



13 Trends to Watch Across Africa's Aviation Sector in 2022 | January 2022

From 2019 to 2020, the number of airline passengers shrank by 60%, globally. From 2019 to 2021, it shrank by 49%, and from 2019 to 2022, by 27%. Given the global lockdowns imposed, these huge declines and the fact that aviation was one of the sectors worst hit by the COVID-19 pandemic, are unsurprising and well-documented.

Kenya, for example, suspended international flights from 25 March to 1 August 2020. This saw a 72% reduction in passenger numbers at Jomo Kenyatta International Airport, which had a huge financial impact on the national flag carrier, KQ. It swiftly announced survival measures, including staff salary cuts of 25-75%, with the CEO taking an 80% pay cut. The airline is now undergoing a government-proposed restructure aimed to reduce KQ's risk profile and aid renegotiations of aircraft leasing.

Aviation and COVID-19

The more recent impact of the Omicron variant on air travel means a reversal in the recovery the industry had started to see in week 49 of 2021 (a rise of 9% in passenger traffic, compared to week 48), and leads to an uncertain outlook for Q1 2022. At best, we expect a stop/start recovery for H1 2022.

"The immense pressure on national airlines to survive has, in turn, placed significant financial strain on governments already dealing with a myriad of challenges brought by the COVID-19 pandemic. We expect, during 2022, that there will be an increase in privatisation deals – such as the recent takeover of Air India by the Tata Group," observes leading aviation lawyer Sonal Sejpal, a Partner at ALN Kenya Partner.

Aviation and Net Zero

Alongside the struggle to recover from the pandemic, aviation faces perhaps its biggest challenge to date: achieving its commitment to Net Zero CO2 emissions by 2050 (28 years away). This is in the face of the anticipated 10 billion total airline passengers in 2050.

So, with these huge challenges in mind, what can we expect from aviation in 2022?

2022 Expectations

1. Restructurings

As with KQ, post-covid measures could continue into 2022, potentially with an increase in restructurings. In December 2021, it was revealed that the Government of Kenya had decided to restructure rather than renationalise Kenya Airways, a move which includes a USD 473 million injection and a USD 827 million debt take-over. This move may inspire other African governments and airlines to restructure, which will continue to keep the legal aviation sector busy, along with aircraft lease renegotiations, the

introduction of measures to reduce operating costs, and contract management among subsidiaries and holding companies.

2. Investment in Sustainable Aviation Fuels

With air travel's significant part in the global climate crisis, we expect to see huge investments and developments in sustainable aviation fuels (SAFs). "We may see an increase in contractual and leasing cases in 2022 as airlines look to update their fleets to newer, more efficient, and cleaner aircraft in their bid to reach Net Zero by 2050. In the same vein, we expect to deal with more refinancing cases as airlines look to raise money to fund development of and investment in SAFs," notes Sonal.

3. Potential Increase in International Collaborations

In February 2020, Qatar Airways unveiled a plan to acquire a 49% stake in RwandAir. In August 2021, the two airlines signed an interline agreement, as part of an overall strategic partnership. Despite some delays due to COVID-19, the collaboration is going ahead and is set to give travellers access to more than 160 destinations from Kigali (RwandAir) and Doha (Qatar Airways). Of the partnership, Al Baker, Group CEO of Qatar Airways said: "Africa is a hugely important market for us, and this latest partnership will help support the recovery of international air travel and offer unrivalled connectivity to and from a number of new African destinations."

This is set to be significant in the recovery of international air travel, as well as for passenger connectivity, and could pave the way for further global collaborations.

4. The Rapid Manufacture of Radically More Efficient Airframe and Propulsion Technologies

The expected growth of the aviation industry between now and 2050 would mean the mitigation of 1.8 gigatons of carbon. One suggested scenario is as follows: SAFs would account for 65% of carbon mitigation, new and more efficient propulsion technology, such as hydrogen = 13%, and overall improvements in efficiency = 3%. Offsets and capture and storage could answer the remaining 19%.

5. Increased Government Action Towards Realising a Potential USD 11.3 Billion Boost to Kenya's GDP

In 2019, the AITA Regional Aviation Forum predicted that the Kenyan aviation market could double in size by 2037 with key infrastructure investment. It recommended investment in air transport infrastructure, operational efficiency at JIKA and the implementation of the Single African Air Transport Market.

6. Increased Carbon-Reduction Incentives, Rather than Punitive Taxes

Airlines will be looking for ways to reduce carbon-intensive activities without introducing taxes that would mean flying became something only the very wealthy could afford. This approach means a focus on affordability and accessibility, job creation, industry growth and overall contribution to global prosperity.

7. Continued Reduction of Seats Offered by Airlines

There is expected to be a reduction of around 20% in the number of seats available in 2022 as airlines deal with COVID-19 restrictions and passenger safety. This may result in disgruntled

passengers who don't have the same choice they had pre-pandemic.

8. Investment in Drone and Remote Aerial Training

Announcement of the UAS Regulations (regulations for drone use) is expected to result in increased drone usage and training in Kenya for 2022, particularly for use within oil exploration. This could be expanded out across Africa's oil-producing countries. The KCAA has already issued over 200 licenses to drone operators since the regulations were approved in March 2021.

9. A focus on Growing Domestic Travel

We have already seen the domestic market recovering significantly faster than the international market: Both North America and Asia/Pacific have experienced 20% to 25% less decline in domestic passenger traffic than international, for example. We

may see airlines focus on pushing domestic air travel to aid recovery in the short term and as a work around to stricter international restrictions around COVID-19.

10. Automation of Operational Tasks, such as Collaboration, and Airport Cleaning

With a 60% decrease in the number of staff working in airports since before the pandemic, airports may look to invest further in technology that automates tasks such as cleaning based on usage of high footfall areas, rather than based on time (eg. cleaning every hour).

11. Centralised Technology to Improve Collaboration between Disparate Airport Contractors

Typically, airport contractors come with their own solutions and technology to manage the part they play in the airport. "In 2022, we expect to see centralised solutions implemented by airport operators, to break down silos between contractors and in-house staff, as well as to increase efficiencies and improve performance and transparency... so we may see an increase in financing cases throughout 2022 and into 2023," says Sonal.

12. Potential Airport Openings to Encourage One-Day Tourism

The opening of Egypt's Sphinx International Airport could lead the way for other African countries to open new airports and domestic routes that deliver passengers closer to the action and encourage one-day tourism.

13. Investments in Younger Fleets for Improved Efficiencies

For the second year in a row, Uganda Airlines has taken the crown as operating the world's youngest fleet. The younger the fleet, usually the more fuel efficient they are and the less emissions they discharge. They have the added benefit of being visually more appealing to flyers, particularly in the cabin.

Given these 13 trends to watch across Africa's aviation sector in 2022, airlines and airport operators are likely to need increasingly specialist representation as they face two of their toughest challenges to date: 1) Recovery from the COVID-19 pandemic and 2) Carbon emission Net Zero targets.

Sources

