OPENING AFRICAN SKIES: THE CASE OF AIRLINE INDUSTRY LIBERALIZATION IN EAST AFRICA

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The three member states of the East African Community (EAC) have made great efforts in modernizing their air transport industry in order to meet the increased demand for international tourism and horticultural export trade. The policy adopted by the sub-region, at independence, to regulate the airline industry was the bilateralism approach with emphasis on reciprocity. Such a policy became a bottleneck in the development of the air transport industry in the sub-region. It became apparent that the EAC member states needed efficient air services and not airlines that served mainly as status symbols. However, the last decade witnessed the liberalization of the aviation sector in the sub-region. This liberalization process is part of a proactive policy to encourage global investment in the sub-region. This has led to the adoption of the Yamoussoukro Decision, which calls for the opening of the African skies. This paper, therefore, critically discusses the process of the airline industry liberalization and its prospects for success in the sub-region.

INTRODUCTION

The air transport industry has an important role to play in achieving sustainable development in the East African sub-region. More specifically, the expansion of air services is a necessary condition for the development of a more diversified export base and the development of the tourism industry in the sub-region. Additionally, improvements in the sub-region's transport infrastructure would help raise living standards and alleviate poverty by lowering transport costs, supporting more rapid economic growth, and increasing personal mobility (Oxford Economic Forecasting 2003).

At independence, the East African governments opted for mixed economies whereby the states intervened in the market and played important roles in resource allocation. One role is state ownership of enterprises in virtually all sectors of the economy, including aviation. Overall, these states exercised control in directing their economies but due to lack of private sector investment, they extended their participation into key economic sectors such as transportation through direct and joint public-private sector initiatives (Saitoti 2002) in the formation of national airlines. Despite these roles, the interventions produced very disappointing results and the economic growth generated could not be sustained. As a result, the national airlines in the sub-region, namely, Kenya Airways (KQ), Air Tanzania (TC) and Uganda Airlines (UG), experienced huge losses, relied heavily on government subsidies for survival, and drained national resources. To sustain economic growth requires a vibrant private sector that operates free of government interference. This has led the East African Community governments to implement liberalization of key industries including their national carriers, which in the past had been regarded as symbols of prestige and status.

Today, liberalization and globalization are overtaking the airline industry in this sub-region and Africa in general. Foreign mega carriers such as British Airways, KLM, Air France, and Lufthansa have invaded the African continent and now carry about 75% of international traffic, leaving the numerous and small-size African airlines with the remaining 25% (East African 2003). With this invasion, it is becoming increasingly doubtful if most African airlines will survive such stiff competition, which has intensified since the September 11 terrorist bombing in the United States.

The objective of this paper is to discuss the progress made in the liberalization of the airline industry in the East African Community (EAC). The major reforms adopted in the sub-region to promote market–oriented operations and service delivery in the aviation sub-sector are examined and the possible impacts of such reforms in improving airline connectivity in the sub-region are evaluated. The paper relies heavily on secondary sources of data. Thorough literature search and review were undertaken and available documents were analyzed to identify and document the main trends in the airline liberalization process in the sub-region. Also face-to-face interviews were held with key airline industry personnel as well as the ministries responsible for aviation in the sub-region. Such interviews yielded useful information that is synthesized in this paper.

THE ROLE OF AIR TRANSPORTATION

The three member states of the East African Community (EAC) have made great strides in modernizing the sub-region's air transport industry (Mugabe 2006).[1] This is in keeping with the increasing demand for air transport especially by international tourists and to support the sub-region's thriving horticultural trade (USAID 2001, Irandu 2005). Throughout Africa, the role of air transportation in the development of international tourism has been crucial. In the EAC, several places offer good tourist attractions particularly the national parks and game reserves. Generally, domestic air transport in the sub-region serves the tourism industry by transporting tourists to and from various attraction sites such as the Maasai Mara (Kenya), the Serengeti National Park (Tanzania) and the Murchison Falls National Park (Uganda). The foreign exchange earned from the tourism industry has been channeled to the development of the national economies (Irandu 2004, 2005).

The transport of people and movement of horticultural produce is often more easily achieved by air than surface transport, especially where considerable distances are involved and in shipping time-sensitive commodities. Throughout the sub-region, surface transport is unreliable, population distribution is uneven, and regional inequalities in economic development are widespread (USAID 2001). As Hoyle (1988) argues, given the prevailing geography (e.g., rivers, lakes, forests, and mountains), air travel is often the most suitable mode to link widely scattered development enclaves. Speed and flexibility of operations are thus the major advantages of air transportation over surface transport, and in general air transportation is not hampered by terrain except near airports.

Within the EAC, the domestic air transportation network provides links between international airports and a series of smaller airports, some of which are in remote locations inaccessible by surface transport (Hoyle 1988, Irandu 2005). The importance of an efficient domestic air transportation network as a complement to the inadequate surface transportation system in the sub-region thus cannot be overemphasized. In most areas of the EAC, the domestic air transportation network is more important than international air services and fulfills many functions. For example, these airports may be the only infrastructure available in times of natural disasters such as floods and disease outbreaks and they play leading roles in famine relief operations, and are extremely useful for geological and/or mineral exploitation, geodetic surveys, and mapping (Irandu 1995).

