

Economic Benefits & Challenges of Liberalization of Air Transport Services in Africa following YD & SAATM

22nd -24th July 2019,
Kigali-Rwanda

Prepared by
Derryck Nuwagaba Karera

Yamoussoukro Decision (YD)

The primary purpose of the YD (Yamoussoukro Declaration – 1988 and Yamoussoukro Decision – 1999) was to create a conducive environment for the development of intra- African and international air services; especially those relating to the granting of traffic rights, regional cooperation in air transport and the role of Governments



Governments were sensitized to harmonize air transport policies in order to eliminate non- physical barriers that hamper the sustainable development of air transport services in Africa;

There was also a consideration of ICAO principles on the globalization of the world economy and the need to create an environment for the provision of safe, reliable and affordable air transport services necessary for the free movement of persons, goods and services in Africa;

Single African Air Transport Market (SAATM)

The Single African Air Transport Market (SAATM) is a flagship project of the African Union Agenda 2063, designed to create a single unified market for air transport in Africa. Once completely in force, the single market is supposed to allow significant freedom of air transport in Africa.

Primarily, the goal of the SAATM is to fully implement the 1999 Yamoussoukro Decision. This means that all participants agree to lift market access restrictions for airlines, remove restrictions on ownership,

grant each other extended air traffic rights (first through fifth freedoms, not affecting cabotage rights), and liberalize flight frequency and capacity limits for both passengers and cargo.

Fifth (5th) freedom, the right to carry traffic between two foreign countries with services starting or ending in the airline's own country (also known as beyond rights).



Air Space Liberalization

Liberalization means the reduction/relaxation of constraints imposed upon the existing actors (airlines) in the market place.

Full Implementation of the Single African Air Transport Market in terms of (grant of rights 1st -5th , relaxing restrictions on frequency, capacity among other things) will bring about the long awaited airspace liberalization.

Air space liberalization is expected to bring strong outcomes – new routes, more frequent flights, better connections and lower fares.

These improvements will increase the number of passengers, which will have both direct and indirect positive effects on trade, business travel and tourism

The Economic Benefits of Airspace Liberalization

Passenger Benefits of Liberalization

Increased Connectivity; Reduced restrictions will increase direct services between various city pairs creating greater connectivity.

Shorter travel time; New routes by different airlines and increased frequencies will reduce the number of hours

Lower fares; Increased players on specific routes would create competition which would drive down fares to the travelers' advantages.

Greater convenience; The increased routes and frequencies provide greater convenience



This was once a normal option, a trip from Kigali to Duala would require making a stop in Europe! Trip time would be longer than that of Kigali-JFK!

The Economic Benefits of Airspace Liberalization

The Benefits of Liberalization to the wider economy

The impacts of air space liberalization will extend beyond passenger and cargo shippers.

These improvements in new routes, more frequent flights, better connections and lower fares will increase the number of passengers, which will have both direct and indirect positive effects on employment, trade, travel and tourism.

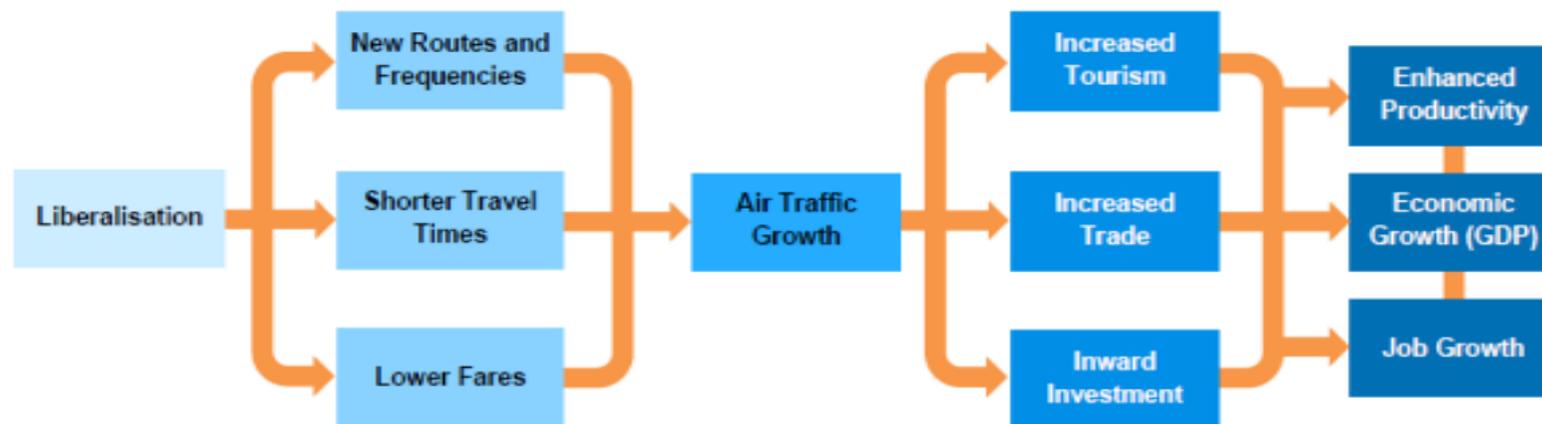
In turn, this has impacts for the broader economy, that will enhance the GDP of African countries and improve the welfare of ordinary Africans. Some of the direct beneficiary sectors include;

