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AFRICA'S SINGLE AVIATION MARKET: THE PROGRESS SO FAR

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Abstract

To promote the development of air transport at the continental level, several policies were introduced, leading to the Yamoussoukro Decision (YD) in late 1999, which had the liberalisation of the intra-African aviation spaces as its main objective. Even though notable progress has been achieved towards more market-oriented aviation policies, at the pan-African level some markets are still restrictive and inconsistent with the YD, particularly with respect to the granting of 5th freedom rights. This paper aims to examine recent developments in the aviation sector in Africa, with a focus on the implementation of the YD. The obstacles to liberalisation are discussed and several measures for facilitating Africa's move towards multilateral open skies are investigated. These include, among others, a greater collaboration and co-operation among African airlines, as well as between African airlines and foreign ones; redefinition of the role and responsibilities of different institutions which are instrumental in implementing the YD and some further issues such as ownership guidelines.

1. Introduction

Growth of air transport is an important issue for Africa since it plays a vital role in providing the essential links for the economic and physical integration of the continent, especially when viewed against the background of the inadequacies of the other modes of surface transport in terms of network (ECA, 2005). Moreover, with its size and the rate of growth of its population spread across 54 countries, combined with its wealth and its trade activity, Africa is potentially a huge market for air travel (ICA, 2014). Air transport integration is pointed out as a powerful driver of air transport growth in Africa, especially if it leads to greater efficiency and competition (Schlumberger, 2010).

However, although air transport in Africa has grown rapidly over the last decade, this has mainly been driven by other factors rather than integration. According to OAG (2012) Africa's air transport industry grew at a robust rate of 5.76 percent per year between 2001-2007 (as measured in Available Seat Kilometre) caused largely by an increase in the demand for natural resources, including oil, gas, mining, but also increases in inbound tourism, a growing middle class and increased propensity to fly (African Development Bank, November 2012).

Despite this rapid growth, Africa's share in the global air transport industry remains insignificant, accounting for about 1 percent of global airlines’ cargo and only 2.85 percent and 2 percent of global revenue passenger kilometre and global airport income, respectively (CAPA, 7 August 2014). Moreover, there is an imbalance between African airlines and foreign airlines which service the continent: some 80 percent of intercontinental traffic between Africa and the rest of the world are operated by non-African airlines (Chingosho, 2013).

In view of these statistics, we are forced to consider the question: Why is the African aviation market underperforming? Although the reasons vary from country to country, there is a general consensus that insufficient integration and lack of an open skies policy over Africa are the principle barriers preventing rapid growth. In fact, African member states have long recognised the need for integration and have agreed to develop a harmonised pan-African civil aviation policy with the aim of liberalising intra-African air transport markets. To this end, African ministers responsible for civil aviation adopted in 1999 a legal framework for the liberalisation of intra-African air services including the 5th Freedom for African carriers, improved safety and security standards and cross-border investment in air transport, known as Yamoussoukro Decision (YD).

Fifteen years later, progress in the implementation of the YD is still notoriously slow. In the light of this, there are several questions which will have to be explored in the context of the current study. Is aviation liberalisation possible in a highly fragmented continent such as Africa? Is the YD a unique case of a pan-African agreement? If it isn’t, have others been implemented and why? (3) How could a single aviation market for Africa eventually be implemented? The paper seeks to provide some tentative answers as to why the YD has not been very effective. The paper seeks to add value to existing knowledge by focusing on alternative strategies with respect to the development of the integration of the African aviation industry.

