Resilience and Efficiency through Leadership and Cooperation

Presented by AFRAA

Introduction

Africans make up 16% of the world's population but only 2% of the world's passengers. Prior to March 2020, aviation in Africa supported over 63 billion US dollars in economic activity and employed around 7.7 million people directly and indirectly according to ATAG 2020 report on Aviation benefits. In addition, aviation in Africa has the potential to open-up markets, facilitate trade, link Africa to the rest of the world and contribute to the socio-economic integration and prosperity of the continent. Simply, aviation is a driver of socio-economic development of Africa.

The COVID-19 significantly reduced international passenger traffic from 74 million in 2019 to 39 million in 2020. Domestic traffic was also adversely impacted – 15 million in 2020 compared to 41 million the year before, according to the ICAO report on the Economic Impact Analysis of COVID-19 (March 2021). The decline in traffic translates into massive losses in revenue to the African airlines and all players in the aviation value chain. AFRAA estimates that African airlines made a revenue loss of US$10.21 billion in 2020 due to the impacts of the pandemic.

Global 20-year traffic forecast by IATA at the end of 2019 suggest Africa with over 1.3 billion people was one of the fastest growing air transport markets in the world. Currently, air connectivity is limited but the progress being witnessed with the implementation of the Single African Air Transport Market (SAATM); the Africa Continental Free Trade Area (AfFTA) and the protocols on free movement of people and goods are clear indications of the opportunities that lie ahead for aviation growth. In anticipation of traffic growth and to ensure African airlines are well positioned to be key beneficiaries, AFRAA in partnership with one of its partners is developing a Connectivity Index. This is a solution that can be queried to know the connectivity gaps, traffic capacity and potential. Such a tool will make it easier for airlines to evaluate routes profitability and make the rights decisions on launching new routes.

Pursuing shared goals

Like elsewhere in the world, the aviation business in Africa has many stakeholders drawn from some government departments/agencies, travelling public, and business community, service providers and airlines. Though the overall goal of all the key actors in the travel value chain is to ensure a smooth, efficient and safe passage of travelers, sometimes this is difficult to achieve because of conflicting interest, leadership style and governance structures. For instance, handling passengers by airlines and airport authorities calls for a high sense of customer-centrism. On the contrary, the work of the security agencies and safety oversight providers at airports demands strict adherence to rules, regulations and guidelines that may have little room for compromise. This calls for different leadership approaches, which could breed conflict. To minimize potential leadership challenges, it is recommended that leadership establish a joint coordination team that meets regularly to discuss and reach decisions on how each should complement the others. In countries where such joint coordination exists, each stakeholder has fair opportunity to contribute to the attainment of the shared goals of the industry without undue interference. Together, they also have a better work environment and are likely to meet customer expectations.

Who bells the cat?

The complex nature of what constitutes aviation makes it difficult to single handedly hand down leadership to a person or institution and expect the rest to fall in line. The best approach might be to

cluster the industry in related activities and establish a coordination framework that facilitates regular consultation and interaction among players.

At the country level, the regulatory and security functions which are the preserve of governments should be led by the civil aviation authority with oversight from the supervising ministry. At the operations level, there should exist a multi-sectoral economic oversight body made up of representatives from airlines, airports, Air Navigation Service Providers, ground/cargo handlers, immigration, customs, port health, security, tourism, etc. Again, this body should be led by the civil aviation authority to avoid conflict of interest situation arising from the commercial interest by some of the players on the team.

At the sub-regional and continental level, the strengthening of capacity of the aviation desk of the Regional Economic Communities (RECs) to enable them play the two roles below will be critical.

First, the RECs should lead efforts aimed at harmonizing aviation regulations, taxes, travel requirements, airline eligibility and set benchmarks for safety, security, infrastructure, trade and tourism facilitation. This will ensure that within each REC there is homogeneity in the way aviation business is undertaken. The harmonized regulations and benchmarks set must however be in alignment with the tenets of the Yamoussoukro Decision (YD).

Secondly, for purposes of continental alignment, the RECs will serve as liaison with the African Civil Aviation Commission (AFCAC) on all regulatory and policy matters involving aviation in their regions. The Project Implementation Unit of the Executing Agency of the YD will be the main point of engagement by the RECs at AFCAC. By this, AFCAC will have first-hand information on all aviation development matters across Africa through an established feedback mechanism agreed upon with the RECs. In a similar vein, AFCAC will also provide support and guidance to the industry through the RECs and onward to the stakeholders in each country. AFCAC's role in the implementation of SAATM goes beyond its regulatory and capacity building role to CAAs through States. It involves (or should involve) providing support and direction to the entire industry in consultation with States and the RECs.

