



# AUC Information Paper on the full implementation of YD and Benefits of SAATM

## Highlights from the 2021 Continental Study on the Benefits of the SAATM

### Background

As part of the African Union Agenda 2063, which included initiatives such as the African Continental Free Trade Area (AfCFTA), the African Passport And Free Movement Of People, the Single African Air Transport Market (SAATM) project was launched in January 2018 to give fresh impetus to the goal of liberalizing aviation across Africa and to fully implement the Yamoussoukro Decision. To date, a total of 35 Africa Union Members States have signed the commitment to ensure the operationalisation of SAATM via the full implementation of the Decision.

Twenty more States are still to join namely: Algeria, Angola, Burundi, Comoros, Djibouti, Eritrea, Libya, Madagascar, Malawi, Mauritania, Mauritius, Saharawi Arab Democratic Republic, São Tomé and Príncipe, Seychelles, Somalia, South Sudan, Sudan, Tanzania, Tunisia and Uganda.

The SAATM provides an affordable, reliable, and fast transportation system to support the African Continental Free Trade Area (AfCFTA). Some other benefits include:

- Reducing the risk and cost associated with intra-regional trade, while opening more trade lanes and opportunities to conduct business across the continent.
- Air transportation is also essential for facilitating free movement because it can provide better connectivity than other modes of transport, particularly for intra-regional and longer lanes of travel.
- SAATM implementation also supports other priority areas of the African Union's Agenda 2063, the UN Sustainable Development Goals (SDGs), and the African Development Bank.

Under the leadership of the African Union Commission (AUC) and the African Civil Aviation Commission (AFCAC), African industry stakeholders have been working closely together to ensure the operationalisation of the SAATM, which has resulted in the progress achieved so far. Continued collaboration and further alignment of activities to accelerate ongoing efforts is urgently required.

The main aim of the Study is to enhance advocacy for all Member States to join SAATM and the full implementation of the Yamoussoukro Decision across all AU Member States. In that regard, with the new information provided by this Study and the new communication materials, the SAATM is expected to receive enhanced visibility, publicity and increased awareness of the social and economic benefits amongst all stakeholders.

### High Level Policy Recommendations

Based on the output from the Study, to achieve these specific objectives, African States have the following high-level policy requirements:

1. Sign the SAATM Solemn Commitment Letter (**non SAATM States only**)
  2. States either continue to bilaterally amend BASAs that are not YD compliant until full BASA compliance is achieved;
- or





3. States sign a multilateral agreement (MASA) granting the free exercise of first to fifth freedom air traffic rights amongst the signatories and clearly abolish the need for future BASAs between them.
  - a. All BASAs (or MASA) must comply with Articles 2, 3, 4, 5 and 6 of the YD Text
  - b. Grant, as a minimum, first to fifth freedom traffic rights to SAATM Member States
  - c. Recognition of all designated African eligible airlines
4. Adherence to ICAO Standards (60% Effective Implementation rate)
5. Adherence to other best practice on Safety (e.g. IOSA)
6. Fully implement all SAATM Concrete Measures
7. Focus on adherence to SAATM Enablers to support a holistic aviation sector (improve visa openness, infrastructure - air and ground, etc)



African  
Union



### What is the Current status on the full implementation of the YD?

Full implementation of the YD means compliance with the provisions of the YD and its regulatory Instruments. The scope of the study is limited to market access provisions of the YD. One key requirement for SAATM operationalisation, is for the BASA of a SAATM Member State to be fully liberalised in accordance with the YD. This means all restrictions on traffic rights under the 3rd, 4th and 5th freedoms, frequencies, fares and capacity for signatory States to the Solemn Commitment be removed. Evidence from the study indicate that YD is only partially implemented between Member States as no State is 100% compliant with this requirement.

Based on an analysis of over 600 intra Africa BASAs for 54 countries, the study determined that less than 50% of BASAs are YD compliant. Cape Verde had the highest percentages of YD compliant BASAs - 76%, including four other countries in the top 5, Mozambique (75%), Mali (73%), Senegal (68%) and Cameroon (67%). The countries with the least proportion of YD compliant BASAs were Uganda (4% YD compliant BASAs), Burundi (6%), Libya (8%), Seychelles (8%), and Morocco (9%). Table 1 attached, indicate the level of YD implementation based on the market access provisions. Based on the study findings, the current rate of full YD implementation and the use of BASAs to achieve this process, implies that realisation of the SAATM via the full implementation of the YD is jeopardized. As a result, it is recommended that SAATM States move to adopt a MASA as a next phase in operationalising SAATM and the abolition of BASAs.