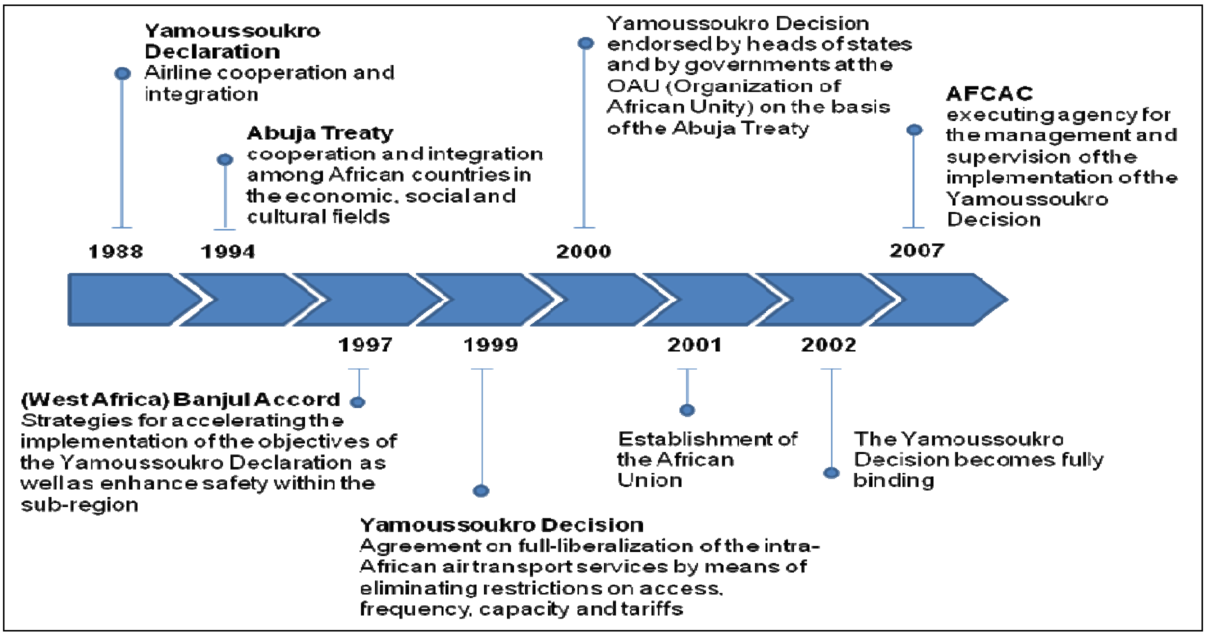
2. Africa's move towards open skies

An open-sky treaty can be defined as an agreement under which the carriers of two or more nations are allowed to operate any route between the two countries without restrictions on capacity, frequency or price, and to have the right to operate 5th and 6th freedom services. In fact, governments have played an important role in the early phase of the history of commercial aviation by interfering in the commercial decisions of air carriers about routes, capacity, and pricing.

Moreover, the history of commercial air services can be divided into the three periods: the period of complete national sovereignty (1919-1939), the period of regulation (1939-1978) and the period of gradual removal of restriction on traffic rights (from 1978 until today). At the international level, market access, in relation to traffic rights, is governed under the Chicago Convention, signed in 1944, which established the commercial aviation rights. This regulatory framework has undergone no significant changes within the past 70 years.

Recognising the shortcomings of this framework, many governments, beginning in the late 1970s early 1980s, have negotiated open-skies agreements at the bilateral, regional, plurilateral and multilateral levels (Doganis, 2002). However, with the exception of the EU (European Union), where a single aviation market has been achieved through a comprehensive multilateral agreement, multilateralism has played a very minor role in aviation liberalisation. Liberalisation of the intra-European air transport market began in 1986 and reached its full implementation in May 1997. Inspired by the EU experience, a number of regional aviation grouping initiatives, such the ASEAN (Association of Southeast Asian Nations) and Intra-African Single Aviation Market, have emerged with the aim to facilitate greater regional aviation integration. The move in Africa towards multilateral intra-African aviation liberalisation is embodied in a number of policy measures (see Figure 1).

Figure 1: Progress towards liberalisation of air transport in Africa (illustration by the author)



The major air transport integration and cooperation initiatives in Africa include:

- The Yamoussoukro Declaration, which aimed at airline cooperation and integration;
- The treaty establishing the African Economic Community (Abuja Treaty) which was adopted in 1991 and went into force in 1994;
- The Banjul Accord concluded in 1997 to accelerate the implementation of the objectives of the Yamoussoukro Declaration among six West African countries;
- The Yamoussoukro Decision signed in 1999, and formally adopted by the governments of the Organization of the African Union (OAU), known as the African Union (AU), in 2000. The YD became fully obligatory on 12 August 2002; and
- The AFCAC (African Civil Aviation Commission), a specialized agency of the AU, with the attributions and responsibilities of the Executing Agency for the implementation of the YD (Schlumberger, 2010).

The YD established principles for internal market liberalisation and fair competition within the air transport sector. The aim was to provide safe, efficient, reliable, and affordable air services to consumers. Specifically, the YD called for:

- liberalisation of the intra-African air transport services by means of gradually eliminating all non-physical barriers and restrictions on access, frequency, capacity and tariffs;
- provision of first, second, third, fourth and fifth freedom rights for passengers and freight air services by eligible airlines;
- ensuring fair competition on a non-discriminatory basis; and

- compliance with international safety standards.

The Decision deals only with intra-African air transport; domestic air services and relations with third countries continue to be governed by intergovernmental bilateral air services agreements negotiated with such third countries.

A comparison of the liberalisation framework of EU with that of African Union shows that the YD conception is far less ambitious since even with full implementation of the YD, some economic restrictions will remain. Moreover, while the EU conception provides unlimited 3rd, 4th, 5th, 7th, 8th and 9th freedoms, the YD provides only for a progressive shift to unlimited 3th, 4th and 5th (Table 1). The agreement has not been ratified by all African States[1]. Of the 54 African countries, 44 have signed the Yamoussoukro Decision, 10 have not[2]. Two of the 10 countries that are non-members of the Yamoussoukro have implemented the YD by means of their (sub) regional economic communities, namely South Africa and Equatorial Guinea (Schlumberger, 2010).

