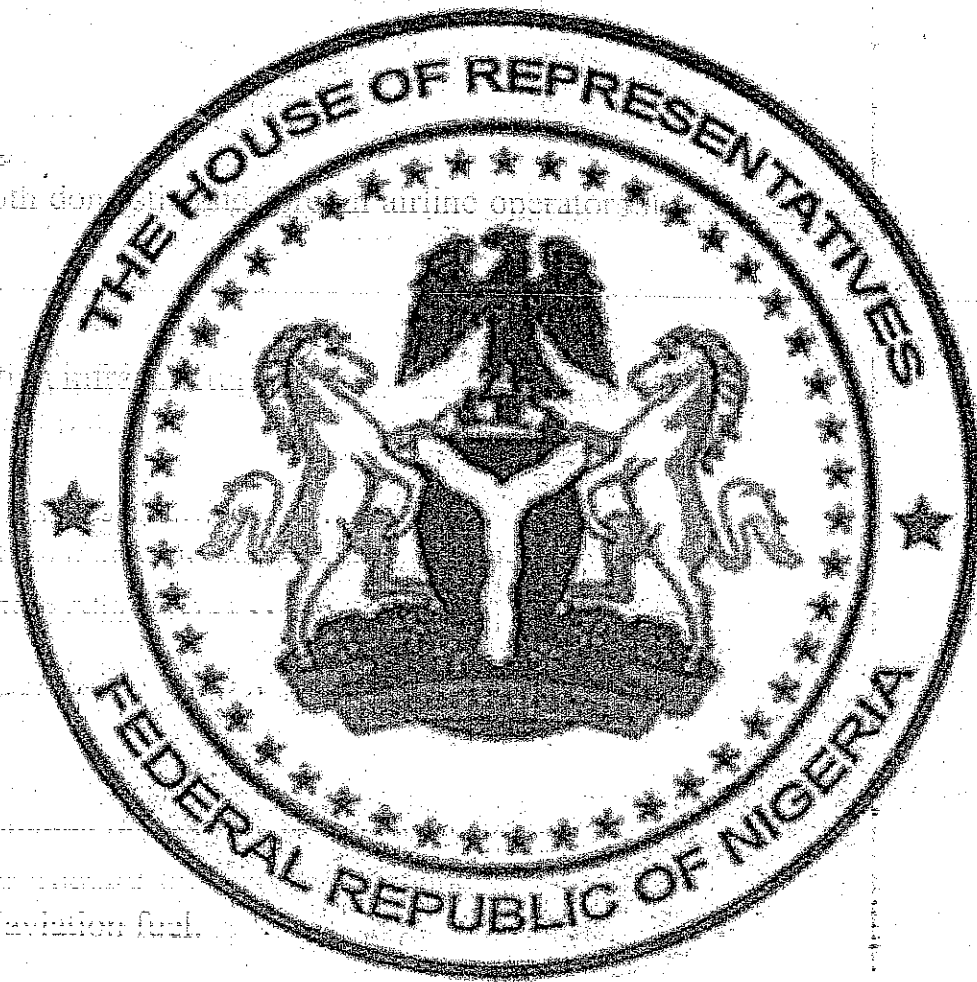




**REPORT OF THE 4-DAY PUBLIC HEARING ON THE MOTION  
“NEED TO RESCUE THE AIRLINE INDUSTRY FROM IMMINENT  
COLLAPSE” (HR. 84/2016) HELD BY THE HOUSE COMMITTEE ON  
AVIATION FROM TUESDAY 18 – FRIDAY 21 OCTOBER, 2016 AT  
ROOM 0.28, HOUSE OF REPRESENTATIVES, NATIONAL  
ASSEMBLY COMPLEX**

## TABLE OF CONTENTS

|                                                                      |       |
|----------------------------------------------------------------------|-------|
| Executive Summary -----                                              | 3-7   |
| 1. Reason for which Public Hearing was organised -----               | 8     |
| 2. Objectives of the Public Hearing -----                            | 8     |
| 3. Announcement of the Public Hearing -----                          | 9     |
| 4. Venue and Dates of the Public Hearing -----                       | 10    |
| 5. Names of Legislative Committee Members Present -----              | 10-11 |
| 6. Presentations and Submissions of Memorandum by Participants ----- | 12-13 |
| 7. Summary of Presentations and Submissions of Memorandum -----      | 13-34 |
| 8. Summary of Findings -----                                         | 34-37 |
| 9. Recommendations from the Findings -----                           | 37-40 |

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## EXECUTIVE SUMMARY

On Wednesday, September 28, 2016, Hon. Nkeiruka Onyejeocha (Chairman, House Committee on Aviation), brought a motion; "Need to Rescue the Airline Industry from Imminent Collapse" (HR. 84/2016) before the House Representatives. After extensive deliberations, the House of Representatives mandated the House Committee on Aviation to organise a Public Hearing and investigate a number of issues with a view to proffering solutions to the identified issues and report back to the House within four weeks.

Sequel to this mandate, the House Committee on Aviation organised a 4-Day Public Hearing on the motion; "Need to Rescue the Airline Industry from Imminent Collapse." The Public Hearing was held between Tuesday 18 and Friday 21, October, 2016 at Room 0.28, House of Representatives, National Assembly Complex.

Among other objectives, the Public Hearing was organised to;

- i. Investigate the following;
  - a. The suspension of operations by local airlines;
  - b. Increasing termination of operations by international airlines;
  - c. Licensing requirements and capacity of local airlines;
  - d. Allegations of corruption against local airlines;
  - e. Previous and current airport concession processes and fees;
  - f. The fate of Nigerians employed in the industry and the effect of prevailing issues in the sector on the economy; and
  - g. With a view to proffering solutions to the identified issues.

