



AVIADEV AFRICA

POST EVENT REPORT 2022

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At the end of June, hundreds of aviation professionals arrived in Cape Town for the 6th edition of AviaDev Africa. This is the first time the event has taken place since 2019, and the aviation community was clearly hungry for its return, with record breaking numbers of delegates and a strong attendance from all segments of the industry.

With a remit to **'Connect, Collaborate, Change'**, the event was met with enthusiasm for every element: From the conference sessions to the morning run and everything in between, delegates eagerly showed up, took part and gave their all to make this event a resounding success.

We were clearly very happy to be back together again.

#AVIADEV



REALISING THE POTENTIAL

African aviation is poised for explosive growth. GDP growth in the region is around 3.7%, with some parts of the continent growing much faster, despite the pandemic impacts. That's higher than most other parts of the world, and reflective of a growing middle class in many African countries.

With 1.4 billion people, the African population represents almost 17% of the world. Yet, the share of passenger traffic remains around 2-3%. Of that 2-3%, around 80% of the international flights are serviced by non-African airlines. But does competing with these established hub-and-spoke carriers from all over the world really enable African airlines to realise this documented potential in the market?

While a handful of African airlines are striving to unseat the dominance of international carriers, a far greater opportunity exists in the intra-African market. Speaking on a panel at AviaDev Africa, Andrew Armistead, Head of Airline Marketing at Airbus for Africa and the Middle East, noted,

"Our Global Market Forecast predicts that intra-Africa traffic will grow by 7.6% per annum in the next 10 years. Now, that's a very high number. That's one of the biggest growth rates we see in the world."

While there is certainly an opportunity to go international, a far greater potential exists in connecting Africa with Africa. Part of that potential can be leveraged by embracing a less protectionist, more open way of working. Strides are beginning to be made in this direction, with the liberalization of air markets between countries.

To put this into context, IATA previously noted that the more liberal air market between South Africa and Kenya, adopted in the early 2000s, led to a 69% rise in passenger traffic. Ethiopia's pursuit of liberalisation has helped it become the largest and most profitable airline on the continent. Ethiopians now benefit from fares that can be as much as 20% lower and frequencies of 35% higher, compared to other, more restricted intra-African routes.

IATA further analysed the benefits of liberalisation, noting that passengers would benefit from fare reductions of 25-35%, greater connectivity, time savings and convenience. Not only that, but focusing on connecting Africa with Africa would bring economic benefits too, generating hundreds of thousands of jobs and potentially millions of dollars to the GDP of more connected countries.

38%

INCREASE ON 2019

2022
ATTENDANCE

290

DELEGATES





DELEGATES
REPRESENTED

32

AIRLINES

50

AIRPORTS

21

AFRICAN COUNTRIES

GETTING THERE, PROFITABLY

One of the biggest problems for African airlines today is that many are losing money on every passenger they fly. Multiple times during AviaDev Africa, it was noted that the average financials are a \$1.50 loss on every passenger flown, which compares to a global average of \$7.80 profit.

The Achilles heel for most African airlines is their high cost of operations. Fuel costs are higher in Africa than in many other geographies, and then there are the high taxes, infinite amounts of red tape and the high costs of visas to visit other African countries. All this translates into higher ticket prices; something which is failing to stimulate the intra-African market to its full potential.

Many will look to governments to start the ball rolling on this issue, with the Yamoussoukro Declaration and its Single African Air Transport Market (SAATAM) often cited as being the precursor to a successful intra-African outcome. But while we wait for progress to be made on these issues, does it mean we cannot have profitable airlines?

“AS AFRICAN CARRIERS, I BELIEVE OUR JOB IS TO DRIVE PROFITABLE BUSINESSES. BUT THE WAY THAT YOU DRIVE PROFITABLE AIRLINE BUSINESS IS THROUGH SCALE. IT’S THROUGH EFFICIENCY.”

Simon Newton-Smith, Chief Commercial Officer, South African Airways

South African Airways is rebuilding itself following its bankruptcy and sale to a private entity. Key to its much-needed future success is partnerships, with the airline signing a strategic partnership framework at the end of 2021 with Kenya Airways. The pair are keenly eyeing further members to join them in a ‘Lufthansa-style’ consortium, leaning on the successes of such partnerships in Europe and other competitive markets to make them stronger together.



