

Single African Air Transport Market: the Benchmark for African Economic Integration



The headline news at the African Union (AU) Summit in Addis Ababa in January 2018 was the announcement of the Single African Air Transport Market (SAATM), with 23 countries pledging to remove non-physical barriers to air routes, and ultimately create a single aviation area across the continent. Most of Africa's major airlines belong to countries that are signatories, such as Egypt, Ethiopia, Kenya, and South Africa. Together, they represent over 70% of intra-African air traffic.

SAATM sets a new standard for regional policy-making because the benefits are clear and the challenges more practical than political. Furthermore, it brings together coalitions of actors in government and the private sector whose interests align well. What this flagship project from the AU shows is that regional integration can succeed as long as certain conditions are met. Important lessons may be gleaned from this example.

Impact

International industry groups and the major African carriers immediately welcomed the news. The International Air Transport Association (IATA) had recently estimated that a unification of 12 countries' air markets could result in some 155,000 jobs and US\$1.3 billion additional GDP to their economies. It is also hoped that African airlines will be able to increase their market share on the continent, which currently stands at only 20% of the total. The benefits for the air traveller and African trade were plainly obvious, as it would make connections faster and cheaper, if implemented well.

Moreover, SAATM may be more significant than the sum of its parts. Because of the largely bilateral manner in which air service agreements are reached, it is fiendishly difficult for carriers to operate a simple three-country route, because such operations exceed existing bilateral agreements. Yet, some routes only make economic sense if a three-country agreement is implemented. The carriers that have usually been able to secure such agreements, have tended to be major external airlines with considerable market clout behind them.

SAATM will change all this, as the Yamoussoukro Decision on which it is built removes any capacity limitations on flights between signatory countries. The impact, not only for passenger services but for cargo haulage in an era of 'just-in-time' commerce, may be catalytic for African integration.

Optimism

There are two reasons for optimism that make SAATM stand out. First, SAATM has a clear constituency within the private sector in the airlines and connected industries, such as tourism. It not only directly addresses a problem of transnational commerce – the inability to create efficient flight routes – but also highlights to the airlines how regional policy-making is needed to address such problems. The benefits to airlines and their bottom line have mobilised them to support the project from the bottom up. This is unlike the usual modus operandi – regional policy-making dominated by 'Africrats', who devote their energies to lobbying ministers and heads of state to sign policies that often fail to be implemented.

Not enough emphasis is put on generating buy-in from the final consumers or beneficiaries of these decisions, namely citizens and the private sector. This is regrettable since the relevance of these policies to the everyday challenges of the private sector is often not obvious, meaning businesses see few incentives to support them. SAATM, with its very practical aims, has measurable, concrete benefits that hardly need spelling out to concerned parties, generating significant interest and support.

Second, SAATM speaks to the interests of a defined bloc of member states, which together form a critical mass that is likely to make the liberalisation of African skies inevitable. With the initial 23 signatory countries accounting for over 60% of Africa's GDP, non-signatory countries are left in an unenviable position of conforming or falling further behind. The biggest airlines in Africa, such as Ethiopian Airlines, Kenya Airways, and South African Airways, already belong to signatory states. Should those 23 states liberalise their skies, the bigger airlines will benefit, putting them even further ahead of those in more protectionist countries. Understandably, the 'variable geometry' on which SAATM is based, is controversial. There is always the risk that SAATM may become deeply unpopular where governments have pledged to promote domestic causes such as nationally symbolic airlines. More likely, however, is that, following some initial resistance, there will be a rapid expansion of SAATM via a domino effect as smaller airlines rush to catch up rather than risk being left in the dust.

Challenges

In many ways, SAATM has followed a fairly predictable route of African integration – that is, slowly and painfully getting off the ground while having no formal enforcement mechanisms. Its origins date as far back as the 1988 Yamoussoukro Declaration that pledged to integrate Africa's then-struggling airlines. That relatively limited agreement sought to harmonise aviation standards and policies and increase cooperation among airlines, including the financing of their fleets. Following a first phase of information sharing, it planned to harmonise routes with a view to merging various national carriers into regional consortiums that it hoped would be competitive against external carriers. However, it never achieved anything beyond the first phase. The 1999 Yamoussoukro Decision went much further than the 1988 Declaration, eliminating capacity limitations between signatory countries.

The troubles of the pan-African joint venture, Air Afrique, headquartered in Cote d'Ivoire and a focal frame of both Yamoussoukro plans, exemplified the difficulties faced by African aviation and its member states. Air Afrique fell into severe debts in the 1980s, received partial rescue in the 1990s albeit through external financing, particularly from France, before closing in 2002. The 1999 Yamoussoukro Decision, ultimately, was not enough to save Air Afrique.

Part of the issue is that, while the Yamoussoukro Decision was theoretically a binding document, the envisioned institutions relevant to enforcement were not established. As a result, the plan put little pressure on African states to support the rules created, nor change their national legislation to implement them. National carriers would also be hard-pressed to pursue their enforcement, as such actions would be interpreted as political actions between two sovereign states, owing to the close national association of the carrier with the state.

The AU Summit has committed to creating the institutions and enforcement mechanisms envisioned in the Yamoussoukro Decision, such as an African Aviation Tribunal. To succeed, SAATM will require strong, transparent institutions to be established and the commitment of airlines, governments, and regional bodies.

Furthermore, while signatory states appear enthusiastic about the project, the remaining AU states may be ambivalent. There is fierce resistance from some quarters, notably airlines in Nigeria, and it's important to understand why. The single market may provide greater competitiveness against external airlines, which some have blamed for the lagging of African carriers. On the other hand, it would also increase the internal, i.e. intra-African, competition for routes, with the bigger African carriers poised to reap immediate gains at the expense of smaller, less internationalised airlines. Any plans for the development of new national carriers will be more difficult as the African airspace is filled by the existing airlines. SAATM represents an important litmus test of where regional communities stand on the balance between regional competitiveness and domestic industry promotion. The role of major airlines in pushing for implementation will thus be vital.

Conclusion

SAATM is undoubtedly a milestone achievement for the AU Chairperson, Moussa Faki Mahamat, still in his first year of office and pressed to deliver a strong economic-focused agenda. Nevertheless, the hope is that this flagship project will be the benchmark for regional policy-making in the future, not its high watermark. If such regional successes are to be repeated, valuable lessons must be learned.

First, regional organisations in Africa should take seriously the task of engaging the private sector in policy-making from the onset, using the community of African multinationals and SMEs as a rich topsoil for the initiation of policy and ensuring buy-in from the start. Given the closed nature of AU decision-making processes, such keen reaction to SAATM from the private sector is fortuitous. SAATM is one of the best tangible examples of African economic integration to date. Where most AU initiatives are concerned, it is not always clear what the business interests will be and how they can be incorporated. In fact, businesses are rarely engaged in regional policy-making and are offered little opportunity to take ownership of continental projects. This is true for the Continental Free Trade Area (CFTA), for example, which businesses complain contains minimal input from them. SAATM's success will be predicated on airlines implementing it and pushing their governments to support it. Other AU projects will need the same kind of immediate business relevance and buy-in to be effective.

Second, SAATM is a good sign that economic prerogatives can overcome political inertia on the continent. It was able to align the interests of a critical mass of member states with a clear aim – liberalise the skies and instantly increase revenues. This has created a commitment from a coalition that is intent on immediately utilising it, rather than the sporadic or lukewarm reception that greets many AU initiatives. Learning to generate such commitment through thorough consultation rather than coincidence, will bode well for the future of African economic integration.

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