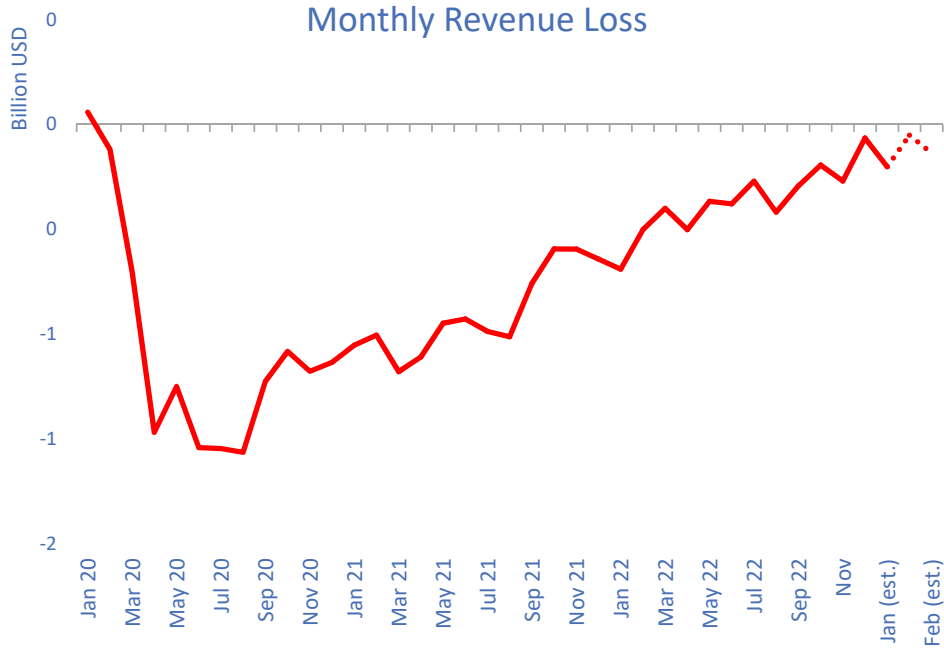
Capacity and traffic evolution since the Covid disruption



Source : AFRAA / OAG

Passenger Revenue loss for African airlines

Passenger Revenue loss (compared to 2019)

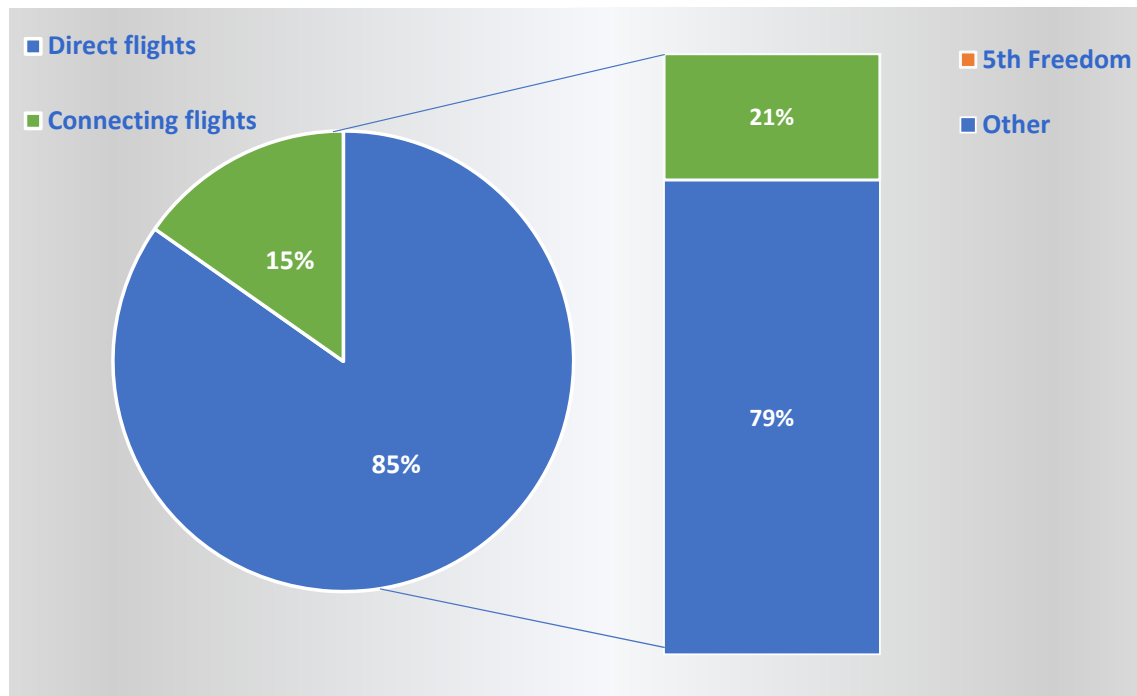


Source : AFRAA/OAG

90% traffic recovery in 2023 compared to 2019

- Estimated Revenue loss for **2022 USD 3.5 billion**, representing 20% of 2019 revenues.
 - Estimated Revenue loss for **Q1 2023 : USD 0.3 billion**
- Year 2023 estimations are not yet available