Table 1: Comparison of the liberalisation of European and African air transport services

EU (third deregulation package April 1997)	**Africa (Decision relative to the Yamoussoukro declaration, 1999)**
Market access	
Market access: EU airlines may freely establish connections within EU borders.	African states mutually grant themselves the right to exercise traffic rights, but retain the power to designate the airlines.
Tariffs	
Tariff freedom limited to intra-European routes. No restriction on fare.	Tariff freedom limited to eligible airlines. States can reject excessive increases and low tariffs that adversely affect the economic viability of airlines
Designation of airlines	
No procedure of designation for airlines of EU countries who can freely operate in any EU country.	Designation by states. Conditions for eligibility of airlines are: the designated airline must be legally constituted in accordance with the laws of a member state. the headquarters and main operating activities of the designated airlines should be in the countries concerned.
Frequency and capacity	
No limitations on frequencies and type of aircraft. This freedom is often technically limited by the absence of available slots in the big Europeans airports	Freedom of capacity on intra-African routes. None of the signatory states may unilaterally restrict capacity, number of flights, type of aircraft, or traffic rights except on a non discriminatory basis for certain environmental or technical reasons with respect to air safety or security.

[1] The YD provides for a similar regime for scheduled and unscheduled flights (passengers and cargo).

[2] These states (Djibouti, Equatorial Guinea, Eritrea, Gabon, Madagascar, Mauritania, Morocco, Somalia, South Africa, and Swaziland) cannot be considered parties to the Yamoussoukro Decision and therefore are in no way obliged to liberalise the air market.

Granting of Traffic rights	
Authorization of cabotage. These liberalisation measures only concern EU airlines and not airlines from third countries.	Free granting of traffic rights for the first, second, third, fourth and fifth freedoms. The Decision does not oblige the signatory state to grant cabotage rights.
Licensing & Ownership	
Multiple licenses granted to member states only if carrier is located in EU. Must be majority controlled, owned by member EU states/nationals (ownership of an EU airline by a non-EU national must be limited to 49.9 percent).	Must be majority controlled, owned by national governments of the contracting states or state parties to the YD.

Source: Illustration by the author based on information from the European Commission and ECA (2005)

The YD and the increasing pressure for more liberalisation has impacted the behaviour of African airlines, even though to a lesser degree as compared to other regions.

3. The African airline industry

The African airline industry has experienced rapid growth over the past decade, passing through turbulent phases that came in the aftermath of the 2009 financial crisis. Intra-African air travel has also undergone continuous growth mainly driven by recent increase in regional trade and cross investments among African countries (AFRAA, 2014). At least five recent developments with respect to the African aviation industry can be observed.

Firstly, the aviation market has increasingly consolidated over the past ten or so years. FlightStats (May 2013) highlights that in recent years, there has been route consolidation in the Intra-African air transport sector with a number of low frequency and small aircraft routes having been abandoned as compared to 1994. Thus, compared to 1994 levels, intra-African traffic routes flown have gone down from 1,088 in 1994 to 719 in May 2013. This development has been driven by the building of hubs by five carriers (EgyptAir, Royal Air Maroc, South African Airways, Ethiopian Airlines and Kenya Airways), accounting for around 80 percent (2012) of all scheduled capacity within Africa.

The above mentioned development has resulted in an uneven geographical distribution of intra-African air passenger traffic, which is limited to a few key routes, predominantly linking the African large and medium cities to hubs in Ethiopia, Kenya, Morocco and South-Africa as well as with capital cities on other continents (Otiso et al., 2011; Neuenburg and Bourne, 2012; Bassens et al., 2012). With respect to regional distribution of air traffic, it is argued that while Eastern and Southern Africa have successfully established a strong air transport industry, Central and Western Africa have been less successful (Ranganathan and Foster, 2011). The latter is characterised by a less developed hub system, smaller and in some cases, negative growth, which is partly attributed to the collapse of major carriers.

The second major development has been the collapse of numerous airlines which have either ceased operations or reorganised under bankruptcy protection. Examples include Air Afrique which ceased operations in 2002, Nigerian Airways and Ghana Airways in 2004 and Cameroon Airlines in 2008 (Tchouamou Njoya, 2012). Liberalisation and years of mismanagement have been put forward as reasons for the failure of these and other airlines (Amankwah-Amoah and Debrah, 2010; 2011; 2013).

Thirdly, new market entry has been accelerating over the past years. In fact, despite the market consolidation by the major airlines and collapse of some airlines, the number of African-based carriers has more than doubled since 1994 to 70 carriers, according to FlightStats (May 2013). Increases in frequency and in seat capacity have been identified as well. FlightStats (May 2013) outlines that average frequency has increased by 1.3 flights per day whereas average capacity of seat per flight has grown from 91 in 1994 to 103 in May 2013.

Additionally, the low cost sector has developed rapidly in recent years. In fact, while many African airlines remain state owned, air traffic growth in the region is now coming from low cost carriers (LCCs) (Amankwah-Amoah and Debrah, 2009). These airlines avoid the traffic rights problems by setting up multiple subsidiaries. OAG (2012) states that the contribution of LCCs in market shares to and within Africa grew by 6 percent points over the last decade. The report highlights that LCCs' year on year percentage growth rate is currently averaging 16 percent versus full service carriers' of only 5 percent. According to CAPA (22 October 2013), the LCC sector has grown since 2001 from 0.3 percent of total capacity to 12 percent each for internal and external traffic in 2012. However, due to political and regulatory intervention and external competition African LCCs have not been able to achieve the expected savings. Heinz and O'Connell (2013) investigate the applicability of LCCs in Africa and conclude that full-service network carriers and regional carriers are the most prominent and stable business models in the African market.

