Need for liberalisation and transparent regulation to open up the African skies

On the opening day of the World Routes Strategy Summit in Durban, the plight of African airlines took centre stage with the lack of liberalisation placed at the centre of African airlines' woes. This leading to non-African airlines' domination of the continental airspace. Aviation stakeholders need to use every opportunity to put pressure on governments to do good on their promise to open up the African skies.

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The creation of an open African airspace has long been on Africa's agenda since the landmark Yamoussoukro Declaration in 1988. Despite the agreement, non-African airlines today account for 80 percent of the African market.

Hope for struggling airlines

Liberalisation carries the hopes of financially struggling African airlines. This is premised on the sentiment expressed that liberalisation will unlock the potential of African carriers and lead to increased intra-African connectivity and stimulate progressive visa regimes. Bodies such as the African Union could also facilitate the formation of regional trade blocs, like the European Union and leverage the power of collective negotiation.

Ethiopian Airlines CEO Tewolde GebreMariam intimated that non-African airlines had unfair advantage. "Competition is good but competition must be on equal footing," he said.

But there is hope for struggling airlines. Richard Evans, senior consultant at Flightglobal Ascend says the growth of low-cost carriers, coupled with liberalisation, boosted the growth of airlines in Asia between 2004 and 2014. Evans also urged airlines in the Middle East, Africa and Latin America to increase their efficiencies and consider introducing narrow body aircraft, also known as single-aisle aircraft.

Oil prices offer little relief

Meanwhile, contrary to general expectation, the fall in crude oil prices has been of little relief to African airlines, delegates at the World Routes conference heard on Sunday. As fuel is a major input cost in the airlines business, the drop in crude oil prices in the past year should have lowered the costs for airlines.

GebreMariam, highlighted the plight of airlines, notwithstanding falling oil prices. He said while other players in the aviation value chain such as ground handlers could be making money, airlines' profits were still squeezed because of too much competition, "sometimes unfair competition". GebreMariam said African airlines and airports were not making money.

An inhibited aviation industry

GebreMariam and some of his peers bemoaned various factors which they said inhibited aviation industry's ability to realise its potential. These include regulations and lack of transparent pricing mechanisms.

A progressive economic regulation regime is necessary if the industry is to see a step change in its growth. So resolving any disconnect between the aviation industry and its regulators is key for the success of this industry. This is not always easy, ACI Europe director general Oliver Jankovec, said the European regulatory framework does not create an environment for a mature relationship between airlines and airports. "Our challenge is that the regulator regulates in terms of the history of industry. I do not blame them. It is a dynamic market. There have been discussions with the European Commission on opportunities to get some change. It is work in progress," Jankovec said.

While other airlines are grappling with inefficiencies and financial sustainability, Air China is buoyant about its prospects. Air China is poised for growth due to a combination of that country's economic growth and growth in travel and tourism, according to Zhihang Chi, vice president and general manager for North America, Air China. In the six months ended June this year, Air China increased operating profit by 183 percent, while passenger numbers grew by 8.8 per cent. The company expects the growth to continue in the second half of the financial year.