### How are African Airlines operating the intra-African market?

The strategic utilization of 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> freedoms to provide direct or connecting services between countries is a key element of the network planning airlines undertake as they seek to efficiently match supply to the connectivity demands of consumers. In 2019, the intra-Africa international passenger flows amounted to 16.7 million passengers, with 85% operated as direct point-to-point flights with the remaining 15% requiring one or more connecting stops along the way. The 5<sup>th</sup> freedom traffic right allows an airline to carry passengers between two foreign countries if the operations are an extension of services connected to the airline's home country. Traffic in 2018 shows that 5<sup>th</sup> freedom operations made up about 7% of total international capacity within Africa as a whole, with marked variation between sub-region. Fifty-nine (59) intra-African routes were operated using 5th freedom rights (routes with more than two frequencies per week).





Analysis by the study determined that while cooperation does exist between African airlines, there is scope for further coordination especially by smaller or medium-sized operators. This will be particularly important during the recovery from the COVID pandemic where demand will be weaker for some time and airline finances will be further stressed. In most industries that would mean downsizing and consolidation.

The study also indicates that Africa's air connectivity growth by just 30% between 2014 and 2019, compared to 137% growth in Asia. The importance of Africa's air connectivity to the AfCFTA is crucial. Air transport enable the connections of cities across the vast continent enabling flows of key economic activities and people. The need for improved air connectivity in Africa is therefore pressing. The ten States with the most intra-regional connectivity in 2019 are: South Africa, Nigeria, Ethiopia, Kenya, Zimbabwe, Egypt, Tanzania, Zambia, Namibia and Botswana and the ten least connected are Djibouti, Mauritania, Comoros, Sierra Leone, Liberia, Cape Verde, Gambia, Central African Republic, Guinea Bissau, Sao Tome and Principe and Western Sahara. 34% of intra-Africa aviation markets or flights are operated by the choice of just one carrier. Analysis of intra-African routes and fares, indicate a decline in fares of 21% 2019 comparing 2019 to 2014. Based on relative GDPs, Africa is by far the region where the airfare is the highest proportion of income. Even adjusting for stage length, intra-Africa flights are more expensive for users of air transport.





## What are the benefits of SAATM Operationalisation?

The impact of liberalization of BASAs between the Africa Member States was analysed in the study using a gravity model which forecasts traffic between any two countries based on the economic characteristics of the two countries, trade levels, their geographic relationship, and the characteristics of the BASA between the two countries. By specifying changes to the terms of the BASA to make them YD compliant, the model was used to estimate the traffic impact resulting from liberalization. The traffic results from the model are provided in Table 2 on page 8, showing the projected increase in intra-Africa traffic volumes to/from each of the countries. BASA liberalization is projected to increase intra-Africa passenger traffic by 51%, from 31.2 million to 47.1 million. This represents an additional **15.9 million** passenger trips that currently are unable to take place for reasons of cost, flight availability or service convenience.

The traffic increases in each country are a function of how much liberalization has already taken place, the conditions of the aviation sector and general economic conditions. The highest percentage increases are projected for Central African Republic (102%), Angola (95%), Guinea-Bissau (94%), Algeria (94%), Sudan (84%) and Democratic Republic of the Congo (82%) due to in part to the limited air service and restrictive BASAs the countries have currently. Other countries have relatively low percentage increases in traffic as many of their key BASAs are already liberalized and currently enjoy relatively good air access. The largest absolute growth in air traffic is South Africa, followed by Kenya, Tunisia and Morocco due to the relatively large size and maturity of these air markets. The full results for the African Union Member States are depicted in table 2 attached.

