

THE CORPORATE COUNCIL ON AFRICA 2007 US-AFRICA INFRASTRUCTURE CONFERENCE



BUILDING COMPETITIVE AFRICAN AIR TRANSPORTATION INFRASTRUCTURE

(Sponsored by: The US Department of Transportation)

Speaker: Dr. H. O. Demuren
DIRECTOR GENERAL
NIGERIAN CIVIL AVIATION AUTHORITY

IMPORTANCE OF AIR TRANSPORT ON ECONOMIC DEVELOPMENT IN AFRICA



- **Increased trade and investment, as well as, long-term economic development in Africa depend strongly on Safe, Secure and Effective Air Transportation system.**

Effective Air Transportation, in itself, can be:

- **An Engine for growth**
- **A Catalyst for economic development**
 - Today it remains the safest means of moving people and cargo around the world
 - In some countries, along with tourism, it has become the biggest source of revenue
 - In some countries outside Africa, where over 60% of population travel by air, the revenue from air transportation is larger than the GDP of many African countries.

THE VAST CONTINENT OF AFRICA



- Our continent Africa is large
 - Regrettably however, **Road, Water & Rail Transportation are grossly inadequate**
 - Connections between many African countries are sometimes only possible via Europe
 - This in itself is an indication of the great potential for Air Transportation in the continent

AFRICA AIR TRANSPORT POLICY PERSPECTIVE



- **Lack of policy harmonization and implementation** have been the bane of air transport development in Africa
- **Over Protection of National Flag Carriers** in place of Consumer Interest has resulted in:
 - **Government interference,**
 - **inept management,**
 - **corruption and**
 - **frequent policy changes that killed some of the airlines**
- Instead of free market policy and encouragement of professionalism, **Political Interference** in day-to-day running of the airlines dominated
 - **Management decision**
 - **Aircraft acquisition and**
 - **Route selection**

NATIONAL FLAG CARRIERS OF AFRICA



Ended up in Two different ways:

AIRLINES THAT SURVIVED AND EVEN BECAME SUCCESSFUL

1. Ethiopia Airlines
 2. South African Airlines
 3. Egypt Air
 4. Air Maroc
 5. Kenya Airways
- etc etc

AIRLINES THAT WERE NOT SO LUCKY AND HAVE FOLDED UP

1. Nigeria Airways
 2. Ghana Airways
 3. Air Afrique
 4. Cameroon Airways
 5. Air Gabon
- etc etc

Where public model has FAILED, we should adopt Public-Private Partnership (PPP) or accept Private sector solution for Airlines & Airport operations.

OPPORTUNITIES FROM AIR TRAVEL



Despite some external shocks including the:

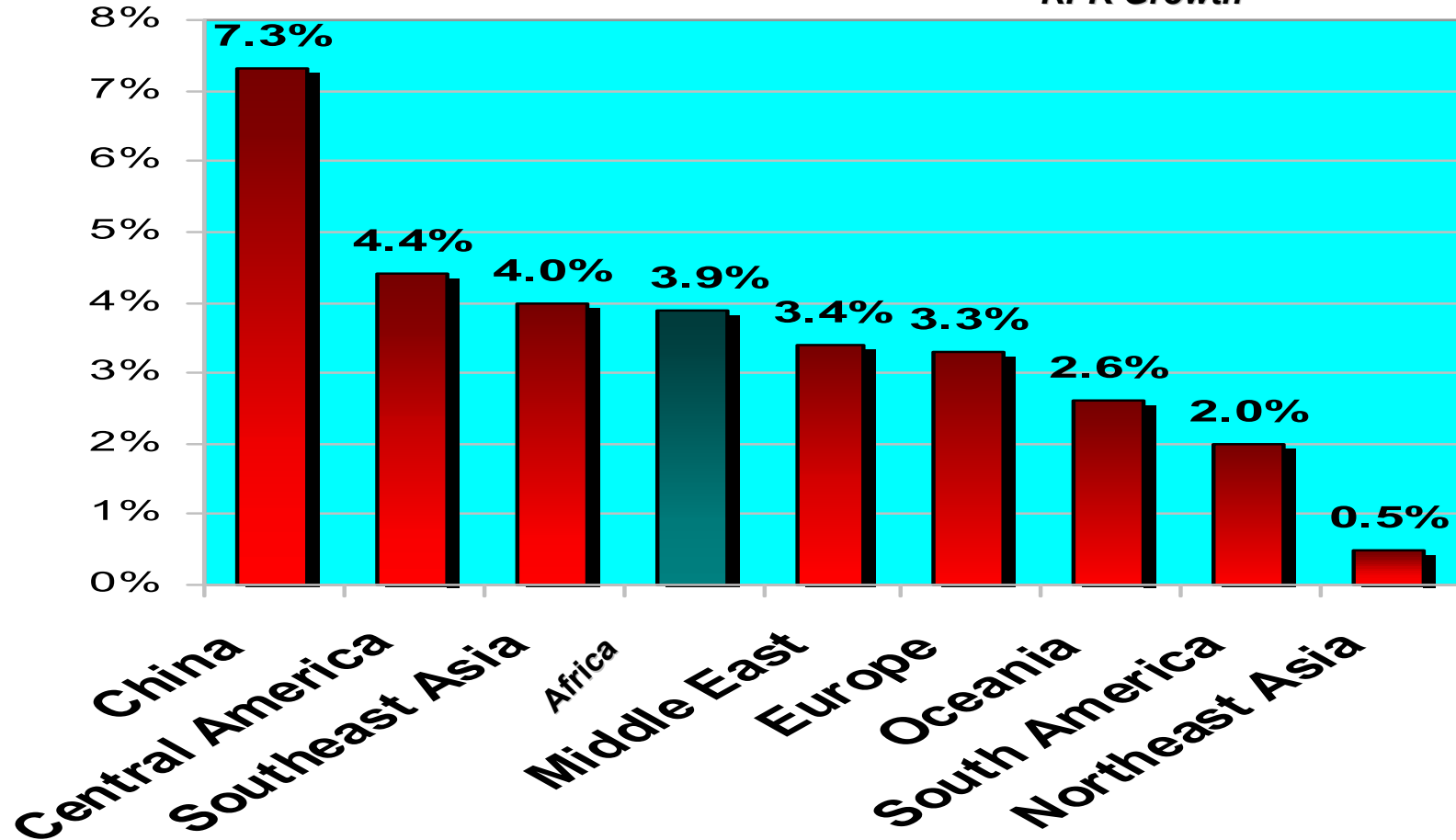
1. Oil crisis from the 1970s, the Gulf war, the Asian crisis, the WTC attack and SARS – air travel has been steadily growing and recorded **28% growth** in the last 5 years. Africa transport sector has grown almost **4% over the past 10 years**, faster than Europe and Middle East.
 2. Worldwide – The large Air Transport sector (Aviation, tourism and other catalytic including trade) now generates globally USD 5 trillion value added business creating over 29 million jobs
- **As of today, the African Market is under-developed.**
 - **African Aviation Industry can also prosper**
 - **Aviation can be an Impetus for significant economic development.**

The Opportunities

African Market is growing, but ...



