Estimating the potential impacts of further liberalisation of the EU-Africa aviation market on African airports

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Technical University Berlin | 2& 3 June, 2016

Agenda

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- Introduction
- Institutional context of the EU-Africa aviation relations
- Methodology
- EU-Africa air traffic trends (2010 – 2015)
- Spatial distribution of international air traffic among African airports
- Discussion and conclusions

Introduction

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- Europe is Africa’s major trading partner.
- The EU-Africa passenger traffic grew by 5 % p.a. over the last decade.
- This rapid growth occurred despite protectionist policies in trade in air transport between the EU and Africa.
- The EU to Africa market is not a market between two large partners, it is a mix of combinations of 28 EU and 54 African markets.
- As a result the EU to Africa market is largely fragmented with a few major EU airlines/ airports serving a limited number of main African airports.

Introduction

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- How would further integration of EU-Africa air services affect the development of airports?

- Opening up international aviation markets gives a positive stimulus to the overall growth of the aviation industry and to the economy of the countries concerned.
  - (e.g. Dresner and Tretheway,1992; Schipper et al., 2002; Adler and Hashai, 2005; InterVISTA-ga², 2006; UK CAA, 2006).

- Impact of liberalisation on airports.
  - (e.g. Berechman and De Wit, 1996; Gillen and Hinsch, 2001; Chritidis, 2015)

Institutional context of the EU-Africa aviation relations

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- Air services between the two regions operate mainly under the terms of a BASA.

- The EU has concluded the so called ‘horizontal agreements’ with a few African countries
  - on a bloc-to-country basis with Morocco (2006) and Cape Verde (2011)
  - on a bloc-to-bloc basis with West African Economic and Monetary Union (WAEMU, 2009).

- EU-Morocco horizontal agreement
  - InterVISTA (2014): traffic increased by 160 per cent and the number of routes operating between points in the EU and points in Morocco increased from 83 in 2005 to 309 in 2013.

Status of the E.U. designation agreements with African countries

EU designation agreed bilaterally with the EU Member State		EU designation agreed under an Agreement[1] with the EC or through formal Record of Consultations		Discussions on-going with the EC
Third country	Nr of bilateral ASAs amended	Nr of bilateral ASAs amended	Agreement initialised/signed	
Algeria	7	Algeria	-	ECOWAS[3]
Angola	3	Cape Verde	8	Egypt
Burundi	1	Morocco	18	Libya
Cameroon	1	Tunisia	-	Namibia
Congo (Brazzaville)	3	WAEMU[2]	47	South Africa
Dem. Rep. of Congo	2			
Egypt	9			
Equatorial Guinea	1			
Ethiopia	9			
Gabon	4			
Gambia	1			
Ghana	1			
Liberia	2			
Madagascar	3			
Mauritius	4			
Mozambique	2			
Rwanda	4			
Sao Tome & Principe	1			
Seychelles	1			
Sierra Leone	1			
Tanzania	4			
Uganda	2			
Zambia	5			
Total: 23	**71**	**3**	**73**	

Methodology

- Five markets are examined, reflecting the geographic regions in Africa, namely Central Africa, East Africa, North Africa, Southern Africa and West Africa.

- The analysis is based on data collected from EUROSTAT from the year 2010 to 2015 (EUROSTAT, 2015).

- The data correspond to passenger trips at airport origin-destination level between the EU and the five external markets examined.

- Market concentration is measured using the Herfindahl-Hirschman Index (HHI).

EU-African Network

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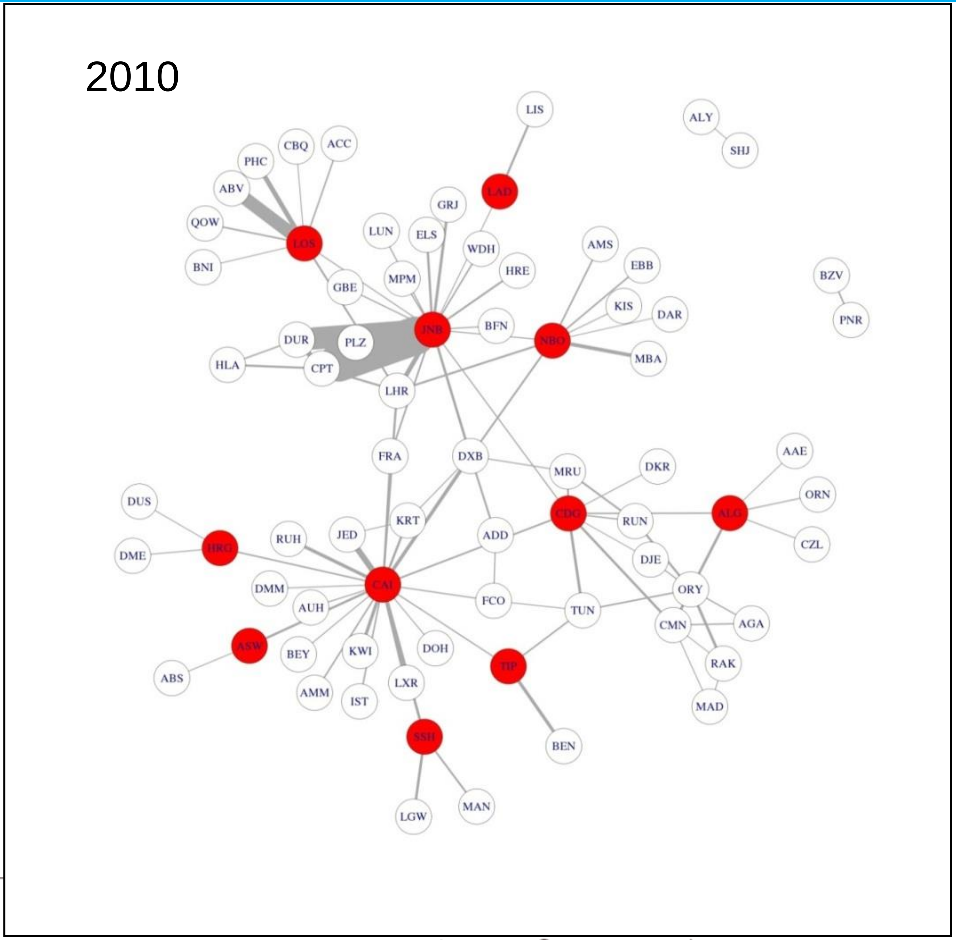

