Introduction to Air Transport Regulation and Smarter Regulations

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The Business of Freedom…

Aviation is one of the key drivers of the advancement of modern society. This is due to its ability to physically connect individuals over a wide geographical area safely and quickly. It is one of the key pillars to unlocking the economic potential of any nation.

It enables several layers of activities:

- **Business transactions**
- **Express shipments**
- **Cultural and knowledge exchange – ideas, education, understanding**
- **Family cohesion**

Aviation is key to unlocking Africa’s potential
Aviation benefits in Africa

Air transport supports 6.2 million jobs and $55.8 billion in African economic activity. That is 1.8% of all employment and 2.6% of all GDP in African countries.

Jobs and GDP supported in Africa

<table>
<thead>
<tr>
<th>JOBS TOTAL</th>
<th>GDP TOTAL</th>
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<tbody>
<tr>
<td>6.2 m</td>
<td>$55.8 bn</td>
</tr>
<tr>
<td>4.9 m</td>
<td>Tourism catalytic</td>
</tr>
<tr>
<td>248,000</td>
<td>Induced</td>
</tr>
<tr>
<td>601,000</td>
<td>Indirect</td>
</tr>
<tr>
<td>415,000</td>
<td>Aviation direct</td>
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</table>

2% of global traffic

98 million passengers
1,130,000 flights
349 commercial airports
161 airlines
36 air navigation service providers
“We have all kinds of Regulatory Guidelines floating around.”
What is Smarter Regulation?

1. “Smarter regulation” refers to internationally recognized best processes, practices and procedures that can be used to improve the quality and cost-effectiveness of domestic or regional regulations.

2. Smart regulation is regulation that promotes and enables the growth and sustainability of any industry.

3. It can deliver clearly defined, measurable policy objectives in the least burdensome way.

4. It is achieved through a transparent, independent and consultative process.
What it means...

1. Partnership between governments and Industry that will result in well-designed regulations

2. Recognition of similar effective initiatives by some governments and regulators

3. Incorporation of best practices and global standards

4. Achieving efficient policy outcomes that avoid unintended consequences.

5. A set of common sense principles.
Smarter Regulation: Core Design Principles

1. Consistency and coherence
2. Proportionality
3. Targeted at risk
4. Fair and non-distortive
5. Clarity and certainty
Smarter Regulation: Core Process Principles

1. Addresses a clear need
2. Impact assessment
3. Consultative
4. Transparent and objective
5. Reduces compliance burden
6. Regular review
7. Appeal
Smarter Regulation: @ ICAO A39

1. Working paper presented; supported by 12 states & regions

2. Integration into ICAO “No Country Left Behind” initiative

3. New: ICAO Doc 9626

DOC 9626, PART I, CHAPTER 1.3 – KEY ISSUES OF NATIONAL REGULATORY PROCESS AND STRUCTURE

(new section to be included. Revised based on ATRP comments. 15 Nov 2017)

GOOD REGULATORY PRACTICES

In recent years, along with the socio-economic development and changes in the marketplace, the business community at large, including the airline industry, have called for governments to improve their practices in policy design and rule-making process in order to bring about better and more cost-effective outcome from regulation for the benefit of all stakeholders.

In response a number of States have adopted some “good regulatory practices” designed to improve policy making and the regulatory process and reduce unnecessary burdens on consumers and businesses (also referred to by some as “smarter regulation” or “better regulation”).
The importance of a favourable **regulatory** environment...
Creating bridges for economic development

- Trade
- Investment
- Industrialization
- Global supply chains
- Globalisation and Regionalisation
- Exchange of ideas and innovation
- Tourism
- Sectoral development
Connectivity

Pilot Projects of AU Agenda 2063

• SAATM
• Continental Free Trade Area
• Free Movement Protocol

Improved intra-Africa connectivity facilitates business and trade, enables tourism, connects friends, families and cultures, and promotes the exchange of knowledge and ideas.
Intra-AFI Routes and frequencies... growing?