A notable feature of air transportation in the sub-region is its reliance on international flights for international passengers and low-weight, high-value cargo. At present, about four million international passengers and 183,000 tons of airfreight pass through the Jomo Kenyatta International Airport (JKIA) in Nairobi annually. These passengers far exceed the airport's planned capacity of 2.5 million passengers per year (Irandu and Rhoades 2006). In Tanzania, about 1.5 million international passengers passed through the Mwalimu Julius Nyerere International Airport (Dar es Salaam) in 2005. In Entebbe (Uganda), about 516,000 international passengers and about 105,000 tons of cargo were handled in 2005 (Thuo 2006, Mugabe 2006).

Despite the importance of air transportation in the EAC, there is weak linkage between aviation and other modes of transportation in the sub-region. This further weakens the integration of aviation with other key sectors of the economy. For instance, certain areas of the region, particularly the northern and eastern parts of Kenya, which already have low levels of road accessibility, are poorly served by air transportation (RoK 2003).

Liberalization of the aviation sector in the EAC is part of a deliberate proactive policy of encouraging global investment in the sub-region. The reform in the aviation sector is part of a coordinated policy to exploit the sub-region's comparative advantage in the tourism and horticultural sectors. The EAC is positioning itself to develop a high-end tourism market niche exploiting its large variety of high fauna and flora. For example, Kenya has mass tourism and excellent beaches, Tanzania has the safari land, and Uganda has unique natural attractions. This interesting regional tourist product mix can be exploited by tour operators in multi-destination packages at competitive rates when Entebbe, Dar es Salaam or Nairobi becomes a regional aviation hub (Irandu and Rhoades 2006).

LIBERALIZATION OF THE AIRLINE INDUSTRY

Regulation of International Air Transport Before Liberalization

The international air transport industry operates under a complex regulatory framework of Bilateral Air Services Agreements (BASAs). The 1944 Chicago Convention organized international air transport as we know it today. An overriding motivation of the history of economic regulation of the aviation sector has been the desire to ensure the protection of national flag carriers, which explains the attitudes of many countries toward air transport liberalization (Bowen and Leinbach 1995, ECA 2001). Over the years, the BASAs, which impose certain restrictions on airlines frequencies and capacity, have rendered the industry inefficient. This is because the restrictions suppress competition via route size and designated carriers cannot operate additional services beyond those specified in BASAs. The BASAs also require designated airlines to be substantively owned and effectively controlled by both parties. This tends to restrict foreign firms from establishing airlines in the bilateral partner countries. The local ownership of airlines has negative effects on the domestic capital market. In many developing countries, East Africa included, the capital market is usually too small to provide sufficient equity for the development of a capital-intensive airline industry. Furthermore, foreign airlines are not allowed cabotage rights, thereby limiting competition in domestic markets to locally owned airlines.

Throughout the developing world, many airlines were established as national flag carriers during the transition from colonialism to independence (Bowen and Leinbach 1995). In East Africa, the breakup of the former regional airline, the East African Airways Corporation (EAAC) in 1977, paved the way for the creation of national carriers. The East African countries, like others in the developing world, could not count on private capital to create airlines that were capable of meeting national objectives. Some of the economic development functions with which airlines in the developing world were charged included integrating national territory, promoting tourism and trade through international links, and providing high wages and high skill jobs. These airlines were also integral elements in state foreign policies and defense. Moreover, the private sector's singular objective of profit maximization usually conflicted with national objectives (Bowen and Leinbach 1995). As a result, the airline industry was highly regulated in the international as well as the domestic markets.

From the foregoing discussion, it is apparent that the "bilateralism" approach adopted by East African countries has become a serious bottleneck in the overall development of the air transport network in the sub-region. The development of appropriate regulatory policies for air transport in the East African Community is a key component for an efficient and competitive air transport network in the sub-region and to ensure the participation of the region in the economic globalization (ECA 2001). In light of the shortcomings of the BASAs, there is a growing recognition by East African countries and other sub-regions of Africa of the limits of the current bilateral framework and the need to launch initiatives toward genuine liberalization of air services. These initiatives are discussed below.

Deregulation of the Airline Industry

The airline industry in the USA was deregulated in 1978, thereby reducing the role of the Civil Aeronautics Board (CAB). Today, US airlines are free to compete, and determine routes, fares, and schedules on the basis of their own market and profit projections. With this competition, the US Congress hoped that consumers would benefit from a wide range of services offered by airlines in a cost-effective manner (Chou 1993, Shaw 1993). The deregulation process spread to Europe a decade later and belatedly to the rest of the world (ICAO 2006), except Africa where countries were reluctant to introduce changes (ECA 2001).