Newton-Smith even indicated that compulsory collaboration would do African airlines a huge favour, but also noted that the partnership with Kenya Airways was not just about making those two airlines bigger, saying,

“It is to create a foundation to help other airlines on the continent and unlock that value.”

“UNLESS WE DO SOMETHING, UNLESS WE COME TOGETHER AND CREATE A PARTNERSHIP THAT WILL MAKE US STRONGER AS A CONTINENT, INDIVIDUALLY WE WILL NOT BE ABLE TO ACHIEVE WHAT WE ARE SUPPOSED TO ACHIEVE.”

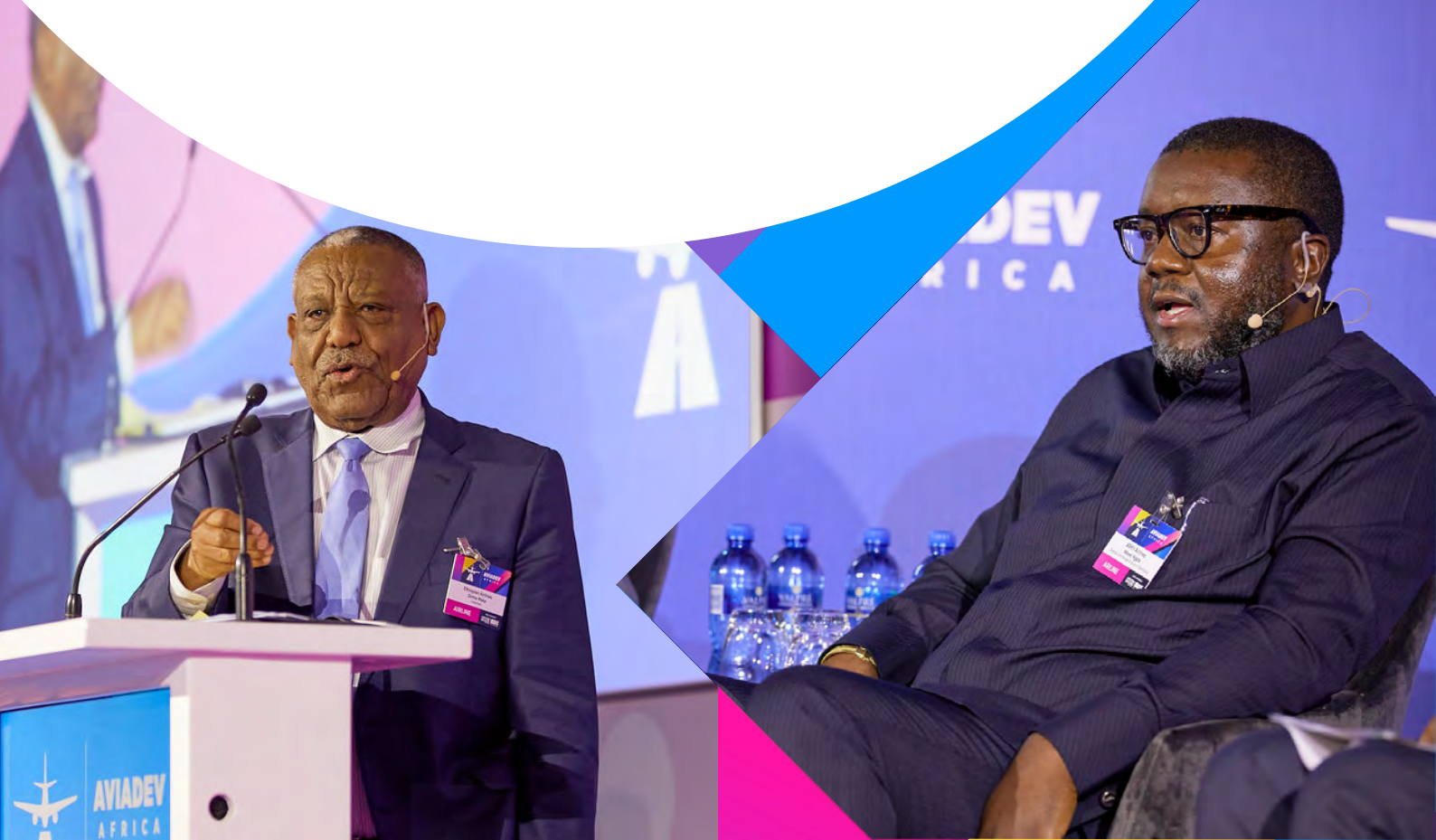
Girma Wake, Chairman, Ethiopian Airlines