Unique airport pairs

# flights per route

- Routes (unique airport pairs), LHS
- Frequency (total, per route), RHS


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Intra-SAATM 28 frequency higher and growing

![Graph showing the increase in Unique airport pairs and Frequency (total, per route) over years from YE Jul 2014 to YE Jul 2019. The graph indicates a steady increase in Unique airport pairs and a decrease in Frequency.]
Intra SAATM18 route network July 2014

Intra SAATM18 route network July 2019
Connectivity growth for the 18 Mol signatories

Unique airport pairs

# flights per route

- Routes (unique airport pairs), LHS
- Frequency (total, per route), RHS


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Regulatory/policy framework which underpins aviation development

1. Safety & Security
2. Connectivity
3. Infrastructure development
4. Taxation & Charges
5. Airline Cooperation/Efficiencies
6. Human Capacity Development
7. Multi-sector Cooperation
African Aviation…
Where are we now?
AFRICA SNAPSHOT

TOP 10 COUNTRY PAIRS (2017)

- Egypt
- Argentina
- Morocco
- Tunisia
- Egypt
- Egypt
- Morocco
- Sri Lanka
- Tanzania
- UK

THE TOP 10 COUNTRIES IN TRAFFIC COVER 77% OF THE TOTAL TRAFFIC IN AFRICA

TOP 10 COUNTRIES IN PASSENGER TRAFFIC (2017)

- Egypt: 7 Million
- South Africa: 18 Million
- Nigeria: 11 Million
- Tanzania: 12 Million
- Ethiopia: 12 Million
- Kenya: 10 Million
- Morocco: 9 Million
- Tunisia: 5 Million
- Egypt: 5 Million
- Saudi Arabia: 3 Million

75.5% PASSENGER LOAD FACTOR (2017)

ANNUAL PASSENGER TRAFFIC IN AFRICA

[Graph showing annual passenger traffic with data for different years and regions]

Source: IATA, International Air Transport Association
Regional profitability remains very uneven

Net post-tax profit margins

Source: IATA Economics using data from ICAO, The Airline Analyst, IATA forecasts
Why does fragmentation persist in African Aviation?

1. Restrictive bilateral air service agreements and protectionist government policies;

2. Proliferation of State owned carriers leading to African states reluctance to fully implement the Yamoussoukro Decision;

3. Unwillingness to cooperate and/or reciprocate amongst African airlines (winner takes all mentality);

4. Poor airport/ANSP infrastructure and high user charges/taxes; and

In Africa high travel cost is an impediment to growth

Passenger yields by market, 2018

Source: IATA Economics using data from DDS
Africa has excessive costs in many categories…

Source: WATS+ 2018

www.iata.org/economics
Looking ahead: African Airlines must work together
A successful SAATM...

**Freedom**
- Grants the free exercises of 1st, 2nd, 3rd, 4th, and 5th freedom traffic rights to Eligible African Airlines

**Liberalization**
- Liberalizes tariffs. No requirement to obtain approval of tariffs

**Frequency and capacity**
- Allows unrestrictive frequency and capacity. Eligible African airlines able to fly any intra-African routes

**Eligible African Airlines**
- Allows designation of Eligible African airline by multinationals
- Recognition of community airlines owned by African nationals

**Regulated/Standardized**
- Ensures fair competition through a Harmonized competition regulation; Protects Consumers’ rights through harmonized consumer protection.

**Liberalisation**
- New Routes and Frequencies
- Shorter Travel Times
- Lower Fares

**Air Traffic Growth**
- Increased Tourism
- Increased Trade
- Inward Investment

**Economic Growth (GDP)**
- Enhanced Productivity

**Job Growth**
<table>
<thead>
<tr>
<th>Market</th>
<th>Increase in ASKs</th>
<th>Increase in passengers carried</th>
<th>Increase in operational RPKs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Europe</td>
<td>27.5%</td>
<td>34.9%</td>
<td>36.2%</td>
</tr>
<tr>
<td></td>
<td>20.4%</td>
<td>37.8%</td>
<td>40.9%</td>
</tr>
<tr>
<td></td>
<td>23.6%</td>
<td>42%</td>
<td>35.2%</td>
</tr>
</tbody>
</table>

Source: Association of European Airlines
Strategic importance – Network oriented – Customer Focused

1. Lower prices
2. Increased output
3. Improved Service Quality
4. Capacity Utilization
5. Productivity
6. Profitability
7. Investments
We need a Smarter regulation approach on the SAATM

Yamoussoukro Decision (1999).