Prior to deregulation in the United States and the Gulf War in 1991, the world airline industry looked set for a prolonged boom. In Africa, a large number of airlines were taking deliveries of expensive new aircrafts, thereby dramatically increasing their foreign debts, depleting their foreign exchange earnings, and requesting subsidies from their governments. Due to the crippling debt problem of most of the African airlines, it was not possible for governments to continue subsidizing unprofitable airlines (Davies 1994). Thus, African governments began slowly withdrawing from ownership and control of airlines and encouraging the private sector to invest in aviation. To increase private sector participation in this industry, appropriate reforms were required to create enabling environments. In the section following, several liberalization initiatives in the aviation sector in East Africa sub-region are examined.

LIBERALIZATION INITIATIVES IN AFRICA

The Yamoussoukro Declaration

The African ministers in charge of air transport met in Yamoussoukro in Cote D' Ivoire (Ivory Coast) on October 6 and 7, 1988, with the aim of defining a new framework for continental air transport. A new policy named the "Yamoussoukro Declaration" was formulated. This declaration was regarded as the cornerstone of African Civil Aviation (Abeyratne 1998, Oladele 2005) and had the following four salient objectives. The first was to ensure flexibility in granting of traffic rights among African countries. The second was to encourage joint use of air transport facilities. The third was to encourage cooperation and ultimate merger among African carriers and the fourth was to encourage further financing of the air transport sector.

One of the positive impacts of the Yamoussoukro Declaration is that it served as a catalyst for sub-regional initiatives for its implementation. However, it did not go far enough to restructure the existing framework as issues such as privatization of national carriers and mostly the liberalization of BASAs were not adequately addressed. By the end of 1996, which was the implementation deadline, little or no progress had been made. Therefore, there arose a need for another agreement to correct the shortcomings of the declaration and make it implementable.

The Yamoussoukro Decision

In 1999, a Council of Ministers responsible for civil aviation met again in Yamoussoukro. After thorough discussions, they adopted a decision relating to the implementation of the Yamoussoukro Declaration regarding liberalization of access to air transport markets in Africa. The decision was signed in July 2000 by the heads of state of the various African countries. The decision established principles for developing air transportation in Africa and offering traffic rights, frequencies, and roles of member airlines on liberalized preferential basis. An ambitious target of two years (2002) was set to achieve air transport liberalization in the continent. The new policy framework aims at providing safe, efficient, reliable, and affordable air services to consumers and came to be known as the Yamoussoukro Decision. It takes precedence over any multilateral or bilateral agreements on air services between countries that are incompatible with the decision. The major policies of the new framework were: gradual liberalization of scheduled and nonscheduled intra African air services; free exchange of traffic rights including the third, fourth, and fifth freedoms among African states;[2] multiple designations by each party on a city pair basis;[3] no restriction of service frequencies and capacities offered on air services linking any city pair combination; nonregulation of tariffs by governments; complete liberalization of cargo and nonscheduled services; and encouraging commercial and other forms of cooperation between African carriers

The Decision also responded to the problem of aging aircraft in Africa. Many aircraft in Africa were obsolete and could not comply with Chapters 2 and 3 of Annex 16 of the Chicago Convention concerning aircraft noise. From Table 1, it is apparent that more than half of the aircraft in Africa are old, that is, they have been in service for about 15 or more years.

Table 1: Current African Fleet in Service by Aircraft Generation, 2004

Region	New	Old	Others	Total	Old as Percentage of Total
Europe	1768	237	1363	3368	7.0
North America	1654	1301	2581	5536	24.0
Africa	162	316	111	589	54.0
Asia	1154	295	969	2418	12.0
Latin America	238	393	259	890	44.0
Middle East	240	155	144	539	29.0
Pacific	155	15	102	272	5.5

Source: Oladele, S.F. (2005)

Implementation of Yamoussoukro Declaration

The Yamoussoukro Declaration takes into account the differences in the level of development of air transport services of the various African countries. It provides for programmed liberalization over a two-year period effective July 2000 to August 2002. This was when the granting of the fifth freedom would become effective. The fifth freedom provides for aircraft of one country to transport passengers, cargo, and mail between a second and third country on a flight originating in or ultimately destined for the first country (see endnote 2). After the heads of state of the African Union ratified the declaration, country level meetings were organized involving all aviation stakeholders such as aviation authorities, travel agents, users of airline services, and politicians. These meetings helped to identify impedances to the Yamoussoukro Decision. So far, countries throughout Africa have shown flexibility in granting traffic rights including the fifth freedom. However, as Oladele (2005) argues, the effective and rapid implementation of the Yamoussoukro Decision (YD) has been faced with some obstacles such as lack of political will and internalization, barriers to liberalization (visa restriction, work permit, foreign exchange control), limited skilled manpower, infrastructure and safety concerns, and excessive protection of national carriers.

African aviation is clearly at the crossroads of progress where years of enthusiastic endeavor toward consistent cooperation between 53 countries are now giving hope that a liberalized aviation environment will emerge in the continent. This is by no means an easy task given the pluralism and diversity of interests that naturally accompany such a large land mass and many countries (Oladele 2005).

