



ICAO MEETING ON AIR CARGO DEVELOPMENT IN AFRICA

OPENING REMARKS

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INTRODUCTION



- } AFRAA greatly honoured to be associated with this important event.
- } The Republic of Togo is a country of great people and Lome is a growing cargo hub and is a harbour of peace and tranquillity
- } A well-developed air cargo industry has the potential to significantly increase the profitability and viability of carriers
- } Incumbent on us the leaders to provide the vision for the growth and development of air cargo





WHAT IS AFRAA?

- } AFRAA an air transport trade organization established in 1968 in Accra, Ghana.
- } Headquartered in Nairobi, Kenya.
- } Membership is open to all airlines registered and headquartered in African States.
- } Current membership is 32 airlines representing over 80% of total international traffic carried by all African airlines.
- } AFRAA Mission: To serve African airlines, promote and protect their common interests





TAKING ADVANTAGE OF GROWING ECONOMIES



- Ø African economies growing at above world average rates
- Ø FDI continent-wide is expected to reach \$56 billion in 2015 from \$38 billion in 2012.
- Ø Africa is more or less like China in late 1970s or early 1980s
- Ø Connectivity with the world was limited, airline safety as well as infrastructure was poor, and airline fleets were in desperate need of renewal
- Ø Economic reforms unleashed entrepreneurial innovation. And aviation was a strategic enabler of growth





Taking Advantage of Growing Economies (contd)



- Ø Africa's population today is similar to the China of 1980 and contributes only slightly more to global GDP
- Ø And like 1980 China, there are changes taking place. For Africa, these include political reform and economic liberalization
- Ø Connectivity by all modes of transport will play a critical role in the development of air cargo & indeed African economies.

TIME
for
change





LIBERALISING AFRICAN AIR TRANSPORT: YAMOOUSSOUKRO DECISION (YD)



- } In Africa, the instrument to liberalise air services is the Yamoussoukro Decision (YD) of 1999
- } However, one and half decades after coming into force, the Decision is yet to be fully implemented
- } Its lack of full implementation is a major constraint to the development of African aviation & air cargo in the face of fierce competition from mega cargo carriers from outside Africa.
- } Due to delays in full implementation of YD, Africa lost an opportunity to grow and develop its aviation industry





CRITICAL NATURE OF AIR TRANSPORT CONNECTIVITY IN AFRICA



- } Connectivity is critical for African growth and development, supporting some 6.9 million jobs and US\$80.5 billion in economic activity, according to ATAG.
- } Of the 6.9 million jobs supported across the African continent, 428,000 are within the industry itself and the rest are supported as part of the industry's supply chain and the significant role air transport plays in the tourism sector.
- } Air transport makes enormous contribution to development as it being an innovative industry drives economic and social progress

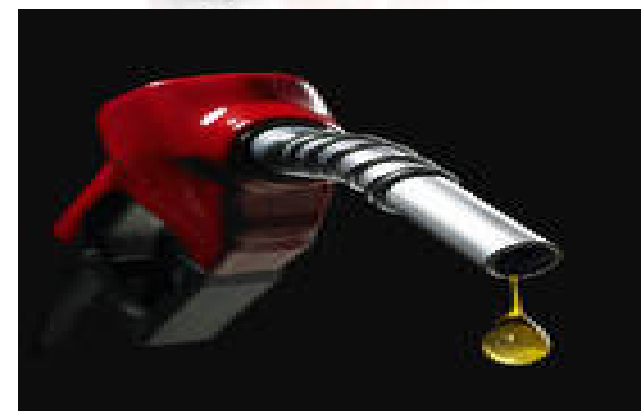




NEED TO ADDRESS HIGH INDUSTRY COSTS



- Transport costs as a share of value of exports vary between 30-50%
- African airlines have to deal with a high-cost environment
- Currencies in several countries are weak compared with the US dollar or the Euro.
- Fuel prices on average are 21% higher than the world average and the pricing system can be opaque
- AFRAA has teamed up with IATA to lobby governments for reduction of these costs.
- Several airports have monopoly cargo handling companies that charge monopoly prices





LONG-TERM PROFITS



- } The overall profitability of the African airline industry is hovering around break-even
- } The industry makes \$100 million in good years and loses \$100 million when times are more difficult
- } Africa faces many unique challenges, but as African economies take off, it will be necessary to generate greater profits.
- } The profits should be enough to generate the investments needed for African aviation to seize the emerging opportunities and play the important role of stimulating development across the continent.

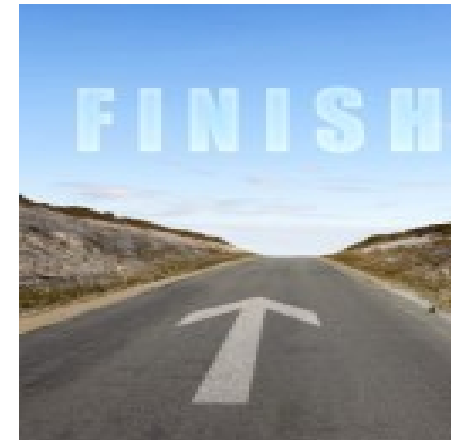




CONCLUSIONS



- } In conclusion, air cargo connectivity within the continent is very critical for sustained economic growth
- } Reliable air cargo infrastructure, efficient, inexpensive and sustainable transport services are crucial for speedy socio-economic development, regional integration and for the continent's competitiveness in the global economy.





Thank You!