The following individuals, agencies and organisations made presentations during the Public Hearing;

- Hon. Minister of State, Aviation, Senator Hadi Sirika
- Federal Airports Authority of Nigeria (FAAN)
- Nigerian Civil Aviation Authority (NCAA)
- Nigerian Airspace Management Agency (NAMA)
- Nigerian College of Aviation Technology (NCAT)
- Accident Investigation Bureau (AIB)
- Asset Management Corporation of Nigeria (AMCON)
- Central Bank of Nigeria (CBN)
  
- Bi-Courtney Aviation Services Ltd
- Air Transport Services Senior Staff Association of Nigeria (ATSSSAN)
- Airport Professionals
- National Association of Aircraft Pilots and Engineers (NAAPE)
- National Union of Air Transport Employees (NUATE)

- Nigerian Union of Pensioners-FAAN Branch
- Aero Contractors Company of Nigeria Limited
- Airk Air
- Azman Air Services Limited
- Chanchangi Airlines
- Dana Air
- First Nation Airways
- Med-View Airline PLC
- Overland
- Western Airline
- Virgin Airline
- Emirate Air
- Ethiopian Air
- Aviation Safety Roundtable Initiative (ASRI)
- International Air Transport Association (IATA)
- Safe Nigeria Group

From the presentations and submissions made before the Committee, the following findings were made;

#### **1. Previous and Current Airports Concession Process**

- i. Previous concessions were not successful. This is evident by the fact that about 68 cases are pending in various courts of law against the Federal Government as a result of failed concession agreements;
- ii. The concession agreement between FAAN and Bi-Courtney Aviation Services Ltd, which has become a subject of protracted litigation is a good case of bad concession arrangements and processes;
- iii. The failure of previous concession agreements is occasioned by the fact the processes were neither transparent nor did they follow due process;
- iv. The failure of previous concession agreements have resulted in revenue losses in the aviation sector. For instance, FAAN paid over N5 billion for jobs that were already invalidated by court rulings;
- v. The Hon. Minister of State, Aviation, confirmed government's proposed plan to concession some of the airports;
- vi. The concession, according to the Hon. Minister will be 100%;
- vii. The proposed concession is not based on any feasibility studies;
- viii. The Hon. Minister has already set up an Implementation Committee to drive the proposed concession process without the involvement of some critical stakeholders in the aviation sector such as the labour unions;
- ix. While members of the labour unions in the airline industry (ATSSSAN, NUATE, NAAPE, among others, are opposed to the proposed airports concession arrangements, CSOs with interest in the sector such as Safe

Nigeria Group, and Aviation Safety Roundtable Initiative, are in support of concession provided the process will be transparent and orderly.

## **2. Suspension of Operations by Local Airlines**

- i. The Committee found that for some technical reasons, Arik Air and Aero Contractors at various times suspended scheduled operations;
- ii. While Arik Air has since resumed operations, Aero Contractors has not resumed;
- iii. With the prevailing circumstance, the likelihood of other airlines suspending operations in the near future is possible.

## **3. Increasing termination of operations by international airlines**

- i. The Committee found that a total of 15 international airlines, including, Air Gambia, Delta Air, Emirates, Iberia, United Airlines, among others, have relocated to neighbouring countries like Ghana;
- ii. This mass relocation is occasioned by a cumulative loss of about N64 billion by foreign airlines in the wake of the new foreign exchange policy of the Central Bank of Nigeria;
- iii. Other factors behind the increasing relocation of international airlines include scarcity and high cost of aviation fuel, inconsistency in government policy and poor state of aviation infrastructure.

## **4. The fate of Nigerians employed in the industry**

- i. The Committee found that about 1,200 staff of Aero Contractors are being owed 4 months salaries and have been verbally asked to proceed on an indefinite suspension by the Management of Aero Contractors;
- ii. Arik Air is also owing its staff various months of unpaid salaries;
- iii. Staff of Nigerian Airways are still being owed a severance allowance of N74 billion till date;
- iv. The proposed concession arrangement has not taken into consideration the fate of Nigerians who are employed in the industry.

## **5. AMCON vs. Aero Contractors**

- i. The Committee found that Aero Contractors is in a critical situation;
- ii. Since the takeover of the Company by AMCON, its operational efficiency has grown worse;
- iii. An accumulation of a number of challenges compelled Management to suspend operations with effect from September 1, 2016;
- iv. The current status of the Company is occasioned by the deliberate refusal of AMCON to invest more funds into the Company, despite holding 60% equity stake in the Company;
- v. There is the possibility of rescuing the Company if AMCON would be willing to inject more funds into the Company;

- vi. However, it is evident AMCON has no immediate plan of action on how to rescue Aero Contractors

## **6. Challenges of Airline Operators**

- i. The Committee found that both domestic and foreign airline operators in Nigeria are challenged in the main by the following factors;

### **Domestic Airlines**

- Lack of access to foreign exchange;
- Absence of enabling aviation infrastructure;
- Inconsistency in government policy;
- High cost of operation due to multiple taxation;
- Transaction in the sector is foreign currency denominated;
- Irregularity in the availability and high cost of aviation fuel;
- Non-availability of passengers due to recession;
- Encroachment of foreign airlines into multiple airports in Nigeria;
- Treating foreign airlines more favourably than domestic airlines;

### **Foreign Airlines**

- Uncertainty in foreign exchange that results in revenue losses;
- Poor state of aviation infrastructure such as runways; and
- Shortage and high cost of aviation fuel.

- ii. This has resulted in increasing relocation of airlines to neighbouring countries;
- iii. The Central Bank has no immediate plans to rescue the airline industry in terms of access to foreign exchange at an affordable rate;
- iv. The Committee also found out that in September 5, 2015, the CBN established a N300 Billion Power and Airline Intervention Fund (PAIF). But N120 billion meant for the aviation sector was diverted by the beneficiaries of the fund.