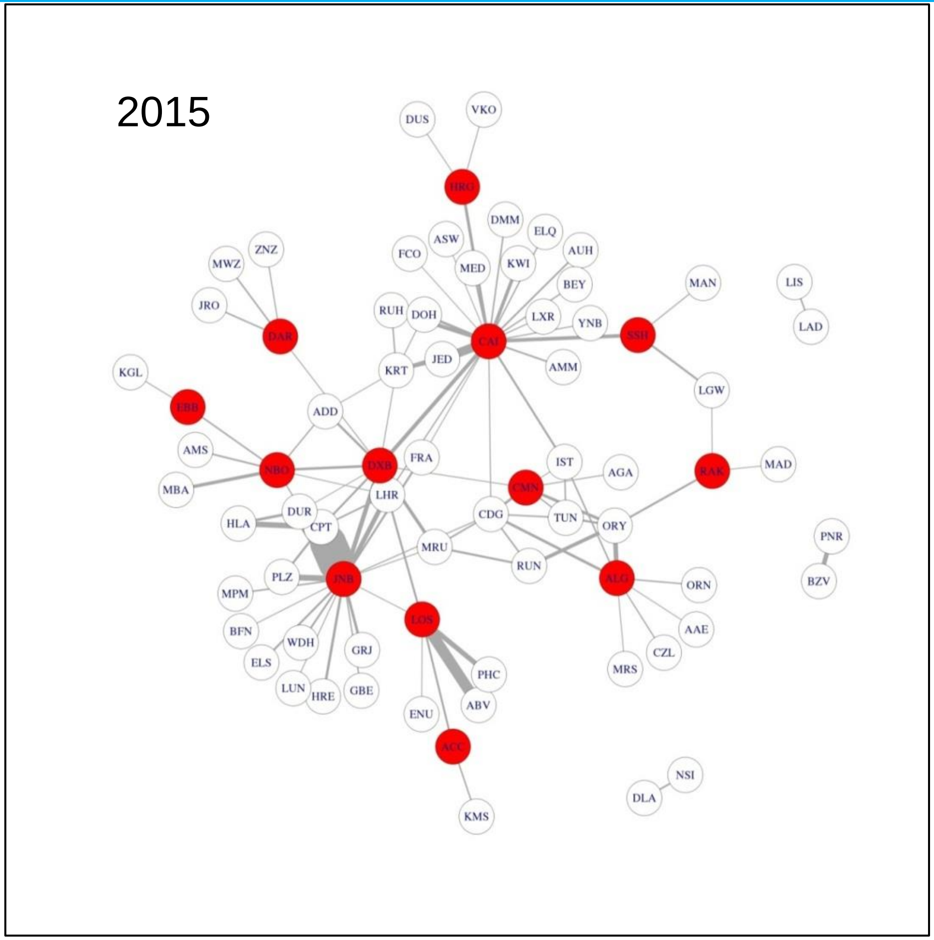

Passenger traffic (positive and negative changes between 2010 and 2015)