Finally, there has been increasing private sector participation in the African aviation sector. Hence, the industry has seen a new breed of private carriers operating largely in the domestic and regional markets (Schlumberger and Weisskopf, 2014). Private participation in airports in

Africa is not widespread. However, though public provision of airport facilities and services remains dominant, some countries have in recent years embarked on airport privatization (Janecke, 2010). Countries such Côte d'Ivoire, South Africa, Ghana, Nigeria and Botswana have successfully attracted private investors in their main airports.

While these developments are most likely due to the relaxation of regulatory restrictions and the emergence of a more business friendly environment in Africa, it should be noted that progress toward the implementation of the YD has been slow.

4. Implementation of the YD

An assessment of the implementation of the YD at the national, sub-regional and pan-African levels shows that African States and sub-regional communities have made varying levels of progress in implementing the YD (see Figure A2, Appendix). At the pan-African and inter-regional level on the other hand, traffic rights between member states are still bilaterally exchanged.

In general, African States have recognised the precedence of the YD principles over national policies and bilateral agreements, and have individually or collectively taken actions to internalise the principles of the YD (ECA, 2005). Most countries including Kenya, South Africa and Ethiopia have recently revised existing bilateral agreements with their African counterparts to align with the provisions of the YD. For instance by the end of 2010, South Africa had revised 17 (out of the 45 bilateral air service agreements (BASAs) in 34 African states) bilateral agreements with its respective African counterparts in line with the key elements of the YD (Surovitskikh and Lubbe, 2015).

Furthermore, substantial progress has been observed at the sub-regional (intra-community) level. Thus, given the heterogeneous nature of the African continent and its various regional communities, especially with respect to economic and political development, the AU has encouraged regional organizations to pursue policy implementation (InterVISTA, 2014). Schlumberger (2010) argues that the regional economic communities have taken the lead in developing structures and institutions aimed at implementing the YD. A comparison of the implementation of the YD in the sub-regional economic communities that have active programmes in the air transport sector indicates that the regional economic groupings in West Africa, namely WAEMU (West African Economic And Monetary Union) and BAG (Banjul

Accord Group), are the most liberalised markets in Africa, whereas in the SADC (South African Development Community) relatively little progress has been made.

The status of the implementation of the YD from the perspective of the key provisions of the Decision shows the following results.

Traffic rights - African countries have demonstrated greater flexibility in the granting of 3rd and 4th freedom traffic rights and relaxation of 5th freedom traffic (see Figure A1, Appendix). However, it has been observed that in regions with larger carriers like the ones in Eastern Africa with Kenyan Airways and Ethiopian Airlines or Southern Africa with South African Airways, states have been reluctant to grant fifth freedom right for fear of the stronger positions of the larger carriers (Irandu, 2008; COMESA, 2013). On the other hand, countries with well established national airlines are pressing for fifth freedom relaxation among member states (Schlumberger, 2010). Schlumberger (2010) argues that countries with weak or small state-owned carriers are reluctant to accept complete liberalisation, preferring a piecemeal implementation, the infant-industry argument being an important motive. Thus, underdeveloped national airlines want to take advantage of their own markets.

Using the percentage of flights flown under fifth-freedom (i.e. airlines that are not registered either in the origin or destination country) as a proxy to assess the degree of progress toward implementing the YD, Gwilliam (2011) found that Southern Africa ranks behind other regions of Africa. Moreover, the dominant position of SAA in the sub-region enables it to negotiate bilateral contracts individually in its own best interests rather than in line with regional initiatives (Ranganathan and Foster, 2011). With respect to designation, restrictions have been removed. However, most countries seem to favour dual designation (ECA, 2005).

Frequency and capacity - West Africa by means of the sub-regional community, namely WAEMU, has achieved the most progress in lifting capacity and frequency constraints, according to Ranganathan and Foster (2011). Moreover, within the WAEMU sub-regional community, the YD has been fully implemented and all freedoms, including cabotage rights, have been granted (Gwilliam, 2011). While complete liberalization of frequency among member states has been introduced in almost all sub-regions, some restrictions remain. For example in central Africa, airlines are mandated to coordinate and harmonize schedules (ECA, 2005).

While the Banjul Accord still restrict capacity, other sub-regional arrangements have adopted the concept of free determination of capacity but limit its application. Within the CEMAC (Central African Economic and Monetary Community) for example, governments may oppose capacity increases in the event of disparity between the airport capacity, availability of appropriate equipment and type of aircraft operated (ECA, 2005).

Tariffs - Tariffs had been liberalized in the various sub-regional arrangements, except in two sub-regional communities, namely BAG and COMESA (Common Market for Eastern and Southern Africa), which require prior approval of tariffs. However, liberalisation has not been translated into tariff reduction due to lack of competition on most routes (COMESA, 2013; ECA, 2005).

