

REGIONAL LIBERALIZATION ARRANGEMENTS IN WEST/CENTRAL AFRICA

(Submitted by the ICAO Secretariat)

1. BACKGROUND

1.1. This region was characterized by the long-existence of a multinational airline Air Afrique, although there were other national airlines such as Nigeria Airways, Ghana Airways, Cameroon Airlines and Air Gabon. Air Afrique was established in March 1961 by the Treaty of Yaounde, which was signed by 11 francophone States (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Gabon, Mauritania, Niger, and Senegal), with a French private airline UTA¹. Cameroon and Gabon withdrew from the Treaty in 1971 and 1977, while Togo and Mali joined in 1968 and 1992 (Sierra Leone also joined temporarily in 1977-78). Each State gave Air Afrique an exclusive concession on international traffic rights except for neighboring rights and domestic services.

1.2. Another character was the existence of several different sub-regional bodies dealing with economic matters. Since the independence, 14 States, which use CFA franc as a common currency, have been comprised of two economic and monetary groupings, which were developed to the West African Economic and Monetary Union (WAEMU-UEMOA by Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo), and the Central African Economic and Monetary Community (CEMAC by Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, and Gabon). WAEMU States and other eight States (Cape Verde, Gambia, Ghana, Guinea, Liberia, Mauritania, Nigeria, and Sierra Leone) are also the members of the Economic Community of West African States (ECOWAS-CEDEAO) established in May 1975.

2. LIBERALIZATION OF REGULATORY FRAMEWORK

2.1. The liberalization of air transport was initiated in October 1988 by the Yamoussoukro Declaration on a New African Air Transport Policy, which covered the whole African continent and provided, *inter alia*, for flexibility in granting traffic rights and creation of bigger airlines. As little progress had been made until mid-1990s, however, implementation of the Declaration was tried mainly at the sub-regional or economic group level. In 1995, ECOWAS States launched Ecoair project, a creation of a multinational airline. In April 1997, six West African States (Cape Verde, Gambia, Ghana, Guinea-Bissau, Nigeria, and Sierra Leone) concluded the Banjul Accord to speed up the implementation process. In March 1999, CEMAC States also adopted an agreement on liberalization and cooperation, which included a two-year programme toward full liberalization of market access.

¹ In the early 1990s, UTA's shareholding was transferred to Air France's financial arm with additional new shareholders (DHL, French Development Bank etc). Throughout the period, 11 States has kept a 70-80 per cent shareholding in Air Afrique.

2.2. The impetus to liberalization was added by a Decision relating to the Implementation of the Yamoussoukro Declaration (Yamoussoukro II Ministerial Decision), which was adopted by 53 African States in November 1999. The Decision entered into force in August 2000, and provided for the gradual liberalization of intra-Africa air transport services. In order to commit to implementing the Decision, Member States of CEMAC and ECOWAS adopted in March 2001 an action plan to move forward in the two sub-regions. In June 2002, WAEMU States also adopted a liberalization package of the common air transport programme. In 2004, the formal Banjul Accord Group Agreement was signed amongst seven States (Cape Verde, Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone).

3. EFFECTS AND DEVELOPMENTS

3.1. Since the liberalization process is still at the initial stage, the course of industry development remains unclear. The significant event was a liquidation of Air Afrique in April 2002 after the failure of agreeing on a bailout package backed by Air France. There were various deep-rooted financial, political and managerial reasons behind the scene, and the liberalization was reportedly not regarded as a major cause of Air Afrique's demise. However, the emergence of regional airlines and the revival of domestic airlines through privatization and liberalization have spurred competition in Air Afrique's home market. The intra-regional vacuum was quickly filled by such smaller airlines as Benin Air, Air Senegal, and Air Burkina.

3.2. Some other State-owned airlines have also been forced to reduce the size of operations and/or ceased operations due to financial, political and safety reasons. For example, Nigeria Airways ceased operations in December 2002. The airline had been under strong competitive pressure in the deregulated domestic market since the mid-1980s with many private airlines expanding their businesses in the Nigerian market. In September 2004, the Nigerian Government and Virgin Atlantic Airways signed an agreement to establish Virgin Nigeria Airways to replace Nigeria Airways. Nigerian institutional investors own 51 per cent of the airline and Virgin Atlantic Airways owns 49 per cent. Ghana and Gabon followed the suit by establishing new national airlines, which replaced debt-ridden State-owned incumbents in partnership with foreign investors, i.e. Ghana International Airlines (2004, a replacement to Ghana Airways with the consortium led by the investors of the United States having 30 per cent) and Air Gabon International (2006, a replacement to Air Gabon with Royal Air Maroc having 51 per cent).