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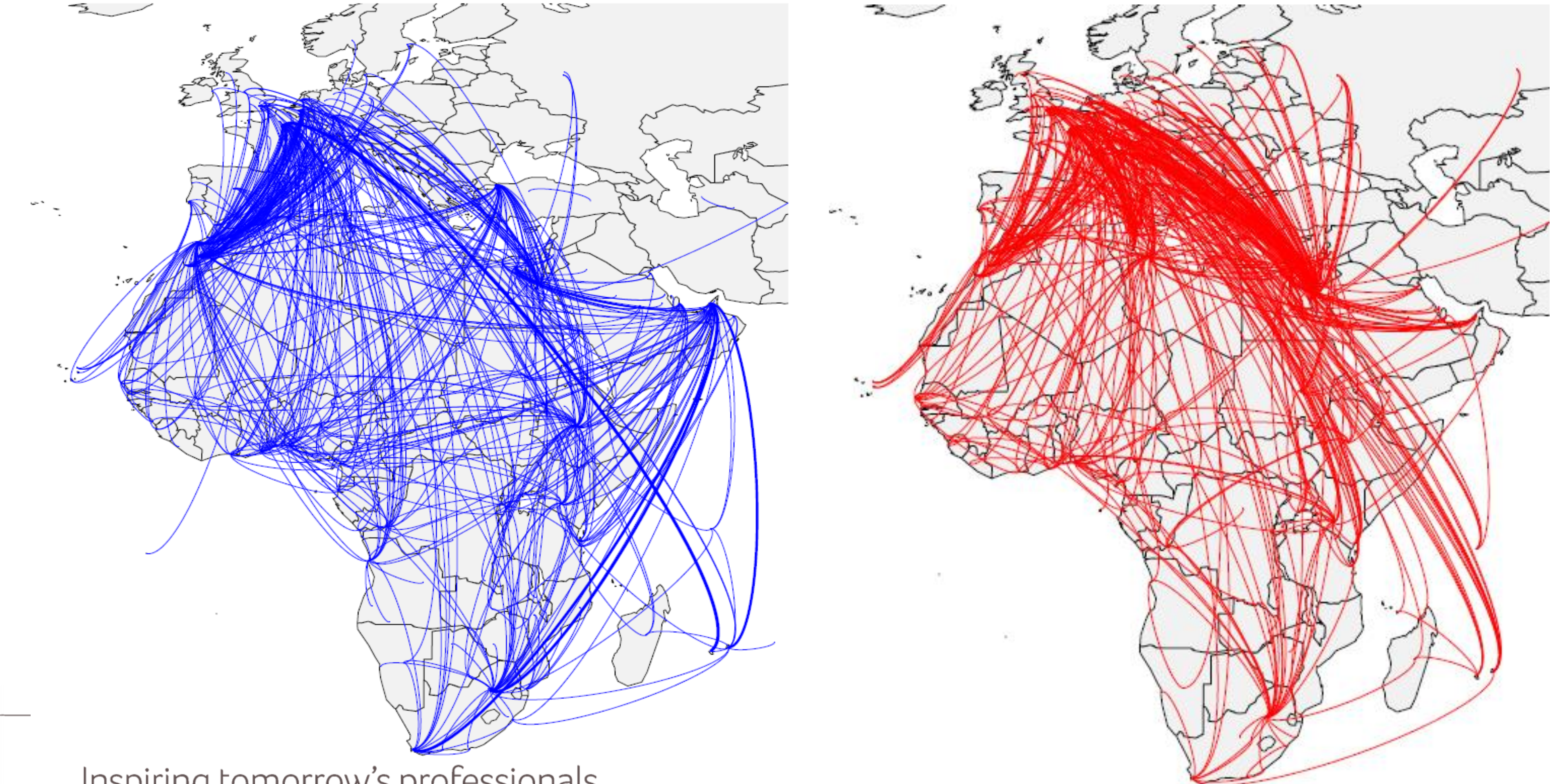

Evolution of passenger traffic between the EU and five African markets, year 2010 = 100

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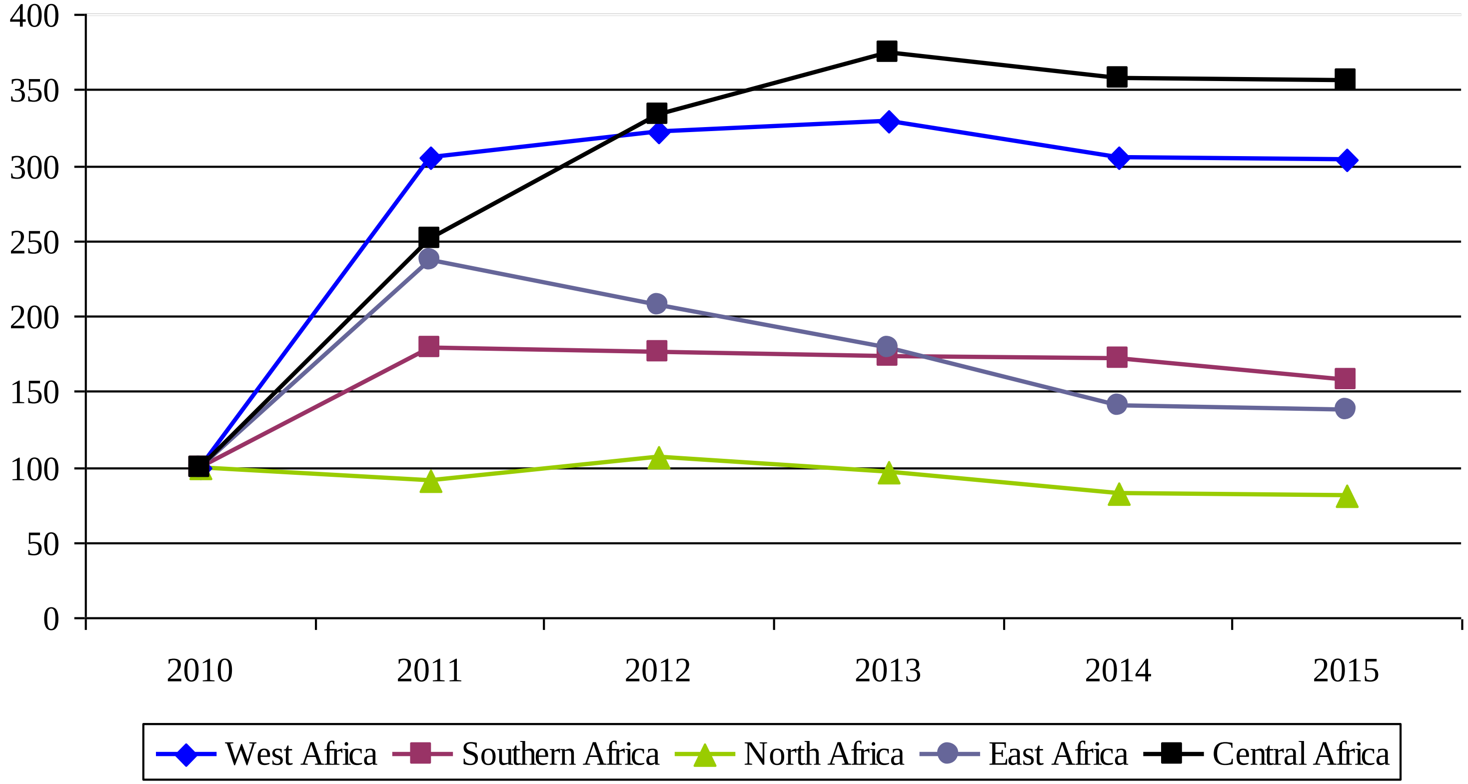