## **7. Implications of prevailing issues in the sector on the Nigerian economy**

- i. The aviation sector is one of the most vibrant in Nigerian economy;
- In 2014, the sector's contribution to Nigeria's GDP was about \$0.7 billion (N137.9 billion) and \$685 million in 2015;
  - The sector also supports 159,000 jobs in the country, comprising 44,000 jobs directly supported by the aviation sector, 64,000 jobs indirectly supported by the aviation sector; 51,000 jobs supported through the spending by the employees of the aviation sector and its supply chain;

- In addition, there are further 130,000 people employed through the catalytic (tourism) effect of the aviation sector.
- ii. If the crisis in the sector continues unabated;
    - Its contribution to GDP will drop significantly;
    - There will be excessive job losses;
    - Already, with the suspension of operations by Aero Contractors for instance, over 1,200 staff have been placed on indefinite suspension and without salaries in the last 4 months, while the relocation of international airlines to neighbouring countries has also resulted in some job losses;
  - iii. Job losses will result in economic distress and poverty. There is an intricate relationship between poverty and security crisis around the world. Thus, the job losses in the sector may aggravate the existing national security crisis in Nigeria;
  - iv. Socially, the challenges will negatively affect interactions and relations between individuals across national borders. This is also expected to have negative implications on national economy.

#### THE IMPENDING COLLAPSE OF INTERNATIONAL AIRLINES

### 1. Reasons for which Public Hearing was organised

In a Plenary Session on Wednesday, 28<sup>th</sup> September, 2016, Hon. Nkeiruka Onyejeocha (Chairman, House Committee on Aviation), brought a Motion ‘Need to Rescue the Airline Industry from Imminent Collapse’ (HR. 84/2016), before the House of Representatives. After due deliberations and considerations of the Motion, the House of Representatives mandated the House Committee on Aviation to organise a Public Hearing and invite all relevant stakeholders investigate a number of issues with a view to proffering solutions to the identified issues and report back to the House within four weeks.

### 2. Objectives of the Public Hearing

The Public Hearing was organised to investigate the following;

- i. The suspension of operations by local airlines;
- ii. Increasing termination of operations by international airlines;
- iii. Licensing requirements and capacity of local airlines;
- iv. Allegations of corruption against local airlines;

- v. Previous and current airport concession processes and fees;
- vi. The fate of Nigerians employed in the industry and the effect of prevailing issues in the sector on the economy with a view to proffering solutions to the identified issues.

### **3. Announcement of the Public Hearing**

As required by standard procedure, the Clerk of the House Committee on Aviation was mandated to announce the public hearing through the mass media.

Thus, the public hearing was announced through the following media;

#### **i. Print Media**

ThisDay Newspapers, Sunday 16<sup>th</sup> October, 2016.

#### **ii. Letters of Request and Invitation**

Also, Letters of Request and Invitation to attend the Public Hearing were sent to the following;

- a. The Hon. Minister of State, Aviation, Senator Hadi Sirika;
- b. The Managing Director, Federal Airport Authority of Nigeria (FAAN);
- c. The Director General, Nigerian Civil Aviation Authority (NCAA);
- d. The Managing Director, Nigerian Airspace Management Agency (NAMA);
- e. The Director General, Nigerian Meteorological Agency (NiMET);
- f. The Rector/CEO, Nigerian College of Aviation Technology, Zaria;
- g. The Commissioner/CEO, Accident and Investigation Bureau (AIB);
- h. National Union of Air Transport Employees (NUATE);
- i. Air Transport Services Senior Staff Association of Nigeria (ATSSSAN);
- j. The Governor, Central Bank of Nigeria (CBN);
- k. The Director General, Asset Management Corporation of Nigeria (AMCON);
- l. Domestic and International Airline Operators;
- m. Civil Society Organisations (CSOs); and
- n. The General Public.

#### 4. Venue and Dates of the Public Hearing

The Public Hearing was held at Room 0.28, House of Representatives, New Wing, National Assembly Complex, Three Arms Zones, Abuja on the following days: -

- i. Day 1: October 18, 2016 ;
- ii. Day 2: October 19, 2016;
- iii. Day 3: October 20, 2016;
- iv. Day 4: October 21, 2016

#### 5. Names of Legislative Committee Members Present

The comprehensive list of the Members of the House Committee on Aviation who participated in the Public Hearing is as shown below;

#### DAY 1: OCTOBER 18, 2016 AT ROOM 0.28, HOUSE OF REPRESENTATIVES, NATIONAL ASSEMBLY COMPLEX

| S/No. | Member                       | Office No. | Phone Number | Signature |
|-------|------------------------------|------------|--------------|-----------|
| 1.    | Hon. Nkeiruka Onyejeocha     | 3.28       |              |           |
| 2.    | Hon. Abdulrahman Shuaibu     |            |              |           |
| 3.    | Hon. Soyinka Olatunji        |            |              |           |
| 4.    | Hon. Iboro Ekanem            |            |              |           |
| 5.    | Hon. Chima Oji               |            |              |           |
| 6.    | Hon. Gideon Gwani            |            |              |           |
| 7.    | Hon. Emmanuel M. Egwu        |            |              |           |
| 8.    | Hon. Prince Akeem Adeyemi    |            |              |           |
| 9.    | Hon. Mohammed Gololo         |            |              |           |
| 10.   | Hon. Usman Ibrahim Auyo      |            |              |           |
| 11.   | Hon. Abubakar Lado Suleja    |            |              |           |
| 12.   | Hon. Isa Ibrahim             |            |              |           |
| 13.   | Hon. Ahmed B. Kaita          |            |              |           |
| 14.   | Hon. Omosedede G. Igbinedion |            |              |           |
| 15.   | Hon. Princess Stella Ngwu    |            |              |           |
| 16.   | Hon. Adeyinka Ajayi          |            |              |           |
| 17.   | Hon. Matthew Omegara         |            |              |           |
| 18.   | Hon. Magaji Da'u Aliyu       |            |              |           |
| 19.   | Hon. Rapael Igbokwe          |            |              |           |