Airlines,
Airports,
Hotels,
Travel Agencies,
Tour operators ,
Leisure and recreation services...etc

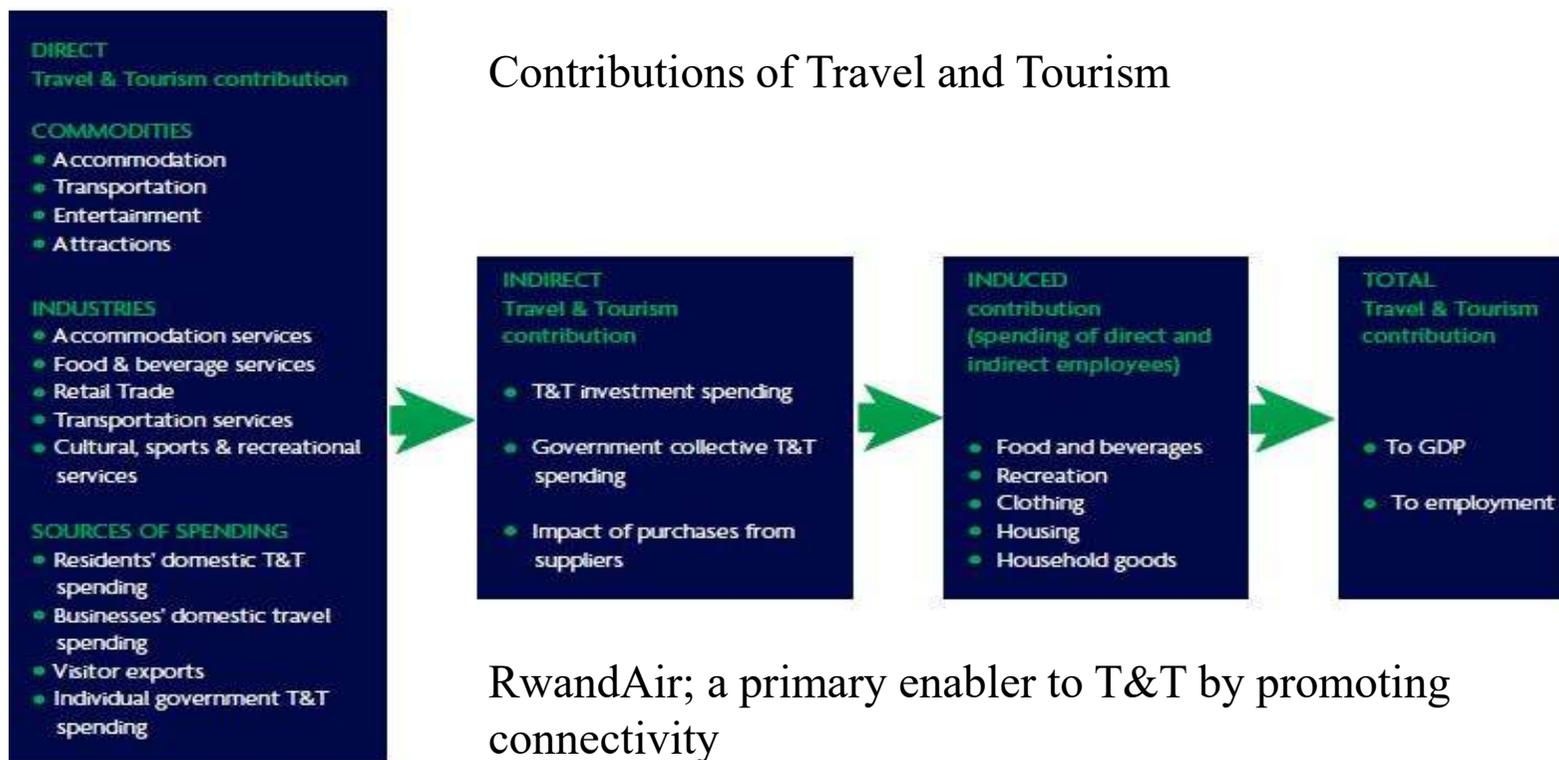
The Economic Benefits of Airspace Liberalization continu...