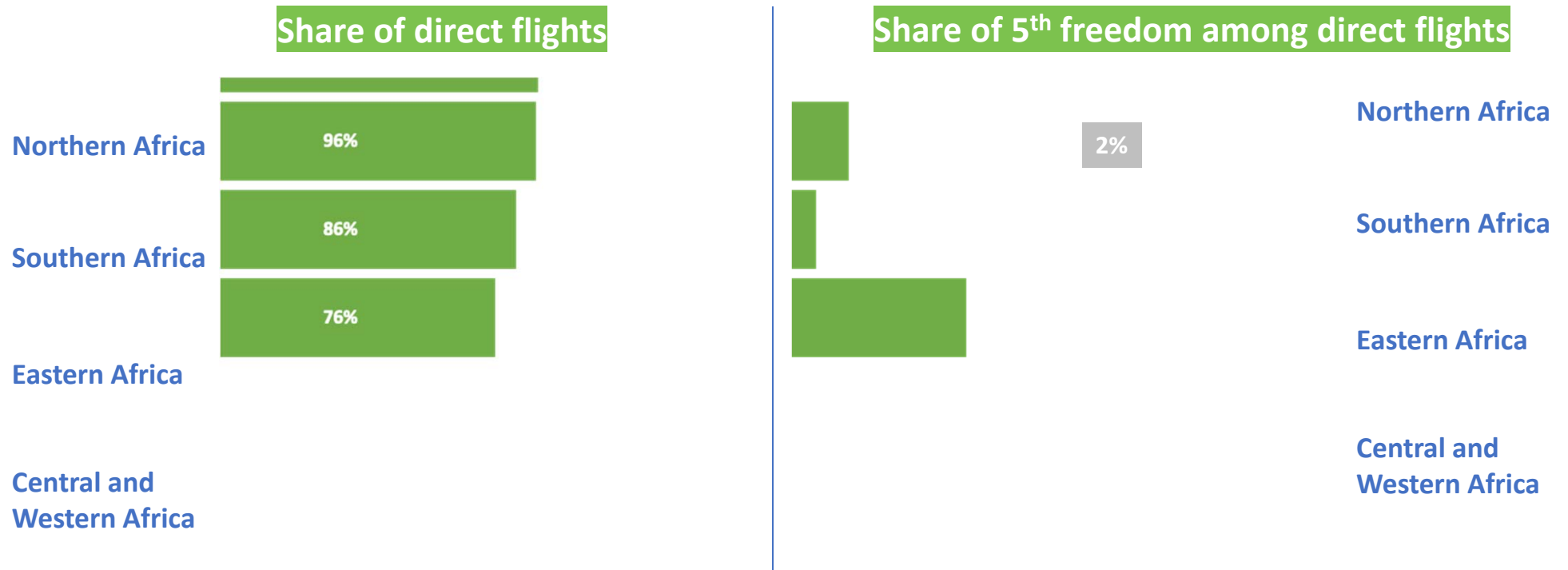
Status of direct flights and 5th freedom flights in Africa



- 85% of intra-african flights are direct vs 15% connecting with one stop or more.
- Among those direct flights, 5th freedom represent only 21%, while the share of 3rd and 4th freedom flights is 79%

Source : AFRAA / OAG

Status of direct flights and 5th freedom flights per sub-regions



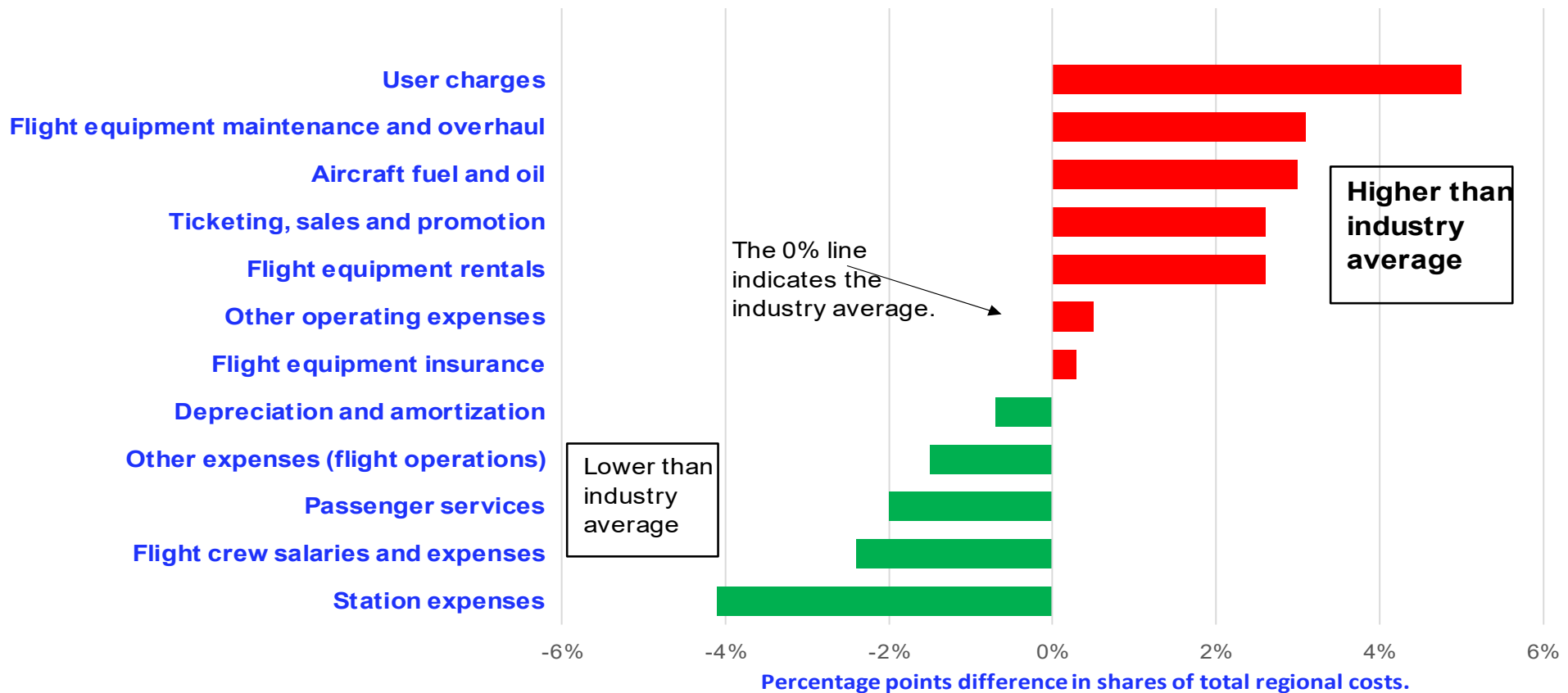
Source : AFRAA / OAG

Denial of 5th freedom rights

Among 8 (eight) reporting airlines, some have mentioned traffic rights denial by the following states :