1995-2005 Average Annual
RPK Growth

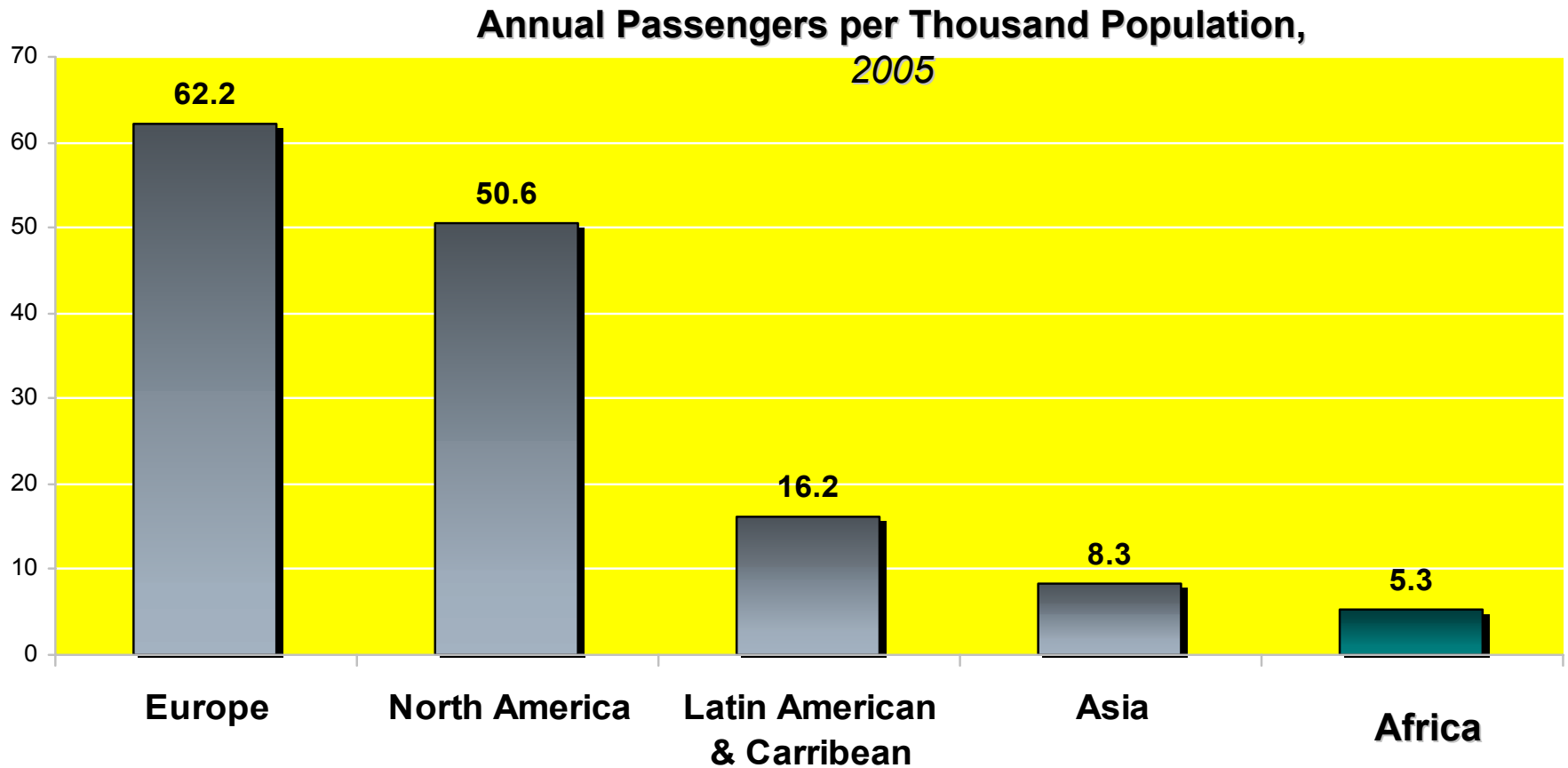


Source: World Bank

The Opportunities



... the African Market is under-developed



Source: World Bank

OPPORTUNITIES



Africa has **12%** of world population, but only **4%** of Revenue Passenger Kilometer (RPK).

Air Freight opportunities are enormous. An estimated 2.6 million tons perishable will be air freighted in 2008 worldwide.

Out of Africa perishable-bound for Europe and beyond:

Meat Export – Egypt

Vegetable - Kenya (Beans, Peas); Ethiopia (Beans)

Flowers - Roses from Kenya, Zambia and Ethiopia

Fish - Hake, pike from Namibia and Tuna from Tunisia

Fruits - Passion fruit, Lychees, baby pineapples, avocados, grape all from South Africa

Pineapples, melons from Ghana etc, etc.