- HOSG of the AU Adopted a Declaration on the Establishment of a SAATM January, 2015
- SAATM was launched on 29 January, 2018 at AU Assembly of Heads of State and Government
- SAATM Regulatory Texts

Air Service Agreements

- Free exercise of 1st – 5th freedoms
- Liberalized air tariffs
- Unrestricted frequency and capacity
- Full liberalization of cargo services
- Move from bilateral to multilateral.

Executing Agency (AFCAC)

- Recognition of the powers and function
- Adhere to the uniform rules for fair competition, CPR and other regulations
Pillar 1: Advocacy for the effective Implementation of the SAATM
- Develop and implement effective advocacy and communication strategies
- More states to subscribe to the SAATM by 2019
- SAATM Member States to implement SAATM ‘concrete measures’

Pillar 2: Enhancing the SAATM Regulatory Text – harmonisation and domestication of existing text
- Ensure availability of appropriate regulations for the oversight of the SAATM
- Member States and RECs are sensitized on the YD Texts

Pillar 3: Operationalization of the SAATM – focus on operationalization of the EA
- Facilitate the execution of a continent-wide study on benefits of aviation to Africa’s socio-economic landscape and audio-visual material
- Capacity strengthening of implementing entities
- Facilitate Airline cooperation and adoption of SAATM Harmonization of policies on aeronautical-related taxes and charges and other non-tariff barriers
- Monitoring and Evaluation of the SAATM

Pillar 4: Planning for future growth: SAATM Infrastructure
- Planning for future traffic growth
- Single African Sky Architecture is established

Pillar 5: Enhancing Safety and Security – ensuring all countries attain the minimum standard (at least 60% Ef)
- All SAATM countries meet the Abuja safety targets
- Windhoek security and facilitation targets implemented
- Improve continental safety oversight
- All airlines meeting minimum safety standards

Pillar 6: Financing the aviation industry
- Access to sustainable funding
Specific Impediments to SAATM Implementation

1. State Sovereignty
2. Level playing field
3. Time to adjust (different capacities)
4. Ownership and Control
5. Reciprocity
6. Dispute Resolution
7. Cargo
What next?

1. **AFCAC**: finalize SAATM Regulatory text.

2. **AFCAC**: host requisite multilateral and bilateral SAATM coordination meetings with willing States, SAATM Monitoring Body, RECs, AFRAA, IATA, Airlines etc.

3. **ALL**: promote African airline cooperation

4. **ALL**: Addressing issues of African Airline Financial Health

5. **ALL**: Harmonized stakeholder advocacy (AFCAC, AFRAA, ICAO, IATA, etc) on benefits of SAATM, Industry costs, etc.
Key Takeaways

Efficient and effective regulation supports quality of life, social cohesion and the rule of law.

Smarter regulations:

✓ Helps achieve policy objectives at minimum cost.
✓ Ensures that policy is prepared, implemented and reviewed in an open, transparent manner.
✓ Supports regulations that are in the best interest of the public, justified, effective and transparent.

Stakeholders are in the best position to inform government policies

✓ Avoiding unintended consequences.
✓ Expanding options for efficient regulatory choices.
THE VALUE OF AVIATION

Why is aviation so important?
Aviation delivers a wide range of benefits & values to different groups of people and organizations.

Aviation is one of the key drivers of the advancement of modern society. It plays a vital role in connecting people and nations, improving economic prosperity, enhancing social development, and promoting environmental sustainability. Aviation helps people travel to destinations, share experiences, and engage in business opportunities. It is an essential part of the global economy, contributing to economic growth and competitiveness.

What value does aviation bring?

- **Economic Value:** Aviation creates jobs, boosts economic activity, supports trade and encourages investment, transfers products to markets, allows business meetings to take place, and agreements to be made.
- **Social Value:** Beyond aviation’s direct contribution to economic growth, aviation also enhances social well-being. It allows people to interact with one another in person, fostering a sense of community and cultural exchange. Aviation is crucial for international collaboration, scientific research, and disaster response.

