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# Africa in 2020

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National Aviation Services

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National Aviation Services (NAS) is the fastest growing aviation services provider in emerging markets. In the following interview, Group CEO **Hassan El-Houry** gives his views on the state of the aviation industry in Africa and outlines the company's plans for growth on the continent

# 'We are witnessing a paradigm shift in Africa's aviation sector'

**How was 2019 for you as a group in Africa, and where are you seeing growth and opportunities across the continent?**

The world-renowned *Economist* magazine once dubbed Africa the "hopeless continent". In 2019, in a stark contrast, they published a cover that read "The new scramble for Africa". National Aviation Services (NAS) was fortunate to have discovered the opportunity in Africa's aviation sector about 10 years ago and since then we have been heavily investing across the continent. Some markets are more immediate whilst others are investments for medium to long term.

In 2019, we are proud to have broken ground in Liberia, acquired a full ground handling licence in Nigeria, launched operations in Mozambique, and opened new lounges in Morocco and Egypt. Of course, our existing operations in Uganda, Côte d'Ivoire, Tanzania and others continually benefit from investments in technology, training and new equipment.

We are only present in about 13 countries in Africa. There are 54 countries in the continent and so we truly believe that we have a long way to go. While there is room for growth geographically, we are also looking more at airport technologies and training. These are two key sub-sectors of aviation where we see opportunity to partner with governments and service providers to improve the state of the industry.

**We've just seen the South African government bail out SAA. At the same time Tanzania, Uganda and Ghana are talking about launching national airlines. How is the aviation sector faring, and what can be done to accelerate growth?**

We are witnessing a paradigm shift in Africa's aviation sector. A decade ago, most governments viewed aviation as a luxury through which to tax the wealthy. Today, decision makers and the populace at large

accept that aviation is an engine of economic growth and prosperity throughout the continent as it supports many sectors, including tourism, agriculture, education, healthcare and so on. Aviation in Africa has created 7m jobs and \$80bn in economic activity.

**Greater investment and growth will come if all countries in Africa sign the Open Skies treaty**

The demand for air travel is expected to double in the next two decades and the potential of the aviation sector in Africa is immense. The International Air Transport Association (IATA) projects that the African continent will become one of the fastest growing aviation regions within the next 20 years, with an average annual expansion rate of almost 5%. Broadly speaking, aviation in Africa is doing quite well.

As a result, many governments including Uganda and Tanzania, have launched national carriers. In my view, a national carrier is not a necessary prerequisite for a thriving aviation sector. Ghana, Uganda, and Tanzania (to name a few) had very dynamic aviation sectors before launching a national carrier.

My view is that such an undertaking requires careful review and the government in question should ask itself three questions:

First, what are we trying to achieve? Make sure the goals are clearly defined.

Secondly, has the business plan been prepared by professionals and have we reviewed it thoroughly? Have we done a proper sensitivity analysis and various scenario reviews?

Finally, and perhaps most importantly, it is essential to ensure that launching a national carrier does not detract from the dynamism and growth of the existing market. Will any benefits be given to the national carrier that may discourage other airlines from flying to the country's airports?

In order to accelerate growth, I would propose three actions: proper governance, deregulation to encourage open skies and reduced taxes.

**You've called for more deregulation to encourage greater investment. Can you elaborate on this?**

When we talk about deregulation, we are specifically referring to laws that do not serve the safety and security of the aviation sector, but rather are archaic and outdated laws that were once viewed as essential but are no longer relevant in today's environment. Such laws hinder foreign investment.

For example, in Malawi it is illegal for a foreign airline or private investor to own more than 49% of the national airline. This prevented Ethiopian from purchasing more than a 49% stake in Malawian airlines.

We believe that greater investment and growth will come if all countries in Africa sign the Single African Air Transport Market (SAATM) agreement, more commonly referred to as the



Open Skies treaty for a more single, unified air transport market in Africa. Until today, only 28 have signed on with some continental heavyweights like Senegal and Tanzania missing.

Regulators are responsible to enforce civil aviation policy, while operators are meant to handle the running of airports. Each has an important role to play, and these should not become confused or intertwined. In too many cases, these functions are merged, hampering economic development and negatively impacting quality.

According to the IATA, cross-border deregulation between just 12 African countries would create 5m new passengers, an annual GDP in excess of \$1.3bn and 155,000 jobs.

***The African Continental Free Trade Agreement (AfCFTA) may be the perfect catalyst to harmonise regulation across Africa. We've seen the launch of the Single African Air Transport Market with the ultimate objective of an open skies policy on the continent. Are you confident that discussions are moving quickly enough and how do you see this evolving?***

The African Continental Free Trade Agreement (AfCFTA) is a great achievement and a historical step to create a free trade area that covers more than a billion people and a collective GDP of over \$2 trillion, including most of Africa's largest economies. By way of comparison, NAFTA and the EU-Japan

free trade agreement each cover a collective GDP of around \$22 trillion. According to the UN, AfCFTA could boost intra-African trade by 52.3%.

I believe that there is always room for improvement and expedited discussions. I would also like to applaud the respective governments for taking the courageous step forward and hope that the governments that have reservations are able to take into account the long-term benefits of a single market.

***You are working closely with airports to develop their offering – be it lounge management, ground handling services, maintenance... Can you talk us through this strategy?***

Our vision is to become the service provider of choice for the aviation sector in emerging markets. This is not limited to ground handling, but also includes lounges management, cargo services, line maintenance, airport technologies, training and others.

We also believe that even if we start in an airport or a country with a relatively small service offering, once they experience the value that NAS can bring, we can use that as a platform to grow further.

In Rwanda, for example, we started 10 years ago with a Pearl Lounge of 540 square metres. Today, we have three lounges and a partnership with Rwandair that spans Africa and South Asia.

***What about capacity building? Are you finding the necessary skills to help develop your business and for airports to become globally competitive?***

Capacity building is one of the challenges in the region. Take Côte d'Ivoire for example. When we launched operations less than four years ago, the Abidjan International Airport served less than a million passengers. Today it is more than 2m passengers with direct flights to the US and an A380 to Paris. This could not be possible without world class airport services that are underpinned by a well-trained staff and management team.

How did we do it? More than 99% of our staff in Africa are African, and this includes our blue-collar staff as well as our management teams, spanning important functions like safety, security, quality, management information systems and others. As part of our staff's career progression, we are also trying to encourage more people to rotate across countries. For example, our cargo head in Abidjan is now heading up our operation in Liberia. There are many such examples.

Through our training centre in Kuwait, we offer IATA certified training courses to both new and existing employees. Train-the-trainer programmes ensure we pass on the required skills to local teams for a more sustainable approach to training. On-the-job training and online courses ensure constant development for both our employees as well as those of partner airlines. ■

**NAS offers a wide range of world-class ground services to airlines and airports.**