Spatial distribution of international air traffic among African airports

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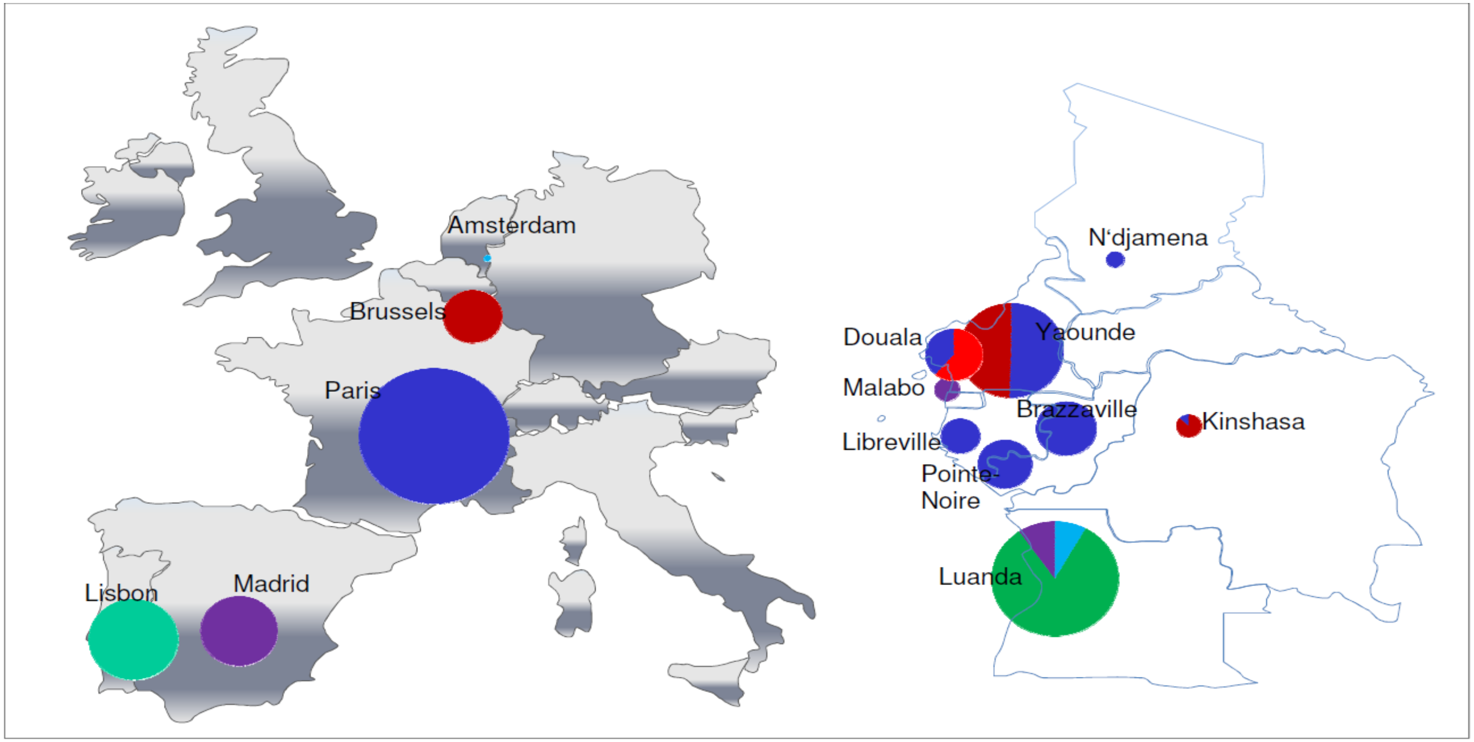

Main airports for EU to Central-Africa flows, total passenger volume and share (%) of each EU connecting airport

482,206 CDG: Paris (54) LIS: Lisbon (22) BRU: Brussels (16)
MAD: Madrid (6) AMS: Amsterdam (2)

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Spatial distribution of international air traffic among African airports