### SUBSTANTIAL BENEFITS FOR PASSENGERS:

- **Fare savings:** passengers travelling between these countries are expected to benefit fare reductions averaging 26.4% across the continent and ranging between 18.6% and 39.7% within individual countries, providing a saving of US\$ 1.46 billion per annum.
- **Increased consumer welfare:** liberalization also results in additional passengers travelling who previously were unable to do so, due in part to the lower cost of travel. The benefit to these additional passengers is captured in a concept known as consumer surplus. Consumer surplus is a term in economics that refers to the amount that consumers benefit by being able to purchase a product for a price that is less than they would be willing to pay. The total increase in consumer surplus is estimated to be US\$ 2.85 billion across the African Union countries.
- **Greater connectivity:** of the 1,431 country pairs between the African Union countries, only 19% had some form of significant direct service in 2019 (operated at least once weekly on an annual basis). With liberalization, it is forecast that an additional 145 country-pairs will receive direct service.
- **Greater convenience:** in 2019, only 35% of the Africa routes were operated on a daily basis or better, and only 13% were operated on twice daily or better basis. Many had seasonal services or services operated at less than daily frequency. Such services offer passengers very limited choice in terms of their journey timings and prevent passengers obtaining a convenient itinerary (e.g., conducting a trip over a single day, which is important to companies trying to minimise the time their staff are out of the office). With liberalization, it is estimated that frequencies on existing routes will increase by 27%, providing greater convenience and choice for consumers.
- **Time savings:** new routes and greater frequencies will shorten the flying time between many cities. For example, in 2019 there was no regular direct service between Central Africa Republic and Democratic Republic of the Congo. The most convenient routing available was via West Africa or Morocco. The minimum journey time for this routing was 9.5 hours, but depending on connecting times could be as much as 15 hours. A direct service (which is forecast by the gravity model) would reduce the travel time between the two countries to approximately 2 hours.







## SOCIO-ECONOMIC BENEFITS

**Job Creation:** Across the 54 African Union countries, full YD implementation is projected to result in an additional **588,750** jobs and US\$4.0 billion additional GDP per annum (0.17% of the total GDP of these countries). The impact for individual countries is a function of the degree of liberalization already undertaken (those markets that have not significantly liberalized air service are likely to see the biggest impacts from full liberalization), the size of the air traffic markets and the economic structure of that country.

**Contribution to Tourism:** Based on tourist visitor rates and spent rates specific to each country, the study projected an additional 3.95 million tourist visits across Africa with a total spending of US\$1.65. An incremental 267,530 jobs in tourism and related industries and US\$1.4 billion are expected to be generated.

**Contribution to GDP:** The incremental GDP represents a 0.06% - 2.21% increase on 2019 GDP levels, with all countries expected to gain economically from liberalization.

## SOCIO-ECONOMIC BENEFITS SPECIFIC TO SAATM MEMBER STATES:

Analysis was also conducted of the economic impact of full YD implementation (or where a MASA is signed) between the 35 current participants of the SAATM (as of May 2021). A total of 239,650 incremental jobs are projected, combining the impacts in the aviation and tourism sectors and the other catalytic impacts, along with US\$ 1.6 billion in annual GDP. This is approximately 40% of the jobs and economic activity forecast for liberalization across the entire African Union.

## Key Conclusion and Recommendations

- ✓ Based on the study findings, just 50% of BASAs are compliant with the market access provisions of YD. At the current rate of YD implementation and the use of BASAs to achieve this process, the findings implies that realisation of the SAATM via the full implementation of the YD will be a major challenge to surmount. **It is therefore recommended that SAATM States move to adopt a MASA as a next phase in operationalising SAATM and the abolition of BASAs.**
- ✓ Full liberalisation of the African Air transport market offers substantial benefits to passengers. The benefits of air liberalization are not just confined to employment and GDP related impacts. The increased air service and connectivity resulting from liberalization has the potential to enhance and support a wide range of activities and opportunities that improve the quality of life in local communities, as well as throughout each State and continent.
- ✓ African States are partially implementing the YD. These restrictive BASAs between African States cause a knock-on effect that are extremely detrimental to the SAATM, to intra-Africa connectivity and to the holistic development of the African air transport industry.
- ✓ The Continental Study on the SAATM provides evidence that if the YD is fully implemented, intra-Africa passenger traffic would increase by 51%, from 31.2 million to 47.1 million, African Unions State will support an additional 15.9 million passenger movements, create over 588,750 jobs and grow annual GDP by US\$ 4.0 billion. Overall, every State, will benefit from increased economic and social benefits, in particular the tourism sector.