EVOLUTION OF YAMOUSSOUKRO DECISION (WHERE WE ARE TODAY)



- Numerous continental initiatives
- Various regional and sub-regional efforts all to improve Air Transport in Africa
- Regrettably, many African countries pay lip service to YD
- The AU through the ADB is also encouraging implementation through regional initiatives by organization such as ECOWAS, COMESA etc

EVOLUTION OF YAMOUSSOUKRO DECISION (WHERE WE ARE TODAY) contd..



While we can give credit to the progress made on regional implementation of YD

Unfortunately, little progress has been made across the regional borders in Africa

Some African governments prefer to give free and unlimited market access to foreign airlines but insist on endless and unproductive BASA talks to frustrate fellow African Airlines

The result is alarming



Foreign Carriers – Market Share in Africa

AIRLINES	No. of Destinations in Africa	Frequencies per week
Air France/KLM	41	335
British Airways	31	256
Lufthansa	16	61
Alitalia	10	83
Iberia	7	45
Emirate	14	80
Qatar Airways	13	53

BY COMPARISON

South African Airways (African Largest Airline)	5	50
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Foreign Carriers–Market Share in Nigeria

AIRLINES	2000	2002	2004	2006	2007
Air France	3	4	5+2(PHC)	7+2(PHC)	7+3(PHC)
Alitalia	3	4	4	5	6
British Airways	7+3(ABV)	7+3(ABV)	7+5(ABV)	7+5 (ABV)	7+7 (ABV)
Iberia	-	-	-	3	3
KLM	3+2(KAN)	4+2(KAN)	7+3(KAN)	7+3(KAN) + 3(ABV)	7+3(KAN) +3(ABV)
Lufthansa	3	3	7	7+3(ABV)	7+2(ABV)
Virgin Atlantic	3	3	4	7	7
Turkish	-	-	-	2	3
Total Weekly Frequencies	27	30	42	61	65

THE EFFECT OF MARKET IMBALANCE ON SAFETY



The Statistics on airline market share clearly indicate that the market position of African Aviation Entities need to be strengthened to ensure safe operations.

On the other hand, the current market advantage which is grossly in favour of foreign operators places equal burden on foreign states to contribute towards safety improvement and development of Air Transportation in Africa.