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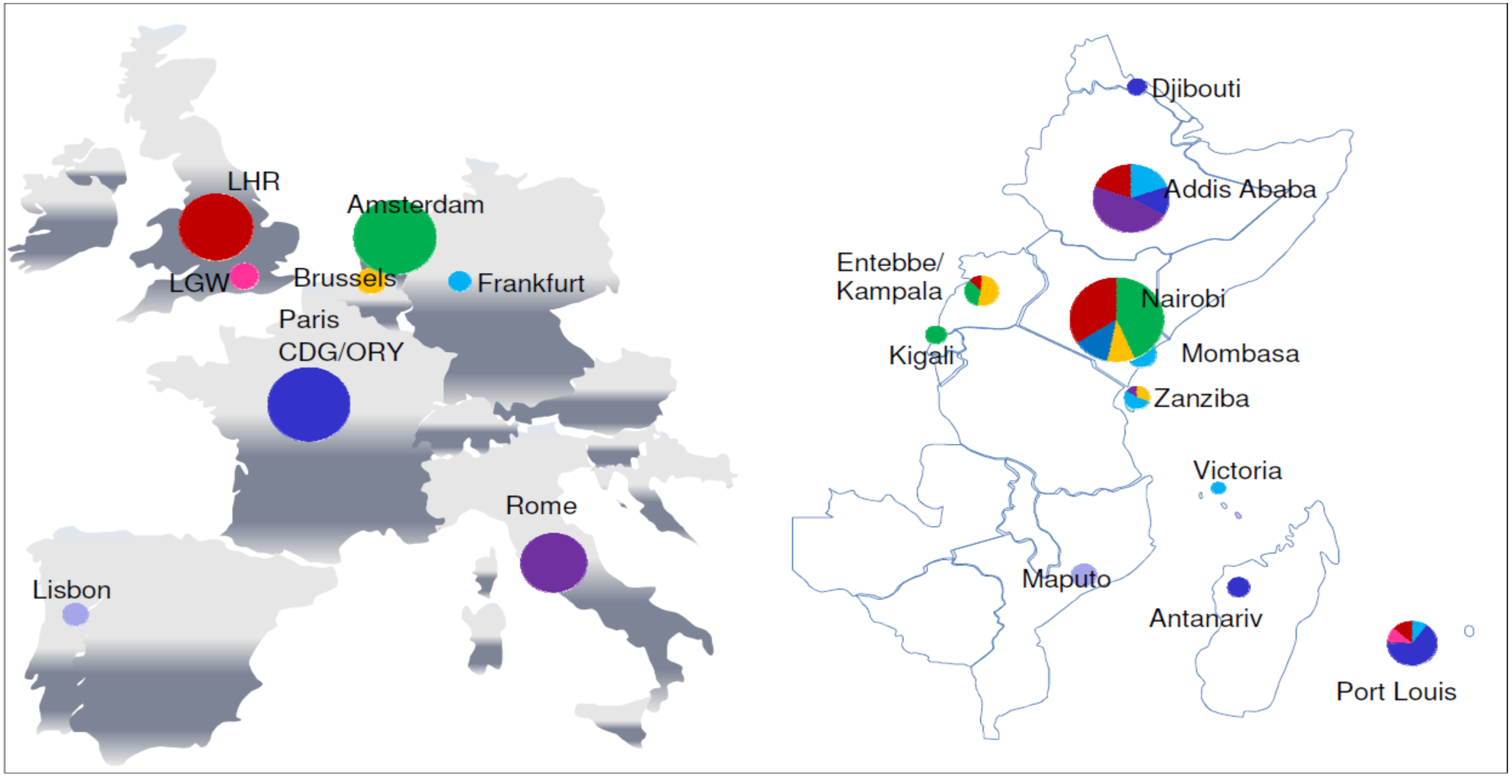

Main airports for EU to East-Africa flows, total passenger volume and share (%) of each EU connecting airport

1.6 million CDG (27) LHR (21) AMS (18) FCO (14)

FRA (10) BRU (6)