- Senegal
- Burkina Faso
- Rwanda
- Kenya
- Egypt
- Nigeria
- Ethiopia
- Zambia
- Zimbabwe
- Gabon
- Equatorial Guinea

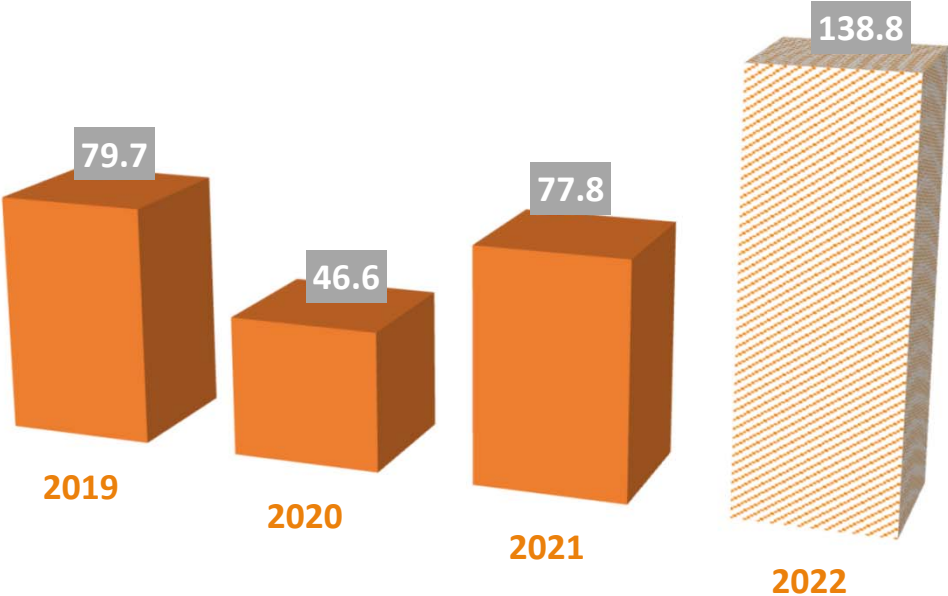
Difference in cost sources: Africa vs Industry



Source: IATA

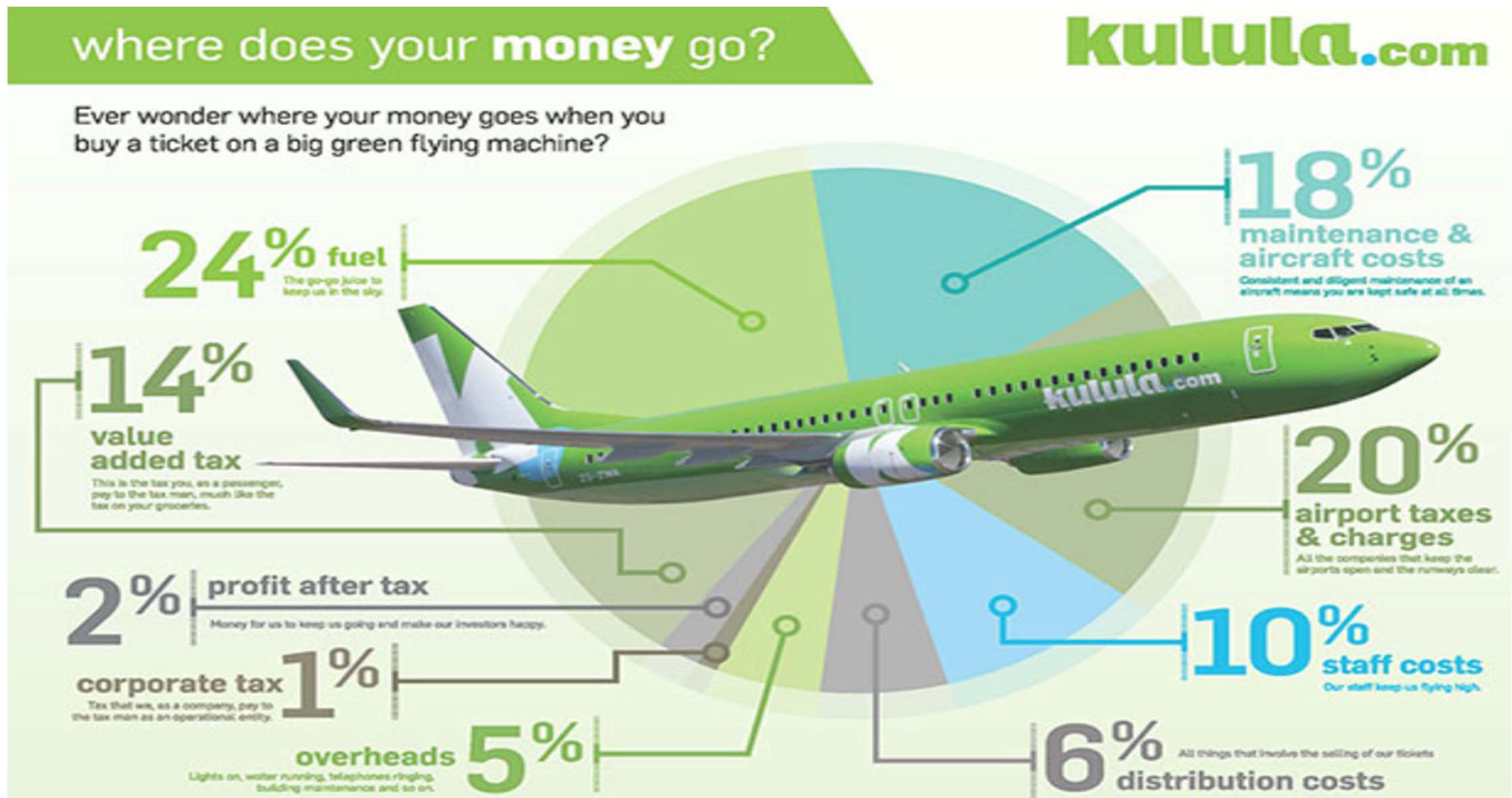
Difference in cost sources: Africa vs Industry

✓ Average jet fuel price increased to USD 138.8 per barrel, from USD 46.6 in 2020.