The Opportunities

Many agreements, but poor safety hinders development of the sector



AVIATION SAFETY STATISTICS ON AFRICA



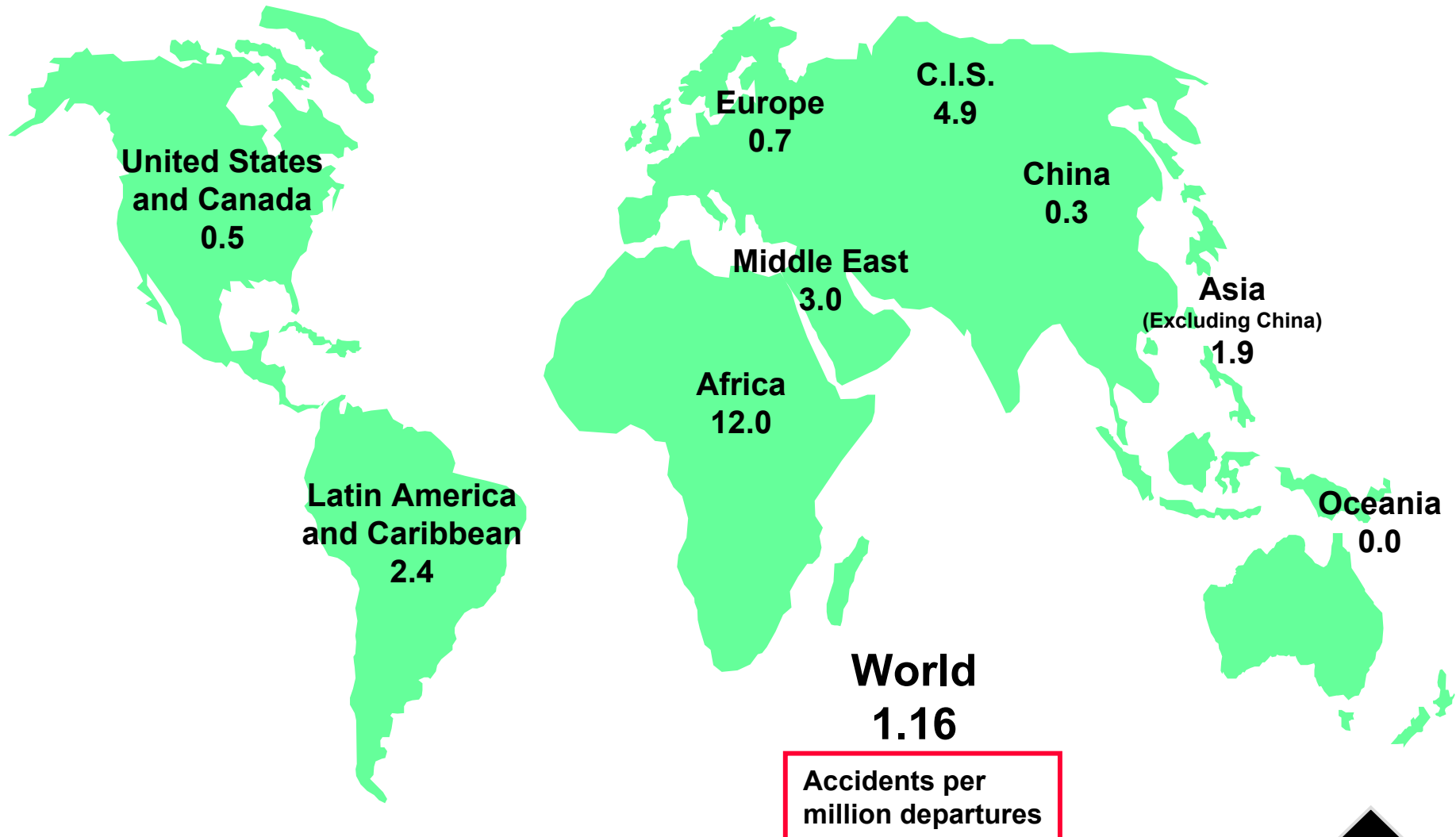
- **ICAO USOAP AUDIT RESULTS**
- **US FAA Safety Reports**
- **APIRG Reports**
- **ADREP**
- **IATA Statistics**
- **FSF**
- **Boeing**
- **Airbus**
- **World Bank Report**

**ALL CALL FOR URGENT REMEDIAL ACTION TO
PROMOTE SAFETY IN AFRICAN REGION**

Regional Perspective Accident Rates Vary by Region of the World



Western-built >60,000 lb transport hull loss accidents, by airline domicile, 1997 through 2006



POSSIBLE REASONS FOR REGIONAL ACCIDENT RATE DIFFERENCES



- **Infrastructure Decay**
 - **Air traffic control**
 - **Navigation aids**
 - **Airport equipment**
 - **Weather services**

- **Unsafe Airline operations**
 - **Procedures**
 - **Training**
 - **Maintenance**
 - **Dispatch**

- **Ineffective Regulatory oversight**
 - **Aviation legislation**
 - **Civil aviation regulation**
 - **Resource constraints**
 - **Corruption (internal and external)**
 - **Socio-Political interference**

Competition with Limited Resources

- **Health**
- **Education**
- **Road**
- **Water**
- **Food**
- **Welfare and Social Services**
- **Poverty Alleviation Programs**

Internal Problems

- **Non-judicious use of scarce resources**
- **Lack of political will**
- **Poor corporate governance**
- **Lack of accountability**