- ✓ Safety is the number one priority of the industry. Uniform standards of safety are critical to airline cooperation which is a pillar of SAATM implementation. When States adopt and enforce ICAO and other best practice on Safety, the entire aviation industry will benefit.
- ✓ All twenty States still to join SAATM, are urged to consider the positive benefits of the SAATM and sign the solemn commitment letter and come onboard. The participation of all Member States of the African Union is crucial to the overall success of the SAATM. No country should be left behind.

The study indicates substantial benefits for SAATM Member States, a flagship project of AU Agenda 2063. SAATM implementation is key to achieving the aviation potential of all Member States including States still to join the SAATM. Unlocking full African connectivity will raise productivity, encourage aviation investments and innovation and improve the business operations and efficiency of state owned airlines, and other African airlines and significantly enhance the operation of the African Continental Free Trade Area.





Table 1: Summary of BASA compliance with YD per State

Source: Study Analysis; Countries with less than 15 known BASAs highlighted in red; No known BASAs for Western Sahara.

States	YD Compliant BASAs as a % of Total BASAs	Compliance
Cape Verde	76%	High Compliance
Mozambique	75%	High Compliance
Mali	73%	High Compliance
Liberia	71%	High Compliance
Senegal	68%	Medium Compliance
Cameroon	67%	Medium Compliance
Ghana	66%	Medium Compliance
Botswana	65%	Medium Compliance
Gambia	64%	Medium Compliance
Guinea-Bissau	63%	Medium Compliance
Burkina Faso	62%	Medium Compliance
South Africa	61%	Medium Compliance
Benin	61%	Medium Compliance
Sao Tome & Principe	60%	Medium Compliance
Guinea	53%	Medium Compliance
Congo	52%	Medium Compliance
South Sudan	50%	Medium Compliance
Nigeria	50%	Medium Compliance
Ethiopia	50%	Medium Compliance
Niger	50%	Medium Compliance
Chad	50%	Medium Compliance
Rwanda	49%	Medium Compliance
Eswatini	47%	Medium Compliance
Central African Republic	46%	Medium Compliance
Namibia	41%	Medium Compliance
Comoros	38%	Medium Compliance
Sudan	36%	Medium Compliance
Sierra Leone	35%	Medium Compliance
Togo	34%	Medium Compliance
Djibouti	33%	Medium Compliance
Tunisia	33%	Medium Compliance
Mauritania	33%	Medium Compliance
Lesotho	33%	Medium Compliance
Ivory Coast	31%	Medium Compliance
Equatorial Guinea	29%	Low Compliance
Gabon	25%	Low Compliance
Zimbabwe	25%	Low Compliance
DRC	21%	Low Compliance
Zambia	20%	Low Compliance
Eritrea	20%	Low Compliance
Algeria	19%	Low Compliance
Kenya	18%	Low Compliance
Madagascar	17%	Low Compliance
Tanzania	14%	Low Compliance
Malawi	12%	Low Compliance
Angola	11%	Low Compliance
Egypt	11%	Low Compliance
Mauritius	10%	Low Compliance
Morocco	9%	Low Compliance
Seychelles	8%	Low Compliance
Libya	8%	Low Compliance
Burundi	6%	Low Compliance
Uganda	4%	Low Compliance
Somalia	insufficient data	Low Compliance





