



OPENING REMARKS

At

NEW ROUTE AFRICA

By

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PRESENTATION AT NEW ROUTE AFRICA

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Secretary General of AFRAA

Theme: Main challenges of the Airline Industry in Africa and the way forward

INTRODUCTION

It is my greatest pleasure to join you in this beautiful city of Casablanca for the first New Route Africa meeting ever held on the African Continent.

I wish to thank the Organisers and peculiarly, Alexander STRAHL for this wonderful initiative and for inviting AFRAA to endorse the Event and to be part of it.

I have been requested to update you on “The Main Challenges of the Airline Industry in Africa and the way forward”. I will touch on a few issues and structure my presentation as follows:

- 1- Globalisation and Its Impact on the Continent**
- 2- Route developments made by African Carriers**
- 3- Current common political issues and AFRAA recommendations**

Globalisation

Globalisation is taking Africa by storm. In most African States, foreign carriers are dominating the sky. This invasion of the continent is motivated by the fact that Africa is the fastest growing region for air travel after Asia. Yields remain the highest in Africa compared to other continents and unfortunately, African carriers are weak and pose very little competitive threat to the mega-carriers.



- Countries with no long-haul operators
- Countries with existing airlines that are fighting for survival
- Countries with prosperous airlines

In the future, this dominance of the African sky by foreign carriers is likely to further increase as a result of:

- The implementation of the single airspace concept within the European Union that will allow all European carriers to operate to our states from any airport of the European Union;
- The franchising policy which is being actively promoted by European carriers in various African countries.
- Foreign carriers buying into African airlines in various countries.
- The aggressive penetration of the continent's market by carriers of the Gulf region. These include Emirates and Qatar Airways which are

currently operating to all the capital cities of the Magreb region, to those of the Eastern part of the Continent along the Indian Ocean and progressively to those of the West African region up to Senegal.

Many of our airlines are bitterly complaining about irregular competition from these Gulf carriers which enjoy unlimited financial resources and are allegedly dumping tariffs as profitability is not their top priority.

African government authorities should not lose sight of the duty incumbent upon them to support their national carriers as all governments do across the world.

Brain-Drain

Another matter of concern with the same competitors is the intensive on-going robbing of the African air transport industry of its most trained, talented and experienced manpower. Pilots are the most targeted population. Air navigation staff is also more and more siphoned out of the continent with these siren songs from the Gulf.

On this matter of brain drain, it should be recalled that most of our airlines concede heavy financial sacrifices to train these technical staff who vanish overnight to enrich foreign carriers with their wealth of education, training and experience without any compensation.

This needs to be regulated along similar lines that the International professional football Federation, FIFA handles player transfers. Professional football players can always be solicited and transferred to other clubs provided that the receiving club does it under regulated contract whereby it compensates the player.

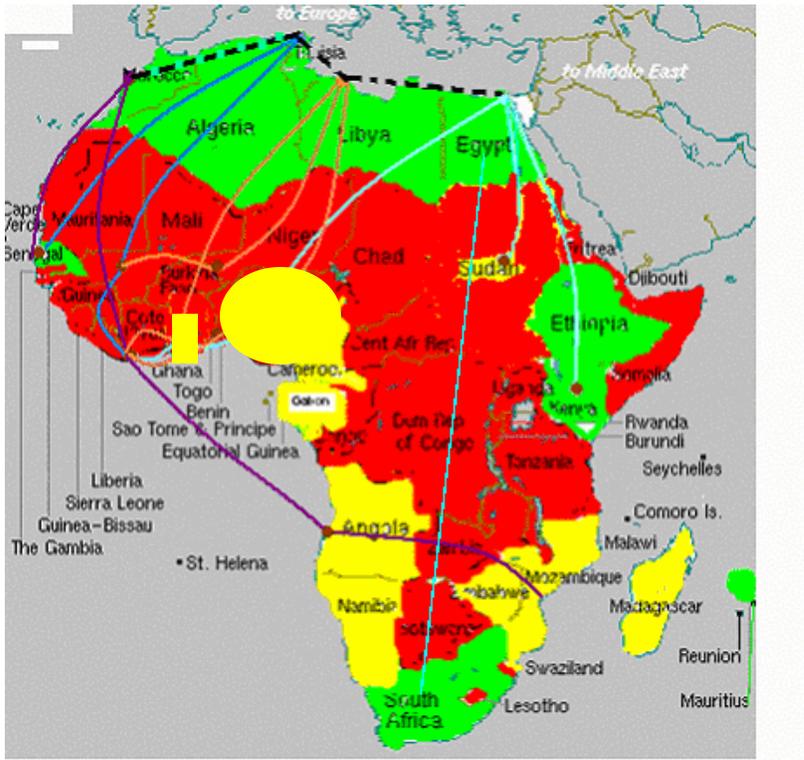
The African Airlines Association is hereby urging African governments to give consideration and thought to this bleeding issue and to establish rules and regulations to govern it properly for the interest of Africa. Should need be, diplomacy must also be referred to, to achieve our goal.