COMESA Regulation: Implementation of Liberalized Air Transport Industry

COMESA refers to the Common Market for Eastern and Southern Africa. It is a regional economic community made up of 20 countries. The air transport liberalization program of COMESA is guided by the COMESA Treaty. The policy on air transport is contained in Article 87 of the COMESA Treaty, which stipulates, among other things, that member states should adopt common policies for the development of air transport in COMESA in collaboration with other international organizations such as the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA), and to liberalize the granting of air traffic rights for passengers and cargo operations in order to increase efficiency and profitability of airlines and establish common measures for the facilitation of passengers and cargo air services in the COMESA market.

Implementation of COMESA Legal Notice No. 2 of 1999

In May 1999, COMESA introduced the COMESA Regulations for the Implementation of Liberalization of Air Transport Services, the Legal Notice No.2, in which a two-phased time table for implementation was provided. Phase 1 began in October 1999 and ended in October 2000. Phase 2 started in October 2000 and ended in October 2001. Phase 1 provided for free movement of intra-COMESA cargo and nonscheduled passenger services, free movement of intra-COMESA scheduled passenger services with frequency limits of up to two daily flights between any city pairs, elimination of capacity restrictions, and granting of fifth freedom rights.

To ensure the successful implementation of the air transport liberalization program, COMESA established an Air Transport Regulatory Board (ATRB). This board is charged with the responsibility of advising COMESA on all matters relating to aviation, formulation as well as enforcement of air transport rules and regulations in accordance with council decisions, setting of standards and guidelines, promoting safety and security, and development of air transport in the region. So far, 12 countries in COMESA have implemented Phase I of the program. These include Burundi, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Uganda, Sudan, Zambia, and Zimbabwe.

In December 2001, the COMESA council decided that implementation of Phase 2 be postponed pending the formulation and implementation of COMESA Air Transport Competition Rules. After a lot of consultations with stakeholders in COMESA, EAC and SADC, a draft Air Transport Competition Rules was prepared. These regulations were discussed in a joint meeting of ministers responsible for civil aviation from COMESA, EAC, and SADC in Pretoria (South Africa) in September 2002. The draft regulations are now awaiting consideration by the Legal Committee before submission to the council for approval. Once the COMESA council adopts them, a joint Monitoring Unit (JMU) for COMESA, EAC, and SADC will be formed to monitor full implementation of the air transport liberalization program in all the three sub-regions.

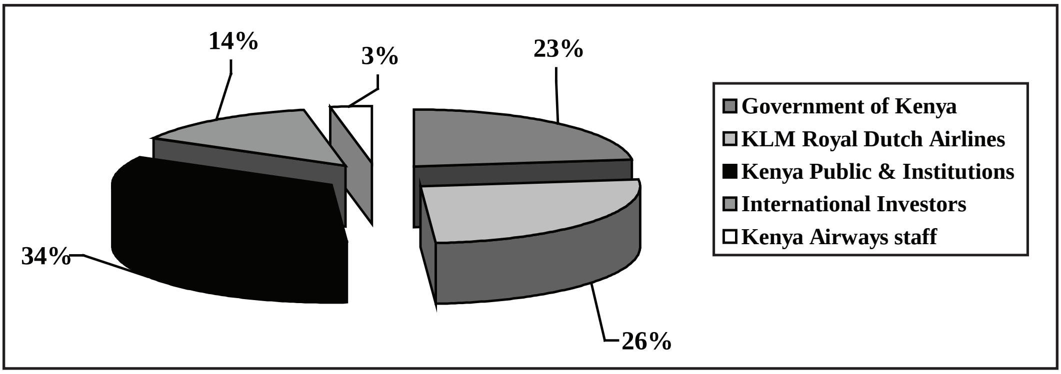
LIBERALIZATION INITIATIVES IN THE EAST AFRICAN COMMUNITY

The management of air transport at the national level in the sub-region started in 1977 with the breakup of the East African Community (EAC). Prior to this date, air transport management in the sub-region was the prerogative of the East African High Commission (EAHC). However, institutional reforms to facilitate market-oriented operations and service delivery in the sub-region have been ongoing for the last 16 or so years.

Liberalization in Kenya

The privatization of the national carrier, Kenya Airways (KQ), in 1996 was one way Kenya liberalized its airline industry. The term privatization here refers to the transfer of ownership of the airline industry from the public sector or government to the private sector, while liberalization is the relaxation of previous government restrictions in the industry. This privatization was the major reform in eliminating monopolistic operations in the airline industry in the country. The Kenya Airways shareholding structure is presented in Figure 1. As this figure shows, KLM Royal Dutch airlines purchased 26% of the total shares on offer, the Kenya public (citizens) and institutions such as banks purchased 34%, the government of Kenya retained 23% of the total shares, international investors purchased 14%, and Kenya Airways staff bought the remaining 3%.