Spatial distribution of international air traffic among African airports

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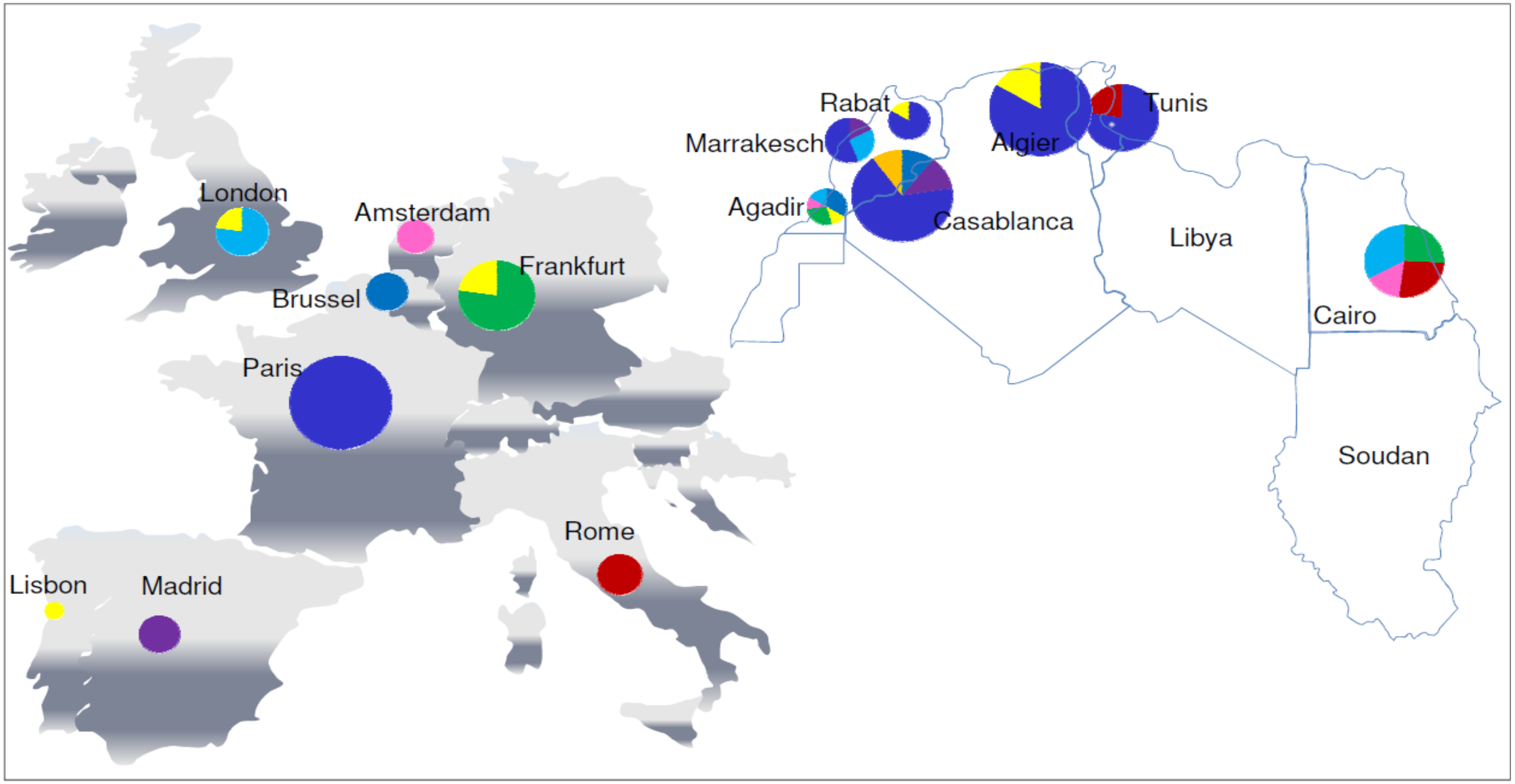

Main airports for EU to Nort-Africa flows, total passenger volume and share (%) of each EU connecting airport

8.2 million CDG (49) LGW (6)/ LHR (5) FCO (8) MAD (6) AMS (4)
FRA (7)/MUC (3)/DUS(3) BRU (6)/CRL (3) LIS (2)

Spatial distribution of international air traffic among African airports

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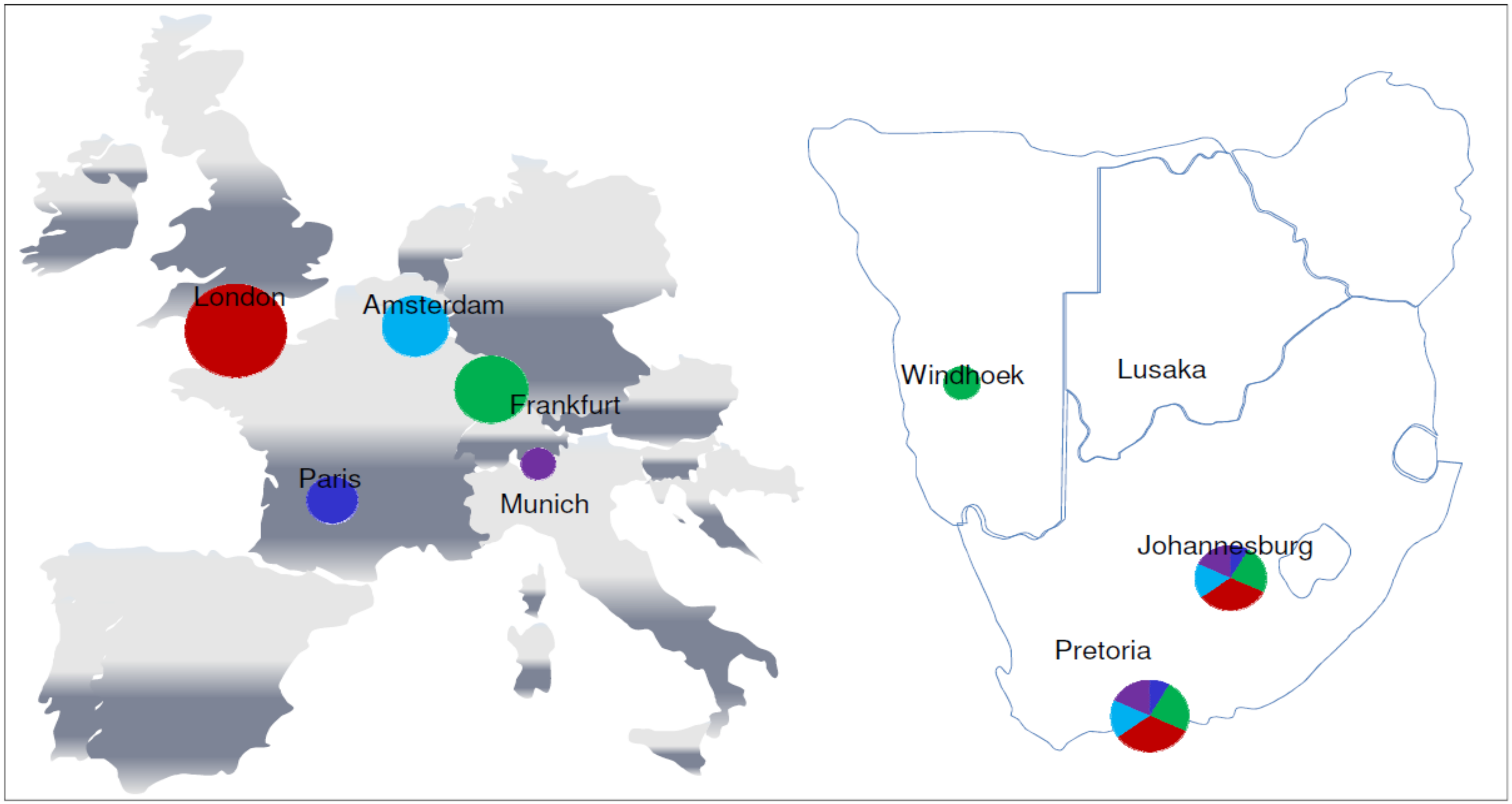