**DAY 2: OCTOBER 19, 2016 AT ROOM 0.28, HOUSE OF REPRESENTATIVES, NATIONAL ASSEMBLY COMPLEX**

| S/No. | Member                        | Office No. | Phone Number | Signature |
|-------|-------------------------------|------------|--------------|-----------|
| 1.    | Hon. Nkeiruka Onyejeocha      | 3.28       |              |           |
| 2.    | Hon. Rapael Igbokwe           |            |              |           |
| 3.    | Hon. Emmanuel M. Egwu         |            |              |           |
| 4.    | Hon. Magaji Da'u Aliyu        |            |              |           |
| 5.    | Hon. Abdulrahman Shuaibu      |            |              |           |
| 6.    | Hon. Soyinka Olatunji         |            |              |           |
| 7.    | Hon. Engr. Muhammed Aki Wudil |            |              |           |
| 8.    | Hon. Gafar Akintayo A.        |            |              |           |
| 9.    | Hon. Prince Akeem Adeyemi     |            |              |           |
| 10.   | Hon. Iboro Ekanem             |            |              |           |
| 11.   | Hon. Usman Ibrahim Auyo       |            |              |           |
| 12.   | Hon. Adeyinka Ajayi           |            |              |           |
| 13.   | Hon. Mohammed Gololo          |            |              |           |
| 14.   | Hon. Abubakar Lado Suleja     |            |              |           |
| 15.   | Hon. Yakub Abiodun Balogun    |            |              |           |
| 16.   | Hon. Ahmad B. Kaita           |            |              |           |

**DAY 3: OCTOBER 20, 2016 AT ROOM 0.28, HOUSE OF REPRESENTATIVES, NATIONAL ASSEMBLY COMPLEX**

| S/No. | Member                        | Office No. | Phone Number | Signature |
|-------|-------------------------------|------------|--------------|-----------|
| 1.    | Hon. Nkeiruka Onyejeocha      | 3.28       |              |           |
| 2.    | Hon. Engr. Muhammed Aki Wudil |            |              |           |
| 3.    | Hon. Abdulrahman Shuaibu      |            |              |           |
| 4.    | Hon. Soyinka Olatunji         |            |              |           |
| 5.    | Hon. Garba Datti Muhammed     |            |              |           |
| 6.    | Hon. Gideon Gwani             |            |              |           |
| 7.    | Hon. Iboro Ekanem             |            |              |           |
| 8.    | Hon. Mohammed Gololo          |            |              |           |
| 9.    | Hon. Adeyinka Ajayi           |            |              |           |
| 10.   | Hon. Abubakar Lado Suleja     |            |              |           |
| 11.   | Hon. Magaji Da'u Aliyu        |            |              |           |
| 12.   | Hon. Tajudeen A. Obasa        |            |              |           |
| 13.   | Hon. Raphael Igbokwe          |            |              |           |
| 14.   | Hon. Betty Apiafi             |            |              |           |

## **6. Presentations and Submissions of Memorandum by Participants**

The following individuals, agencies and organisations made presentations during the Public Hearing;

### **i. MDAs**

- Hon. Minister of State, Aviation, Senator Hadi Sirika
- Federal Airports Authority of Nigeria (FAAN)
- Nigerian Civil Aviation Authority (NCAA)
- Nigerian Airspace Management Agency (NAMA)
- Nigerian College of Aviation Technology (NCAT)
- Accident Investigation Bureau (AIB)
- Asset Management Corporation of Nigeria (AMCON)
- Central Bank of Nigeria (CBN)

### **ii. Concessionaire**

- Bi-Courtney Aviation Services Ltd

### **iii. Labour Unions in the Airline Industry**

- Air Transport Services Senior Staff Association of Nigeria (ATSSSAN)
- Airport Professionals
- National Association of Aircraft Pilots and Engineers (NAAPE)
- National Union of Air Transport Employees (NUATE)
- Nigerian Union of Pensioners-FAAN Branch

### **iv. Local Airlines**

- Aero Contractors Company of Nigeria Limited
- Airk Air
- Azman Air Services Limited
- Chanchangi Airlines
- Dana Air
- First Nation Airways
- Med-View Airline PLC
- Overland
- Western Airline
- Virgin Airline

### **v. International Airlines**

- Emirates Air
- Ethiopian Air

#### **vi. Civil Society Organisations (CSOs)**

- Aviation Safety Roundtable Initiative (ASRI)
- International Air Transport Association (IATA)
- Safe Nigeria Group

### **7. Summary of Presentations and Submissions of Memorandum**

#### **i. Hon. Minister of State, Aviation, Senator Hadi Sirika**

The Hon. Minister made the following submissions;

- a). The Nigerian aviation sector is expected to support about 60 million passengers in the next 10 years. This requires creating an environment that will provide satisfactory services.
- b). The current economic downturn in Nigeria is taking its toll on every sector of the national economy including aviation sector. Thus, it is no longer sustainable for the government to continue to fund meaningful projects aimed at bringing airports to international standard. Therefore, government is initiating plans to concession the airports.
- c). By concession, government is neither selling nor privatising the airports but the process will be 100 per cent. The concession process will follow due process, be transparently conducted, participatory and inclusive.
- d). The essence of the concession is to make the airports better, more usable and more profitable.
- e). On the fate of workers in the sector, the Hon. Minister stated that there is no on-going retrenchment of workers in the industry and in the sector but a restructuring of the agencies in the Ministry, which entailed proper placement of the staff, in line with the extant laws establishing the agencies. The restructuring

is informed by the fact that some of the agencies are over bloated. For instance, FAAN has over 40 Directors and 2 Managers for every airport.

f). On the suspension of flights by some airlines, the Minister stated that:

- Some airlines are structurally deficient, financially bankrupt and managerially incompetent;
- The aviation industry is denominated in foreign exchange. Given the fall in Naira, it has become difficult maintaining some of the airlines;
- The Central Bank of Nigeria has included airlines as part of the sectors to receive foreign exchange at official rate.

g). On the withdrawal of services by foreign airlines, the Hon. Minister stated that:

- Those airlines are merely exercising their business right;
- There is need for collaboration among all stakeholders in the sector and all the arms of government in order to improve the aviation sector;
- He also called for the support of all stakeholders in the on-going efforts to revive Aero contractors.