Ownership and eligibility - As shown in Table 1 above, there are limits on the ownership of an airline by other nations and non-citizens. Most countries require that the airline be majority owned and controlled by one or more States and their nationals. Some provisions, such as BANJUL and COMESA, require that the headquarters of the Airline be located in the State as one element of ownership and/or that the majority of the personnel be nationals as one possible element of ownership. Others such as CEMAC require that the headquarters and significant operations be in the designating country (ECA, 2005).

At the pan-African level, AFCAC has been entrusted with the role of supervising (in economic terms) and managing the liberalised air transport industry in Africa. However, for reasons presented in the next section, little progress has been made so far.

Impact of the YD

As mentioned above many changes have occurred in the air transport industry in Africa both at the national and international levels. These changes may be attributed, at least in part, to the disengagement of States, liberalization of access, the increased participation of the private sector. That the implementation of the YD could be a stimulus to the overall growth of African economies is now well documented. A number of studies have empirically assessed the changes in traffic, employment and tourism resulting from liberalisation or the implementation of the YD (Myburgh et al., 2006; Velia et al., 2008; Chingosho, 2009; Dobruszkes and Mondou, 2013; InterVISTAS, 2014; Schlumberger 2010, 2014; Abate 2013; Ismaila et al., 2014; Daramola and Jaja, 2011). For instance, InterVISTAS (2014) found that the benefits that would accrue if 12 African nations were to implement the 1999 Yamoussoukro Decision. The additional services generated by liberalisation between these markets would provide an extra 155,000 jobs and $1.3 billion in annual GDP. Further benefits would include 4.9 million passengers a year and enhanced connectivity.

With the exception of the study by Dobruszkes and Mwanza Wa Mwanza (2007), the focus has been on the positive impact of intra-African liberalisation on individual countries or the region as a whole. In fact Dobruszkes and Mwanza Wa Mwanza (2007) argue that restrictions on the use of the 5th air freedom seem to only partly limit the intra-African air connectivity and that full liberalisation would result in the bankruptcy of airlines of peripheral countries. In fact, liberalisation has deep and varied impacts on the country which implements it. Liberalisation may harm national airlines, but is likely to benefit passengers, businesses and cargo movers. It is therefore crucial to conduct cost benefit analyses and inform protective governments of the net benefits of open skies. As Forsyth et al. (2004) argue, the gains from liberalisation of international air services would come about from improved airline productivity, greater operational flexibility and better targeting of markets.

Modest price competition has been launched by smaller private airlines, mostly in East Africa. However, due to factors such as inappropriate cost structure, high percent of government shares supporting and instigating cost-inefficient behaviour and business policy, limited freedom to mange better, and permanent expectation for getting governmental subsidies, most carriers have not been completely prepared to accept competition under a new, more liberal market conditions. These and other reasons have delayed the implementation of the YD.

5. Impediments to the implementation of the YD

Like almost all pan-African agreements to date, the YD has failed. No single factor seems likely to be the cause of the failure of the implementation of the YD. There are, however, four explanations to which this is most commonly attributed: fragmentation, dependency on the former colonial powers, institutional weaknesses, and a poor-cooperation. These are developed in turn.

The aviation industry in Africa is quite heterogeneous. Moreover, the balkanization of the continent into 54 air transport markets and the huge disparities in size among African countries raises concerns about the distribution of the benefits from liberalization. In other words, there is a wide range of disparities across African nations that are important to the aviation industry and that impede the implementation of YD. Taking per capita GDP in Africa as an example of disparity, it is found that this ranges from the highest in Seychelles, which is about US $ 25,000 a year, to the lowest in the Democratic Republic of Congo at US $ 400 a year (2012), according to World Bank estimates. The current aviation market partly reflects these divergences.

Furthermore, implementation is also constrained by the dependency of many countries on the former colonial powers. In fact, Africa's air transport integration efforts have failed to redress colonial patterns of commerce. Air transport integration efforts in post-colonial Africa were based on regional schemes introduced by former colonial powers and most sub-regional communities have been established according to common colonial ties and linguistic components. Although there have been some changes at a country-by-country level, intra-African route network is still mired by regional linguistic and colonial ties (SH&E, 2010).

Another obstacle to the liberalisation of intra-African air transport includes incomplete agenda that imposes limits on trans-national ownership and control of airlines. National restrictions on ownership and control represent a disincentive for any airline seeking to access foreign capital or to establish overseas subsidiaries or to become an airline that can access all countries in the region. In such an environment, carriers designated by the government to enjoy the market and to access rights must be substantially owned and effectively controlled by the designating state and/or its nationals (TAN, 2013).

The prospects of success for the YD are further undermined by the lack of a strong institutional structure that favour mediation and compromise and promotes alignment of its strategies with those adopted at the national level. The continent seeks to build continental unity based on strengthened regional or sub-regional organizations. However, the (sub) regional communities lack capacity as institutions to implement and enforce the agreements.

Other factors impacting the implementation include poor cooperation with many airlines competing for relatively small markets in some countries. One of the challenges in Africa is that most routes are too thin to be economically viable, suggesting that airlines should be able to operate in multiple destinations simultaneously to and beyond intermediate points of city-pair routes (Abate, 2014). However, there is little airline co-operation among airlines, particularly among hub/strong airlines and weak airlines. With the exception of Kenya

Airways and Ethiopian Airlines[3], airline alliances involving holding of stakes or equities by other airlines are not a widespread phenomenon in Africa.