Main airports for EU to Southern-Africa flows, total passenger volume and share (%) of each EU connecting airport

3.6 million LHR 43 FRA 23 AMS 15 CDG 11 MUC 8

Spatial distribution of international air traffic among African airports

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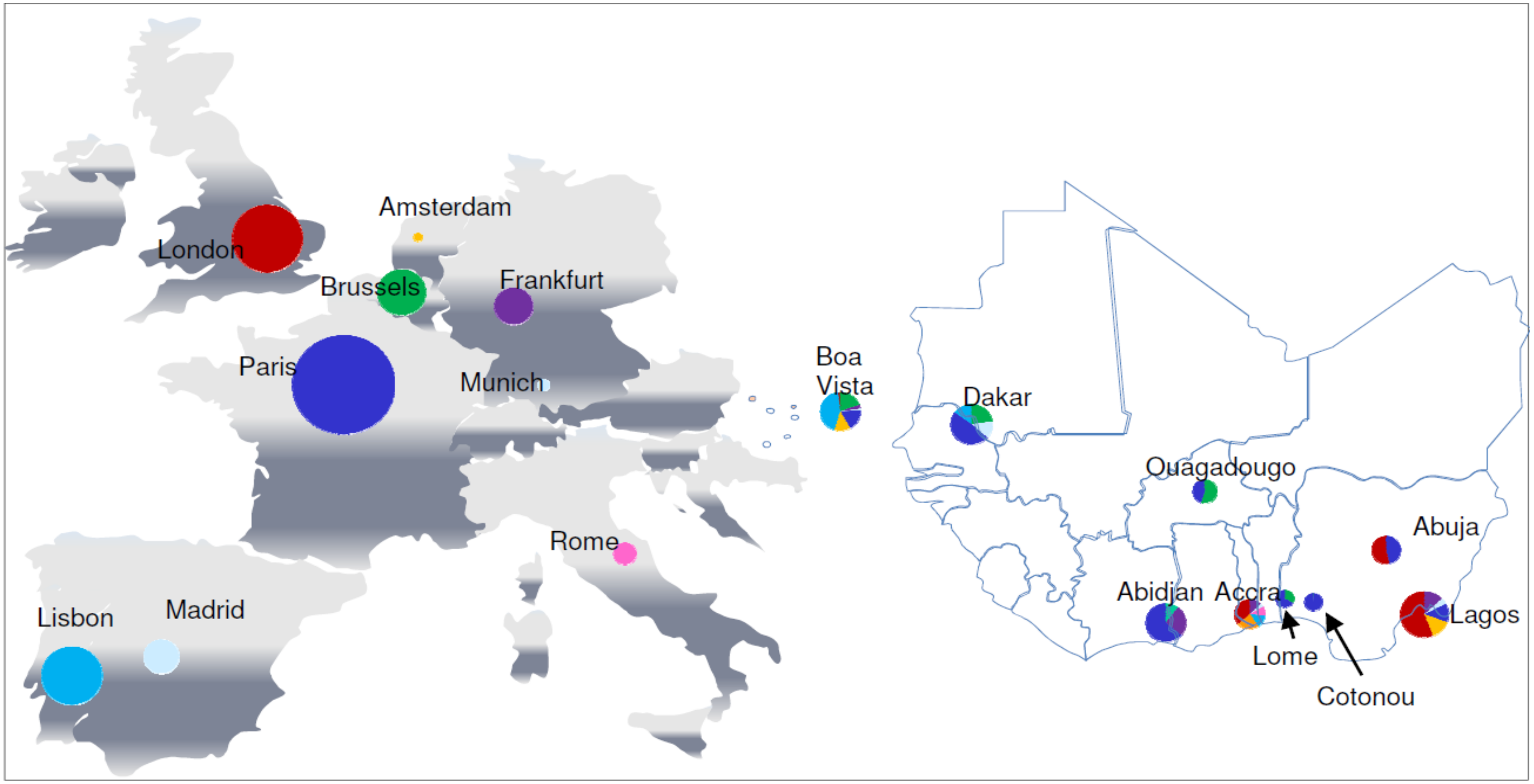

Main airports for EU to West-Africa flows, total passenger volume and share (%) of each EU connecting airport