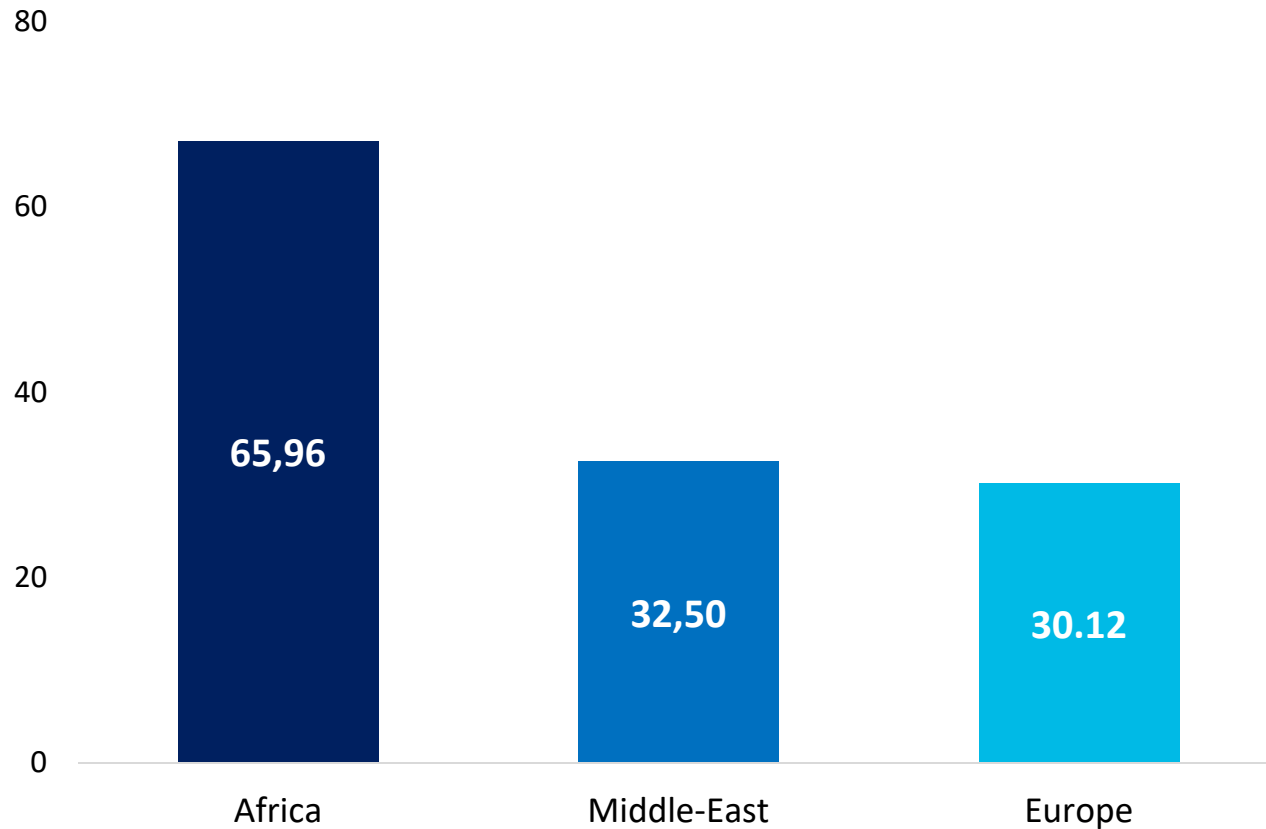
Source: IATA

Examples of ticket price breakdown for intra-African travels



Source : Kulula.com - 2013

International departures passenger paid taxes and fees

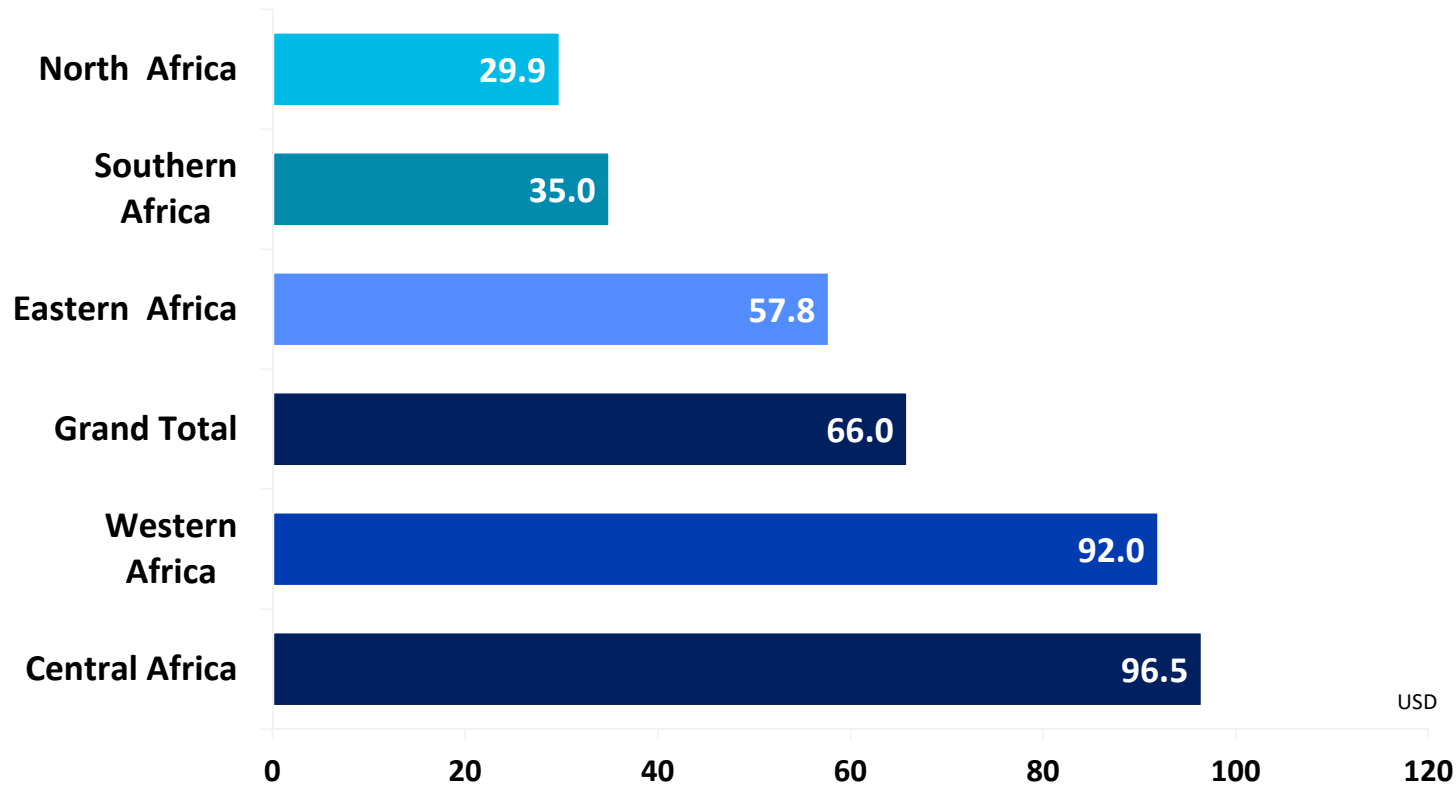


Passengers pay in average 3.5 different taxes and fees for international departures, representing an average of **USD 65.96 in Africa**

