

# DREAM BIGGER TOGETHER FOR AFRICA

African Air cargo is seeing bigger dreams even though it is yet to come out of the shackles of the Covid-19 pandemic. However, before that, the industry needs to build trust, offer reasonable ROI and bring the continent together to provide a unified regulatory landscape.

■ Libin Chacko Kurian ■

The International Air Transport Association's (IATA) air cargo data released in January 2023 based on November 2022 operations reports that the share of African air cargo in the global volumes is at 1.9 percent. In its outlook for 2023, IATA noted that African carriers are expected to post a loss of \$638 million in 2022 and will narrow to a loss of \$213 million in 2023.

"Africa is particularly exposed to macro-economic headwinds which have increased the vulnerability of several economies and rendered connectivity more complex," it reads.

Notably, Africa has a very insignificant share in global volumes and its woes were accelerated and exposed during and through the Covid-19 pandemic. While there are challenges, Africa is in real need of a robust air cargo industry, particularly during the onset of an outbreak. It not only lacks a stable air cargo market but is also severely deficient in investments in its air cargo facilities. And if somebody wonders why? The answer lies both in the market viability of the continent as well as the complexity of its regulations.





Frank Van Gelder, secretary general of Pharma.Aero, calls the state of the air cargo industry in Africa “contradictory.”

“The African continent is big, which means it has a lot of growth potential. On the other hand, the high-level equipment needed for pharmaceutical logistics is only available at fewer airports and very few are certified/equipped to handle those shipments in the best possible way. Some of the big pharma companies are looking into developing production areas in Africa. But on the other hand, the logistics are not yet on the level it should have been,” he said.

Meanwhile, Trevor Caswell, chairman of Pharma.Aero and manager, demand & product development (cargo), Edmonton International Airport, stresses the importance of having investments in key remote regions or hard-to-reach places of Africa.

“Also, there is a need for processes to be developed to ensure that the products are handled properly in the final mile. They both go hand in hand,” he said.



*I believe in an open policy. Open access for investments in facilities, operations and airport capacity. I believe that protectionism should make place for a strategic path towards open access. The sooner that happens, the better.”*

**Steven Verhasselt**  
FB Cargo Strategy

Caswell noted that Pharma.Aero is trying to connect those regions with the already-developed places and look for tech solutions like drones.

For instance, Pharma.Aero did a project on flying vaccines on drones to remote hospitals in Malawi to prove that it is doable.

Gelder noted that the difficulty to move Covid-19 vaccines in Africa, particularly in the last mile, triggered Pharma.Aero’s attention to Africa.

“The spread of the vaccine went very well in most parts of the world but not in

Africa. The reason was the last mile. We realise that sending over vaccines to very remote areas is not very easy,” he said.

Caswell noted that Africa is very rich in resources and has the opportunity to grow and build infrastructure to support pharma much like the rest of the world.

“There’s a lot of potential there. We’re also looking for a strategic partner airport in Africa,” he said.

Cortney Robinson, air transport officer (air cargo) of the International Civil Aviation Organization (ICAO) also underlined the limitations of airport infrastructures in Africa. »