SAA is not the only airline that realises the power of collaboration. ASKY Airlines has been collaborating with Ethiopian Airlines for almost 12 years, and as a result, both airlines are profitable. Nowel Ngala, Director Commercial & Ground Operations at ASKY Airlines, noted that this partnership is a blueprint for other airlines in Africa to follow, saying,

“Africa is the most expensive area or region to operate an airline. And it's only with such collaboration and partnerships that you can reinforce and support the operations.”

The idea of being less protectionist, more open and more collaborative goes against the historical ideal of many African governments. With many carriers still government owned and dealing with excessive influence from their owners, perhaps its time to stand up and ask governments to take a step back.

The ‘Godfather’ of African aviation, Girma Wake, suggested it is time to shed the governmental baggage and demand more autonomy to operate airlines in the ways they need to be operated. Investing in airlines needs to be seen as an investment into the nation’s economy, not just ‘bailing out’ another struggling business. To have robust, profitable carriers, they need to be allowed to choose their CEOs, their routes and their strategies, and to form plans for the next 10, 20 or 50 years, not just to lurch from one election to the next.



RENEWING THE FLEET

African airlines have a history of trying to be the Emirates or Turkish Airlines of their country in the first year. This is a case of trying to run before you can crawl, and has led to poor performance, half filled widebodies flying to flagship destinations, and ultimately airlines that fail to become profitable.

But that doesn't mean that African carriers should not be investing in new airplanes. Indeed, the benefits of operating a newer, more efficient fleet cannot be understated, as Ato Girma further commented,

"80% of the aeroplanes that we have in Africa are 10 years or older. With those aeroplanes we will not be able to compete, because others come with modern aeroplanes, which may cost a lot to buy, but the operational cost is much lower And the attraction for customers is much higher."

But buying new aircraft is expensive, and most airlines do not have hundreds of millions squirreled away to pay for them outright. Most airlines around the world survive on credit or leasing agreements, but this is another area where African airlines struggle. Helen Brume, Director, Project & Asset Based Finance at Afreximbank, outlined the challenge African carriers face when attempting to access funding, saying,

"If you talk to an international financial or an international leasing company, the perception of risk for Africa is very high... when you talk to some of these companies, it's not just a perception of risk, they've actually seen that risk crystallise. And because they've seen it crystallise, they tend to demand a premium, and that premium essentially dovetails into the cost of funding."

It's something of a chicken and egg situation. Investors are unwilling to invest in African airlines because of the risk, but African airlines cannot improve their risk standing without access to capital. But Afreximbank is striving to change this, and has already mobilized over \$2 billion to the aviation industry in Africa. It has also launched a new subsidiary to invest equity in airlines, and is using its voice to create some level of advocacy for the industry.

Most excitingly, Afreximbank is contemplating setting up a leasing arm, as Brume explained,

"I talked earlier about how Africa can actually create the required pool of capital within Africa to support African airlines. And one of the things Afreximbank is considering is setting up an aviation leasing platform, which will hopefully offer better solutions, better alternatives in terms of access to cheaper leasing options to the local airlines. And I think this will go a long way to supporting a lot of the local players."

AVIADEV
AFRICA



89%

OF DELEGATES
WERE
VERY SATISFIED
WITH AVIADEV AFRICA 2022



“AFRICA WAS A DUMPING GROUND FOR OLD AND USED AIRCRAFT – THIS HAS CHANGED NOW. WE’RE SEEING THAT MORE AIRLINES WANT TO BUY EITHER NEW OR NEWER AEROPLANES.”