AVIATION SAFETY IN DEPRESSED ECONOMY



- **Aviation is Basically Capital Intensive**
- **Over 90% of Expenditure is in Convertible Currency (Aircraft purchases, training, maintenance, infrastructure, manpower.)**
- **In a Depressed Economy, the tendency is for Aircraft Operators and service providers to:**
 - **Operate Ageing Aircraft, Obsolete Equipment and Dilapidated Facilities**
 - **Defer or skip maintenance and Training**

High accident rate portrays Africa as an unsafe continent to travel

OPERATION OF FOREIGN REGISTERED AIRCRAFT IN AFRICA



- Nearly half of all aircraft accidents in Africa involved aircraft registered outside Africa.
- Operation under foreign registry (Non compliance with Article 83 bis creating safe haven)
- Ineffective safety oversight
- Questionable safety certificates
 - Obtained without due diligence
- Fake insurance papers
- Forged flight crew licenses
- Language problems

All contribute to a high rate of accidents

AFRICAN CIVIL AVIATION AUTHORITIES MUST BE PREPARED TO GROUND THESE DANGEROUS OPERATIONS

ASSISTANCE OF THE INTERNATIONAL AVIATION COMMUNITY IS REQUIRED TO COMBAT THIS MENACE

AIR TRANSPORTATION IN AFRICA: WAY FORWARD



1. LIBERALIZATION

- **Liberalization of Air Transport system within the continent, the regions and must start with individual countries**
- **Removal of all obnoxious policies which tend to scuttle growth in the aviation industry and commit to policy that promotes air travel within Africa in general and in every sub-region in particular**

WAY FORWARD contd..



- For example:
 - Those of us in the West African sub-region should agree to turn the sub-region into **ONE Domestic Air Transport Market**

- ECOWAS has already made progress in the areas of:
 - Trade liberalization
 - Immigration (removal of visa restrictions)
 - Currencies

Regrettably similar progress has not been made in Air Transportation. We are still operating restrictive BASA regimes



2. Establishment of Good Corporate Governance

- **Due diligence**
- **Transparency (particularly in procurement and contract award)**
- **Judicious use of resources**
- **Just culture**

**Disappearance of Funds and
Corruption must STOP!**



3. HUMAN CAPACITY DEVELOPMENT

- Africa is faced with acute shortage of skilled manpower.**
- Exodus to “greener pasture” – Middle East, China, India etc.**

4. AVIATION FINANCING

- Use of available vehicles such as Cape Town Convention to facilitate the acquisition of modern aircraft**
- Fleet Renewal, Airport Infrastructural upgrade and provision of modern land and navigational equipment**

5. STRATEGIC PARTNERSHIP FOR TECHNICAL EXPERTISE & INVESTMENT

- Crucial to the survival of our ailing state-owned Airlines, Airports, ATS providers etc.**



