



EABC POSITION PAPER ON FACILITATING AIR CARGO OPERATIONS IN THE EAC REGION DURING COVID-19 OUTBREAK

1.0 INTRODUCTION

Air cargo accounts for approximately 35% of world trade by value and is a crucial part of freight transport, complementing both land and sea transport, for time-sensitive cargoⁱ. Following the COVID-19 outbreak, countries imposed restrictions on flights, particularly passenger aircraft to contain the pandemic severely disrupting global supply chains. While cargo operations have continued, measures to enhance capacity have been adopted through repurposing passenger aircraft to facilitate continuous delivery of critical goods.

The International Air Transport Association (IATA) has supported the industry to execute cargo operations and use of passenger aircraft to enhance connectivity. The World Health Organisation (WHO), International Civil Aviation Organization (ICAO) and IATA have worked in close collaboration to develop aviation-specific guidelines to ensure appropriate planning and action at all levels to mitigate the effects of a human outbreakⁱⁱ. Together, these organisations have developed guidelines on how to transport cargo safely to ensure continued and uninterrupted air cargo services vital for global supply chains and emergency medical supplies.

2.0 CURRENT STATUS OF EAC AIR CARGO

While the rest of the world has adopted new measures to facilitate air transport, the EAC Partner State airlines are still in the process of adapting and many of their aircrafts remain underutilised. The demand for air cargo imports into the region remains low due to disruptions in Global Supply Chains; however, there is sustained growth in the demand for fresh produce exports anticipated to last till the summer.

With global demand and supply disruptions, the cost of air freight, particularly in East Africa has escalated drastically, making the region's export produce uncompetitive. Airfreight charges to the European Union and other markets in the last few weeks have ranged from \$3-7 per kg up from an average of \$1.50-2.50 per kg. The high air freight charges can be attributed to a combination of factors; these include higher operating costs, fewer scheduled/chartered flights and a supply and demand imbalance.

In Kenya, for example, the volume of fresh produce out of Jomo Kenyatta International Airport (JKIA) has reduced from a weekly 5,000 tonnes to 1,300, a 75% decline with similar trends reported across the region. Costs, however, continue to ease with more scheduled capacity provided by KLM, Qatar and Ethiopian Airlines. The return of Rwandair and Kenya Airways to the skies is a welcome relief for exporters; however, it will soon become increasingly difficult for them to compete with airlines that are receiving government subsidies.

Current Aviation industry subsidies in response to the COVID-19 crisis include Government or Central Bank support through direct financing, loan guarantees, corporate bonds and tax reliefs.

However, these measures alone, even if extended to EAC airlines will not sufficiently address the current crisis.

3.0 RECOMMENDATIONS

The current COVID-19 crisis on air cargo operations requires extraordinary measures to address the challenges in the region. Like the EU, it demands greater cooperation between East African airlines and the international aviation community, including air cargo and express service providers to ensure the supply and fair distribution of scarce and essential goodsⁱⁱⁱ. To achieve this cooperation, EABC recommends that the EAC Heads of State Summit considers the following;

IMMEDIATE/SHORT TERM

- i. EAC Partner States to **facilitate the use of passenger aircraft for cargo-only operations**, including the re-positioning of air cargo flight crews
- ii. EAC **adopts and directs the implementation of IATA operational guidelines for ground handling during COVID-19 crisis**
- iii. EAC **temporarily grants the Yamoussoukro Decision (YD) 5th to 9th Freedom rights^{iv}** effectively increasing capacity, reducing inefficiencies and costs.
- iv. EAC **promotes consolidation of air freight and cooperation between EAC airlines** and allows for flexibility in scheduling
- v. EAC **encourages coordination and equitable share for EAC airlines for both south and northbound freight**
- vi. To reduce operating costs, that the EAC Partner States **waive landing fees, excise duty on aviation fuel, navigation, landing, parking and COVID-19 related fees.**
- vii. To encourage imports by air, that the EAC Partner States **waive all import duties and VAT by air during the COVID crisis**
- viii. EAC Partner States **provide subsidies for the Aviation industry in the form of direct financial support; loan guarantees, corporate bonds and tax reliefs**

POST COVID-19 CRISIS

- i. EAC Partner States **fully adopt and implement draft regulations on the liberalisation of air transport services and expand Freedom rights beyond the fourth to foster the growth of both passenger and cargo traffic**
- ii. EAC Partner States to **harmonise landing fees, excise duty on aviation fuel, navigation, landing, parking and other related fees across the EAC region**
- iii. EAC Partner States to **improve air transport logistics and infrastructure, security and interconnectivity** to attract high capacity carriers.

4.0 EXPECTED LONG TERM BENEFITS

1. Increase Inter-regional Air Transport traffic/frequencies by 41% and reduce flight time
2. Reduce air transport cost (Passenger and cargo) by 10%
3. An additional 46,320 jobs and US\$ 202.1 Million per annum in GDP for the EAC Partner States^v

Endnotes

ⁱ European Commission Guidelines: Facilitating Air Cargo Operations during COVID-19 outbreak

ⁱⁱ LATA Quick reference for ground handling during COVID-19

ⁱⁱⁱ European Commission Guidelines: Facilitating Air Cargo Operations during COVID-19 outbreak

^{iv} Freedoms of the Air

v. Study on the Costs and Benefits of "Open Skies" in the East African Community (EAC), 2017

Fifth Freedom of The Air - the right or privilege, in respect of scheduled international air services, granted by one State to another State to put down and to take on, in the territory of the first State, traffic coming from or destined to a third State (also known as a Fifth Freedom Right).

Sixth Freedom of The Air - the right or privilege, in respect of scheduled international air services, of transporting, via the home State of the carrier, traffic moving between two other States (also known as a Sixth Freedom Right). The so-called Sixth Freedom of the Air, unlike the first five freedoms, is not incorporated as such into any widely recognized air service agreements such as the "Five Freedoms Agreement".

Seventh Freedom of The Air - the right or privilege, in respect of scheduled international air services, granted by one State to another State, of transporting traffic between the territory of the granting State and any third State with no requirement to include on such operation any point in the territory of the recipient State, i.e the service need not connect to or be an extension of any service to/from the home State of the carrier.

Eighth Freedom of The Air - the right or privilege, in respect of scheduled international air services, of transporting cabotage traffic between two points in the territory of the granting State on a service which originates or terminates in the home country of the foreign carrier or (in connection with the so-called Seventh Freedom of the Air) outside the territory of the granting State (also known as a Eighth Freedom Right or "consecutive cabotage").

Ninth Freedom of The Air - the right or privilege of transporting cabotage traffic of the granting State on a service performed entirely within the territory of the granting State (also known as a Ninth Freedom Right or "stand alone" cabotage).

NB: ICAO characterises all "freedoms" beyond the Fifth as first five "freedoms" are officially recognised as such by international treaty.

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