2.8 million | CDG: Paris (35) | BRU: Brussels (9) | LHR: Heathrow (22) | FRA: Frankfurt (8) | LIS: Lisbon (12) | Others (14)

Competition between EU airports for African markets

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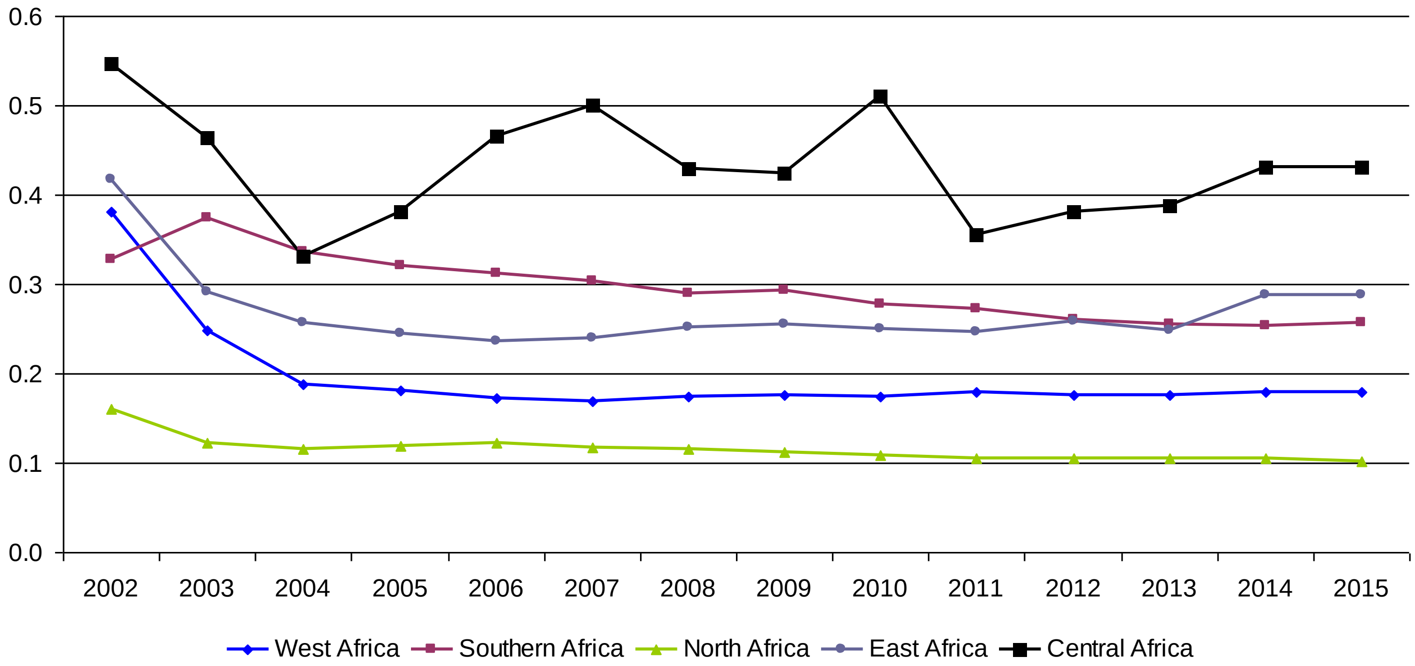
Evolution of HHI indicator of competition between EU airports for the five African markets analysed (percentage)



Factors that may explain the spatial pattern observed

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- *Economic factors* - The hub airports are located in the largest economy of the respective regions.
- *Cities characteristics* - All four airports are located in the primary cities of their respective countries.
- *Liberalisation* - Egypt, Kenya, Nigeria and South Africa have in recent years adopted a more liberal approach to bilateral air services agreement.
- *Geographic attributes* – some of the cities have superior geography.

Conclusions and discussions

- Dubai is playing a growing role in international air traffic in Africa.
- The role of the European hubs (Heathrow, CDG, Amsterdam) is decreasing and tends to be limited to serving local markets.
- African regional hubs are growing.
- East to West both within and outside Africa routes are gaining in importance.
- Business and other purposes, such as VFR seems to grow at least in terms of airport pair connections.

Conclusions and discussions

- Scale plays an important role and concentration either in terms of a hub airport and/or operator can give a competitive advantage.

- African carriers are becoming competitive in national and intra-African connections…but are not growing as fast in the EU-Africa market.

- The EU to Africa market seems to be losing momentum and is –comparably- less open to competition.
  - This has probably had a negative impact on airlines and airports on both sides.

Conclusions and discussions

- Falling HHI in North and West Africa suggests that competition is becoming more intense, with positive impacts for both airlines/airports and passengers.

- The EU-Africa market has, to a certain extent, already come under pressure from competition from ‘sixth freedom’ carriers.

- One way of ensuring that EU and African airlines benefit from further liberalization is by facilitating and encouraging cooperation between the EU and African airlines.

Conclusions and discussions

- From a policy perspective, two steps need to be taken in order to improve market operation and competition in a way that benefits both sides.
  - The negotiation of international aviation agreements between the EU as a whole (as opposed to each Member State individually) and African states would allow more airlines to enter the market, from both the EU and African sides.
  - As a second step, encouraging larger groups of African countries to enter horizontal agreements with the EU as a whole would allow a larger common aviation market to be established.

The views expressed are purely those of the authors and may not in any circumstances be regarded as stating an official position of the European Commission.

Vielen Dank!

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