ROUTE DEVELOPMENTS BY AFRICAN CARRIERS

Some African carriers have made remarkable progress in expanding air service access across the continent and developing new routes to link the Continent to the rest of the world.

From the North

Travelling within the North African countries is seamless with good frequency of services between the major cities. The second Libyan carrier, Afriqiyah Airways is now operating to most of the defunct Air Afrique member countries transforming Tripoli into a hub for passengers connecting to Europe and the Middle East.



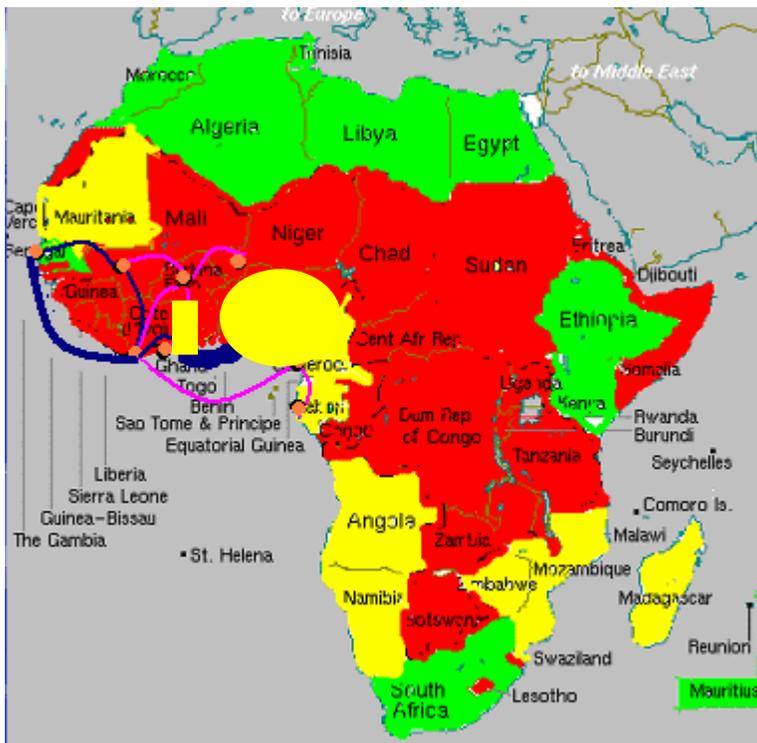
- Tunisair
- Royal Air Maroc
- Egyptair
- Afriqiyah Airways
- Connection covered by several North African airlines

Tunisair has also started flying to Bamako and Abidjan. Royal Air Maroc which flies to Dakar, Luanda and Maputo, operates daily flights to Abidjan.

The combined efforts of these North African carriers have improved travelling between the Magreb region and sub-Saharan Africa, but there's a long way to go before meeting the market's needs.

West and Central Africa

Air Senegal International, Bellview, Air Ivoire and Air Burkina have put in a lot of efforts to fill up the vacuum left following the demise of Air Afrique. These airlines propose flights to travel within the region from Dakar to Douala and Libreville.



— Dense air traffic

— Other connections

In this region the good news is that Virgin Nigeria has started operating very strongly and Ghana International Airlines has also recently launched its operations. In addition, a group of banks in the region have initiated plans towards establishing a new private sector multinational airline to take over from the defunct Air Afrique. This development is commendable and the African Airlines Association is very supportive of such positive efforts. It is

South African Airways and its subsidiaries have increased their frequencies within the region. The continent's leading carrier is also operating more flights to the West African region. It is worth noting that the airline is now flying to New York via Dakar in partnership with Air Senegal International and to Washington via Accra and discussing with Antrak Air for possible cooperation. The intra-Africa services have thereby increased. From the same region, Interair, which is currently flying to Brazzaville, Douala and Cotonou, has recently developed flights to Bamako.

Mr. President, in summary, air services are improving on African routes which translate into high traffic growth. At this juncture, we ought to mention the driving impact of the Yamoussoukro Decision despite all criticisms and scepticisms.

