



AFRICA IRELAND ECONOMIC FORUM

Sectoral Session III: Aviation Session

Connectivity is a key component of long-term economic development. The aviation and aerospace sectors in Africa are developing at a rapid pace. This session discussed some of the trends and challenges facing the sector in Africa, and the opportunities for development and partnership with Irish businesses.

Panel:

- Chair: H.E. Mr. Aidan O’Hara, Ambassador of Ireland to Ethiopia
 - Sir Joseph Akinola Arumemi-Ikhide, Chairman, Arik Air
 - Mr. Michael Johannes, Regional Manager for Ireland, Ethiopian Airlines
 - Mr. Ehab Ghazy, Vice President (Planning), EgyptAir Holding Company
 - Mr. Fergus Woods, Head of APU Services, Dublin Aerospace
 - Mr. Basil Geoghegan, PJT Partners London and member of the Board of Directors of the Irish Aviation Authority
1. Ambassador O’Hara opened the discussion noting that aviation in Africa supports 7 million jobs, carries 70 million passengers and is worth \$80 billion per annum. The sector is expected to grow by 5% per annum in the coming years. However, issues exist within the African aviation sector: the failure of implementation of the Yamoussoukro Declaration and visa access are two issues which continue to hamper expanded African aviation. Ireland has a strong history and reputation with aviation, and offers a learning and engagement opportunity for African airlines and countries. Ambassador O’Hara invited each of the panel speakers to introduce themselves and to provide an overview of their respective companies’ work.
 2. Sir Joseph Akinola Arumemi-Ikhide, explained that Arik Air is a Nigerian airline operating a domestic, regional and international flight network, which commenced operations on 30th October 2006. The biggest challenge facing the company at present is arranging financing. On this point, it was noted that financing is now dealt with by independent entities rather than banks, many of whom are based in Ireland. The airline hopes to expand its footprint in West Africa, as well as in Nigeria, in the coming years. To that end, the airline is considering establishing an airline (Star Airlines) in Ghana.
 3. Mr. Michael Yohannes, highlighted that Ethiopian Airlines will celebrate its 70th anniversary this year and until 2003/2004, the company grew by 3-4% per annum. In 2004, Ethiopia Airlines implemented ‘Vision 2010’, a strategic plan by which it aimed to double its annual revenue to \$1 billion by 2010. This target was reached ahead of schedule, and the company currently has a revenue of around \$3 billion/annum. A further strategic plan, ‘Vision 2025’, aims to increase its revenue to \$10 billion/annum, with \$1 billion in profit by 2025. Ethiopian Airlines comprises of seven business units, each with its own cost centre and profit base. It flies to 92 destinations globally, including Dublin. Mr. Yohannes noted that Ethiopian Airlines were surprised at how well the Dublin-Addis route was performing, and noted the importance of the Irish and Ethiopian diasporas in California, in tapping into this market.