Figure 1: Kenya Airways Shareholding Structure



Source: Kenya Airways (2001)

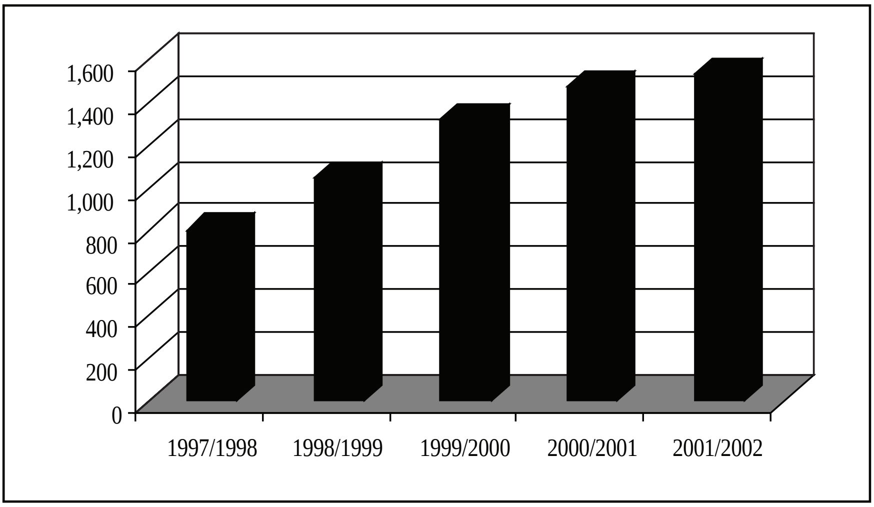
The government's 23% minority shares in Kenya Airways represent an important asset of the nation. Since 1996, the airline's contribution to the Kenyan economy has been substantial. This includes 4.0 billion Kenyan shillings (USD 73 million) contribution to the treasury, 8.5 billion Kenyan shillings (USD 155 Mmillion) in local taxes for the period 1998 to 2000, and 15 billion Kenyan shillings (USD 273 million) in foreign exchange inflows for the 1999/2000 fiscal year (Kenya Airways 2000).

Figure 2 shows that Kenya Airways turnover (in terms of passengers and cargo) has been increasing steadily with privatization. From the figure, it can be observed that the number of passengers carried by the Kenya Airways increased from 806,000 in 1997/1998 to 1,540,000 in 2001/2002. This represents an increase of about 91%. The amount of cargo carried by Kenya Airways increased from 12,115 tons in 1997/1998 financial year to about 23,000 tons, representing an increase of about 90%. The revenue passenger kilometer (RPK) carried by Kenya Airways also increased form 1,832 million in 1997/1998 to 3,725 million in the 2001/2002 financial year.

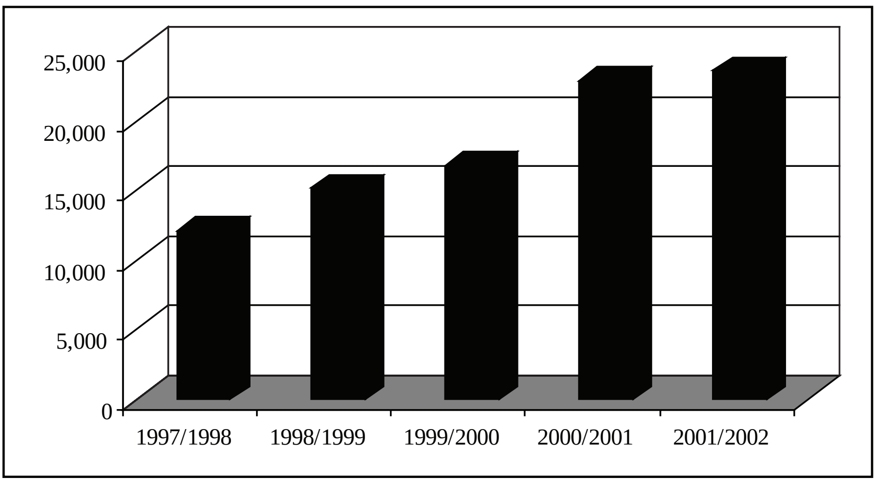
With the management expertise brought in by Speed Wings, a British Airways consulting company, and KLM, in addition to the noninterference of the government in the management of the airline, Kenya Airways has become one of the leading and profitable airlines in Africa. Table 2 shows that it is the sixth-ranked airline in terms of revenue, ahead of Ethiopian Airlines. With a record profit of 3,882 million Kenya shillings (USD70.6 million) for the financial year ending March 31, 2005, the airline entered its 10th consecutive year of profitable operations.[4] The privatization of Kenya Airways is a success story of Kenya's air transport industry (Oladele 2005) as it is the first privatized flag carrier in Africa. As he observes, the success of Kenya Airways supports the two major sectors of the Kenyan economy, which are travel and tourism. Additionally, its air freight capacity is supporting the country's agricultural sector through the export of horticultural products to international markets. Apart from the privatization of the Kenya Airways, the government of Kenya also published the Civil Aviation Amendment Bill which established an autonomous Kenya Civil Aviation Authority on October 24, 2002. This removed the Directorate of Civil Aviation (DCA) from the government and created the Kenya Civil Aviation Authority, charged with ensuring air safety in the country.

