bizcommunity

Africa's single air market: Getting from A to B without going via Z

Eligible airlines will be allowed to transact their business in the region unfettered, or so the lates pan-African agreement says. Africans hope it gets off the ground this time.

By Lee Mwiti 31 Jan 2018

Free-Photos via pixabay

Air travellers on the African continent often tell of agonising journeys. Flying the 1,130 km route between Freetown, Sierra Leone, and Banjul, Gambia, takes up to three days, instead of an hour, a BBC journalist found.

By Umaru Fofana's estimation, it was far quicker - but costlier - to first fly to Belgium.

The single African air market solution

To solve this, African countries are again attempting to open up the continent to the free movement of people and goods with the unveiling of a single African air market. Under a single market, airlines from the region would be allowed to connect any two African cities, without having to go through their home hub firs South African Airways could, for example, fly Johannesburg-Nairobi-Cairo on the same trip and Ethiopian Airlines could go to Nairobi and Johannesburg in a single trip.

African Union officials reportedly expect benefits to be apparent in the next few months, with fares falling b as much as 30%. (Note: Africa Check asked regional airlines for comment and will update this piece shoul they respond.)

High fares, low air traffic growth, poor safety

African leaders gave their backing to the plan in 2015, committing "solemnly" to immediately implement wl is known as the two Yamoussoukro agreement. Named for the Ivorian city in which they were agreed on in 1988 and 1999, the later Yamoussoukro Decision is the more expansive. The agreements were meant to open up African skies to competition and reduce aviation red tape.

But those deals have stalled, with states continuing to restrict their air markets to the advantage of domest carriers. This has led to high fares and low air traffic growth, in addition to hurting the region's safety record a comprehensive 2010 World Bank study found.

The newly-launched single air market starts formal operations with 23-member countries: Benin, Botswana Burkina Faso, Cape Verde, Republic of Congo, Cote d'Ivoire, Egypt, Ethiopia and Gabon. The others are Ghana, Guinea, Kenya, Liberia, Mali, Mozambique, Niger, Nigeria, Rwanda, Sierra Leone, South Africa, Swaziland, Togo and Zimbabwe. Another 21 are still weighing up membership, the bloc said. (Note: To be part, a state is required to write to the AU informing the bloc that it will fully implement the single market.)

The quest for Africa's single air market

The single air market is a flagship AU project - one that has high potential to change the face of the region under its Agenda 2063 blueprint for the continent's economic growth. But its focus on liberalisation has on come with the Yamoussoukro Decision of 1999. Pre-independence and in the early 1960s, African countr largely focused on flying routes to former colonial masters to subsidise expensive domestic routes.

In the 1970s, the 'old AU' (Organisation of African Unity) started focussing on intra-African trade as the thre from dominant international airlines began to grow. The Lagos Plan of Action of 1980 aimed at increasing trade between African countries through transport.

The 1984 UN-backed Mbabane Declaration sought to expand air services, an effort that led to the 1988 Yamoussoukro Declaration. This was focused on the gradual elimination of barriers, however. Until 1991 nearly all African carriers were state-owned. Studies note that despite the 1999 Yamoussoukro deal being legally binding from 2002, it has struggled for traction.

"The reasons for not applying the Yamoussoukro Decision range from non-implementation of certain elements of the decision, for example, establishing competition rules, a dispute settlement mechanism an an operational monitoring body, to simply ignoring it by continuing to agree to traditional restrictive bilateral a World Bank study noted.

Everyone protects their domestic markets

The resulting changes to how the continent flies could be far-reaching, Jane Karonga, the economic affairs officer at the Economic Commission for Africa, told Africa Check. "The single most visible change will be increased air connectivity as new carriers enter the market," said Karonga. The single market will also allov airlines to be more efficient, growing intra-African traffic. The region currently has only a 2.2% share of glo passenger traffic, according to the International Air Transport Association.

Supporting industries such as tourism and shipping will also benefit immensely, Karonga said, helping the push for a continental free-trade area. But to get there, the remaining member states need to opt in. The single market was initially set to be launched in June 2017 but has been hampered in part by the slow sign up by members.

Dismantling decades-old practices of protectionism are unlikely to happen overnight, analysts said.

The norm is that 'everyone protects their domestic markets'. So much so, that even the Open Skies agreements [of liberalisation] don't touch domestic markets," Heinrich Bofinger, a senior transport econom with the World Bank, told Africa Check. Member states must overcome the "national pride phenomenon o flag carriers", Bofinger said. This includes reviewing the economic viability of airlines and avoiding white-elephant projects such as gleaming new but under-used airports, he said.

More jobs expected in airline industry

Protectionism has taken many forms, Karonga said. These include restrictions on frequencies and capacit type of aircraft operated, the volume of traffic to be carried and routes to be served.

Non-local airlines also tend to be charged prohibitive royalties, while smaller African carriers fear anti-competitive behaviour such as price dumping - selling seats below market price from larger, established airlines.

"Protectionism is often motivated by fear that the national flag carrier will be unable to compete with the continent's larger carriers, as well as intercontinentally. For example, in 2013, it took the collapse of Air Malawi for Kenya Airways to be allowed to operate between Malawi and other countries, said Karonga.

With the expected boom in airlines and connectivity, more professionals in the airline industry will also be needed, Nilesh Somaia, a director at Nairobi-based regional airline Aircraft Leasing Services, told Africa Check. He cited the difficulty in getting work permits and "pilot drain" as key issues, further pinning this to state restrictions. "Africa must ensure that it retains or attracts the professionals that it requires to support t growth of the aviation industry. There are no major benefits to protectionism," said Somaia.

With liberalisation, investors can exploit opportunities in the secondary markets, such as tourism and cargo the AU's transport and tourism chief, David Kajange told the UK's Financial Times at the launch. "The cost benefit analysis of protecting a few jobs compared with the total economic benefits of opening up is just n there."

Edited by Lee Mwiti