In comparison, the average amount of taxes for international departures are **USD 32.50 in Middle East** and **USD 30.12 in Europe**

Source : AFRAA / IATA / AMADEUS

International departures passenger paid taxes and fees



The Central African region is the most expensive, with an average **USD 96.5** taxes and fees paid for international travels.

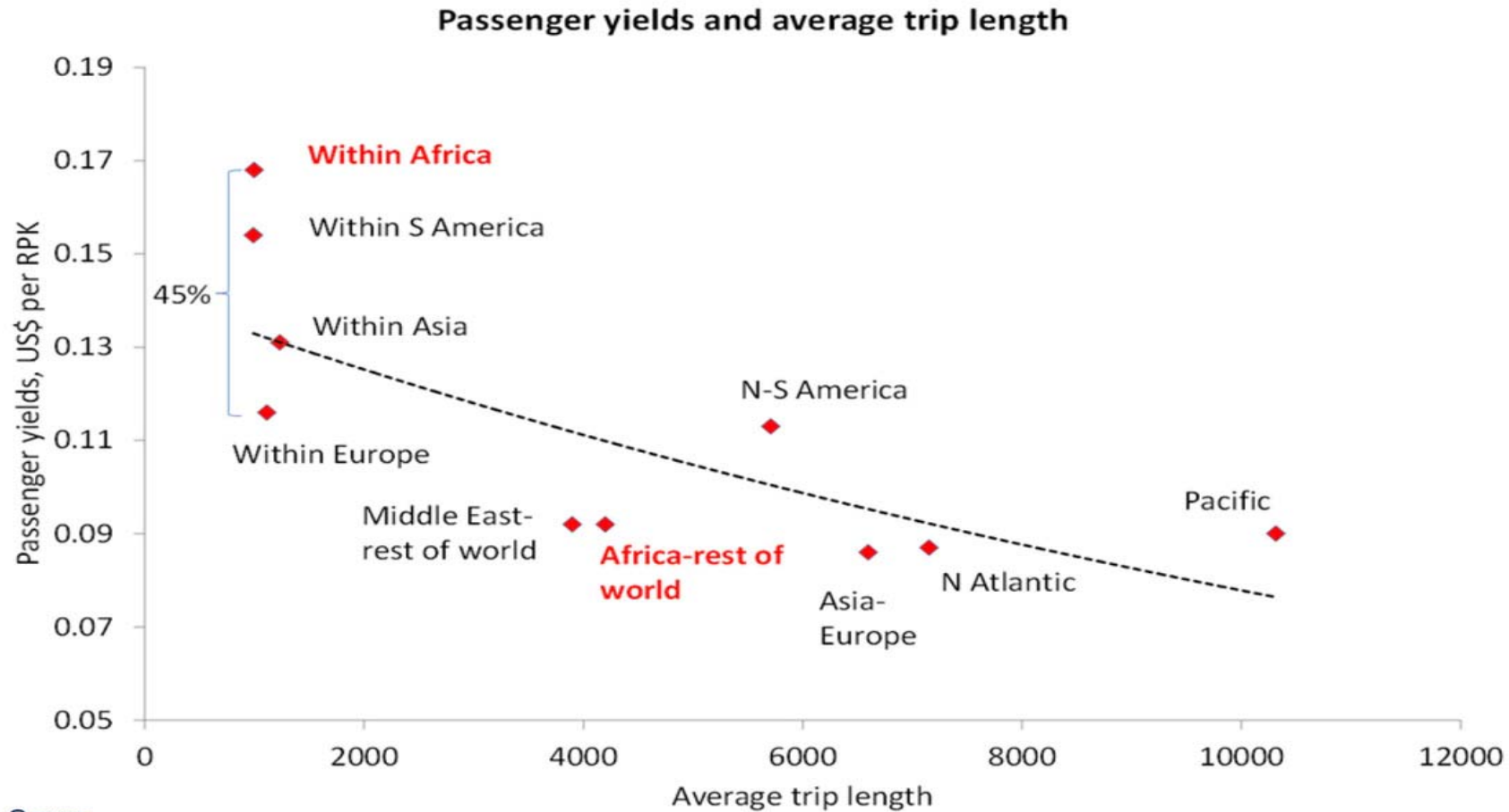
Western Africa is following, with **USD 92** in average.