Air Liberalization Logic

Source: InterVISTAS Consulting Ltd (2014:26)



The Economic Benefits of Airspace Liberalization continu...



Source: World Travel & Tourism Council, 2018

Current Status

According to the World Bank, Intra-Africa trade is more expensive than trade in any other region.

An intra-region trade comparison by exports indicates a miserable figure on part of Africa;

17% - Africa

59% - Asia

69% - Europe

Africa is home to 16 per cent of the world's population and yet only has a share of 2.2 per cent of global air passenger traffic.

The 1.3 billion people are estimated to create a USD 3.4 trillion economic bloc which would lead into a new era of development.

However, for this to be fully realized, African air space needs to be liberalized, in other words SAATM needs to be implemented.

Therefore, SAATM is expected to have great impact on successful implementation of the African continental free trade area (AfCFTA), and the protocol on free movement of persons, which are also priority flagship projects of the AU Agenda 2063

Status on SAATM implementation within EAC

Among the six (6) EAC Member States (Kenya, Rwanda, Uganda, South Sudan, Burundi and Tanzania) only the first two are members to SAATM.

Regional integration in terms of airspace liberalization has not yet registered the expected progress.

Sixty seven per cent (67%) of these Member States have their National Airlines and possibly the remaining two are looking at establishing theirs as well.

With this in mind, we still see a lot of unnecessary constraints within the bloc;

- Protectionism
- Restrictions on grant of traffic freedom rights on certain routes, even the 2nd (landing for non-traffic reasons)
- Limited frequencies
- Limited capacity
- Unfair level of play field due to existing agreements
- Stifling of low cost carriers
- High cost of air travel
- Unusual taxes
- Member States being very reluctant at reviewing the restrictive BASAs.

Visa Liberalization

Rwanda's Case

Encouraging States for Air Space liberalization without looking at the existing annoying visa regimes would still not produce the SAATM intended goals. Rwanda was among the first eleven (11) countries to sign the solemn commitment, this was being run in parallel with streamlining the national visa regime.

Currently, Nationals of all countries receive visa on arrival at Kigali International Airport and all land borders and before that, only nationals of African countries and a few others were getting visa upon arrival. This has so far seen a 24% increase in tourism arrivals and 50% increase in intra-Africa trade according to Rwanda Development Board.

African Passport will see off this visa issue, Rwanda Directorate of emigration and immigration is currently issuing these passports.

A US citizen can get visa on arrival in more than 80% of African countries and a Rwandan/African can get on arrival in less than 20% of the African countries!

Current Status

RwandAir's Case

As earlier seen, liberalization will present carriers with route opportunities and opportunities to grow their operations

RwandAir has grown predominantly within African markets partly due to the negotiated bilateral agreements between those countries.

The emphasis is usually to remove restrictions on elements like traffic rights (up to 5th), frequency, capacity (type of aircraft) and cooperation arrangements among others.

The grant of 5th freedom traffic rights has been very key in our growing operations as it enables equipment utilization.

In some SAATM member states, traffic rights have been granted up to 7th freedom, this has for example enabled RwandAir to set up a hub in West Africa (Cotonou). This could not have been possible if we didn't have a liberalizing agreement and the willingness of both parties to fully implement these freedoms.

The global interconnectedness demands that we cooperate! We can compete but still work together. RwandAir has cooperation arrangements with different airlines within and outside Africa in terms of interline and codeshares and other technical areas which creates a wider network for the airline and its partners.

Challenges in implementing liberalization

Why did it take so long?

Some African governments and Airlines have criticized this project SAATM/YD, especially smaller airlines, alleging that the agreement would lead to few bigger airlines dominating the market and hence stifling competition.

There were also the issue of unclear regulatory texts more specifically in areas regarding;

- Powers and Functions of the Executing Agency
- Consumer Protection
- Competition Rules
- Dispute Settlement Body

These elements have been claimed to be the bottle necks for States not to join the Yamoussoukro Decision and so far only the latter is the only pending item.

Going Forward

Below are the next steps to making SAATM a reality

1. Ensuring more States to join the SAATM;
2. Ensure all Member States in the SAATM have
 - YD compliant BASAs or
 - Removal of any restrictive provisions from the existing BASAs
3. Ensure all States in the Market meet ICAO safety and security standards;
4. Competition rules and Consumer protection regulations need to be enforced by the Executing Agency (AfCAC).

There are more people waiting to take advantage of liberalization than those that have lost the opportunity!

Thank you