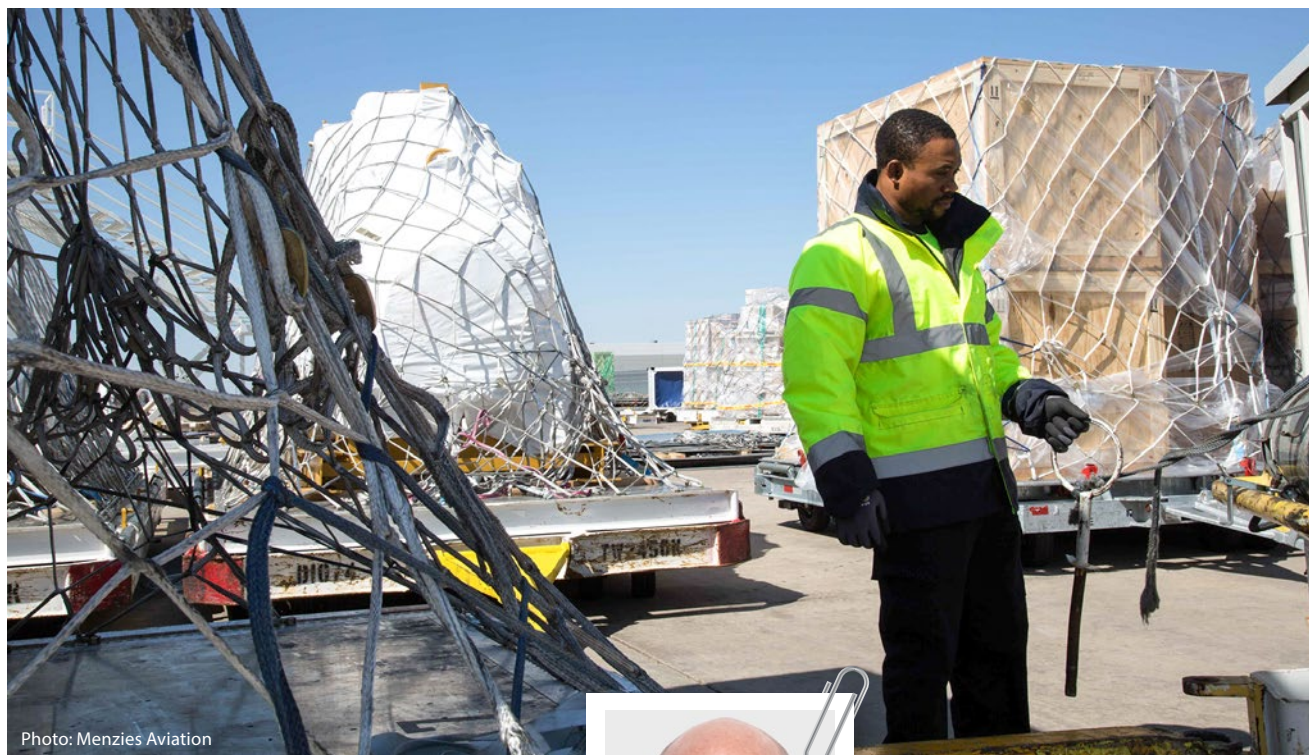


Photo: Menzies Aviation

"Daily operational magnitude in hubs like Addis Ababa, Nairobi, Cairo, Johannesburg, and Accra are comparable to operations in European airports. However, there are several capital airports in Africa (including those in Central and Sahel regions) having limited infrastructure," he said.

Certainly, the African air cargo industry needs targeted investments, not only for the healthcare needs of logistics but also for its imports of manufactured goods as well as perishable exports. Air cargo can offer a faster, safer and premium mode of transport to businesses. Then why are investments and investors shying away from Africa?

### **African air cargo needs investment. But why is it not coming?**

Glyn Hughes, director general, The International Air Cargo Association (TIACA), pointed out the ability to make a return on investment (ROI) as one of the biggest obstacles to further air cargo expansion in the continent.

"With the continent accounting for approximately 2 percent of total air cargo volumes an issue arises is the availability of investment funds and the ability to make a reasonable return," he said.

Hughes noted that increased investment must be targeted at the areas which will



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**Robert Fordree**  
Menzies Aviation

make the most impact and must be driven by a consequential increase in demand.

On the same line, Robert Fordree, executive vice president cargo, Menzies Aviation, thinks the investment by cargo companies is restricted in Africa.

"Returns on investments are difficult to achieve and taking earnings out of the country can also prove challenging. Improving regulations would certainly be a catalyst for greater investment in both airports and cargo facilities," he said.

Fordree does not foresee any major developments in African air cargo over the next two years.

"Many African countries have been adversely impacted by the Covid-19 pandemic and financial recovery will take much longer than in other parts of the world," he added.

However, from Menzies's point of view, he sees significant potential in Africa.

He reported that they are heavily investing in their joint venture terminal in Nairobi and will shortly be announcing developments for several key African locations.

"In South Africa, we are making one of our largest investments ever in both ground handling and cargo and we're looking forward to showcasing our new and expansive cargo terminals in Johannesburg and Cape Town," he said.

Fordree reports that they are seeing air cargo companies, rather than airport authorities, investing in facility upgrades in some parts of the continent with a focus on using technology to improve service, efficiency, safety and security.

"In East Africa, primarily Tanzania, Kenya, Uganda and now Ethiopia, warehouse »

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upgrades are being driven by the need to improve perishable handling facilities. South Africa and Zambia cargo handlers are also making upgrades and there are pockets of investment in West Africa, but we are seeing very little or no investment in central African cargo facilities," he said.