## *ii. Federal Airport Authority of Nigeria (FAAN)*

FAAN through its legal representative made, the following submissions;

a). The current economic situation in Nigeria has made it difficult for the Federal Government to meet its responsibility of providing enabling infrastructure for the economic development of Nigeria.

b). The consequence of this is that infrastructure at the airports (domestic and international) have remained obsolete, dilapidated, poorly maintained, and grossly inadequate due to years of under-investment and neglect.

c). FAAN has not been able to meet its expectations from government, i.e. to generate enough internal revenue to sustain itself and meet the global and industry need of facility upgrade required for air transportation.

d). This inability is due to the following;

- High accumulation of debts majorly by airlines;
- The reluctance of many debtors to offset their debts, which is impacting negatively on the revenue collecting capacity of the Authority;
- The non-payment of bills incurred by some government agencies at the airports, which has put immense financial burden on the Authority;
- Waivers granted by government on Passenger Services and Landing Charges for pilgrimages have significantly reduced internally generated revenue of the Authority. This should be abolished;
- The 25% of the Authority's gross revenue to be paid into the Consolidated Revenue Fund, by government has created additional financial burden on the Authority. This should be reviewed downwards.

e). To meet current industry standard, the Federal Ministry of Aviation (now Federal Ministry of Transport) entered into agreement with Messrs China Civil Engineering Corporation (CCECC) for the reconstruction and improvement of Passenger and Cargo Terminals in the 4 International Airports. The projects are funded by a loan from the China Exim Bank, which has to be repaid.

f). In view of the foregoing financial challenges, FAAN has considered the following options;

- Obtain facilities from financial institutions to bridge the infrastructure deficit. However, the challenge associated with loans range from the cost of borrowing, bureaucracy and unpreparedness of some financial

institutions to grant loans to government agencies due to the risk of policy inconsistency;

- Alternatively, concession of the airports or facilities that would help in not only providing modern technology and infrastructure, but providing guaranteed funding to meet this infrastructure gap in a speedy, efficient and effective manner and at a shared risk or without necessarily transferring the risk associated with such cost to FAAN.

g). Catalysing private sector financing through concession is inevitable: it reduces public capital investment (which is currently lacking) and improves efficiency and quick project delivery as well as customer experience. In the same manner, risk is shared between the public sector and the private investor, where FAAN is unable to leverage on airport and facility concession, meeting these obligations may be a tall order.

### *iii. Nigerian Airspace Management Agency (NAMA)*

NAMA's submission was in two major areas, namely;

- a). Current Status of Nigerian Aviation Industry: This is characterised by the following;
  - i. High cost of operations;
  - ii. High level of indebtedness by domestic airlines (Arik Air);
  - iii. Dwindling customer (passenger volume) due to recession;
  - iv. Airlines closing down due to high level of indebtedness and inadequate operating aircraft (Aero Contractors);
  - v. Frequent scarcity and high cost of aviation fuel (Jet A1) due to inadequate local capacity for refining leading to disruption and cancellation of flights;
  - vi. Relocation of some foreign airlines out of Nigeria;
  - vii. Lopsided Bilateral Air Service Agreements (BASA) at the detriment of Nigeria due to lack of national carrier or flag carrier to reciprocate Nigeria's BASA with other nations;

- viii. High exchange rate of Naira against the US Dollar leading to challenges in the repatriation of funds by airlines;
- ix. High cost of insurance for airlines due to lack of indigenous aviation insurance companies;
- x. Inadequate airport terminal facilities for facilitation of passengers and cargo movement at the airports;
- xi. Inadequate or frequent power supply failures at the airports leading to manual processing of passengers;
- xii. Inadequate facilities for screening of passengers at peak traffic periods leading to delays;
- xiii. Poor flight scheduling by airlines leading to unprofitable operations;
- xiv. Manual or cash collection of charges by government agencies;
- xv. Inadequate aircraft for effective operations;
- xvi. Poor management or misappropriation of government bailout by airlines;
- xvii. Lack of code sharing or interlining arrangements by domestic operators;
- xviii. High cost of tickets on domestic flights;
- xix. Non-payment of staff salaries leading to poor services.

b). Challenges of the Aviation Sector: These include;

- i. Poor management of domestic airlines;
- ii. Multiplicity of charges by government agencies;
- iii. Inadequate aerodrome facilities (damaged runways, poor runway lighting system, inadequate conveyor belts, inefficient passenger and cargo ground handling, inadequate cooling systems or passenger comfort facilities, etc.);
- iv. Lack of finance or capital funding for airlines;
- v. Lack of Maintenance Repair Organisations in Nigeria for Checks;
- vi. Lack of facility for flight simulator for regional aircraft fleet;
- vii. Lack of collaborative decision making or planning among stakeholders;
- viii. Inadequate economic oversight by the regulatory authorities;

- ix. Poor maintenance culture or planning by operators;
- x. Unhealthy competition or rivalry by airlines leading to operational losses;
- xi. Over staffing by airlines leading to high wage bills;
- xii. Lack of automation of business processes.

c). Recommendations for Rescuing the Nigerian Aviation Industry from Imminent Collapse