Figure 2: Performance of Kenya Airways, 1997-98 to 2001-02

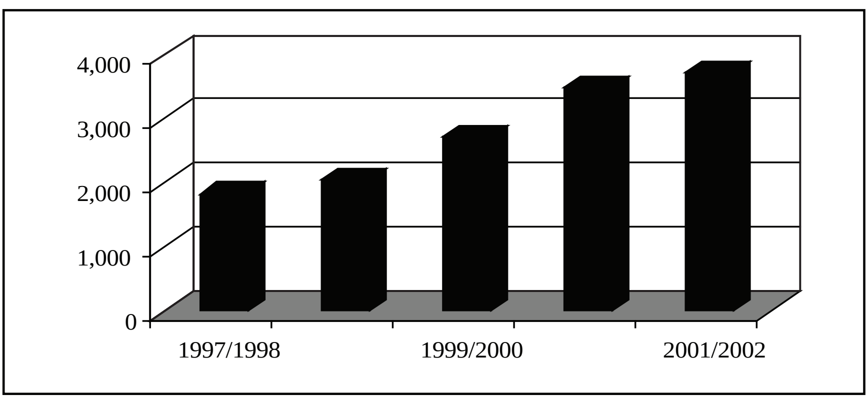
(a) Passengers Carried ('000s)



(b) Cargo (tons)



(c) Revenue Passenger Kilometers (millions)



Source: Kenya Airways (2002)

Table 2: Top 10 African Airlines by Revenue, 2003

Ranking	Carrier	Country of Origin	Revenue (US$ Million)
1	South African Airways	South Africa	2432
2	Royal Air Maroc	Morocco	804
3	Air Algeria	Algeria	564
4	Tunis Air	Tunisia	502
5	Air Mauritius	Mauritius	431
6	Kenya Airways	Kenya	397
7	Ethiopian Airlines	Ethiopia	321
8	Comair	South Africa	203
9	Air Gabon	Gabon	154
10	Cameroon Airlines	Cameroon	153

Source: Oladele, S.F. (2005), Table 3.9, pg. 49

Liberalization in Tanzania

In Tanzania, air transport has been liberalized since 1992. At the international level, the country has adopted BASAs on double and multiple designations with Kenya, Uganda, Switzerland, and South Africa (Mwandosya 2003). Tanzania has a national air transport policy, which allows for private sector ownership and management of airlines, airports, ground handling activities, and air service provision. In 1992, the Tanzanian government enacted the Public Corporate Act, which led to the creation of the Presidential Parastatal Sector Reform Commission (PSRC). This is the body that facilitated the privatization of the country's flag carrier, the Air Tanzania Corporation (ATC).

Air Tanzania Corporation was established in 1977 after the demise of the East African Airways Corporation. At the time of its inception, it had 11 passenger aircraft. However, by the time it was privatized in 2002, it had only one passenger aircraft, a Boeing 737-200. The others were either sold or cannibalized to repair crumbling aircraft over the years. The Tanzanian government announced its plan to privatize its national flag carrier in February 2002. To ensure that the privatization process brought in the best partner for ATC, the government approved a transaction structure that included the creation of a new company, Air Tanzania Company Limited (ATCL). ATCL was to be incorporated as a limited liability company under the Companies Act to take over the operating assets and specified rights and liabilities of ATC. A second new company, ATC Holding (the holding company), was created to take over the nonoperating assets and all the liabilities of ATC. The government incorporated an evaluation of Bidders Business Plans into the overall ranking of bids.

The government also paid all the liabilities of the privatized company (ATC). Privatization of ATC initially involved selling 49% of the government shares to a strategic partner, and the government continuing divesting from the airline until its shareholding fell to 25% and later to zero. Eight international air operators bid for ATC, including South African Airways (SAA) and Kenya Airways. The government finally picked South African Airways as the winning bidder for the purchase of 49% of shares in Air Tanzania Company Limited (ATCL). The Tanzania government retained 51% of the shares in ATCL. SAA offered to pay US $10 million to the government of Tanzania for the shares acquired and injected a further US $10 million into a capital and training account for financing the business plan SAA had proposed to make ATCL profitable. According to the sales agreement, SAA was to bring technical, commercial, and managerial expertise into the new company. It was also to provide extensive training and transfer of skills to ATCL staff, including retraining of pilots and aircrew.

Liberalization in Uganda

Air transport is of strategic importance to Uganda, a landlocked country, by guaranteeing the country an alternative gateway to the rest of the world. It provides the most efficient and quickest transport means to and from Uganda. In Uganda, the liberalization of the airline industry began with the establishment of the Uganda Civil Aviation Authority (UCAA) in 1991. The mandate of the authority was to develop and regulate the air transport industry. The general thrust of the Uganda aviation policy is liberalization, which relies on the private sector to provide safe, regular, and efficient air transport services to the traveling public.

