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**Developing & Improving Air Traffic into Africa**

The Role of Private Sector Investment in Aviation Infrastructure

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## INTRODUCTIO

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Traditionally, there was no special role for airport owners and managers in helping boost air traffic beyond ensuring safety and security. Airports were seen as typical public utilities that do not necessarily have to produce a commercial rate of return.

But, the increasing shift from an 'Aerodrome' view of Airports – a place for aircrafts to arrive and depart to an 'Enterprise' view – a place where the needs of all stakeholders – airlines, passengers, concessionaires and the general public, using the Airport, are identified and met is changing that position.

Without doubt, Aviation is one of the world's most important services; especially so for the African continent where there are large distances between places and other fast modes of transportation like fast rail have not been developed. Indeed, rail and road transport infrastructure are in a very bad shape.

Air traffic growth in Africa, currently estimated at an average of about 8%, is much higher than the world's average, which ICAO puts at 4%. But, that is where the good news ends.

According to Airports Council International, Africa makes up only 3% of the Global air traffic (North America and Europe lead with 32% and 31% respectively) and that performance is even not uniform across the continent. North Africa makes up 42% of Africa's traffic volume, South Africa, 28% and East Africa, 14%. West Africa particularly does poorly, making up only 12% of the continent's traffic.

Notwithstanding the huge population of a country like Nigeria (a highly mobile population), improving living standards and economic development in the country and the high growth in air traffic volume, and the obvious dividends of the liberalisation of the airline industry in terms of the growth of carriers, Nigerian airports (and indeed West African airports) do not make the list of the top airports in Africa in terms of passenger and traffic volumes.

We just don't attract passengers (locally and internationally) to use our Airports.

Generally, we can assume continuity in current trends of increasing political stability and democracy, macro-economic stability through reforms, economic diversification, liberalisation etc. and modest regional integration through the African Union, ECOWAS, NEPAD etc.; all of which are major traffic drivers. Continuing air traffic growth would, therefore, seem assured.

The importance, however, of Airport infrastructure that would ensure quality services, improved safety and security in supporting air traffic growth cannot be overemphasised.

## MODELS OF AIRPORT INVESTMENT & MANAGEMENT

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As reforms in aviation continue globally, African countries have responded in diverse ways in the area of aviation infrastructure investment and management.

Specifically on airports infrastructure, different models of responsibility for ownership, investment, management and operation are in use; ranging from:

- the traditional Government ownership - with investment and management vested in Government departments like the Ministry of Aviation;
- to a more contemporary Government ownership - with investment and management vested in autonomous but Government owned bodies (Airport Authorities) like the Kenya Airports Authority and the Federal Airports Authority of Nigeria; and
- to various grades of commercialisation, concessioning and privatisation.

There are cases of Airport operation bodies created as a mere separation of the role of Planning, Developing and Managing aviation infrastructure from the national Civil Aviation Authority but, what is clear is that the view of Airports as commercial entities that must generate returns and be self sustaining is widespread.

The entrepreneurial approach has produced commercial corporate entities like the Ghana Airports Company (Government owned), managing Ghana's 2 International and 2 Local Airports, the Egyptian Holding Company for Airports & Aviation Services and the Airport Company of South Africa (partially privatised but still largely Government owned), managing the country's 10 Airports. Indeed, the South African case represents the use of strategic equity partners towards improving performance.

There has not been real full privatisation as in the actual sale of Airports in Australia, or transfer of ownership to private entities as in the sale of shares in BAA and sale of some airports in the UK. But, cases of partial privatisation like Concessions, BOTs, partial Divestitures have been considered or used far and wide, including:

- Algeria (concessions at Houari Boumedienne Airport),
- Cameroon (a terminal at Yaoundé Airport),
- Cote d'Ivoire, (concessioning of the Abidjan Airport),
- Egypt (a new airport near Cairo),
- Gabon (concessioning of the Libreville Airport), and
- Tanzania (the concession of the Kilimanjaro International Airport).

The real Contract Management model is yet to be popular, not even with the small airports.

The Public Private Partnership model, in the form of a 'Design-Build-Operate-Transfer' scheme introduced by the Nigerian Government in 2002 for the development of the MMA2, the busiest Air Terminal in West Africa, stands out in terms of reforms in aviation investment in Africa. The terms of the concession transferred responsibility for the design, planning, construction, investment, management and operation of the airport terminal to Bi-Courtney Limited. The transfer element in a BOT, as usual, implies that 'real ownership' is not conferred.