Eastern and Southern African regions, even if affordable compared to the previous, remains more expensive than neighboring regions, charging **USD 57.8** and **USD 35** per passenger respectively

The most affordable region in terms of taxes and fees is Northern Africa, where passengers pay in average **USD 29.9**.

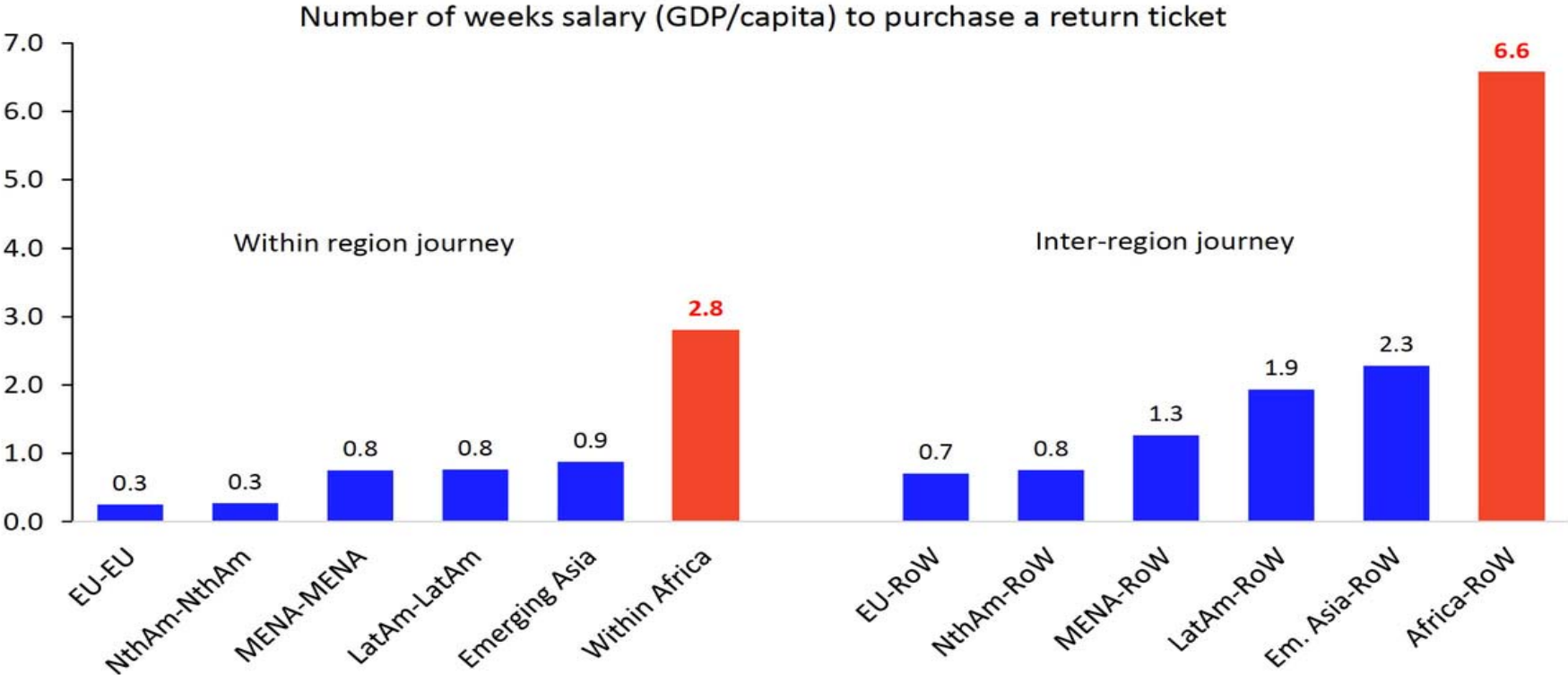