- i. Increased government funding of aviation agencies for the provision of required infrastructure;
  - ii. Ensure timely release of budgeted funds to government agencies in the aviation industry;
  - iii. Take steps to reduce cost of aviation fuel to reduce cost for operators;
  - iv. Establish a National Carrier or Flag Carrier to discharge Nigeria's BASA agreements;
  - v. Providing operation incentives to create hubs at Lagos and Abuja for the West African sub-region;
  - vi. Establish a Maintenance Repair Organisation facility in Nigeria for local maintenance;
  - vii. Provide facilities at NCAT Zaria for B737 Flight Simulator for in house training and type rating Nigerian pilots;
  - viii. Enhance the mechanism for economic monitoring and regulation of airlines;
  - ix. Establish an organisation to undertake financing and management of aircraft leasing, acquisition, funding, insurance, etc.
  - x. Develop capacity for local refining of Jet A1 fuel;
  - xi. Encourage airlines to code share and interline;
  - xii. Increase the minimum required fleet for aircraft operations;
  - xiii. Reduce the requirements for the acquisition of Aircraft Operating Certificate (AOC).
-

**iv. Central Bank of Nigeria (CBN)**

a). CBN has expressed concern over the development in the sector since 2010, when it discovered that the sector was owing up to ₦250 billion to the banks and ₦80 billion of this facility was not performing. The problem here was most operators in the industry took short term loans for long term investments at double digits interest, which is inimical to business. So the loans were not properly structured. Thus, CBN intervened through the restructuring of the loans by reducing the interest rates and ensuring long term loans were taken for long term projects.

b). Beyond the problem of structure of facilities, CBN also found that the sector's crisis is occasioned by poor corporate governance, infrastructure deficiency, high operating cost such as high packing fees, high cost of aviation fuel, high landing fee, lack of economic regulation

c). Thus, the Bank through the Ministry of Aviation and African Finance Bank advised the Federal Government of Nigeria to make the airline industry bankable and that airports authorities should diversify their sources of income beyond the airlines.

d). On the challenge of foreign exchange, CBN said it is very difficult for the Bank to guarantee a fixed exchange rate for international airline operators given the uncertainty in the international economy.

e). The Bank, however, promised to develop several business models for critical sectors of the domestic economy including aviation.

**v. Nigerian College of Aviation Technology (NCAT), Zaria**

The presentation by NCAT, Zaria focused mainly on its challenges, implications for effective service delivery and suggestions for the way forward.

---

a). The challenges include;

- i. Lack of funding for the College from the 2016 FGN Budget;
- ii. High operational cost due to high cost of Aviation Gasoline (AVGAS 100LL) and aircraft spare parts;
- iii. Low internationally generated revenue and high indebtedness;
- iv. Shortfall in annual FGN capital budget releases;
- v. Lack of access to foreign exchange;
- vi. Inadequate number of required specialised manpower (Instructors);
- vii. Inadequate equipment and facilities for commencement of advance aviation training;
- viii. Inadequate training capacity due to insufficient facilities like hostel accommodation and classrooms; and
- ix. Encroachment on College land.

b). For the way forward, NCAT is made the following recommendations;

- i. Amendment of the College Act to ensure classification of the College as a tertiary institution;
- ii. Access to TETFUND as alternative means of funding;
- iii. Re-fleeting of Aircraft with aircraft utilizing readily available fuel;
- iv. Timely capital budget releases;
- v. Special allocation of FOREX by the Central Bank of Nigeria;
- vi. Increase in funding for the provision of additional training aids, equipment and other infrastructure to increase and other infrastructure to increase training capacity and replace all obsolete equipment;
- vii. Commencement of prepaid system and payment of indebtedness by debtors;
- viii. Signing of MOU with aviation parastatals, airlines for long term training of staff;

ix. Training and re-training of staff (approvals and funding).

**vi. Nigerian Civil Aviation Authority (NCAA)**

In her submissions, NCAA identified a number of challenges confronting the Authority in the discharge of its statutory duties. These challenges include;

1. Lack of corporate governance and poor management;
2. Limited access to capital markets and high cost of fund;
3. High debts owed aviation service providers and to NCAA in particular;
4. Lack of easy access to foreign exchange;
5. Lack of infrastructure to enable 24/7 all-weather operations at the airports in Nigeria;
6. Lack of maintenance repair and overhaul facilities;
7. Dwindling qualified technical personnel such as pilots, engineers, etc.;
8. Inadequate supply and high cost of aviation fuel compared to other countries;
9. High insurance premium payments being made by domestic airlines in Nigeria when compared with their foreign counterparts;
10. Failure of domestic airlines to remit the 5%TSC to NCAA at the appropriate time;
11. The 25% of the operating surplus of aviation agencies, including NCAA, being paid to the Federal Government;
12. Incursion of the Consumer Protection Council into areas that are exclusive to aviation sector as aviation consumers protection is covered by the Civil Aviation Act, 2006, the Nigerian Civil Aviation Regulations, 2015 and the Montreal Convention.

