**African Opportunities**

Stressing in his annual report that air transport already had a significant footprint on the African continent, Tyler said that, when combined with the economic impact of aviation-enabled tourism, the air transport industry supported some 6.7-million high-quality African jobs and generated $67-billion of African GDP. In South Africa alone, aviation supported 350 000 jobs and made a $7.4-billion contribution to the country’s GDP.

"Along with the growing economic optimism, there are also signs that Africa is on the cusp of making great progress on one of its toughest issues: safety," Tyler said, adding: "IATA’s 20 sub-Saharan member airlines are performing well, as are all 24 sub-Saharan airlines among the 387 airlines that have met the over 900 standards of the IATA Operational Safety Audit (IOSA).

“Earlier this year African governments committed to the Abuja Declaration on safety. A key element of that plan is making IOSA mandatory across the continent.

“If we look at the entire African industry, safety remains a challenge with an overall accident rate many times the global average. This meeting is an opportunity to send a clear signal to the region’s governments that world class safety is possible in Africa and that we support their commitment to achieving it by 2015," said Tyler.

He also added: “I hope that the European Union (EU) will be watching the results. Its banned list has not helped African safety. I am confident that IOSA will lead to improvements. And the EU will have no choice but to rethink its misguided approach.”

However, African airlines continue to be the weakest performers, with passenger load factors below 70%, operating margins averaging less than 1% and profits of just $100-million. Passenger capacity growth (6.7%) is expected to be outstripped by demand growth of 7.5%. This will improve load factors.

The region’s airlines continue to face high operating costs, especially for fuel, which is on average 21% more costly than in other parts of the world.

Tyler continued: “Africa also suffers the impact of onerous direct taxes on tickets. Solidarity taxes, tourism taxes, VAT, sales taxes and infrastructure levies and taxes all make connectivity more expensive. This limits the power of aviation to drive economic growth, which would be a much greater source of revenue for governments.

“Global connectivity enabled by aviation has a very powerful role to play both in integrating the 54 national economies of Africa and in connecting them to the world. But this will require the commitment of governments to solve some major issues,” said Tyler.

**Partnerships, the Key**

One hundred years of aviation connectivity have recalibrated humanity’s mindset to a global scale. In doing so, aviation has enriched the world, but the future holds many challenges.

Partnerships are critical to take advantage of the potential and to overcome the challenges. Successful partnerships are built on transparency and common purpose. Tony Tyler’s use of the motto, “United we stand, divided we fall” summarises it all.

“One of the longest standing partnerships between industry and governments is on safety,” he said, continuing: “Flying is safer than ever, but there is still more work to do. If we include all aircraft types, 2012 saw 75 accidents and 414 fatalities.

“Geographically, the biggest challenge is Africa where the accident rate is 18 times worse than the global average. But the safety performance of African airlines on the IOSA registry, including our African members, aligns with the global average,” Tyler added.

“Compared with its safety performance, aviation’s ability to generate sustainable returns has been more challenging. This year airlines are expected to make $12.7-billion in profits. On $711-billion in revenues, that’s a 1.8% net profit margin. And to put that into perspective, it is equivalent to $4.00 profit per passenger carried — less than the price of a sandwich in most parts of the world.

“Generating even these small profits under current conditions is a major achievement. Many airlines are struggling. But there is a core strength in 54 nations that can find a way through these tough times,” Tyler added.

**AFRICAN OPPORTUNITIES**

Stressing in his annual report that air transport already had a significant footprint on the African continent, Tyler said that, when combined with the economic impact of aviation-enabled tourism, the air transport industry supported some 6,7-million high-quality African jobs and generated $67-billion of African GDP. In South Africa alone, aviation supported 350 000 jobs and made a $7,4-billion contribution to the country’s GDP.

“Along with the growing economic optimism, there are also signs that Africa is on the cusp of making great progress on one of its toughest issues: safety,” Tyler said, adding: “IATA’s 20 sub-Saharan member airlines are performing well, as are all 24 sub-Saharan airlines among the 387 airlines that have met the over 900 standards of the IATA Operational Safety Audit (IOSA).

“Earlier this year African governments committed to the Abuja Declaration on safety. A key element of that plan is making IOSA mandatory across the continent.