6. Remedies

Progress toward full implementation of the YD is certain to be slow, with unprofitable carriers continuing to hold out on relatively modest issues such as 3rd and 4th freedom rights. Moreover, given the huge disparity in carrier sizes and competitiveness within Africa, not all 54 states will be able and willing to fully open up their skies at the same time. It should also be mentioned that while the demand for intra-African and intercontinental air travel has grown, African airlines have only been able to reap limited rewards of it. Due to limited financial capabilities, management resources and infrastructure, most airlines have not been able to expand their routes beyond their respective territories. Furthermore, demand is still not strong enough to support 70 airlines.

The study suggests corporate mergers or geographical/regional grouping of airlines as a potential solution to the problems identified above and to the development of a sustainable and profitable airline industry in Africa. Hennemann and Malanik (2010) argue that airlines need to grow into global businesses but are often kept from doing so for political and regulatory reasons. It has also been argued that regulation and political conditions have kept African airlines from growing through cooperation, forcing most of them to opt for autonomous growth. This implies that implementation of the YD certainly is likely to pressurize airlines into a greater degree of cooperation and towards consolidation.

In fact, as Kleymann (2005) argues, global coordination, traffic consolidation and cooperation, ranging from interlining to joint venture have been and will be the major catalysts in the air travel demand. Similarly, Wald et al. (2010) argue that Airline consortia will continue to be the key in future development as costs continue to climb. There are significant benefits arising from airline network cooperation. Potential benefits include expansion of flight frequency and route network, cost efficiencies traffic feed between partners, expansion of seamless partners, cost efficient through economies of scale, economies of traffic density, and marketing advantages (Oum et al., 2000; Brueckner and Spiller, 1991).

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[3]Kenya Airways and Ethiopian Airlines have two regional operators, Precisionair of Tanzania and ASKY, respectively. Kenya Airways Limited holds 41.23 percent equity interest (2011: 49 percent), whereas Ethiopian Airline holds a 49 percent equity in ASKY.

The industry is also moving away from one dominated by "flag carriers" owned or supported by governments to one in which privatized airlines pursue commercial objectives. Corporate merger, i.e. joining airlines from different countries into a common corporate entity, may well be the way forward to help African airlines. Moreover, while regional grouping of airlines is far from being a new idea, it has not been addressed in previous researches. In fact, airline mergers were favoured by African governments prior and after independence. There are many examples of joint airline ownership in Africa. The most recent and known one is Air Afrique which was successful in uniting 11 West African countries into the operation of a single major airline. The joint carrier also had Air France as a cornerstone shareholder which took over most of Air Afrique's routes to protect its position in Francophone Africa (CAPA, August 2013). Established in 1961, each of the 11 states owned 6 percent of the airline, while the remainder was owned by a subsidiary of the two major French airlines.

Other examples of successful ventures among multinational corporations include East African Airways Corporation, Central African Airways and West African Airways Corporation. These airlines were established by the British after the Second World War and aimed at acting as feeders to the international airlines of the colonial power. With the exception of the East African Airways (one third owned by Kenya, Tanzania, Uganda) and which has been considered successful, the two others did not survive the coming of the independence. The Economic and Monetary Community of Central Africa (CEMAC) has recently proposed the creation of Air CEMAC, a joint venture between its six members and Air France to help foster regional traffic. The joint carrier aims to provide regional services linking the CEMAC states as well as the island nation of São Tomé & Príncipe to the rest of Africa. Under the joint venture, Air France will hold a 33 percent stake in Air CEMAC, whereas the six CEMAC states will each own 5 percent, Bank of Central African States 15 percent and the balance by other investors (CAPA, 7 August 2003). While Air CEMAC is being established as the successor of Air Africa, the approach is different. Air CEMAC does not intend to unify existing national carriers in the region into one carrier, but to establish a joint carrier alongside the existing ones.

It should be mentioned that this strategy will only be successful if national pride is replaced by business pragmatism. One reason for the failure of Air Afrique is that the airline was doomed by conflicting national objectives and some countries were unhappy with what they called a subordinate role. It should be a private sector driven initiative facilitated by strong national political will and support. Basically, the elimination of non-physical barriers, the restructuring of national airlines and the financial reform of air transport companies constitute a precondition for the attraction of private investments and the establishment of multinational airlines and/or corporate mergers.

The current visa structure often acts as an obstacle to the achievement of the Africa Union goals of the free movement of people and goods. Relaxation of visa requirements for tourists or the introduction of a common single tourist visa at regional level will help develop the tourism industry, boost regional travel and promote more regional airlines.

While lack of cooperation and scheduled coordination has resulted in duplication of services and wasteful competition amongst airlines, it is worth mentioning that a certain level of consolidation will have an impact on competition and prices. Therefore, this strategy must be accompanied by appropriate safeguards against anti-competitive practices and application of competition laws to ensure fair competition and effective and sustained participation of all States. Some sub-regional groupings such as CEMAC, UEMOA (West African Economic and Monetary Union) and COMESA have developed competition rules applicable in their respective geographical areas (ECA, 2005).