**vii. AMCON vs. AERO CONTRACTORS COMPANY OF NIGERIA**

In response to the question of its (AMCON's) plan to revive Aero Contractors, the representative of AMCON made the following submissions;

a). AMCON acquired 60% stake in Aero Contractors in January 1, 2012, while Legacy Shareholders has 40% stake;

b). The stake was purchased at the cost of N24.20 billion. This brought the Company's outstanding balance at purchase to N32,579,603,282.55. This was secured with a debenture on all aircrafts and properties in Lagos, Port Harcourt and Warri.

c). AMCON also facilitated the restructuring of Aero Contractors' N10.2 billion loan to 12 year Term Loan and N14.00 billion converted into 28 billion units of N0.50 ordinary shares for 60% equity.

d). Beside this, there has been additional financing of N6.00 billion working capital provided under the Bank of Industry Power and Aviation Intervention Fund (PAIF), N2.30 billion, 12 year term loan also under PAIF scheme and N2.00 billion bridge finance facility with one year tenor and US\$1 billion short term loan for critical lease payments.

e). The current outstanding balance is N21.29 billion (inclusive of BOI loan/exclusive of equity). The implication of this is that Aero Contractors is in default.

f). In the post-restructuring era, AMCON has injected the sum of N8.30 billion as additional funding to the airline. This was to provide support for the airline towards growth, fleet expansion and job creation.

g). Despite AMCON's continued support, the airline is still faced with numerous challenges that include;

- i. Ageing aircraft;
- ii. Negative profitability;
- iii. High operating costs;

iv. Overstaffing;

v. Very high financial costs – largely from historical debts;

vi. Poor customer services;

vii. Poor infrastructure;

viii. Unavailability of Foreign Exchange;

ix. Poor Corporate Governance, etc.

h). The above listed factors impacted negatively on the operations of the airline particularly in 2014 and 2015.

i). In view of the challenges, the agitation of the unions and the need to restore confidence in the airline, AMCON appointed Mr. Adeniyi Adegbonmire, SAN, on February 5, 2016 as the Receiver Manager pursuant to its powers under the AMCON Act. Subsequently, a substantive CEO, Capt. Fola Akinkuotu and CFO Mr. Kabiru Mohammed were appointed to manage the airline with a mandate not to liquidate it but to keep it going, sustain its brand and turnaround the operational and financial position of the Company.

j). following the depletion of operational equipment to minimum threshold permitted by regulation and inability to re-induct aircraft on maintenance, the Management of the airline suspended fixed scheduled services effective September 1, 2016.

k). Roadmap to recovery

Repositioning the airline to enhance operational efficiency, sustainable business mode and strong financial position will involve, among other things, the following;

i. Deconstruction of the existing operational structure and replacement of obsolete business model;

- ii. Revamping the three main divisions (Fixed Wing, Rotary Wing, and Air Maintenance Organisation) to ensure operational synergy while contributing positively to overall profitability;
- iii. Explore all options including joint ventures to recapture the oil and gas business where the Company controlled more than 70% in 2009 but currently has less than 5% of the market share. Also, enhance the footprint in the charters services with renowned 'Aero' brand;
- iv. Build a Nigerian airline with a world class standard driven by experienced management and guided by a robust corporate governance structure

The Nigerian Union of Air Transport Employees (NUATE) informed the Committee that the problem with Aero Contractors is the inability of AMCON to manage the post-restructuring era efficiently. This, according to NUATE is supported by the following facts;

- i. In 2011 Aero Contractors had 15 operations aircrafts when AMCON took over. But as at September 1, 2016 when the suspension of operation was announce, the number of aircrafts has been reduce to only one;
- ii. Since January 2016, NUATE has made efforts to draw the attention of all stakeholders to the degree of corrupt practices and maladministration in the airline under AMCON. This explains why AMCON has refused to make public the report of the external audit of the assets and liabilities if the airline;
- iii. If AMCON has invested as much as it claims to have done into Aero Contractors, why is there no fund to address the immediate challenges such as the replacement of engines, return aircraft that have undergone overseas maintenance checks back to Nigeria, among other things?
- iv. AMCON has also failed to ensure the payment of workers' salaries in the last four months;
- v. The disengagement of staff of Aero did not follow due process.

Similarly, the Air Transport Services Senior Staff Association of Nigeria (ATSSSAN) submitted that the management of Aero Contractors has a plan to revamp the airline. However, the implementation of the plan is suspended due to the fact that the redundancy negotiations between the labour unions and the Management of Aero have remained inclusive because the amount being offered is far too small. ATSSSAN noted that Aero Contractors' offer is informed by its poor financial base. It informed that the conclusion of the negotiations will help the Management to implement the plan but AMCON has to be convinced to provide the required amount to enable the conclusion of the redundancy negotiations between the management of Aero Contractors and the labour unions. The Union appealed to the Committee to convince AMCON to rethink its decision of not putting in any money again into Aero Contractors.

**viii. FAAN vs. Bi-Courtney Aviation Services Ltd**

a). The concession agreement between FAAN and Bi-Courtney Aviation Services on May 25, 2015, for the operation of regional flights in Murtala Mohammed Airport 2 (MMA2), Lagos, has been a subject of protracted litigation. While Bi-Courtney has accused FAAN of being in opposition to the commencement of the operation, FAAN has argued that Bi-Courtney's claims that the concession is for a period of 36 years as well as its claim over the General Aviation Terminal (GAT) were not provided for in the concession agreement.

b). Bi-Courtney approached the courts and secured judgements compelling FAAN to comply with its wishes and demands. Following the loss of FAAN's appeal against the judgement on technical grounds, FAAN instituted an appeal at the Supreme Court where the case is yet to be determined.

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c). On the basis of the courts' rulings, Bi-Courtney put forth the following prayers to the Committee;

- i. The Committee to compel FAAN to comply with the laws of Nigeria as pronounced by two different courts;
- ii. The Committee to compel FAAN to allow MMA2 to continue with its development under Bi-Courtney;
- iii. The Committee to compel FAAN to complete the handover of GAT and the neighbouring plot already allocated to MMA2; and
- iv. Bi-Courtney be allowed to commence regional flights for which approval has been given.

d). The President of ATSSSAN informed the Committee that the controversy surrounding the concession of MM2, Lagos, is a clear indication of some of the key challenges expected to bedevil concession agreements when they are not transparently done. He expressed fear that if the proposed concession of the Federal Airports should follow the example of FAAN and Bi-Courtney agreement, it will be against the interest of Nigeria and Nigerians.