“If we look at the entire African industry, safety remains a challenge with an overall accident rate many times the global average. This meeting is an opportunity to send a clear signal to the region’s governments that world class safety is possible in Africa and that we support their commitment to achieving it by 2015,” said Tyler.

He also added: “I hope that the European Union (EU) will be watching the results. Its banned list has not helped African safety. I am confident that IOSA will lead to improvements. And the EU will have no choice but to rethink its misguided approach.”

However, African airlines continue to be the weakest performers, with passenger load factors below 70%, operating margins averaging less than 1% and profits of just $100-million. Passenger capacity growth (6.7%) is expected to be outstripped by demand growth of 7.5%. This will improve load factors.

The region’s airlines continue to face high operating costs, especially for fuel, which is on average 21% more costly than in other parts of the world.

Tyler continued: “Africa also suffers the impact of onerous direct taxes on tickets. Solidarity taxes, tourism taxes, VAT, sales taxes and infrastructure levies and taxes all make connectivity more expensive. This limits the power of aviation to drive economic growth, which would be a much greater source of revenue for governments.

“Global connectivity enabled by aviation has a very powerful role to play both in integrating the 54 national economies of Africa and in connecting them to the world. But this will require the commitment of governments to solve some major issues,” said Tyler.

**Partnerships, the Key**

One hundred years of aviation connectivity have recalibrated humanity’s mindset to a global scale. In doing so, aviation has enriched the world, but the future holds many challenges.

Partnerships are critical to take advantage of the potential and to overcome the challenges. Successful partnerships are built on transparency and common purpose. Tony Tyler’s use of the motto, “United we stand, divided we fall” summarises it all.

“One of the longest standing partnerships between industry and governments is on safety,” he said, continuing: “Flying is safer than ever, but there is still more work to do. If we include all aircraft types, 2012 saw 75 accidents and 414 fatalities.

“Geographically, the biggest challenge is Africa where the accident rate is 18 times worse than the global average. But the safety performance of African airlines on the IOSA registry, including our African members, aligns with the global average,” Tyler added.

“Compared with its safety performance, aviation’s ability to generate sustainable returns has been more challenging. This year airlines are expected to make $12.7-billion in profits. On $711-billion in revenues, that’s a 1.8% net profit margin. And to put that into perspective, it is equivalent to $4.00 profit per passenger carried — less than the price of a sandwich in most parts of the world.

“Generating even these small profits under current conditions is a major achievement. Many airlines are struggling. But there is a core
group of airlines that are driving profits with solid performance. Airlines that found new value streams and capacity are being used more efficiently. The industry load factor is at a record high of 80.3%.

“Looking ahead, the Asia-Pacific market could triple in size over the next twenty years; the African market could grow even more.”

Tyler added that the industry lacked alignment in several key areas, especially that of security. The various players recognised that a one-size-fits-all approach was wasteful and unsustainable. The vast majority of passengers and cargo posed no threat at all.

IATA and governments worked together with trust and cooperation on safety. They agreed that it was now time to apply the same approach for security to achieve a harmonised, efficient and effective outcome.

“Looking beyond security to overall infrastructure, partnerships also play a key role,” he emphasised. “Airlines depend on airports, air navigation service providers and ultimately governments to ensure sufficient infrastructure capacity at economical prices.

“Through ICAO, governments have agreed on common sense principles to guide the critical partnership between airports, airlines, and governments on infrastructure. They should be engaged in transparent consultations so that what is built matches what is actually needed at affordable costs.

“Cooperation among partners is also the basis for solving common problems,” Tyler continued. “Passengers will benefit from modernising airline distribution. Today’s reality is that travellers have one set of product options if they buy on an airline website. But if they choose to buy through our travel agent partners, the options are limited.

“Agents get their offers from airlines via global distribution systems (GDSs). Despite attempts to enrich content, GDSs struggle to communicate much more than the basics of fare, class and availability. That is because the standards for the communication among these parties were developed before the internet and XML-today’s lingua franca for modern commerce.

“To remedy the situation, the NDC foundation standard was agreed in late 2012. It has been submitted to the US Department of Transportation for approval. IATA is actively engaging regulators around the world to ensure that there is a clear understanding of the value that NDC will bring to the experience of buying travel though an agent – more choices, better quality information and the potential for personalised offers,” Tyler pointed out.

