

## CHAPTER 7

# Conclusions and Policy Recommendations

The air transport sector has long been one where policy dialogue has been difficult. The strong traditional association between governments, national identities, and often state-owned flag carriers has resulted in subjective arguments sometimes overshadowing rational considerations about economic objectives and public interests. However, many changes have taken place over the past 10 years that have affected governments' perspective and made moving forward easier. The rapid development of air traffic driven by economic globalization and international migration, along with the failure of the traditional business model on which many African legacy carriers were based (that is, the cross-subsidization of unprofitable domestic routes by profits generated on intercontinental routes protected by monopoly-oriented restricted bilateral agreements), the entry of private sector interests in the air transport industry, and the trend toward transborder consolidations, have significantly changed the business climate for air transport. Other ingredients of change have also played an important role, such as stronger concerns for aviation safety and security, volatile fuel prices, and new environmental issues and demands. However, in the African context the most effective single element of change has been the change in the rules of the game brought about by the Yamoussoukro Decision that, despite some shortcomings, has acted as a catalyst for changes triggered by the other factors.

The Yamoussoukro Decision is a relatively ambitious treaty framework that aims to open up air services between all African states. Indeed, it is a relatively progressive and radical move away from regulating air services between states on the basis of restrictive bilaterals. However, implementation of the decision has encountered two quite opposite realities. Implementation in terms of carrying out public policy has seen little progress at the pan-African level: many of the key policy elements are still missing or exist only on paper. At the same time, in terms of operational implementation many examples can be seen of countries opening up by applying the Yamoussoukro Decision at the bilateral level. Given the current structure of the air transport sector in many African countries, we can assume that about two-thirds are willing to apply the Yamoussoukro Decision because they see little value in protecting their own markets from outside competition.

As a result, the decision can also be regarded as a historic opportunity for implementing a pan-African accord, both on a continent-wide and on a regional level, which is key for Africa's regional integration. The Yamoussoukro Decision has a long history of failed or ineffective objectives of integrating Africa, such as the Lagos Plan of Action, but given that the decision is increasingly supported and applied by states that are helping their national carriers obtain traffic rights that are based on the decision, it has good prospects of being applied and implemented in most regions in the future. This is the case even if the implementation of the missing elements by the African Union or the RECs continues to drag on.

From a policy standpoint, the African Union or the RECs must continue with several elements of implementation; however, none of these elements would hinder the continued application of the Yamoussoukro Decision on a bilateral basis between two or more party states. An effective executing agency, and a conflict resolution system, along with competition regulation, are necessary tools that need to be established. Nevertheless, an increasing number of bilateral relationships between states that conform to the Yamoussoukro Decision may provide the motivation to implement these missing elements. In the meantime, operational implementation must continue on a bilateral or multilateral basis, regardless of the progress made in policy implementation.

To continue pan-African implementation of the Yamoussoukro Decision, this report recommends that the 10 countries that are not party states (Djibouti, Equatorial Guinea, Eritrea, Gabon, Madagascar, Mauritania, Morocco, Somalia, South Africa, and Swaziland) review their current status. Some of these countries may not even be aware that they cannot be

considered party states because they ratified or deposited their instruments of ratification too late. These countries, as well as those that never signed or ratified the Abuja Treaty, such as Morocco, might consider joining the Yamoussoukro Decision, which provides for a simple procedure for nontreaty states that wish to be parties to the decision (UNECA 1999, annex 1 [a]).

Regional implementation of the decision must be continued, especially in those RECs that have come close to liberalization. The EAC should amend its bilaterals to conform them to the principles of the decision, while COMESA declared the establishment of the Joint Competition Authority to be the last obstacle to full implementation. The strong growth of air transportation in the region that is being driven by two main operators that are increasingly providing air transportation in markets abandoned by failing carriers should be recognized as a strong argument for certain countries to stop supporting their non-viable airlines. Nonviable air carriers are also the major obstacle to implementation of a liberalized market in southern Africa. The argument that South African Airways would destroy weak foreign carriers of the region can be countered with the observation that South Africa's domestic market has prospered since the introduction of a truly competitive environment. Liberalization of the SADC region should therefore be possible, even if it entails the disappearance or integration of certain national carriers, such as in Malawi or Mozambique. The only requirement to assure competition would be a policy of, for example, allowing more than one carrier to serve city pairs within the region, even if both carriers are registered in, for example, South Africa.

On a national level, as well as on the level of the RECs, this report recommends that the states strengthen their policy formulation capabilities. This should be done from an institutional standpoint, in particular, by clarifying the respective roles and responsibilities of policy-making bodies, for example, ministries responsible for transport, the economy, tourism, and land use planning; regulating agencies such as civil aviation authorities; law enforcement agencies, for instance, customs and immigration, whose role in facilitation is crucial for efficient use of airport facilities; and service providers, for example air navigation service providers or agencies, airport operators, safety oversight service providers, and private security organizations, in accordance with the recommendations of ICAO where they apply.

This also requires an improvement of methods of and criteria for policy development. Policy formulation, in particular, should be supported by

improved knowledge of the economic background by means of better air traffic statistics and economic statistics; improved dialogue with stakeholders, namely, air carriers, freight forwarders, and the travel and tourism industry; and enhanced understanding of the driving factors of air traffic generation and of the economic benefits of air transport in relation to national development objectives. Safe, secure, reliable, frequent, and cost-effective air transport is a necessary condition for an enabling environment. It has an impact not only in terms of direct and indirect jobs, but more important, on connectivity, competitiveness, reliability, and choices of access. Moreover, effective air transport connectivity is a necessary condition for the emergence of businesses such as new service and production industries where just-in-time features are valuable. It is also a prerequisite for opening the remote communities and regions of a country to enhanced development opportunities.

Also at the national level, several African countries continue to support their failing national carriers. These states should be encouraged to abandon this strategy by privatizing, disposing of, or liquidating their failed carriers. This is especially important when considering the large amounts of public funds used to keep nonviable carriers operating. In addition, most countries in Africa that have abandoned their failing carriers and opened up to foreign operators in applying the principles of the Yamoussoukro Decision have experienced positive development of air services.

Finally, achieving an adequate safety and security oversight regime remains the most urgent measure that must be implemented in relation to the development of air services. The fact that 31 African countries currently have poor safety standards remains the single most important policy measure that must be addressed in the short term. Poor safety oversight results in more expensive insurance premiums and the inability to develop code sharing and other business arrangements. It also scares away potentially high-yield international customers and potential private sector investors. Africa's air transport industry needs private capital, and sensible investors want their investments to be protected by an efficient safety oversight system. Poor safety is also a major hindrance to the consolidation of Africa's air transport industry. Such consolidation is highly desirable to make African air transport more cost-effective. The key tool introduced by the Yamoussoukro Decision to facilitate and encourage consolidation in Africa's air transport industry is the clause authorizing a state party to designate a carrier registered (and regulated) by another state party. This requires building up mutual trust that safety standards are met irrespective of the state of registration. As concerns infrastructure, this

report recommends that a definite objective be set for the percentage of infrastructure investment to be dedicated to safety over the next 10 years, that is, 10 percent as recommended by the General Assembly of the United Nations. Failing to meet internationally accepted safety and security standards will not only hinder the development of air services regardless of the progress made in the implementation of the Yamoussoukro Decision, but also continue to push certain African states into isolation by being labeled as countries with poor governance. This report strongly recommends that a definite timeframe be fixed for establishing strong, independent, and technically reliable supervision agencies and that the target date for completing the establishment process should not extend beyond 2012.