Hussein Dabbas, General Manager Africa & Middle East, Embraer

Of course, not all of Africa can renew its fleet all at once. At present, Boeing is by far the largest OEM on the continent, with over 500 planes in operation with around 60 different operators. When it comes to giving those who do operate older planes a leg-up, technology has a huge part to play.

The issue of sustainability is as relevant for African airlines as it is elsewhere. While decision making may not often revolve around carbon emissions, the simple fact remains that a more efficient airplane means less fuel burn and therefore lower operating costs. And it is possible to boost the efficiency of these older airplanes.

Kuljit Gata-Aura, Boeing’s President for the Middle East, Turkey and Africa, noted that the OEMs have various tools available at their disposal to help airlines boost efficiency. Through Boeing’s subsidiary Jeppesen, airlines can avail of tools to help with issues such as effective trip planning, predictive maintenance, continuous descent and more. He noted,

“When they’re deployed, these technologies can provide an emission saving of around 12%... there is a lot of efficiency you can get out of improvements in network operations and digital plays a huge part in that.”

EMBRACING TECHNOLOGY

Technology, not just onboard the airplane but also on the ground, presents a key opportunity for African airlines too. From improving safety to presenting the right payment options to passengers on the ground, digitization of the passenger experience is going to be crucial to realising the ambitions the sector holds. This sort of move is two-sided benefit too, as more data gathered on the airline side will allow for better planning and understanding of the customer needs.

Fly Safair is one of the more technologically advanced airlines operating in the African market now, but Kirby Gordon, Chief Marketing Officer, pointed out that it’s not all about having the most glamorous app or whizziest marketing. His focus is on improving the basic necessities for the benefit of the customers, highlining simple processes like automated, self-service refunds as one of the key basic processes that can be digitised.

Ink Innovation works closely with Fly Safair in making sure it’s making the right decisions on its digital journey. Chief Sales Officer Blaine Powell added some colour on the African opportunity for digitalisation of aviation:

“It’s about democratising technology... I think the industry has suffered from that; where technologies have been viewed as being hugely expensive. I think we need to shift away from that a little and reassess. From our side, that’s part of the reason we’re interested in the African market. There’s a lot of scope for modernisation and automation, but it needs to be done the right way. investment needs to be made in a way that’s going to save money.”

THE ROLE OF AIRPORTS AND CARGO IN AFRICA'S AVIATION SUCCESS

Of course, airlines and airplanes are just part of the puzzle that will define how African aviation evolves. Moritz Breickmann, Investment Director at African Infrastructure Investment Managers, is an investor in several African airports, and shared his overview of the role airports can play in realising the potential for African aviation. He said,

"Airports tend to look to international traffic first because it pays higher airport charges. But I think the pandemic has shown that domestic traffic can be more resilient. So even if the contribution is lower, it makes sense to also develop the domestic side of traffic."

As well as giving more leverage to regional services, airports in Africa have huge opportunities to be more than just a bus stop for their passengers. Of the revenue gathered by airports in Africa, just 28% comes from non-aeronautical sources, leaving a big opportunity for airports to become destinations in themselves and more profitable entities.

Well cited is the influence of places like Singapore's Changi and Amsterdam's Schiphol on the economies of their home countries. People visit the airports to go to the airport, not just to fly, and the opportunities to capture some of the non-aeronautical revenue from these as well as the travelling passengers is not lost on African airports. Breickmann noted,

"Should we maximise retail revenues? Absolutely, it just makes commercial sense. it helps also to reduce the reliance on passenger fees, etc. And hopefully helps to keep those down. For sure there's a lot of potential still. But it's not going to be as it is in more developed parts of the world where it's 50% of airport revenues."

So where else should airports be looking to increase their revenues? One key area mentioned was cargo. Throughout the pandemic, cargo has been the bright spot on the balance sheet of many an airline or airport, and that's woken the industry up to this predictable and lucrative revenue stream.

