

Under African skies

➤ **AFRICA'S FAILURE TO ADEQUATELY LIBERALISE ITS AVIATION INDUSTRY HAS PROVEN A HINDRANCE IN DEVELOPING A DYNAMIC, COMPETITIVE PLAYING FIELD. HOWEVER, AS LANCE BROGDEN, IATA'S REGIONAL VICE-PRESIDENT AFRICA, EXPLAINS TO PHIN FOSTER, THERE ARE MANY REASONS TO BE OPTIMISTIC FOR ITS FUTURE.**

**ISSUES FACING
AFRICA'S AIRPORTS
INCLUDE**

- Interrupted power supplies
- Lack of government funding
- The need to advance ground and satellite equipment

No navigable rivers, few major roads and four different gauges of rail; if one must travel across Africa it is best not to have a fear of flying. The lack of alternative transport infrastructure throughout much of the continent should make it a hotbed for healthy competition. However, national carriers have failed to adequately connect Africa's major cities, with routes jealously guarded by respective governments, and privately owned airlines have had little encouragement to extend networks and forge new destinations.

This is no recent development. The debate for opening up Africa's skies began in 1980, initially culminating in 1988's Yamoussoukro Declaration and a commitment to create 'an environment conducive to the development of intra-African and international air services'. Fast forward 20 years and, despite a 2007 promise by the African Airline Association (AFRAA) to implement the Yamoussoukro Declaration in its entirety and allow all African carriers to operate without restrictions on all routes of their choice, the march towards liberalisation continues slowly and arduously.

'It's making nominal progress only now,' says Lance Brogden, IATA's regional VP, Africa. 'When we talk about the flag carrier status, it can feel as though the paint on the tail is the heaviest part of the aircraft. Much of the archaic legislation and practices relate to efforts to hold onto that flag. This is one of the most controlled industries in the world: a motorcar company in Europe can take the majority shareholding in a giant American manufacturer, why can't aviation do that?'

It is a question IATA has not shied away from asking industry stakeholders, a process only accelerated by the ongoing financial crisis. 'We are

working closely with sovereign states in an ongoing process of encouraging them to become more liberally orientated and remove deeply entrenched restrictions,' Brogden explains. 'The aviation industry stimulates economies. Liberalisation is a more affordable way of developing transport infrastructure than building new bridges or roads, but it will also bring money, through wider economic enhancement, into the country that can go towards financing those developments. We need to get people to see the bigger picture and, in the current climate, I am optimistic that they will listen more closely to our side of the argument.'

Glimmer of hope

Africa, like the rest of the world, was hit hard by the recession. Unlike everywhere else, its aviation sector has shown grounds for cautious optimism. The lack of alternative transport options may account for some resilience not found within more developed countries, but a healthy degree of premier traffic demonstrates that this goes beyond mere necessity.

'If you look at the figures from May, this was the only continent that showed a slight improvement on passenger numbers from the same time last year,' says Brogden. 'First- and business-class numbers are particularly heartening. The margins are tight and prices are being squeezed, but Africa is a developing continent that still needs goods and people moved around. More mature environments are taking a much harder beating at this juncture.'

With limited cash available and airlines looking to scale back excess capacity, Brogden does not believe that a spate of new routes will be opening on the continent soon. However, existing routes are not being cut back wholesale and there is always the chance that some opportunities may arise. 'It would be unwise to just try to throw more capacity onto routes without careful calculation,' Brogden explains. 'People are looking to be cost conscious and minimise waste; now isn't the time to be making investments that won't see an early

return. But there may be cases where operators are forced off routes because of issues at their end. If another carrier is confident of making a good yield on it, and has the resources to do so, then the opportunity might be there.'

Pulling together

Such scenarios should be rare. Brogden, who, as CEO of Air Botswana from 2005 until his current role in June 2008, had hands-on experience of running an African airline and the way in which key stakeholders work together in order to see one another through these difficult times is a priority.

'That is the critical question,' he says. 'Everyone needs to extend themselves and see where they can manage costs and be more disciplined. The airlines have already cut back on capacity, people have been laid off, but it shouldn't only be our members who are forced into taking difficult decisions.'

A key focus for this message is the airports. IATA's efforts to engage with this sector over the means of achieving mutual wins for all parties covers everything from curbing unnecessary costs to advising on major expansion plans.

'We're not asking anyone to make losses, but there has to be a sanity check,' he explains. 'Airlines are making global losses in the region of \$9 billion this year while airports continue to turn a healthy profit. Yes, they must continue to invest and improve, but it should be on a cost-recovery basis – it's no good looking to make \$15 on a \$10 investment at this stage with airlines suffering. A new philosophy needs to become more deeply entrenched and other parties should not be expected to foot the bill for outlays that are not in the interests of the entire integrated model.'

It is through its global pull and the ability to offer guidance on such investments that Brogden feels IATA can show particular strength in consolidating that integration. 'Airports in Africa face many issues of their own,' he says. 'Interrupted power supply, lack of government funding, the need to advance ground and satellite equipment; we know it can be tough and, in most cases, there is no open wallet. The people IATA can bring in to help advise them have worked on airports in Singapore, China and the Middle East. They're realists and can offer advice on running and expanding an operation in a manner is effective, cost efficient and based on global experience. If they take advantage of this amazing resource, our members also profit.'

Two major commitments for 2009 undertaken by IATA Africa demonstrate the potential for mutual wins: assisting at least two airlines in the region to become Bar Coded Boarding Passes (BCBP) enabled, and working with airports on the continent to develop Common Use Self-Service (CUSS) kiosks. 'It is one thing for the airlines to operate BCBP,'

Brogden observes. 'But it amounts to nothing if the airports they serve don't have the same system installed. It is fair to say that some airlines have said they don't have the resources to go full steam ahead and that's a call they need to make. But we are happy with the progress seen so far.'

Developments with CUSS continue apace because it is an area that the airlines and airports see the common value. 'There are a myriad of challenges – keeping to timelines, pushing case studies, Beta testing. To make it work everyone in the value chain must be fully involved, appreciative of its worth and want to make necessary investments,' he adds. 'In this case, the ROIs are instant and tangible.'

Economic sense

Brogden is confident that the difficult financial environment will forge an even greater degree of cooperation between various stakeholders. 'I believe in the sanity of economic models,' he says. 'Some airports have made extreme contributions, capping or reducing fees and trying to address this difficult time for aviation. The key players are making their voices heard and are beginning to find a more sympathetic ear. It's an ongoing dialogue. I'm hopeful that an increasing amount of sanity will prevail a mature response to these difficulties.'

'They must continue to invest and improve but on a cost-recovery basis'

Development for liberalising Africa's skies may be sluggish, but Brogden believes that activities on the ground are moving in the right direction. The aggressive approach for developing the continent's aviation infrastructure is not shared by other forms of transport and people within the industry appreciate the need for steady, sensible investment.

'In many cases we are talking about struggling economies starting from a low base,' he admits. 'But I see people pushing hard and looking for ongoing improvements. I look at the development within China and India over the last 15 years and it's clear that you need a critical mass of money and people with the insight and foresight for driving change. This is a special continent with massive resources. We must embrace these benefits and use them to develop its aviation industry.' ◉



LANCE BROGDEN

➔ Lance Brogden was appointed regional vice president Africa for IATA in June 2008. He oversees all IATA initiatives in sub-Saharan Africa, a broad portfolio that includes safety, security, the environment and managing IATA's African Billing and Settlement Plan.