Partnerships with the travel industry were changing distribution for the better, he continued. Similar partnerships were needed with governments to change passenger regulation for the better. Already some 50 countries had passenger rights legislation. However, this legislation was not aligned.

“The bad news is that more states are considering joining in this daunting and diverse mess. Most passenger rights regulations are centred on levying penalties or preventative activities rather than providing solutions. Overzealous regulation causes significant difficulty in domestic markets. And unharmonised regulations can cause utter confusion for international travellers,” Tyler warned.

“Even more critical is the urgent need to address fast-moving developments in the environmental debate with a strong industry position. As a global industry, aviation is already in the forefront. Reducing carbon emissions is a global challenge which requires a global strategy based on improvements in technology, operations and infrastructure along with market-based-measures (MBMs) as a gap-filling measure.

“At the ICAO Assembly in 2010 governments agreed to important global and aspirational goals including carbon-neutral growth from 2020. The industry position has to be clear to influence governments on MBMs,” he said.

“The state of global air transport remains challenging. Nevertheless, the industry remains resilient and robust with an important role in global development. The 8,5-million people and 143 000 tonnes of cargo that are carried safely by air every day are proof that aviation is integral to modern life and commerce.

“Connectivity drives economic growth. Airlines compete vigorously to defend and grow their businesses, but recognise that a successful global air transport industry needs global standards built through compromise, partnership and cooperation,” he said.

Tyler reiterated the association’s commitment to transparency and open communication. “IATA is your association. I lead it with the support of your advice and guidance.”

The CEO confirmed IATA’s mission: “To represent, lead and serve the airline industry and its vision to be the force for value creation and innovation, driving a safe, secure and profitable air transport industry that sustainably connects and enriches our world.”

DECISION-MAKING AGM

This IATA AGM will remain a memorable one in terms of decision-making and members’ engagement. Three historic agreements were signed. IATA members overwhelmingly endorsed a resolution on “Implementation of the Aviation Carbon-Neutral Growth (CNG2020) Strategy.”

The resolution provides governments with a set of principles on how governments could establish procedures for a single market-based measure (MBM) and integrate a single MBM as part of an overall package of measures to achieve CNG2020.

The members also reaffirmed their support for the New Distribution Capability (NDC) initiative to develop an open, XML-based distribution standard for data exchange between airlines and travel agents.

And they unanimously endorsed a set of core principles for governments to consider when adopting consumer protection regulation.

Several panel discussions were held during the assembly, covering the various main topics such as: The Cost of Infrastructure; Ancillary Revenues; Achieving Carbon Neutral Growth from 2020; and Crisis Communications and Social Media.

One of them was exclusively orientated towards unlocking Africa’s potential and brought together Elijah Chingosho, Secretary General and CEO, of the African Airlines Association; Bernard Gustin, CEO, Brussels Airlines; James Hogan, CEO, Etihad Airways; Titus Naikuni, CEO, Kenya Airways, Francesco Violante, CEO, SITA.

The panel explored how Africa can match the growth and profitability of other emerging regions and identified where the greatest stumbling blocks can be removed to release the continent’s asset.

Arguably, the most insightful and animated one was the CEO Insight panel moderated by CNN International Correspondent, Richard Quest, which featured Thomas Horton, chairman and CEO, American Airlines; Richard Anderson, CEO Delta Air Lines; Tim Clark, President, Emirates Airline; Tewodle GebreMariam, CEO, Ethiopian Airlines; Choon Phong Goh, CEO, Singapore Airlines; and Jeffrey Katz, CEO, Wize Commerce.

The panel reviewed how the global financial crisis has impacted the industry structure and whether these structural changes can be seen as the premises for a new cooperation paradigm.

The AGM closed with a resolve to move forward with the critical work that lies ahead and to continue to realize the potential of the industry – making it safer, more secure, sustainable and profitable.

The International Air Transport Association announced that Qatar Airways would host the 70th IATA annual general meeting and World Air Transport Summit. The event will draw the top leadership of the air transport industry to Doha in the State of Qatar from June 1 to 3, 2014.

WORLD AIRNEWS, JULY 2013. 49