The reality is that the impact of the Yamoussoukro Decision's implementation is visible on various intra-African routes as follows:

FLIGHT FREQUENCY PER WEEK ON SELECTED ROUTES

ROUTING	AVERAGE PER DAY	AVERAGE PER WEEK
ACC – LOS	9+	65
ABJ – DKR	3	21
NBO – EBB	5	35
NBO – DAR	5	35
NBO – ADD	2	16
NBO – JNB	3	21
JNB-GBE	9	61
JNB/CPT-WDK/WVB	6	43

The African Airlines Association is fighting for more of these types of results. As a member of the Monitoring Body of the Yamoussoukro Decision, we are intermediating currently between Egypt and Nigeria to bring these two great African Union championing countries to come to a common understanding to fully implement the Yamoussoukro Decision. In the past, AFRAA successfully organized a meeting between Kenya and Sudan to the same end. Our Association will be available and honoured to assist in any other such cases.

Inter-Continental Services

Mr. President, it is gratifying to note that many African airlines are actively extending their operations to other continents besides their traditional destinations in Europe and the USA. These include in particular Asia, Australia and the Far East. The airlines spearheading this move are Egypt Air, South African Airways, Ethiopian Airlines, Kenya Airways and Air Mauritius. Despite its relatively small size, Air Zimbabwe also counted among the African carriers that opened the routes to China. This is going in the right direction as the airlines ought to anticipate and read accurately the main trade streams so as to offer their international air services accordingly.

African passengers can now travel on their own carriers to Dubai, New Delhi, Mumbai, Bangkok, Hong Kong, Singapore, Beijing and Tokyo without transiting through Europe.

The routes towards the American continent are less operated by our carriers. Currently only Royal Air Maroc, Egypt Air, Ethiopian Air and South African Airways operate to the USA. Down South, the only air link that the continent has with Latin America is operated by South African Airways yet Latin America has a lot to trade with Africa since we have the similar climate which makes the technologies and the products developed there very responsive to African markets and needs.

The American continent's markets remain untapped for our carriers though American Airlines are not interested in direct operation to the continent themselves. There is room for development that needs to be considered.

Another business or market that African Airlines ought to invest in is the freight business. Most African carriers look at cargo as an accessory business. It is remarkable that despite the AGOA policy designed in the USA to enhance trade with the African continent, there are no records of any increase in cargo flights to and from the USA.

Though it can be argued that cargo businesses are most often unidirectional, it is our belief that AGOA offers opportunities that could help develop African airlines' cargo business.

Here again, because of the small size of the markets in each individual African country, the way forward would be to partner in numbers to ensure successful operations. Furthermore, it is only through partnerships, including code share arrangements, that operations we are launching to the Middle East, Asia, and the Far East as well as to the American continent can be viable and profitable.

Simplifying the Business (StB)

AFRAA has embarked on very close working relations and cooperation with IATA in order to make African airlines meet the deadline of December 2007 for the migration of the industry from paper tickets to electronic ticketing. Four sensitization workshops have been organized and conducted by AFRAA on the matter in 2005 out of which two were in association with IATA Regional Office in Africa. In order to proceed with the migration in a cost efficient manner, the workshops have formed groups of the same reservations systems and GDS users to negotiate together under the leadership of AFRAA. It is critical that each member join its group so as to increase the bargaining power for their highest benefit.

AFRAA will remain mobilized and available to go any extra mile with IATA, to fully implement the StB programme at each of its stages to the best interest of its member airlines. The two Organisations held a top Management meeting in Geneva on 2 and 3 February to lay down the road map to achieve our common goal.

It is AFRAA's believe that airports in Africa will share in the urgency that airlines face in implementing e-ticketing and make airport handling equipment and facilities e-ticketing compatible before December 2007. It is in the interest of airports to upgrade their equipment so as to retain the

business of airlines flying there and also attract additional traffic. Currently airlines such as South African Airways and Kenya Airways are unable to extend e-ticketing services to passengers in many parts of Africa because of the slow progress of airport equipment upgrade in airports.

Safety

Mr. President, Ladies and Gentlemen, kindly allow me now to touch briefly on the issue of safety. Safety is the number one priority in our airline business. African scheduled airlines make no exception. On average, the safety record of African airlines members of IATA and AFRAA proudly stand comparison with that of the mega carriers of the world. Yet the message goes around the globe that the African sky is not safe. It always sounds as if our scheduled legacy carriers are not. As most of you travelled here on African airlines you well know how misplaced such a message is. It is ill-intentioned for competition purpose, to the extent that when accidents involve carriers on other continents, the Western media find it more convenient to attribute their comments largely to the unsafe African sky. These relentless negative safety related messages are highly damaging for our well performing carriers.