Source : AFRAA/ IATA / AMADEUS

Air ticket fares are expensive in AFRICA



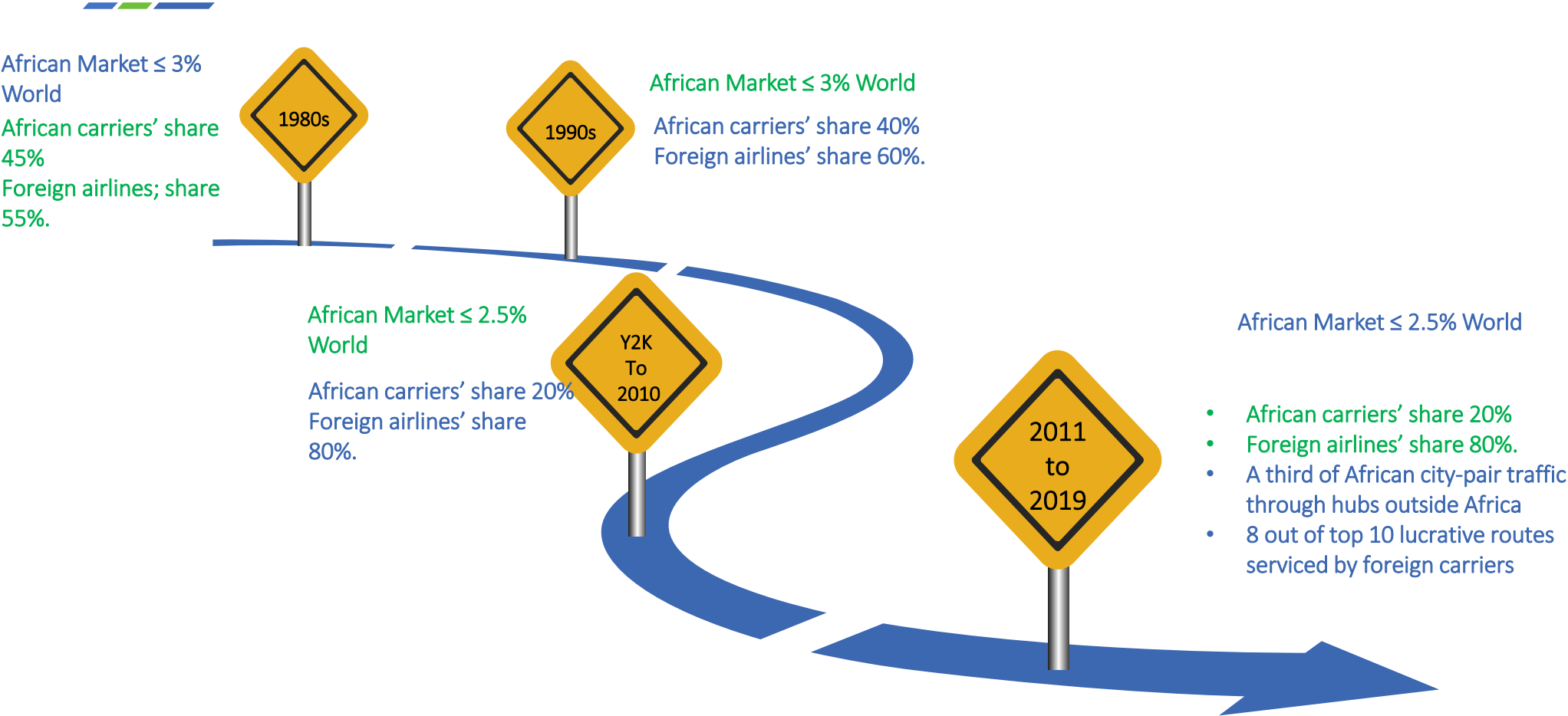
Air ticket fares are expensive in AFRICA

Living standards are low across AFI

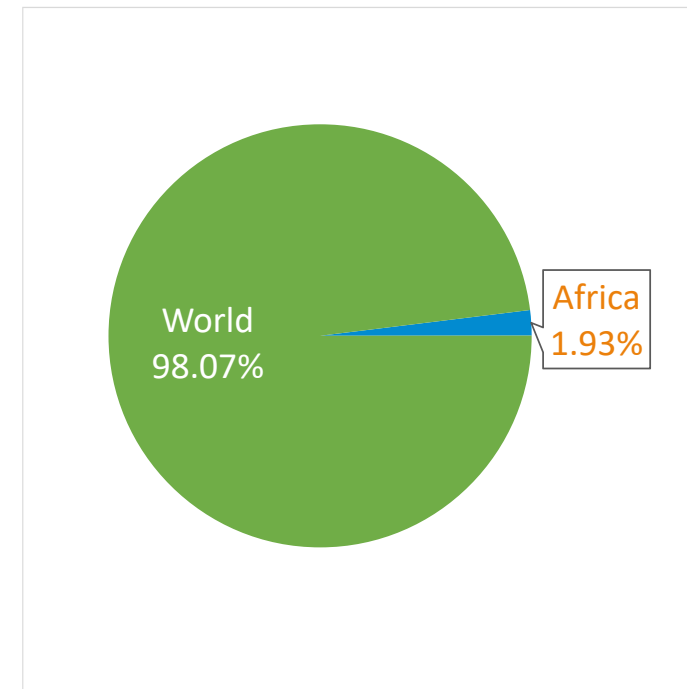
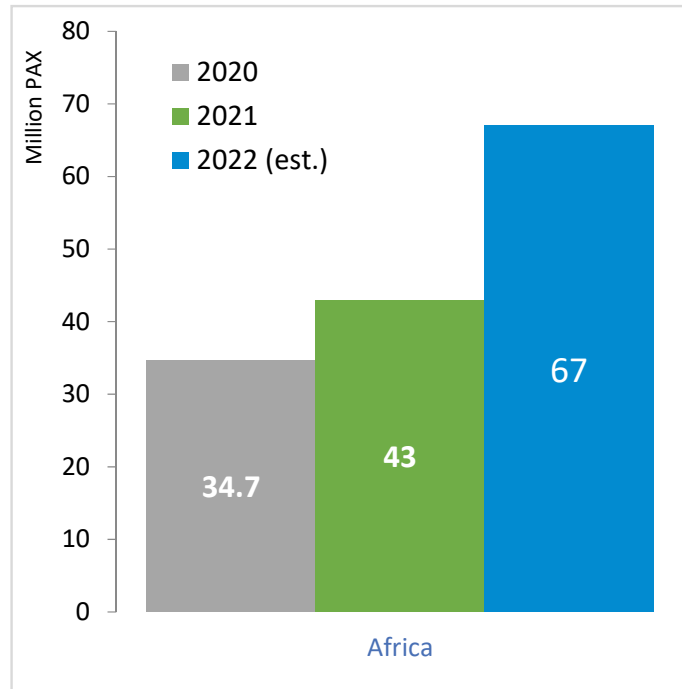
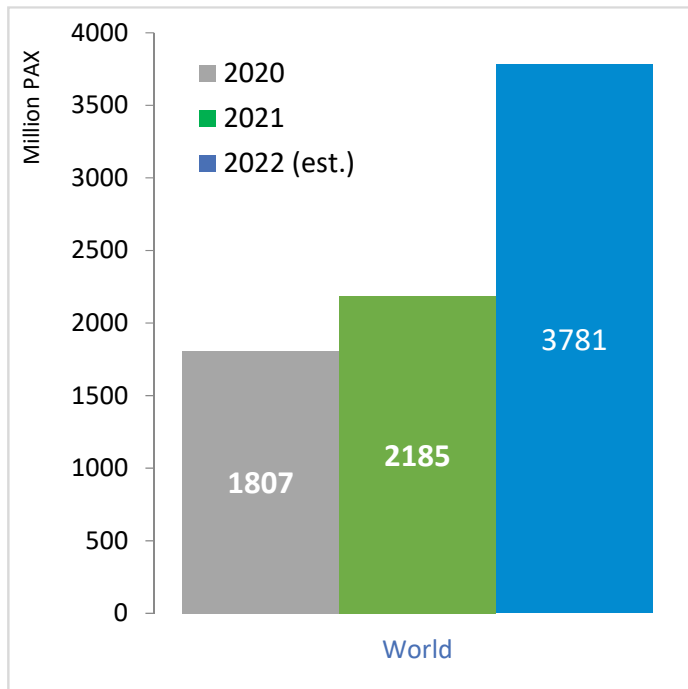