Gelder of Pharma.Aero looks at a different source of investment in African air cargo: the NGOs like United Nations Children's Fund (UNICEF) or World Health Organisation (WHO).

"If tomorrow there is a new breakout, Africa is a continent where a lot of healthcare investment is needed," he said.

Robinson informed that Single Africa Air Transport Market (SAATM) is working actively with development partners, including the African Development Bank, World Bank and local commercial banks for investments.

SAATM is a flagship project of the African Union Agenda 2063, an initiative to create a single unified air transport market in Africa.

"Infrastructure providers such as MSC, Kuehne+Nagel, and National Aviation Services continue to announce acquisitions, as well as strategic alliances. African-owned and operated carriers continue to invest in new fleets—both cargo freighters (wide and narrow-body) and drones. The African Continental Free Trade Area (AfCFTA) agreement could require a doubling of the cargo tonnage transported by air to 4.5 million tonnes. This translates to investment in 254 new aircraft for \$35 billion by 2030," he said.

Jade da Costa, CEO Africa, Aero-Africa and Absalom Ngari, director, strategy – cargo GSSA network & airline partnerships, Aero-



*Individual states should dedicate more resources to trade, attract FDI, border management and training to help make a more immediate impact whilst the longer term benefits of the pan-continental agreements take effect.*

Glyn Hughes  
TIACA

Africa also pointed out the insignificance of Africa's contribution to global air cargo but were more hopeful.

"African airlines have intensified their investment in increasing capacity through modern fleets which are cost-effective and network expansion making the continent more interconnected. In two years, we expect to see more regional integration efforts, harmonisation or reduction of cross-border tariffs and barriers resulting in

predictable trade environments with the full adoption and full implementation of SAATM," they said.

Steven Verhasselt, founder, FB Cargo Strategy, agrees that there is still a lot of room for improvement, both on the airports' side and on the road feeder services that feed the cargo hubs. However, he is convinced that investments in airports will follow as it has come out of the pandemic.

"The development of the facilities should go hand in hand with the demand, and that is what is happening," he said.

To attract more investments, Verhasselt believes that protectionism should make place for a strategic path towards open access.

"The sooner that happens, the better. The momentum is now, the next two years should bring the policies in the right direction. I believe in an open policy, open access for investments in facilities and operations, and open access for airport capacity. If the pie grows, everybody gets opportunities to grow their share," he said.

"There are still a lot of barriers that can be removed. It concerns traffic rights and airport slots, as well as operating licences, customs procedures, bonded transshipments and many others. All part of our shipper-to-consignee business," he added.

### **Regulatory landscape can make or break Africa. What to do?**

With 50+ countries in the continent, the number of borders and varying regulatory environments is significant and exponentially complex. And complexity brings cost and cost brings obstacles to growth. So governments have a huge role to play in determining the conditions for growth or constraint.

Costa and Ngari of Aero Africa said, "SAATM will ensure that aviation plays a significant role in connecting Africa, promoting social, economic, and political integration and, as a result, increasing intra-Africa trade and tourism."

The SAATM was established to accelerate the full implementation of the Yamoussoukro Decision which is centred on the liberalisation of Access to Air Transport Markets in Africa.

The International Civil Aviation Organization (ICAO) Air Services Negotiation (ICAN2022) event was hosted by the Nigerian Civil Aviation Authority from 5 to 9 December 2022 in Abuja, Nigeria. »





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"ICAN2022 provided states with a central meeting place to conduct bilateral, regional or plurilateral air services negotiations and consultations, as well as networking opportunities for policymakers, regulators, air operators, service providers and other stakeholders. ICAN has been highly commended by participating delegations as an efficient platform for conducting air service negotiations," they said.

According to Robinson, the air cargo industry must make its value proposition clear to policymakers so that they can make effective use of the African air cargo infrastructure assets through their implementation efforts.

"ICAO guidance encourages stakeholder consultation by states. Importantly for industry, the SAATM Project Implementation Plan (PIP) designates specific activities and roles (e.g., SAATM Ambassador) for industry stakeholders to facilitate this consultation," he said.

He opined that over the next two years and beyond, African air cargo stakeholders should actively participate in SAATM PIP workshops and other activities.

