

# Nigerian Aviation Industry Update

Quarterly Newsletter  
Issue No. 2022/02

I June 2022



## Introduction

The global airline industry remains on the recovery track, evidenced by a gradual pick in traveller numbers despite the notable shift in the global landscape. According to the International Air Transport Association (IATA), traveller numbers are projected to exceed the pre-COVID-19 levels (103% of the 2019 total) to reach 4.0 billion in 2024.

The recovery of the global airline industry is shaped by three broad factors. Firstly, the progressive relaxation or elimination of travel restrictions in many markets has seen improvements in the major markets, strengthening the baseline for recovery. Although infection rates have been rising in many countries, travel traffic now depends on local Covid-19 policies. Secondly, a marked rebound in air travel and passenger traffic is driving a gradual recovery. With barriers to travel coming down in most places, the anticipated surge in pent-up demand for air travel is now being realised.

Lastly, the surge in fuel prices continues to challenge the pandemic-battered aviation sector, with soaring jet fuel costs threatening to overshadow a recovery in travel demand. For instance, the world's largest long-haul carrier, Dubai's Emirates Airline, reported that fuel accounted for 23% of operating costs over the year, compared to just 14% in 2020-21. Given this, most airlines may not return to pre-pandemic credit metrics in the near term.

## The Nigerian Aviation Sector

### 1. The Recovery Journey

Following the global trend, the Covid-19 pandemic also had a negative impact on the Nigerian Aviation Sector. The sector recorded negative growth of 36.98% in 2020 from a GDP growth of 13.2% in 2019 on the back of the air travel restriction in March 2020.

However, the aviation industry was set for recovery upon reversing the travel restriction. In 2021, the aviation sector grew by 19.7%, returning to its pre-pandemic growth level. According to the latest report from the National Bureau of Statistics, about 13 million passengers travelled through Nigerian airports in 2021, representing a growth rate of 43.41% from 9 million recorded in 2020.

### 2. Flight Operations

Despite the growth momentum displayed by the sector, flight delays remained one of the predominant challenges faced by airline passengers. According to the Nigerian Civil Aviation Authority (NCAA), in Q1 2022, 14,121 (60%) flights were delayed out of a total of 23,599 domestic flights operated.

As part of efforts to mitigate flight delays and improve service delivery among operators, six (6) Nigerian airlines recently signed the "Spring alliance".

The Spring Alliance is aimed at creating a system that supports commercial cooperation and operational support to improve service delivery and reduce flight delays. The members of this alliance are; Air Peace, Azman Air, Aero Contractors, United Nigeria, and MaxAir.<sup>4</sup>

A direct impact of the alliance on airline passengers is the ability to switch between airlines in the alliance when a delay or technical difficulty is experienced by another airline, with no further cost to the passenger.

### 3. New Terminal & Airports Concession

At the end of March 2022, President Muhammadu Buhari commissioned a new terminal at the Murtala Muhammed International Airport (MMIA) in Lagos. The new MMIA Terminal is expected to handle 20 million passengers a year.

The new terminal comprises a four-storey Main Terminal Building, three-storey Finger Building, two-storey Cargo Terminal Building, and 82,925sqm apron. It is expected to generate about 3,000 direct and indirect employment for Nigerians. The terminal also has about 60 sets of check-in counters and six boarding bridges.

On the other hand, the Federal Government has moved the target date for the concession of Nigeria's four major international airports from the first quarter of this year to the second quarter. The concessions, which could last for 20 to 30 years, and are extendable on the grounds of good performance, would involve only the non-aeronautical assets of the airports. They are essentially public-private partnerships (PPPs), with the Federal Aviation Authority of Nigeria (FAAN) still controlling the aeronautical operations.

The concession efforts are designed for the four major international airports in Nigeria: Lagos, Abuja, Port Harcourt, and Kano. In a statement recently credited to the Minister of Aviation, Hadi Sirika, transaction advisers for the concession of the airports are analysing the proposals and will soon announce the successful bidders.

### 4. The Rising Cost of JetA1

Nigerian Airline operators are currently faced with rising operating costs, on the back of the rise in the price of aviation fuel.

According to the Airline Operations of Nigeria (AON), Aviation fuel (JetA1) recorded a price hike of 268% between January 2022 and April 2022, moving from 190 Naira to 700 Naira in 4 months.<sup>6</sup> Earlier, domestic airline carriers in Nigeria threatened to shut down their operations, citing rising jet fuel costs.

The increasing cost of jet fuel is directly linked to the rising global energy prices and the impact of the Naira's fluctuation against the dollar in the foreign exchange market

Before the Jet fuel price hike, fuel price constituted about 40% of operating costs. However, in recent times, fuel prices now make up an estimated 70% of the airlines operating costs.

### 5. The New Safety Threshold Handling Rates

According to the Aviation Ground Handling Association of Nigeria (AGHAN), there is significant progress in implementing the new safety threshold-handling rate approved by the Nigerian Civil Aviation Authority (NCAA) in the last quarter of 2021.

The Federal Government, through the Nigeria Civil Aviation Authority (NCAA), had approved a discount of 25% on new handling charges as requested by the ground handling companies.

The new handling rates are between \$1,500 and \$5,000 (passenger and cargo flights) for narrow and wide-body aircraft on international routes, respectively, while for domestic operators' the rate is pegged at N25,000 and N70,000, depending on the aircraft type. The new rate is coming 36 years after the last review.

The ground handling of aircraft plays an important role in the aviation industry value chain and contributes significantly to the industry's safety, security and economic growth.

4. <https://dailytrust.com/six-nigerian-airlines-form-historic-alliance>

5. <https://www.channelstv.com/2022/03/22/president-buhari-commissions-new-airport-terminal-in-lagos/>

6. <https://www.bloomberg.com/news/articles/2022-05-10/airlines-win-deal-to-buy-fuel-at-fixed-rate-from-nigeria-state>

# How we can help

At Phillips Consulting (pcl.), we are committed to taking your business on a transformation journey, and helping you thrive in a dynamic world. We have an Aviation Centre of Excellence team made up of professionals with diverse experience and knowledge in Market Research, Strategy and Operations Transformation, Outsourcing, People Transformation, Technology Consulting, Content Digitisation and Training.

Please contact the following for further information:

**Samuel Bamidele**

**Head, Research & Intelligence, Phillips Consulting (pcl.)**

+ 234 (0) 806 506 9929

[samuelb@phillipsconsulting.net](mailto:samuelb@phillipsconsulting.net)

**Paul Ayim**

**Senior Partner, Phillips Consulting (pcl.)**

+234 (0) 803 844 8951

[paula@phillipsconsulting.net](mailto:paula@phillipsconsulting.net)

**Olawanle Moronkeji**

**Partner, Phillips Consulting (pcl.)**

+ 234 (0) 803 308 4766

[olawanlem@phillipsconsulting.net](mailto:olawanlem@phillipsconsulting.net)

**pcl.**

9a, Shafi Sule, Lekki 1, Lagos

**Tel:** +234 (0) 906 000 0804

**Email :** [enquiry@phillipsconsulting.net](mailto:enquiry@phillipsconsulting.net)

[www.phillipsconsulting.net](http://www.phillipsconsulting.net)