In 1992, UCAA reviewed its ground-handling services. At the time, Uganda Airlines as a monopolist was using revenue from ground handling to cross-subsidize its flight operations. This adversely affected cargo handling by depriving it of the flow of money required to maintain quality services (ADB 1999). So far, only the airline business has been opened to competition. Air navigation and airport services are still state controlled. The country has also implemented the COMESA Legal Notice No. 2 and the Yamoussoukro Decision II (Akandonda 2003). The UCAA has played a key role in the promotion of aviation in the country. However, the authority has yet to achieve full autonomy from the executive branch of the government. As currently set up, UCAA is about 70% independent, with autonomy to borrow, raise revenue, and manage its operations (ADB 1999).

IMPACTS OF AIRLINE INDUSTRY LIBERALIZATION

The liberalization of the airline industry in the EAC has begun to yield some positive impacts, including an increase in frequency of flights, cooperation of airlines, and growth of cargo traffic, and reduction of ramp charges.

Increase in Frequency of Flights

According to ICAO (2006), those countries implementing the COMESA air liberalization program have experienced increases in the frequency of flights between city pairs. Within the EAC, flights between Nairobi and Entebbe have increased from two weekly flights before liberalization to 28 flights weekly (COMESA 2007). Between Nairobi and Harare (Zimbabwe), the flights have increased from two weekly to eight weekly and between Nairobi and Cairo (Egypt), from two weekly to nine weekly (Table 3). With this increase in flight frequency, it is possible for passengers to make daily return trips between some countries in the COMESA region. The increase in flight frequency is also likely to promote inter-regional trade and tourism (Oladele 2005, COMESA 2007).

Cooperation of Airlines

Airlines have been able to access the travel and tourism market through code sharing and multiple designations.[5] This has increased competition between them and has also expanded consumer choices. Passengers are now enjoying cheaper fares on certain routes. For example, on the Nairobi-Entebbe route, fares have dropped by nearly 50% due to increased competition on the route (COMESA 2007). Low air fares on competitive routes have also been reported in Southern Africa such as the Johannesburg–Harare and the Johannesburg-Windhoek routes (ICAO 2006). There has also been an increase in the number of new privately owned airlines. These new start-up airlines have been able to access the market through the policy of multiple designations. The main ones in the EAC include Air Kenya and Eagle Aviation in Kenya and Precision Air in Tanzania.

Table 3: Weekly Scheduled Passenger Service Frequencies Between Selected City Pairs, 2007

From/To	Addis Ababa	Bujumbura	Cairo	Entebbe	Harare	Khartoum	Kigali	Lilongwe	Lusaka	Nairobi
Addis Ababa		4	5	7	3	3	4	4	6	12
Bujumbura	4			2			10			7
Cairo	5			2		11				8
Entebbe	7		2							28
Harare	3		1					6	10	8
Khartoum	3		11							5
Kigali	4	10								14
Lilongwe	4				6				6	10
Lusaka	5				10					7
Nairobi	12	7	9	28	8	8	14	10	7	

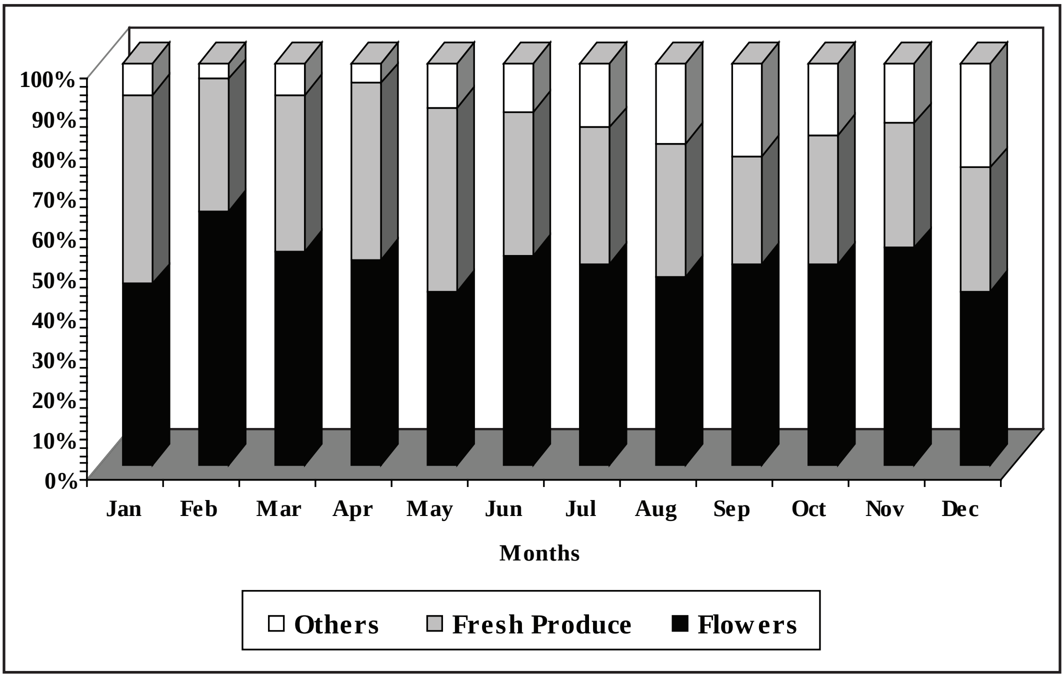
Source: COMESA (2007).