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6. SAFETY STANDARDS

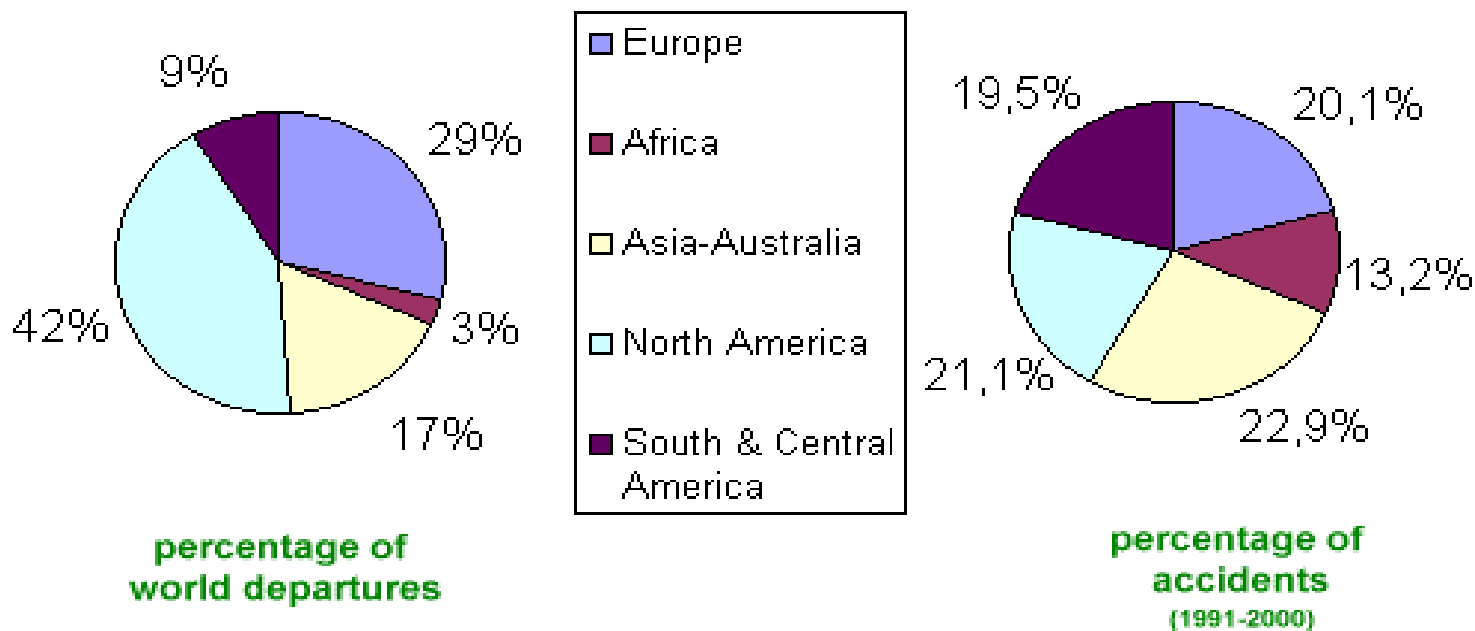
- **Aviation is safe all over the world but the safety record in Africa is worrisome**
- **“Safe Skies” are the prerequisites for increased trade and long-term economic development in Africa.**

The Challenges

Poor Safety Record



Africa has only 3% of all worldwide airline departures and over 13% of all accidents!



SAFETY IMPROVEMENT IN AFRICA



We must acknowledge safety improvements in some parts of Africa.

There are States and African Airlines that have made Africa proud.

Nigeria like many other countries has had its own share of the problem.

The Nigerian Government has demonstrated the POLITICAL WILL and came up with a robust safety reform agenda.

AVIATION SAFETY IN NIGERIA - JOURNEY SO FAR



- 1. Enactment of the Primary Aviation Legislation – “Civil Aviation Act 2006”**
- 2. Full Autonomy of Nigerian Civil Aviation Authority empowering it to regulate aviation safety without political interference.**
- 3. Promulgation of a new Nigerian Civil Aviation Regulation that meet ICAO requirements**
- 4. Strict Enforcement of Safety Regulations**
- 5. Successfully gone through ICAO Safety and Security follow-up Audits. Currently addressing the corrective action plans**
- 6. Given consent to the publication of our Safety Audit Report inline with the Principles of Transparency and Disclosure.**



- 7. Total recertification of the entire industry – Airlines, Airports, Aircraft, Personnel.**
- 8. Infrastructural Rehabilitation – Runway resurfacing, perimeter fencing, new control tower, total radar cover, wind shear equipment, modernization of landing and navigational aids etc.**
- 9. Actively encourage our Airlines to embrace IOSA and made it “voluntarily compulsory”**
- 10. Aggressive training programme to address acute shortage of skilled man power.**
- 11. Fleet renewal using Cape Town Convention**

STATISTICS OF OLD AIRPLANES IN NIGERIA AS AT DECEMBER 2005 BEFORE IMPLEMENTATION OF CAPE TOWN CONVENTION



Aircraft Type	No of aircraft above 20 years	Age of oldest in the fleet
B747	5	32 years
B727	17	33 years
B737	24	26 years
DC-9	4	33 years
MD-81/82	2	24 years
F28	2	24 years
HS 125	9	33 years
DO 228	9	23 years
Cessna 172	1	35 years