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4. Mr. Ehab Ghazy, highlighted that Egypt Air is the flag carrier airline of Egypt. The airline, which was founded in 1932, operates to more than 75 destinations in the Middle East, Europe, Africa, Asia, and the Americas. EgyptAir is a member of Star Alliance, having joined in 2008. The EgyptAir Holding Company was created in 2002 with seven subsidiary companies, with two further companies added at later dates. The company and its subsidiaries are involved in all aspects of the airline business, including passenger and freight services, catering, in-flight services, ground services and medical services. Under a 5-year expansion plan, the airline aims to grow its fleet to 105 aircraft and to fly to an additional 25 destinations. EgyptAir does not presently fly to Dublin. The Egyptian Ambassador to Ireland spoke on this matter and noted that a direct flight from Dublin to Cairo is needed. To that end, the legislative framework is largely in place. A bilateral transport agreement has been signed between the two countries that permits flights to 8 Egyptian airports from Ireland. Furthermore, a double taxation agreement was signed between the two countries in April 2012.
5. Mr. Basil Geoghegan noted that Africa offers a great opportunity to aviation companies and niches do exist for Irish companies. Aviation is critical for the continent of Africa given its size. The international view is that there is likely to be long term growth in passenger numbers in Africa that is not necessarily matched by the present size of airlines' fleets. Opportunities exist for airlines operating in Africa to use new technologies for efficiencies; for example, unmanned aircraft for deliveries and remote towers services that do not require air-traffic controllers on site.
6. A lot needs to be done to de-regulate the industry in Africa. In some cases, it remains difficult to fly from one country to another. Also, some airlines have work to do in respect of safety issues.
7. Ireland can offer expertise in the areas of (1) aircraft leasing, (2) aviation training and education and (3) knowledge of Irish airlines' chief executives. Mr Geoghegan noted that Ireland is seen as good place to register aircraft; particularly, from a financing and safety perspective. The IAA has a stake in Aireon, a company that uses satellites to monitor air traffic. The first satellite will be launched shortly, and it is hoped the system will be operational by 2020. The satellites will be capable of receiving and sending tracking data for aircraft, and will have particular benefits for airlines flying in remote and oceanic airspace.
8. Mr. Fergus Woods highlighted that Dublin Aerospace had its beginnings in the maintenance unit of Aer Lingus, which was eventually sold. There are historical connections to Africa running throughout the company, particularly in terms of training and capacity building. In 2009, Dublin Aerospace was formed with four employees (now 350), and adopted a leaner approach than its competitors, and targeted smaller airlines. They also provided training, at no charge, to airlines whilst providing repairs. They are targeting the African market; with Arik, Angola, Kenya, Safair and Egyptair being of particular interest.
9. In light of the Yamoussoukro Open Skies for Africa Agreement, the question was raised as to why the three airlines are not cooperating more.
10. Although Ethiopian Airlines and EgyptAir opined that the airlines are co-operating with each other, Arik Air stated that there is a need for greater reciprocity. In the absence of the implementation of an open skies agreement, airlines (including Ethiopian) are establishing or strengthening smaller airlines to serve as secondary flight partners (e.g. Malawian Airlines in southern Africa, code-sharing with Rwandan Airlines).



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11. Regarding the implementation of the Yamoussoukro Agreement, there was common agreement that the agreement is not being put into effect by governments. In the absence of a proper framework to give effect to same, no one is willing to take the first step.
12. The role of embassies and diplomatic relations in facilitating business was also stressed, with those present noting that airlines cannot do business without an existing political will. He used the example of the work done by the Egyptian and Irish embassies in securing an air transport agreement between the two countries, allowing for a direct flight between Dublin and Cairo. The Egyptian Ambassador, Soha Gendi, supported this statement, and highlighted the necessity for an enabling taxation environment to encourage successful business engagements.

Points from Q&A / Discussion

13. It was argued that the high cost of flying in Africa can be attributed to the relatively high cost environment that African Airlines operate in. Long routes with low demand, and government taxes and regulation all drive up the cost. In this regard, it was noted that in Europe airfares only reduced when the industry was deregulated. The costs of aviation fuel and lease rates in Africa are also considerably higher than in Europe/North America. Visa restrictions also limit the opportunity for travel.
14. Furthermore, there is also huge competitive pressure from non-African airlines with approximately 80% of the 70 million annual air passengers in Africa served by non-African airlines. It was argued that the ideal market model for Africa needs, to be an African one. The European or American models will not work automatically and low-cost carriers might, for example, only disrupt the market without necessarily bringing the benefits they have brought to passengers in Europe.
15. It was noted that some African airlines cannot compete with airlines from outside of the continent which receive subsidies from their own governments. Subsidising airlines can be a very expensive venture for governments and so as a solution it was suggested that African governments could look into subsidising particular routes or putting particular routes out to tender. Governments should also re-examine subsidies to secondary airports and fuel to help develop the sector in the region.
16. The need for further cooperation between African Airlines was again stressed. The proximity of two of Africa's largest hubs, Addis and Nairobi, was noted and it was suggested that this presented the potential for "win-win" strategies for both Ethiopian Airlines and Kenyan Airways if cooperation could be achieved.
17. With regards to the possible consolidation of airlines, it was suggested that if this is to happen, it will most likely not occur for some time, with movement in this area more likely to occur in the next 15-20 years rather than in the next 5-10 years.
18. It was noted that the maintenance, repairs and operations (MRO) industry in Ireland is going through the process of re-establishing itself, following a difficult period. The leasing sector is very strong. However, there is much opportunity in Africa for Irish companies involved in this sector, including helping airlines there become more competitive. To illustrate this, Dublin Aerospace was invited by Invest in Morocco to visit Marrakech to explore some business opportunities.