Growth of Cargo Traffic

By opening up the airline business in the EAC to competition, the volume of air cargo has increased. This is best illustrated by Uganda. In 1986, there were only six scheduled operators offering 24 flights weekly with a cargo capacity of 250 tons per week. In 1991, there were eight operators offering 21 flights weekly and a cargo capacity of 544 tons weekly. Currently, there are 15 scheduled operators offering 69 flights weekly with a total capacity of 1308 tons per week (ADB 1999).

The liberalization of airlines has also boosted exports of horticultural products such as freshly cut flowers, vegetables, and fruits. For example, in Uganda, horticultural exports by air increased from 792 tons in 1995 to 10,043 tons in 2003 (FAO/UNCTAD 2006). Figure 3 shows the exports from Entebbe International Airport in 2005 in tons. From the figure, it is apparent that flowers and fresh produce are the main horticultural exports from Entebbe.

Figure 3: Exports by Type from Entebbe International Airport (%), 2005



Source: Uganda Civil Aviation Authority (2005)

Reduction of Ramp Charges

The reduction of ramp handling charges at Entebbe has played a major role in encouraging more aircraft to land there. Table 4 shows the ramp handling charges before and after liberalization. Clearly, ramp handling charges fell by almost 50% after liberalization. This reduction can lead to substantial cost savings by airline operators, thereby increasing their profit margins. This is so, given that ramp handling services are many including marshalling an aircraft on the ground at arrival and departure, aircraft parking, and loading and unloading of the aircraft among others.

Table 4: Entebbe International Airport Ramp Handling Charges (US$)

Aircraft Type	Before Liberalization	After Liberalization
DH6	3224	1000
F28/100	4120	2000
DC9/A320	4120	2000
B737	4120	2000
B707/B727	6690	2500
DC8	6690	2500
B767/757	7500	3500
B47/DC10	8670	4000

Source: Uganda Civil Aviation Authority (1999)

CONCLUSION

In this paper, it has been observed that the policy adopted by the East African Community countries, at independence, to regulate air transport industry was bilateralism with emphasis on reciprocity. Such an approach created a serious bottleneck in the development of the aviation sector in the sub-region. The national carriers were not managed as commercial enterprises but as status symbols. Yet, what the sub-region needs are air services, not airlines. Airlines are capital intensive and expensive to operate. Besides, there was a lot of political interference and mismanagement of the national carriers leading to huge losses and a big drain on public coffers. The last decade has witnessed the reorganization and strengthening of new aviation and airport authorities in the sub-region, which are run by fairly autonomous management boards. The new aviation authorities prefer progressive liberalization of the air transport industry in accordance with the Yamoussoukro Decision. As already noted in this paper, progress in airline liberalization is being made slowly but steadily. The issue facing aviation authorities is not whether or not to liberalize but how to liberalize (Akandonda 2003). The privatization of Kenya Airways and Air Tanzania are good examples of progressive African air transport industry liberalization (Abeyratue 1998). Once the Yamoussoukro Decision is fully implemented, the various sub-regions on the African continent will be integrated to create one huge air transport market. Such a market will offer numerous opportunities for cross-border trade and tourism development.

Through the implementation of COMESA Legal Notice No.2 of 1999, air travel within the EAC and COMESA sub-regions has become much easier and cheaper due to increased service frequencies and competition on various routes. In the past, air travel between some city pairs in the sub-regions was difficult and costly. Sometimes, such travel was possible only via a European country. With liberalization of air transport intensity, many parts of EAC, COMESA and SADC are will linked with air services. But, a lot still needs to be done to fully implement the Yamoussoukro Decision especially the policy environment.

Endnotes

1. At the time of carrying out this research, EAC member states were Kenya, Uganda, and Tanzania. However, today, Burundi and Rwanda are also members.

2. The second freedom refers to the rights of a carrier to land in another nation for technical reasons such as crew change or refueling. The third freedom provides for the rights of a carrier to fly passengers from its own country to another. The fourth freedom is when a home country gives the right to an airline of another country to carry passengers from the home country to the country of the airline. The fifth freedom provides for the aircraft of one country to transport passengers, cargo and mail between a second and third country on a flight originating in or ultimately destined for the first country.

3. Multiple destination means that each contracting African state has right to designate more than one airline on a city pair basis to operate the intra-Africa air transport services. Some airlines have code sharing arrangements where a flight operated by one airline is jointly marketed as a flight for one or more other airlines.

4. Kenya Airways Business and Financial Review for the year ended March 31, 2005, available at www.kenyaairways.com.

5. See endnote 3.

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