Source : IATA Economics

Consequence of all those challenges : the Marginalization of African Market



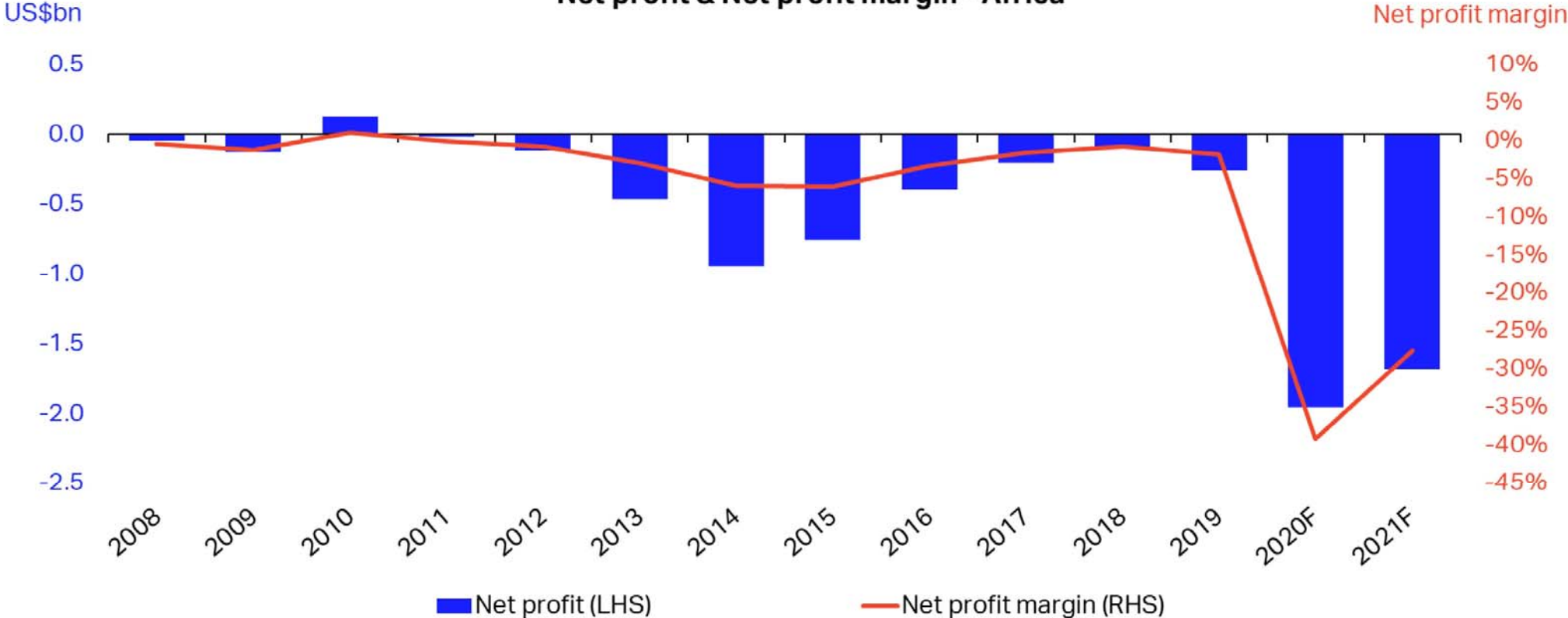
Consequence of all those challenges : the Marginalization of African Market



Source : IATA/AFRAA

Regional (net) profitability – Africa

Net profit & Net profit margin - Africa



Source: IATA Economics



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Propositions to move forward



Policy level

The AUC 3 flagship projects :

- The **Single African Air Transport Market (SAATM)** to improve intra-Africa connectivity;
- The **African Continental Free Trade Area (AfCFTA)** to increase intra-Africa trade;
- **The Free movement protocol** (people, goods, capital and services) to facilitate cross-border movements and investments.

States level

- Be willing and ready to implement SAATM;
- Stop denial of 5th freedom traffic rights to airlines;
- Stop over-taxation of aviation
- Establish a strong economic regulation framework to ensure a conducive operating environment for all the industry players.

Industry level

- Implement the various industry initiatives towards SAATM implementation (Laboratory roadmap, SAATM PIP, etc.)
- Adopt a collaborative approach to reduce costs along the air transport supply chain airlines;
- Collaborate among airlines to improve connectivity and deliver better service quality;
- Adopt innovative and disruptive management method
- Collaborate with other sectors like trade and tourism to develop traffic opportunities