How should aviation be regulated?

Create an environment in which airlines can contribute economically and safely — at the same time they prosper themselves.

The enormous economic and social potential of aviation is clear. But it is not guaranteed. A 1% drop in aviation’s growth rate would lead to an 8% decrease in jobs generated by aviation and a 17% drop in economic activity supported by air transport. With so much on the line, how can we ensure that aviation meets its potential?

One important way is through the adoption of a regulatory framework in which the industry can be made accountable and transparent and in which the same time is saved. We encourage the authorities to regulate the industry to a point where it will allow it to stimulate economic growth and job creation, as well as provide passengers and passengers from global aviation.

Aviation in action...

Aviation delivers innumerable benefits to national development and economic growth.

Countries that have strategically utilized the aviation industry to develop their economies have grown in leaps and bounds over a relatively short period of time and continue to enjoy immense socio-economic benefits from aviation e.g. Singapore, UAE, Greece, India. to name a few of many examples.

Today, Singapore is widely regarded as a successful trading center and global business hub. However, Singapore does not have large amount of natural resources or a large population base to rely upon. Its economic success is underpinned by the fact that it is an open and welcoming country and in which its businesses thrive. Trade is particularly important to Singapore’s economy: the value of goods traded in Singapore in 2012 was over three times its annual GDP. Singapore’s position as a global hub is underpinned by the fact that it is an open and welcoming country and in which its businesses thrive. Trade is particularly important to Singapore’s economy: the value of goods traded in Singapore in 2012 was over three times its annual GDP. Singapore’s position as a global hub is underpinned by the fact that it is an open and welcoming country and in which its businesses thrive. Trade is particularly important to Singapore’s economy: the value of goods traded in Singapore in 2012 was over three times its annual GDP.

SMARTER REGULATION

What are the effects of regulation on the aviation industry?

Regulations should enable airlines to operate efficiently - free from unnecessary financial and operational costs.

The proliferation of regulations and policies inconsistent with international best practices (e.g., ICAO SARPS and policy guidance), or which are simply detrimental to the growth and sustainability of the aviation sector, create operational and financial burdens for the industry and make it difficult for aviation to deliver on its promise.

However, a national or regional policy framework consistent with international best practices and globally accepted smarter regulation principles, can unlock the full potential of aviation.

THE SMARTER REGULATION METHODOLOGY

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<tr>
<th>POLICY DESIGN PRINCIPLES</th>
<th>PROCESS PRINCIPLES</th>
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<tbody>
<tr>
<td><strong>Consistency and coherence</strong> Regulations should be consistent with existing (and planned) rules and practices that are applicable to regulations (e.g., international policy objectives in the least burdensome way)</td>
<td><strong>The objective of the regulations should be identified based on sound evidence and available alternatives must be considered to select the most appropriate solution.</strong></td>
</tr>
<tr>
<td><strong>Proportionality</strong> Regulations should be used only when their necessity is demonstrated and should be proportionate to the problems identified so that the costs of compliance are minimized by pursuing the most cost-effective solutions.</td>
<td><strong>There should be an assessment of the risks from the regulations.</strong></td>
</tr>
<tr>
<td><strong>Targeted at risk</strong> Regulations should have specific, well-developed objectives that respond directly to the problems identified. Whenever appropriate, flexibility should be given to those being regulated to meet specific objectives.</td>
<td><strong>The drafting of the regulations should involve those who are likely to be affected, the decision-making process should be transparent and objective.</strong></td>
</tr>
<tr>
<td><strong>Fair and non-discriminatory</strong> Regulations should be applied fairly and not create discriminatory burdens on any group in particular</td>
<td><strong>The process of developing the regulation should focus on reducing the compliance burden and allow for regular and systematic review (and subsequent modification if needed) to ensure that the regulations is still appropriate.</strong></td>
</tr>
<tr>
<td><strong>Clarity and certainty</strong> Audiences subject to regulatory compliance need to know clearly what the regulations will apply, what is expected of them, and have sufficient time to be able to comply with new requirements.</td>
<td><strong>Compliance and enforcement should be based on clear evidence.</strong></td>
</tr>
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[Logo: IATA]
Thank you