The investment element, however, naturally confers great responsibilities, in the area of sustaining traffic and ensuring traffic growth.

The need for cost recovery dictates that it is not only important to attract Airlines, Passengers and Concessionaires to such an Airport it is desirable to bring the 'World' and to ensure that expectations are exceeded:- the more the usage of the Airport facilities, the more the revenue.

It was also an opportunity to set standards in quality of airport amenities and services.

- The MMA2 concession was the first major 3P project in Nigeria
- Nigeria's 22 airports are embarrassingly lacking in facilities for passengers, for cargo and such that would generate activities and events that can attract people and increase passenger volume.

It was instructive, therefore, to be cognizant of facilities and services that exist in African airports that attract over 10 million passengers per annum, notably in Southern and Northern Africa and in major world Airports and which are lacking at Nigerian airports.

## THE DEVELOPMENT PROCESS

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1. The MMA2 was planned to replace the previous Lagos Airport domestic terminal that was completely consumed in a fire in May 2000.
  - There were no serious environmental or land use control hurdles and
  - The typical 'Build vs. Modernise' considerations in Airport investment were not relevant
2. Traffic Drivers
  - a) The National Economy was picking up in response to various political, economic and social reforms.
    - Macro-economic indicators – foreign exchange rates, interest rates, inflation rate and budget deficits were stabilized, national debts were being eliminated, GDP growth rate was healthy, non oil contribution to the GDP was growing, Foreign reserves were growing.
    - A combination of a good investment outlook rating by the IMF and the World Bank, a BB- Credit Rating by Fitch Rating & Standard and Poor, improved business climate were all leading to an increasing inflow of FDI. There was also a strong and growing local Financial Services sector with international recognition, capable of providing local support to investments.

As a consequence, commerce was booming and national air passenger volume was growing at about 18% (10% for the Lagos domestic route that MMA2 was meant to serve).

- b) The gains of the liberalisation of the local Airline Industry were obvious;
  - The number of licensed carriers was growing, consequential competition was opening up more routes
  - Traffic volumes were growing. new and modern aircrafts were being introduced. The Lagos domestic traffic, at the time, constituted about 36% of national domestic passenger traffic and about 32% of domestic aircraft movements.

\*Tourism, unfortunately, did not feature as a key traffic driver

### 3.The Traffic Generators (The Airlines)

Investigations revealed that keeping operational constraints low is a major factor for the airlines.

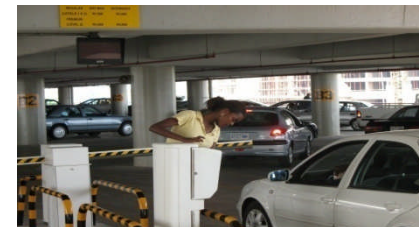
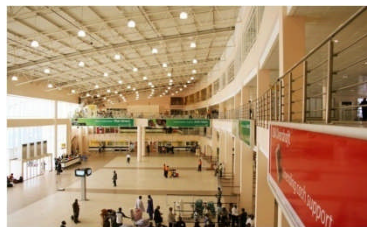
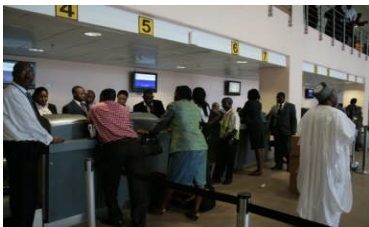
The designed responded with the use Information Technology and other practical solutions towards meeting the needs of airlines and their facilitators (handlers, fuel suppliers etc.)