99%
OF DELEGATES
WOULD ATTEND
AVIADEV AFRICA
2023



Despite a decline in cargo demand during April, the sector has started to bounce back, largely thanks to the easing of Omicron-related restrictions in China. African cargo capacity was up 3% year-on-year, and airports and airlines alike are building their resilience and infrastructure to mobilise this increasingly important market.

In particular, as with passenger traffic, Africa needs to be doing more business with Africa. IATA states that the intra-African cargo market has the highest growth rate in the world, something that will be further stimulated with the forthcoming African Continental Free Trade Area.

“70% OF THE TRADE THAT WE DO AS AFRICA IS OUTSIDE OF AFRICA AND ONLY 30% IS WITHIN AFRICA. SO ONE OF THE THINGS WE’RE EXPECTING IS THAT AFRICAN COUNTRIES WILL START TRADING MORE WITH EACH OTHER AND THAT WILL MEAN A BOOST FOR INTRA-AFRICAN GROWTH.”

Sanjeev Gadhia, CEO, Astral Aviation

Key to realising this potential will be the development of the right infrastructure and the best ecosystem for smooth cargo operations. That means investment – from airlines, from airports, from manufacturing and many other stakeholders too. And here, we return to the theme of collaboration; working in partnership to become stronger together.

38%

INCREASE ON 2019

2022
ATTENDANCE

290

DELEGATES

32 AIRLINES

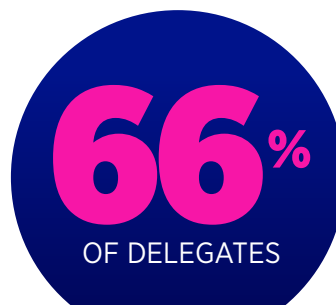
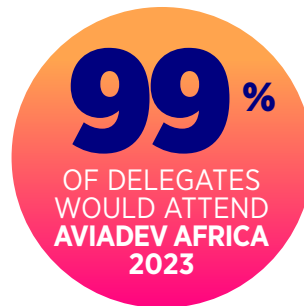




AVIADEV 2022: THE STATS



OUR 290
DELEGATES
REPRESENTED



ARE IN DISCUSSION ABOUT POTENTIAL NEW BUSINESS
FOLLOWING MEETINGS HELD AT AVIADEV AFRICA 2022

AVIADEV IMPACT

How did AviaDev maximise its impact on the industry and local community, whilst also minimising its impact on the environment during AviaDev Africa 2022?

Below are some practical ways that we delivered on our promise to be as sustainable as possible with the event.



Recycled and recyclable delegate badges

Our delegates were provided with clip on badges made from recycled material that were recycled again at the end of the event.



Local labour

Our Staging and audio visual team came from Cape Town, as did our photographer and videographer, maximising our impact on the local economy.



Reusable delegate bags

We did not provide our delegates with poorly made, imported bags, but invested in a locally produced, reusable shopping bag to be taken away by our delegates (also made from recycled materials).



Compostable coffee and water cups

were used throughout the event.



Minimised stand building

Our attending exhibitors bring a simple background wall or pop up banner that is portable and can be reused at other events.



Staging

This was built locally from wood and was recycled post event.



Digital signage

Our venue invested in digital signage which removes the need to print and create large amounts of physical signage.

LOCAL IMPACT



Supporting local charities

Each year, we organise a run/walk in aid of a local charity and this year was no different. We supported the PSFA and with the support of 14 sponsors raised \$7000, which is sufficient to support 200 learners affected by poverty with a cooked nutritious breakfast and lunch every school day for an entire year.

Outreach

Each year, we partner with a local Organisation to deliver a day of outreach activities. This year we supported the Girls Fly Programme for Africa GFPA with their space camp.



Supporting the next generation

The AviaDev Ambassador programme was devised to offer aviation students and enthusiasts the opportunity to gain real world experience. Three winners were chosen from a competitive process. Each was flown to the event and spent the week as part of the AviaDev onsite team. Additionally, they addressed the industry from the stage, raising their profile and opening the door to new opportunities.

At AviaDev, we believe that great ideas spread and we encourage other event organisers to consider these items and see if they can also make small improvements that can make a huge difference.





SEE YOU AT
AVIADEV AFRICA
IN 2023

the
bench