The accidents that established the bad safety record for the African continent involved in majority of cases very old aircrafts, which include old aircraft from the former USSR such as Antonovs and Tupolevs operated largely by unscheduled carriers in previously war torn countries such as DRC, Angola, Sudan, Liberia, etc. Between 1996 and 2005, 62% of all accidents in Africa took place in five countries. DRC, Angola and Sudan accounted for 46% of all accidents within this period.

AFRAA and AFCAC are sensitising and advising the concerned governments to stamp out this bad image on the continent.

African Civil Aviation Authorities need to carry out stringent safety oversight on unscheduled operations on the continent as they do on our scheduled operators. Some of those old aircraft largely from the former USSR without traceable maintenance records need to be banned from the African airspace. It is noted that, ever since the Angolan government banned the use of ageing aircraft from the former USSR in 2003, their previous poor accident record completely changed for the better.

“Flag of convenience” countries should be blacklisted.

States are urged to implement recommendations made by ICAO following their universal safety over-sight audit programmes.

Concerning our regular scheduled airlines safety record, IATA has worked out an IATA Operational Safety Audit (IOSA) to ensure that all carriers are compliant with State of safety organization and procedures that would help them better prevent accidents and properly manage them if despite all precautions the inevitable happens. 140 airlines already underwent this test and 62 passed and are registered on the list of honour of IOSA compliant.

Given the bad safety reputation of our continent, African airlines cannot afford to be left out of the IOSA safety label. As the audit cost is expensive, AFRAA will submit a funding request to the AU/ADB meeting in Tunis for consideration.

Tax on Air Transport

It has become a new trend to create and collect increasing taxes from air travellers.

Currently, taxes on air tickets are higher than the total fares charged by road transports on some intra-African routes. This is compounding air fares and making air transport much more unaffordable.

In addition to these unbearable taxes imposed by the States, regional and international Organizations are also seeking for authorization to accrue revenue from the same source. African Governments should give this issue serious consideration, failure to which, tax would kill the development of the Industry as ordinary people would never be able to travel by air.

It is against this background that I would like to express the Industry’s reaction to President Jacques Chirac’s new tax initiative as follows: While highly appreciating and valuing the French President relentless commitment and struggle for Africa’s economic development and relief from all pandemics such as HIV/AIDS, we recommend that the International community consider other ways and sources of raising revenue to assist the Continent.

The airline industry in Africa is currently in crisis following the unprecedented fuel price increases in recent years that has virtually brought airlines to their knees. Logically, airlines should be raising fares at this point to sustain their operations. Unfortunately, all realistic polls show that such increases would adversely affect the traffic growth to the detriment of African economic integration and development.

While acknowledging the thoughtfulness of our friends in the Developed World, we urge them to further search for alternative sectors to tax. We wish to remind all that air passengers pay more taxes than travellers by other modes of transport. High taxes are therefore making air transport less competitive in spite the dire need of its contribution to trade, tourism and economic development of the Continent.

Conclusion

Ladies and Gentlemen, it has been my pleasure to fly you over these key issues of the industry.

I'm very much delighted to witness the first implementation of this wonderful initiative of New Route Development in Africa. New Route Africa has brought together African airlines and airports, their counterparts from the outside world and different air service providers in order to network and discuss business.

This is actually a unique opportunity that we all need to use in the best interest of the Industry and of our individual Companies and Organisations. In this regard, I wish to introduce to you CDE-Pro€Invest, an EU funding vehicle for promoting investment and technology transfer to enterprises operating within key public sectors in the ACP States. CDE-Pro€Invest can provide funding of up to €100,000.00 (Hundred thousands Euros) a year for projects that meet a set criteria.

In view of the needs of our sector, peculiarly the need of financial resources to implement E-ticketing and safety requirements in most of our airlines and airports, AFRAA has opted to work in partnership with CDE-Pro€Invest to promote this EU initiative in Africa and secure funding for African carriers, Civil Aviation and Airport Authorities. You will receive our endorsement

and invitation letter to attend the INPUT 2006 Conference organised by CDE-Pro€Invest in Addis Ababa scheduled for 7 – 9 June 2006.

I wish New Route Africa a very successful first edition in Casablanca.

Thanks for your kind attention!