It is further recommended to effectively pool resources to increase scale and improve access to funding options, and to strengthen the institutions that implement the policy, reduce the risks of doing business and eliminate barriers affecting the free movement of labour and capital.

AFRAA's proposal of forming the 'Club of the Ready and Willing States', which would take the lead in implementing the YD among themselves could be also explored.

In conclusion, liberalisation is likely to continue within the bilateral framework, whereby existing or new BASAs are (re)negotiated, ensuring that specific (more liberal and consistent with YD) provisions are incorporated.

7. Conclusion

The objective of this paper was to assess the progress in the implementation of the Yamoussoukro Decision and to identify impediments to liberalisation of air services in Africa as well as measures for facilitating the move in Africa towards multilateral open skies. The roots to liberalisation in Africa date back to 1988. The most recent initiative aimed at implementing the YD is the emergence of AFCAC in 2007 as the YD Executing Agency.

Africa’s aviation market has a tremendous growth potential, which could bring significant benefits. The continent achieved reasonable levels of market growth between 2001 and 2012. Low cost-carriers have been the key factors in domestic and regional development. Traffic increases on certain routes can be ascribed to relaxation of restrictions on designation, code sharing and enhanced market access through increased $3^{rd}/4^{th}$ and 5^{th} freedom capacity and new routes. A number of countries have granted each other bilateral rights that allow airlines to carry passengers to third countries. Moreover, fifth freedom traffic has increased, though unevenly distributed across the region.

In regions where YD has been implemented, there has been an increase in frequencies, air traffic and aircraft movements as well as in competition leading to the improvement of the quality of services and the introduction of several tariff ranges. Further developments include an increase in private sector interest in the air transport sector through participation in the capital and/ or establishment of new airlines, an increase in partnership/alliance between African airlines, a high level of foreign direct investment. Implementation of the Decision is handled by sub-regional organizations, with West Africa the most liberalised region in Africa and Southern Africa the least liberalised. Further Liberalisation would enable efficient airlines to restructure themselves with respect to route development, operations and access to global capital sources. The gain to passengers will come about with competition from new players, with better access to financial-resources, greater network connectivity and better value services to passengers.

The importance of greater collaboration and co-operation among African countries in the development of the African airline industry has been recognized, with a growing number of large African airlines acquiring equity in smaller airlines. Several cooperation and partnership strategies have developed in recent years, partly as ways of cooperating with respect to ownership rules.

Although bilateral and multilateral liberalisation is progressing, a review of the implementation of YD confirms that slowness is the operative word. YD does not enjoy full acceptance from member countries and liberalization is likely to continue at least in the short run on a bilateral basis with individual countries and sub-regions taking the lead. Hence, African airlines differ widely in their competitiveness and readiness to an open market because of the increasing competition and the pressure on costs after liberalisation. The growth of the African airline industry also depends on the current levels of safety and security, which have been significantly improved. It has been demonstrated that the African airline industry is far too fragmented and needs to consolidate. The paper suggests that airline regional groupings among other strategies could help overcome the aviation integration challenge in Africa.