Admittedly, the level of aviation development is not even across the continent, therefore chances are that some better endowed aviation countries/regions may want to take advantage of the rest. This has the potential to undermine the common good of African aviation. To avoid this happening, AFCAC as the executing agency of the YD and SAATM implementation may have to look at the structures of and possibly borrow from other regions and some global alliance groups like Star Alliance, One World, Skyteam. In these groupings, there are safeguards that ensure equitable and fair competition. There are also punitive provisions that discourage abrupt disruption of operations or unilateral decisions that could have collateral damage on other members. Borrowing from and Africanizing what already works in the EU or among the global alliance groups well in advance of the SAATM full rollout will be helpful in avoiding headwinds as we move forward. Leadership should be provided by AFCAC working in consultation with the AUC to ensure the rules of engagement are adopted at the continental level to avoid undue disruption of operations and the associated negative consequences.

Lessons from the Covid-19 Pandemic

The Covid-19 pandemic is a crisis of unimagined proportions. Though a lot of multi-sectoral work was done to in response to the pandemic and restore confidence in travel, much of it was panicky and not very impactful at the beginning. Covid-19 had far reaching effects and tested the very foundation of aviation globally. So much work has been and continue to be done. However, as the pandemic was unanticipated by existing organizational structures/systems it exposed some weaknesses in leadership and the industry's agility to coordinate effective response. The result is the widespread misconception of aviation as carrier and global distributor of Covid-19 virus and consequently the disruption of air travel, tourism and the hospitality sectors. The damage caused will take a long time to fix but not without significant casualties.

Travel restrictions by Governments in a bid to curb the spread of the pandemic negatively impacted demand for air travel and disrupted supply chains thus resulting to adverse consequences for the air transport industry. There seems to be over-reliance on States to decide for the industry with or without consultation. Oftentimes, governments choose not to consult even when it may be evident aviation will bear the biggest brunt. Could this be due to the lack of strong institutions to provide alternatives to governments for consideration? Probably! But in crisis of the proportion of Covid-19, the priority for governments was first to safe lives, curtail transmission and find a cure. So the reaction was to be expected, especially when the impression was created across Africa that airlines were the main mode of moving the infection across borders. To date, though the ICAO CART Guidelines and passenger testing has provided some respite, the perception is still strong that open borders could lead to high incidence of Covid-19 infections.

For an industry that has collectively not made a profit in over a decade, the fundamentals for aviation in Africa are weak. Stakeholders require investments and concessions from governments and the private sector if airlines in particular, are to continue operations for longer. Already some 6-7 airlines are in liquidation and it is expected more will join the frail soon unless coordinated support action is taken.

While the crisis in the aviation sector following the pandemic, exposed the lack of real leadership and coordinated action by sector players, it also triggered some knee-jag reactions by some institutions and organizations. A careful evaluation of what transpired since March 2020, could help us fix the leadership challenges and get the industry better integrated and aligned in good and bad times.

The aviation industry stood helpless while their business was brought to a standstill. No timely alternatives or counter measures to what governments were imposing came from the industry.
Going forward, there needs to be engagement of stakeholders by governments in policy-making to enable stakeholders offer constructive suggestions prior to the making of critical decisions impacting the industry. This is an institutional as well as collective responsibility of AFCAC, AFRAA, AASA, ACI-Africa, CANSO, etc. These organizations subsequently came together under the auspices of the AU and AFCAC, prescribing 15 Recommendations for the recovery of the industry. Leadership by States is key in the implementation of the recommendations to assure a successful recovery of the industry. Indeed, the work of the Africa Aviation Industry Group (AAIG), a body consisting of associations/organizations representing the commercial entities in the aviation value chain in Africa may have a role to play in interfacing with governments to advocate for the industry and develop policy.