**Table 2: Total Incremental Economic Impact Stimulated by Full YD Implementation Across the Entire African Union**





Country	Employment	Incremental GDP	GDP Impact*
	(Jobs)	(US\$ Million)	
Algeria	21,320	273.9	0.16%
Angola	17,960	145.7	0.16%
Benin	10,840	47.1	0.33%
Botswana	4,840	82.2	0.45%
Burkina Faso	11,020	40.5	0.25%
Burundi	5,050	5.6	0.19%
Cameroon	6,840	35.4	0.09%
Cape Verde	720	7.5	0.38%
Central African Republic	3,860	8.3	0.37%
Chad	12,410	40.5	0.36%
Comoros	1,140	8.5	0.73%
Congo (Republic of the)	3,920	29.3	0.24%
Côte d'Ivoire	18,920	168	0.29%
DR Congo	23,880	72.5	0.14%
Djibouti	3,730	28.8	0.86%
Egypt	12,390	171.9	0.06%
Equatorial Guinea	2,110	50	0.45%
Eritrea	1,970	5	0.24%
Eswatini	1,290	22.9	0.51%
Ethiopia	21,730	81.8	0.09%
Gabon	3,490	77.7	0.46%
Gambia	1,080	4.1	0.22%
Ghana	23,810	156.8	0.23%
Guinea	5,850	30	0.24%
Guinea-Bissau	2,140	6.7	0.50%
Kenya	39,060	201.5	0.21%
Lesotho	2,290	10	0.42%
Liberia	5,600	14.3	0.47%
Libya	11,230	228.1	0.44%
Madagascar	12,550	20.8	0.15%
Malawi	7,920	13.2	0.17%
Mali	17,430	73.7	0.43%
Mauritania	3,630	32.7	0.43%
Mauritius	3,070	91.6	0.65%
Morocco	9,170	148.7	0.12%
Mozambique	6,540	13.2	0.09%
Namibia	3,490	67.4	0.55%
Niger	17,300	48.8	0.38%
Nigeria	33,610	262.6	0.06%
Rwanda	7,050	21.9	0.21%
Saharawi ADR	N/A	N/A	N/A
São Tomé and Príncipe	1,050	8.4	2.00%
Senegal	13,130	104.7	0.44%
Seychelles	1,060	37.7	2.21%
Sierra Leone	4,210	10.4	0.25%
Somalia	9,110	4	0.44%
South Africa	17,650	322	0.09%
South Sudan	9,350	43.8	0.37%
Sudan	21,190	77.2	0.25%
Tanzania	42,960	143	0.23%
Togo	2,310	6.5	0.12%
Tunisia	9,380	125.7	0.32%
Uganda	30,280	102.6	0.29%
Zambia	598,790	63.9	0.27%
Zimbabwe	598,790	64.8	0.30%
<b>Total African Union</b>	<b>598,790</b>	<b>3,963.70</b>	<b>0.17%</b>



The table below summarizes how SAATM implementation further supports priority areas of the African Union's Agenda 2063 and the UN sustainable development goals (SDGs), which is further documented in the main report.





AU Agenda 2063 Goals	UN SDGs	Impact
<p>1. A high standard of living, quality of life and well-being for all citizens.</p>	<p>#1. No Poverty #2. Zero Hunger #8. Decent Work and Economic Growth #10. Reducing Inequality #11. Sustainable Cities and Communities</p>	<p>SAATM implementation will result in higher employment and national income growth. Liberalization will lead to greater employment opportunities and access to higher income employment, helping to alleviate poverty.</p>
<p>2. Well educated citizens and skills revolution underpinned by science, technology and innovation. 18. Engaged and empowered youth and children.</p>	<p>#4. Quality Education</p>	<p>SAATM liberalization will promote better access to education by supporting the movement of international students relying on air transportation to study abroad. Jobs in the aviation industry are also highly skilled positions that require different levels of training and education.</p>
<p>3. Healthy and well-nourished citizens.</p>	<p>#3. Good Health and Well-being</p>	<p>By providing increased air access, especially to remote areas, SAATM will help ensure good health and well-being of citizens through increased connectivity to health and medical services, and through the transportation of essential supplies.</p>
<p>4. Transformed economies. 10. World class infrastructure criss-crossing Africa.</p>	<p>#9. Industry, Innovation and Infrastructure</p>	<p>The catalytic impacts released by SAATM will enhance economic productivity and attract greater investment in the economy and in people. New, improved infrastructure will be necessary to handle the growth in air traffic and economic activity.</p>
<p>7. Environmentally sustainable and climate resilient economies and communities.</p>	<p>#6. Clean Water and Sanitation #7. Affordable and Clean Energy #12. Responsible consumption and production #13. Climate Action #15. Life on Land</p>	<p>The aviation industry is committed to improving efficiencies and focusing on sustainability, taking a lead role in environmental stewardship. Liberalization will assist in the shift to more efficient means of transport, reducing the continent's overall environmental footprint.</p>
<p>8. United Africa (Federal or Confederate). 16. African cultural renaissance is pre-eminent. 19. Africa as a major partner in global affairs and peaceful co-existence.</p>	<p>#17. Partnership for the goals</p>	<p>SAATM liberalization will contribute to intra-Africa unity, culture and connectivity.</p>
<p>17. Full gender equality in all spheres of life.</p>	<p>#5. Gender Equality</p>	<p>SAATM liberalization can result in increased female employment, as the aviation industry aims to increase greater workforce diversity.</p>

