WE CERTAINLY do not live in dull, uninteresting times! Almost without exception, every day delivers new surprises, with either good, bad, or controversial news and developments, both locally and globally.

The different stances and positions being taken by the United States of America, contrary to some of their traditional allies on issues such as international relations, trade and immigration, is the subject of hard talk and debate. It is even influencing relations between these “allies” and other States to which they were not traditionally aligned, establishing new links and relationships.

Other issues, such as BREXIT negotiations, still hold some uncertainty for the future relationship between the UK and the rest of the EU. Ongoing regional conflicts such as in Syria and South Sudan, to name a few areas, also maintain instability in these regions and constrain growth and development as the leaders of the various factions and international powers aligned to these factions, push their positions and hopefully striving for lasting positive solutions – defining time frames to achieve this is clearly a problem.

The long term impact of these developments is not clear. Notwithstanding these tensions, the aviation industry continues domestic, regional and global operations, providing necessary services to connect the world. However, we must be vigilant, as past experiences have shown how single incidents can introduce instability and turmoil in specific regions or even globally influencing the way in which we have to manage the airline industry, particularly from an aviation security perspective.

Fortunately, with the evolution of our industry, robust structures and a strong regulatory framework on which we can build, have been put in place to provide for a safe and secure civil aviation industry able to operate across the globe.

Through all these developments, the global aviation industry has remained very resilient. The industry has performed consistently over the past year with the International Air Transport Association (IATA) projecting global net profitability after tax of US$33.8-billion for 2018 compared to achieved levels of US$38-billion for 2017.

The potential impact of some of the global uncertainties referred to above coupled with a rising oil price are probably to blame for the decrease in the forecasted 2018 profitability over 2017 levels. In Africa, the projected loss for 2018 remains at US$100-million, the same loss as achieved in 2017. Predictions for Southern Africa for 2018 indicate losses of approximately $300-million, similar to the results of 2017. Predictions are for global passenger growth of 6% p.a. for 2018 and predictions for Africa growth vary between 4.5% and 8% per annum, providing an indication of some uncertainty within the African market, given fluctuating fortunes of some of our airlines.

In the long term, traffic is expected to double globally over the next fifteen years with a growth of 5% p.a., and African traffic, operating off a lower base, is expected to grow at 6% p.a. and double over the next 12 years.

The development of low cost, legacy and niche airlines remains a point of debate. The market share of low cost airlines such as Kulula, Mango and FlySafair in South Africa and Jambojet and Fly540 in Kenya, as well as Fastjet in Tanzania, Zimbabwe and Mozambique, continues to grow at the expense of legacy airlines especially in high volume markets.

In some cases they serve as high as 40% to 50% of the market. In lower volume markets, start-up operations are served by the smaller gauge regional aircraft, and will grow to the extent that will allow larger aircraft to operate in the future. Airlines operating in this space include Airlink, Cemair and SA Express in South Africa. Financial viability of airlines in Africa particularly State-owned airlines, remains a concern.

Airlines are in certain stages of profitability from the profitable Ethiopian Airlines to, for example, Kenya Airways and South African Airways, among others, which are both currently implementing new turnaround strategies with the goal of returning to profitability.

AIRPORT INFRASTRUCTURE

Airport authorities are in general responding to increased demand and new airport infrastructure has been and is being built in Zambia, Zimbabwe and Senegal with a new development planned for Addis Ababa. Hence airport infrastructure is not necessarily considered a barrier to growth and development as much as it was in the past especially in the larger centres.

Where new markets show potential, there would need to be a focus on new or upgraded airports. The implementation of new airspace technology for improved air-space management adds to the improving infrastructure in Africa. The results of this is seen in the improved safety record of Africa which in 2017 recorded the best safety results across the globe for IATA airline jet aircraft with zero incidents recorded, replicating the 2016 results. Given the history of safety concerns across Africa prior to 2016, this is indeed a result that Africa can be proud of. It is essential that this focus on safety must be maintained.

CENTRE STAGE ISSUES

Over the past year, regulatory,
environmental and cost issues have taken centre stage in Africa and in our Southern African region.

On the regulatory front, Africa has been on a 30 year journey to liberalize its skies. The Single African Air Transport Market (SAATM) was launched on 28 January 2018 in Addis Ababa. It is a flagship aviation project for the AU Agenda 2063, and is effectively the operationalisation of the Yamoussoukro Decision of 1999 (YD).

A total of 26 African States have committed to SAATM, and additional States are being encouraged to join the SAATM initiative. (A total of 44 States initially committed to the YD). The AU is targeting 2019 as the date of implementation of SAATM, and several actions are currently underway to establish the institutional regulations and structures to implement SAATM, including competition regulations, dispute resolution mechanisms, and implementing provisions.

The Executing Agency and Competition Authority will be established to manage the implementation of SAATM and competition issues respectively. Notwithstanding these developments, many States and their airlines have liberalized air services on a bilateral basis and some airlines are reaping the benefits of these initiatives.

It is important to note that the implementation of SAATM is not the only solution to unlocking the growth and development of the aviation market in Africa. Although SAATM will facilitate ease of access, it is important to ensure that States which open their markets do so on a fully reciprocal basis to enable all airlines to derive equivalent value through their participation and their operations. In addition, Civil Aviation Authorities throughout Africa must be adequately resourced to provide the requisite safety oversight.

Where States are unable to resource their Civil Aviation Authorities, regional safety oversight organisations (RSOO’s) can be established, such as CASSOA (established for the East African Community), BAGASOO (established in West Africa) and SASO (currently being set up for the SADC region). These initiatives are welcomed but it is important that the airlines are not burdened with the responsibility of funding these institutions. The process of harmonising civil aviation regulations between States is a further priority to ensure consistency in safety oversight standards.