In a highly competitive and capital-intensive aviation industry, African airlines are required to establish efficient and effective strategies to gain leverage in the market. Optimum leadership and management are also required to maximize on profitability. One of the ways to make this possible is through data-driven studies that are aimed to build winning strategies and business plans to achieve the airlines' goals. Among AFRAA's strategic objectives is to become a hub for data intelligence and expertise on the African Aviation Industry. African airlines have to keep up with the developments through proper information management and data intelligence. AFRAA has realized the need to be the real voice of the industry. It is currently turning our regular performance statistical updates on the industry and forecasting future trends. Through AFRAA Consultancy and Training Units, the Association is assisting to bridge the capacity gap not only in airlines but also airports and allied businesses. With AFRAA in the lead, financial and logistical support is needed to deliver more.

Leadership that Bites

The starting point to having the leadership that makes binding decisions is at the AUC level. Today, the AU lacks the legal mandate to make decisions that are binding on its 55 member states. The risk of this to the aviation sector is the inability of AU to represent continental Africa in negotiating or challenging decisions may not be in the interest of Africa. For instance AU lacks the mandate to negotiate multi-lateral agreements that are binding of individual states unlike its counterpart the EU. As a consequence, individual states are saddled with the onerous duty of going into multilateral air service negotiations with the EU – a situation of David versus Goliath. This presents individual African States a weaker bargaining position. This is further complicated by the variations in the final air services agreements reached by individual states with the EU.

The lack of harmonization in air service agreements is a threat to the implementation of SAATM and the AfCFTA. Therefore, a critical step is to amend the statutes of the AU receding individual states right to negotiate multi-lateral agreements and entrusting the AUC to do so on behalf of all 55 States. Knowing Africa, this will be difficult to achieve considering how highly States uphold their sovereignty. But can some authority be ceded in AU to enter into binding agreements for players in the aviation sector? Until Africa has a representative body that can commit all states to multi-lateral treaties and agreements that are binding and enforceable, we will not have a leadership that bites.

The February 2021 landmark agreement reached by the ECOWAS Head of States summit to perk the cost of Covid-19 PCR test to not more than US$50 for ECOWAS citizens points to what consensus among leadership can do for their sub-regions or the continent. Though implementation of the decision remains problematic, the consensus reached on such a critical matter is commendable.

Another recent development that has the potential to be a game-changer for Africa aviation advocacy and lobbying is the Africa Aviation Industry Group (AAIG). It serves as a joint industry think-thank for aviation advocacy and lobbying. Its membership includes AFRAA, AASA, IATA Africa, ACI-Africa, CANSO, Boeing, Embraer, among others. Though this body currently lacks the mandate to make policy decisions, it could use the power of its advocacy to push forward the collective agenda of the aviation industry and act as pressure group to require action by States and other entities.

At individual level, each African state needs a permanent body that represent the various aviation and tourism stakeholders. Such a body will elect leaders and meet regularly to discuss developments in the industry and make recommendations to governments and the CAA. What exist

currently are Boards of Airline Representatives (BARs) whose scope is narrow and limited to only airlines operational issues. The mandate and structure of the Economic Regulator under the CAA could be broadened to handle country-level aviation development issues. The Economic Regulator could then be charged to lead implementation and reporting of collaborative decisions of the industry. For efficient delivery, such a body aught to be independent of the CAA.

Conclusion

Leadership is everything. Without the right type of leadership and institutions that are mandated to champion the common interest of Africa aviation, success will continue to elude the business. Unfortunately, Africa has hanged on to the aviation as was practiced in the 1960's and 1970's while the rest of the world has moved on. The lack of leadership is further manifested in the failure to collaborate and cooperate in manner that will deliver better value than individual states or businesses can attain.

At the continental level, an AU capable of leading negotiations with third countries on behalf of Africa is critical going forward.

At the sub-regional level under the auspices of the RECs, coordination of regional level implementation and reporting will be needed. RECs will need an enhanced mandate and improved capacity to lead and coordinate aviation stakeholders to bring about alignment.

The regional organizations too have a role to play by leading industry and governments better appreciate the impact, needs and expectations of stakeholders. This they can do by strengthening their research and analytical capacity and re-organizing their delivery structures to be agile and thorough. AFCAC as the Executing Agency of the YD, can be empowered to lead coordination, delivery at the continental level. It already has established working arrangements with the RECs and States. These can be further aligned and resourced to deliver better.

At the state/country level, a restructured economic regulator with a broader mandate and scope of operation would be helpful in driving the common interest of airlines and stakeholders and ensuring that neither industry nor state interests are compromised.

Finally, coordinated efforts and a collaborative approach amongst all stakeholders is critical to ensure effective leadership and business continuity of the industry.

- END -