Government Policy now forbids operating aircraft over 30 years old in public transport category carrying passenger for hire and reward

CHANGES IN AIRCRAFT OPERATING ON THE DOMESTIC ROUTES IN THE LAST 20 MONTHS



Aircraft Type	As of December 2005		As of August 2007	
	Total	No./Age	Total	No./Age
B737-700	Nil	Nil	3	1/2yrs 2/8months
B737-400	Nil	Nil	2	2/17yrs
B737-300	2	2/15yrs	10	6/8yrs 2/17yrs 2/18yrs
B737-200	17	1/25yrs 2/24yrs 4/23yrs 9/22yrs 1/21yrs	3	2/24yrs 1/25yrs

CHANGES IN AIRCRAFT OPERATING ON THE DOMESTIC ROUTES IN THE LAST 20 MONTHS



Aircraft Type	As of December 2005		As of August 2007	
	Total	No./Age	Total	No./Age
B727-200	13	4.....32yrs 1.....31yrs 1.....28yrs 2.....26yrs 1.....25yrs 3.....23yrs 1.....22yrs	2	2/25yrs
DC-9-31	2	2/24yrs	Nil	Nil
DC-9-32	1	1/32yrs	Nil	Nil
DC-9-34	1	1/29yrs	Nil	Nil
F28	2	1/23yrs 1/18yrs	Nil	Nil

CHANGES IN AIRCRAFT OPERATING ON THE DOMESTIC ROUTES IN THE LAST 20 MONTHS



Aircraft Type	As of December 2005		As of August 2007	
	Total	No./Age	Total	No./Age
CRJ-200	Nil	Nil	3	3/yr
CRJ-900	Nil	Nil	4	1/7months 3/1yr
DHC 8	Nil	Nil	5	1/2yrs 1/3yrs 2/7yrs 1/8yrs

In addition, Nigeria carriers have firmed orders for more new modern aircraft – B777, B787 etc

AVIATION SAFETY IN NIGERIA - JOURNEY SO FAR



12. Airline Recapitalization

13. Deliberate Policy to improve Search and Rescue Capability

14. Introduction of Safety Management System

15. Enthronement of Transparency, due diligence, accountability and professionalism in the conduct of Aviation Business.

RESOLUTION OF SAFETY CONCERNS (SURVEILLANCE & ENFORCEMENT)



➤ Unsafe Operators Sanctioned

So Far This Year:

- **8 Operators Grounded**
- **13 AOCs Suspended, many others not renewed**
- **1 AOC Revoked**
- **6 Operators fined a total of ₦16.2 Million (USD \$120,000)**
- **Port Harcourt Airport Closed**
- **Maiduguri Airport Operations Restricted**
- **Many pilot, engineer and ATC licences have been suspended**
- **Rejected request to operate foreign registered aircraft with questionable safety certificate**

ZERO TOLERANCE ON SAFETY



While we may not be able to achieve zero accident level, Nigeria enjoins our sister African Nations to declare zero tolerance on Aviation Safety Matters

We need to jointly eliminate cases of illegal operation and the phenomenon of “Flag of convenience”

OPEN SKY AGREEMENT

DIRECT FLIGHTS



between

NIGERIA

&

UNITED STATES OF AMERICA

NIGERIAN CARRIERS

- **Virgin Nigeria**
- **Bellview Airlines**
- **Arik Air**

US CARRIERS

- **North America Airlines**
- **Delta Airlines**
- **Continental Airlines**

Conclusion



- Building a sustainable trade relationship between the US and Africa requires a SAFE, SECURE and EFFICIENT Air Transportation system
- Boosting economic growth in sub-Saharan Africa depends to a large extent on:
 - Expanding infrastructural investments
 - Improving the investment climate
 - Harnessing the skills for innovation
 - Building infrastructural capacity across the continent

GREATEST WEAPON TO ALLEVIATE POVERTY!!!



THANK YOU