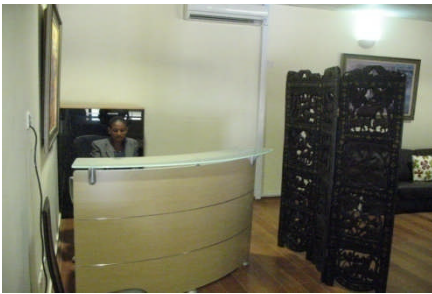
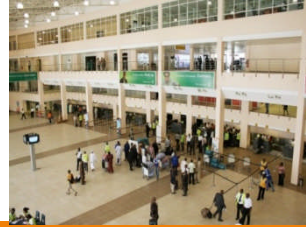
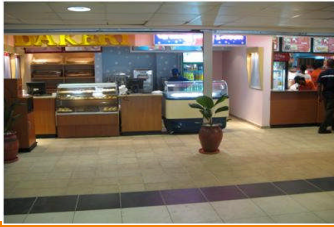
- There is a CUTE system and Flexibility in the use of facilities
- There are over 30 ticketing desks and a plan to install facilities for electronic ticketing and check in
- There are 5 security screening positions to speed up passenger processing
- There are, currently, 14 Boarding gates: 6 Avio Bridges and apron buses for 8 remote boarding positions (additional 17 Boarding gates are being added – New apron buses are on order
- There are Electronic boarding facilities
- There are Electronic Baggage belts for check-ins and Arrivals
- A fuel hydrant system is under construction
- There are ancillary services for crew, handlers, baggage storage etc.
- Towards facilitating connection between international and domestic flights, a light rail has been proposed to link both the MMA2 and the International Terminal. In the interim, a bus link is in operation.



#### 4. For Passengers, the design sought to adapt infrastructure and facilities to help enhance travel experience

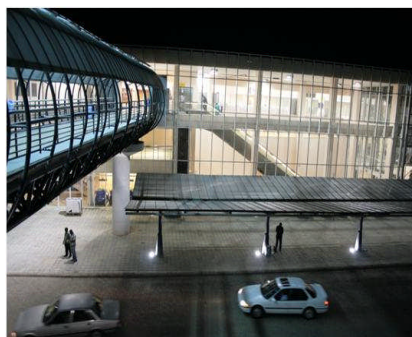
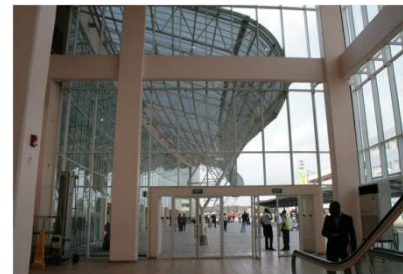
- There are 31 check in desks in operation
- There are Information display units all over the Terminal building
- There is an integration of public transport systems to aid passenger mobility to and from the Terminal, including Car Rental area, a Taxi Service/Rank, parking for buses
- There is automated Multi-storey car park (also with long term parking facilities) linked to the Terminal building with a covered bridge and a drivers' lounge on every floor
- There are VIP, Executive and general lounges in addition to large departure waiting areas
- There is a modern Baggage claim facility (that guarantees Baggage in the arrival hall in typically 5 – 10 minutes of arrival)
- There are full facilities for physically challenged passengers including a seamless flow throughout the terminal building and to the car park
- There are Restaurants and Bars and a Food Court.
- There are Shops both on the land side and departure areas featuring Travellers' support facilities, Gift Shops, Newsagent/Tobacconists, Chemists, Banks and ATMs, Travel Agents and a Business Centre
- There is a waiting area for families of travellers 'Meeters & Greeters' lounge
- A fully equipped Clinic





In addition, the MMA2 is, appropriately, complemented by a 250 keys 4 star Hotel and a Conference centre comprising a 1,500 seat Auditorium and Meeting rooms (both are under construction and are linked to the Terminal building by a sky walk. They will be managed by Intercontinental Hotels under the Crowne Plaza brand. The MMA2 therefore has been planned to be a Conference and events destination.

The Terminal was commissioned on April 7 2007 and commenced flight operations on May 7 2007. It is the first of its kind in Nigeria in terms of aesthetics, comfort, efficiency, and services to air travellers and airline operators.



## MANAGEMENT

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As Airlines face increasing operational costs, notably from sky rocketing fuel prices, and dipping profits, an Airport operator faces some challenges, especially in keeping costs low while maintaining the desirable levels of service to Airlines and Passengers.

We have responded in a series of ways:

1. Commitment to raising more revenue from non aeronautical sources – Adverts, Car parking, Concessions, Hotel/Conference revenue etc. within safety and security considerations
2. Augment marketing efforts of airlines; we are stepping up airport adverts highlighting operating airlines
3. Commitment to eliminating issues, from the side of the Airport operator, that can raise after sales costs of airlines
4. Become involved in issues influencing air traffic volumes - data collection on traffic characteristics etc.

We have also made it our duty to:

1. Identify with issues affecting airlines e.g., the second Lagos runway
2. Commit to airport service quality bench marking
3. Membership of International and Regional bodies IATA, ACI, AFRAA, AFCAC etc. ensures professionalism, awareness, currency and benefitting from networking and information sharing

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