"Through participation in state-level engagements, as well as SAATM and AfCFTA engagements, African air cargo stakeholders can contribute to needed political will to advance the implementation of both these instruments while also taking away knowledge that will help them apply the policies flowing from these agreements to growing their enterprises," he added.

He informed that African Civil Aviation Commission (AFCAC) aims to identify at least three states to participate in the SAATM PIP, therefore the air cargo stakeholders located in any selected states should ready themselves to contribute to the implementation process.

"Moreover, AfCFTA and AFCAC have already laid the groundwork by assessing cross-border trade to identify goods that can be transported by air while the former is finalising the Trade and Services Protocol of the AfCFTA," he noted.

Hughes also believes that the SAATM programme and AfCFTA are initiatives which will improve the market operational environment.

"However," he said, "The time scales are very lengthy so more needs to be done sooner."



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Frank Van Gelder  
Pharma.Aero

"Individual states should dedicate more resources to trade development, improved conditions to attract foreign direct investment, border management improvements and enhanced training across the board to help make a more immediate impact in the shorter term whilst the longer term benefits of the pan-continental agreements take effect," he added.

Making aviation more accessible to more people across Africa is vital for economic recovery and growth. And Fordree opines that SAATM is a big step forward to achieving this.

✈ The first shipment of Covid-19 vaccines distributed by the COVAX Facility at the Kotoka International Airport in Accra, Ghana on 24 February 2021.

"To date, 35 countries, representing 80 percent of the African aviation market, have signed up to the SAATM, with 15 countries aiming to pilot the initiative. It will help free up and increase the flow of passengers and cargo, while also making air travel more affordable and safer," he said.

Regulators and governments are the final decision-makers. The industry needs to be highly regulated for safety and security however there is no room for regulators to steer away from international/common standards.

Gelder opines that the African Union should work as a union on the level of regulations.

"Because that's the headache that many of the exporting countries see. What is law and regulations in country A is not the same in country B and is not the same in country C. So there is no African continent approach to it," he said.

Caswell also noted stability on the regulatory side as the number one concern within the continent and it can decide its future.

"In the future, when Africa manufactures and produces pharma, it needs to have reliability and stability in the market. That also will have a large contribution to how Africa will succeed in the future," he said.

### And what should it be doing?

The African market will continue to grow. Most African countries are not set up for manufacturing goods, so imports of fully



Photo: UNICEF/Francis Kotoroko

manufactured items will continue. On the export side, many African countries produce perishable goods for European markets, making the continent a lucrative market for many international airlines. The leaders want the continent to develop geopolitical stability, regulatory standardisation, close collaboration, reliability, a focus on education and the ability to adapt.

Fordree believes that the future of aviation in Africa is dependent on geopolitical stability.

"Increased stability would undoubtedly help attract investment in the sector and business more broadly. There is an abundance of opportunities to be taken in Africa," he said.

Robinson urged the continent's governments and air cargo industry to seize the opportunities offered by the SAATM and the AfCFTA.

"Working in collaboration with multilateral institutions such as the African Union, ICAO, the World Bank Group and others, African states and Africa's air cargo industry can together ensure close alignment between these two instruments — transport and trade together — so that states can maximise effective implementation of both," he said.

"The next two years need to see stakeholders laying a strong foundation of policies that will facilitate an improved business environment for SMEs, e-commerce, investment, and broader economic development across the region," he added.

Gelder thinks that the African market needs more trust from the entire world.

"We still look at it but there's always a but. We need to build trust into the continent and they can do it with the right resources,

investment and support," he said.

Meanwhile, Caswell noted what African air cargo needs to focus on is education.

"The further investment, the further time, the further trust and more collaboration, all come from education by understanding the full potential," he said.

Verhasselt opines that there will be opportunities for all members of the air cargo community.

"We are only at the start of the e-commerce revolution with the consumer goods that flow B-to-C. E-commerce will make its way into the B-to-B market, into the perishables market and in all markets where trade is conducted. The flows may change shape, and the industry will need to adapt. But the cargo volumes will keep increasing, and our industry will adapt to the new requirements and continue to grow," he said.

With a focus on new trends like e-commerce, building a stable political environment, forming consistent consultations with governments, developing a suitable ecosystem for manufacturing, providing a unified regulation and thus a viable economic model, African air cargo can start dreaming big for the continent. ■



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