TOURISM

The Tourism industry in Africa has been identified by Governments as a strategic imperative for increasing the GDP of States, through the attraction of direct foreign investment, development of the industry, job creation in the various sub-sectors of the industry and resulting tourism spend from our visitors.

Aviation has, in the past, been accused of creating barriers to market access and a constraint in achieving the envisaged growth. Although liberalization initiatives mentioned above will assist, the stakeholder view is that tourism is a government led, public sector driven, community based industry where public, private, community and inter-sectored partnerships are vital.

The development of a shared vision with joint strategies across all Government departments involved in the travel, tourism and aviation industry together with other public and private stakeholders, is essential in achieving targets for increased tourism.

An example where some States, including South Africa, where there are some constraints, is in respect of visa requirements. Over the past three years, travel, tourism and aviation have been working with authorities to address well documented concerns over the new Immigration Regulations implemented in South Africa in May 2015. This remains unresolved.

Many States in Africa are beginning to relax visa restrictions in the interest of encouraging travel to and from their States, for example: Rwanda, Nigeria, Ethiopia (intentions recently announced to do online applications). Obtaining visas on arrival and the implementation of new biometric technology is essential. It is encouraging that many States including South Africa are actively looking at the upgrade of existing technology, which would improve processing procedures.

The growth in traffic is adversely impacted by the level of visa restrictions imposed. It is hoped that in the forthcoming year, this matter can be resolved satisfactorily and that South Africa and indeed the rest of Africa can begin to realize their true tourism potential.

From an environmental perspective, the focus is on the implementation of the Carbon Offset and Reduction Scheme for In-
ternational Aviation (CORSIA) which comes into effect in 2021 with the implementation of the voluntary pilot phase until 2023, and the first phase from 2024 to 2026. Five States in Africa have volunteered to participate in CORSIA, namely, Burkina Faso, Kenya, Gabon, Zambia and Botswana. CORSIA provides States with a single global carbon scheme to offset their aviation emissions. However, it is important to note that every airline from any State which operates international flights (except those that emit less than 10 000 tonnes of CO2), will have to report their emissions to their State from flights from 1 January 2019, irrespective of where the airline is based.

All airlines that fall into this category are now busy with the development of an emissions monitoring plan (EMP) to enable it to comply with applicable elements of the monitoring, reporting and verification (MRV) of emissions, as required by ICAO. States have requested airlines to have their EMP’s submitted by 30 September 2018 to ensure that there is sufficient time to make any adjustments that may be necessary.

The reporting of emissions in 2019 and 2020 from all airlines in specific States will form the base according to which ICAO will be able to identify which States will fall into the obligatory second phase of implementation of CORSIA irrespective of whether that State volunteered for the pilot phase and first phase or not.

**CARBON TAXES**

In respect of carbon taxes on aviation in South Africa, International aviation is currently exempted from carbon taxes, but it is envisaged that carbon taxes will be implemented on domestic aviation in terms of the current Carbon Tax Bill during 2019. The airline industry is in discussion with National Treasury to discuss this, as the preference for domestic aviation is to apply the CORSIA scheme for domestic aviation as well, thereby removing the need for airlines to have to manage different schemes for domestic and international airline operations.

The reduction of costs or at least the containment of increases, remains an area of focus within Africa. The creeping increase of the oil price globally is increasing the cost of jet fuel, the single highest cost component of an airline’s direct operating costs. It is expected that the current price of close to US$ 80 per barrel will be maintained over the next year, and together with the volatility of African States local currencies, this will place pressure on costs and the marginal profitability of airlines. There will be a focus on increased productivity, and containment of increases in distribution costs, user charges and fees for infrastructure, as applicable.

**SA CODES OF GOOD PRACTICE**

Transformation of our industry in accordance with the South African Codes of Good Practice and in conjunction with the applicable B-BBEE scorecards remains a priority for all airlines.

Skills development and training is a priority especially as airlines need to train new professionals and to equip them to fulfil their roles in their airlines throughout Africa. Retention strategies, where they do not exist, must be developed as some of our highly trained employees find the lure of international employment, very enticing.

Improving customer service across the value chain must receive special attention. Across Africa, with airlines developing online and mobile reservation options, self-service options are being implemented, including common use self-service kiosks with self-bag drop and self-boarding facilities to provide the customer with access to fully automated processes. This provides the customer with more control over their journey particularly through the airport and on to the aircraft. It is necessary for African airlines and airports to introduce this new equipment and technology in line with international best practice.

**DISRUPTIVE INNOVATION**

Disruptive innovation will continue to challenge the future of our industry with other industries challenging the airline industry with the provision of alternative and different services.

For example, the next step for Air BnB is to start an airline and for Uber, it is to develop flying taxis. In addition, the glut of data generated by our industry raises questions in respect of determining ownership, and opportunities in its use to analyse consumer behaviour and preferences, and to develop new products and services to satisfy their changing needs.

So many focus areas priorities to deal with. As for the past year, Africa will continue to be challenged by international competition and will need to deal with political and socio-economic developments. The overall performance of airlines in our region for the forthcoming year is in general expected to be consistent with the previous year.

However, business as usual is not the solution to breaking out of this mould. African Aviation needs to reclaim lost market share and improve its performance through making progress with turnarounds, where applicable, and through efficient and effective implementation of progressive / new initiatives mentioned above. States, airlines and all stakeholders must work together towards this common objective.