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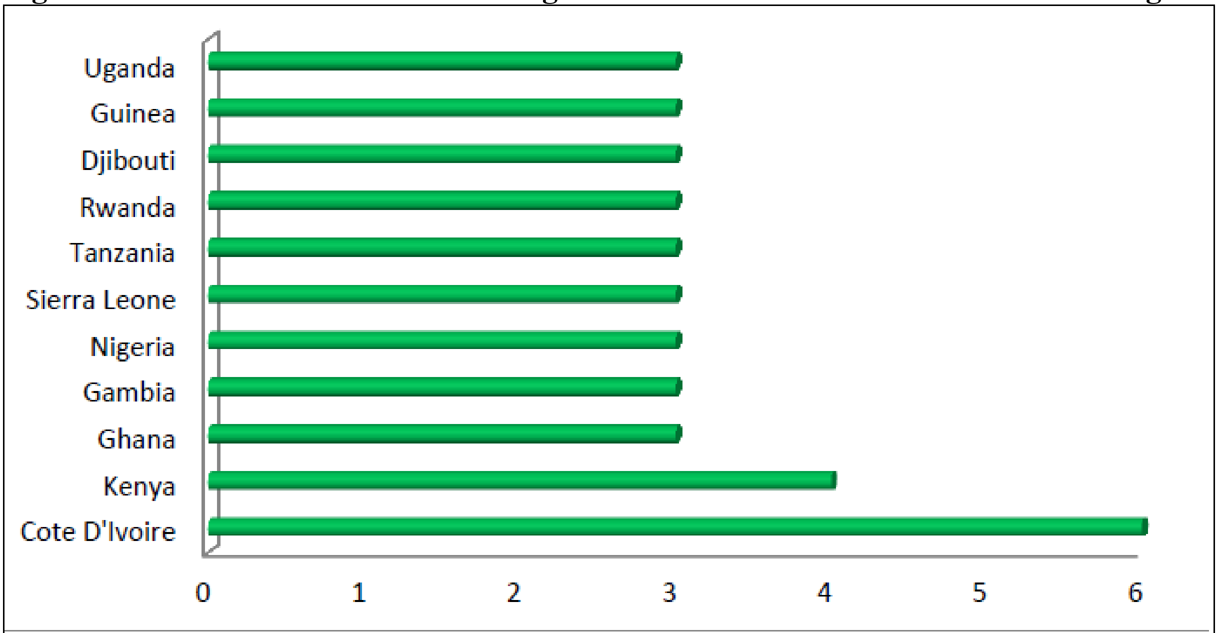
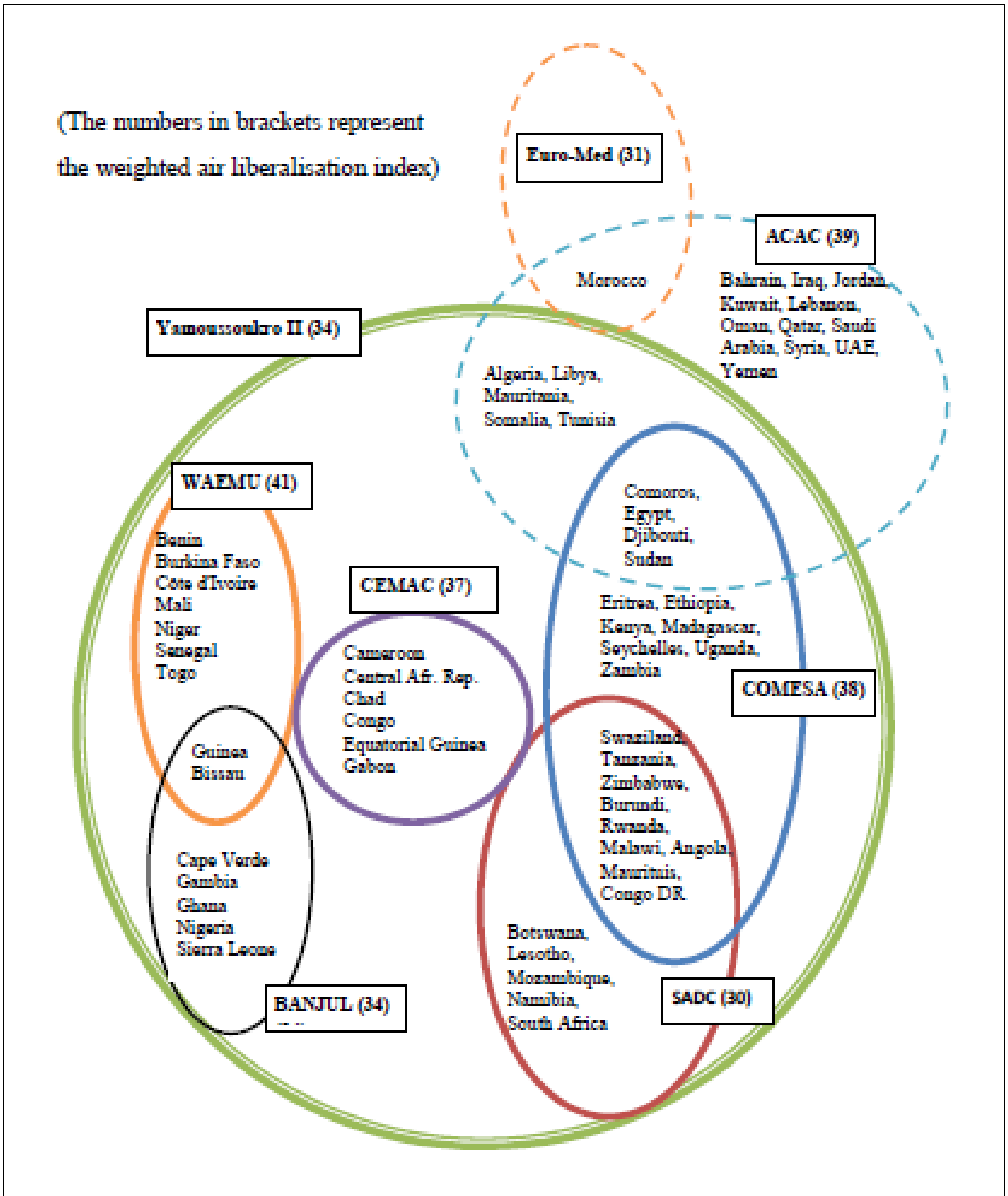
Appendix

Figure A1: African countries that have granted at least three fifth freedom traffic rights



Source: AFRAA

Figure A2: Weighted Air Liberalisation Index of sub-regional economic communities



Source: World Trade Organisation

The degree of liberalisation of a given air transport agreement (ASA) can be analysed using a range of indices recently identified by the WTO Secretary (WTO, 2006). Weighted air liberalisation index for Africa shows that WAEMU represents the relatively liberal intra-community markets in the continent. SADC on the other hand is the most restrictive one. The average score by WTO indicator with respect to YD implementation at the pan-African level is 34.

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