**ix. Labour Unions in the Airline Industry**

**1. Air Transport Services Senior Staff Association of Nigeria (ATSSAN)**

The representative of ATSSSAN, Com. (Barr.) Frances Akinjole, Head of Secretariat, made the following submissions;

- a). FAAN is established to build, manage and maintain all airports in Nigeria with its internally generated revenue.
- b). However, there is excessive interference in operations of FAAN by the Ministry of Aviation (now Ministry of Transport). This has been affecting the operations of FAAN;

c). There are a total of 21 Airports being managed and maintained by FAAN. Out of this number, only 4 are viable and it is these 4 viable airports that government has targeted for concession. Meanwhile the fate of the other 17 airports has not been decided by government.

d). FAAN does not depend on government to pay salaries of its staff and to maintain its equipment. It does this from its internally generated revenue. However, FAAN is currently struggling to maintain its equipment.

e). Currently, FAAN has a liability of N200 billion tied to its assets and has been unable to pay N74 billion severance allowance of Nigerian Airways staff till date. Yet, it is currently building new terminals on a loan from the Chinese government.

From the issues raised above, ATSSSAN posed the following questions;

- i. In the event of the concession of the 4 most viable airports in Nigeria, what happens to the remaining 17?
- ii. What is going to be the fate of staff of FAAN who work the airports marked for concession?
- iii. Who will pay for the salaries and severance allowances of those to be disengaged in the event of the concession?
- iv. Who will be responsible for the maintenance of airport equipment and the payment of both the N74 billion severance allowances of staff of Nigerian Airways and the N200 billion liability?
- v. How will the concession take care of the ongoing building of new terminals on a loan from Chinese government?

f). Arising from its opposition to the proposed concession, ATSSSAN made the following recommendations as some of the ways to rescue the aviation sector from imminent collapse;

i. Curb corrupt practices in the aviation sector by closing all leakages and ensuring that all airports operate cashless economy. Leakages account for over 35% revenue losses to FAAN;

ii. Rather than concession existing airports, government should build and concession new airports;

iii. The Association has since January being drawing the attention of government to the crisis in Aero Contractors with a view to intervening in saving the airline but the intervention failed to come till now. Thus, the Association called on the Committee to compel AMCON to do everything necessary to rescue Aero Contractors in the interest of the workers there before they become liabilities and security risks to the sector.

## **2. National Union of Air Transport Employees (NUATE)**

NUATE was represented by its Secretary General, Olayinka Olu'Abioye. The crux of the submission by the Union centered on two major issues; 1). the need for the Committee to do everything within its powers to rescue Aero Contractors from total collapse and save the workers from untold hardship and suffering, and the need for the Hon. Minister of State, Aviation to set aside the Ministry's proposed concession of airports.

a). The Union was of the view that the crisis in Aero Contractors was created by AMCON. In its opinion, AMCON lacks the technical competence to manage an airline business.

b). According to NUATE's Secretary General, rescuing Aero Contractors is possible given that despite the seeming precarious situation, which AMCON has created in Aero, the Company still has the following;

- There were as at August 31, 2016, when Management ordered suspension of operations, 5 operational aircrafts – 3 airplanes and 2 helicopters;

- 4 aircrafts out on maintenance, which are yet to be returned to the country;
- USD6 billion tied to an Embraer deal to purchase new airplanes. The deal has been abandoned due to poor handling by AMCON. The money can be recovered;
- Aero-Contractors has a subsisting credit of N3 billion with NNPC, Total/Agip and BelBop, which can be used in procuring more airplanes;
- Aero has a subsisting contract of USD1 million per month with Chevron and N200 million per month with BelBop. All these can be leveraged upon to rescue Aero Contractors from total collapse.

c). On the issue of proposed concession of airports, the Union submitted that;

- i. At present, a total of 68 cases are pending in various courts over concessions against the Federal Governments;
- ii. In the process, FAAN has irretrievably lost N5 billion paid for jobs that had been invalidated;
- iii. 11,000 FAAN workers (excluding retirees and their dependents) who will be affected by the proposed concession are not being carried along in the process.

d). On the basis of the foregoing, the Union made the following recommendations;

- i. The Hon. Minister should in the interim set aside the concession bid;
- ii. Conduct a feasibility study that will take into consideration the experiences of previous concessions;
- iii. Amend the Act establishing FAAN to include the possibility of airport concession in certain circumstances; and
- iv. Alternatively, let the concession begin with any of the non-viable airports for experimental purposes.

### 3. National Association of Aircraft Pilots and Engineers (NAAPE)

a). According to the Association, the debate and controversy around the proposed concession could only be understood from three broad contending interests;

i. The interests of over 11,000 workers & retirees of FAAN, who are also Nigerians, which should be considered as the most important interest here;

ii. Interest of the Federal Government of Nigeria acting through FAAN, which aims to develop Nigeria including the aviation sector. However, this interest needs to be driven by airports and airline such as making Lagos airport an international hub; and

iii. The interest of over 50 million users of the airports.

iv. All these interests meet at national level (National interest)

b). From the foregoing, NAAPE made the following submissions:

i. A Steering Committee needs to be set up to help FAAN and the Ministry to identify the challenges and hurdles to the concession and remedial measures;

ii. All parties should submit their submissions to the Steering Committee while awaiting its reports. Meanwhile, the Steering Committee should be allowed to consider all relevant issues identified;

iii. 1,500 workers in Aero Contractors have not been paid for the last 4 months. The House Committee should invite all parties; AMCON, Management and labour unions; to reason the way out;

iv. For the airlines to be rescued, they need to reposition themselves for rescuing. They need to address the challenges of corporate governance, corrupt practices and huge indebtedness. Arik Air is owing FAAN, NAMA, NIMET, workers, Unions, etc. yet it is the biggest local operator.

This is because Arik Air has poor corporate governance. No union operates in Arik Air, those who have shown interest in the union have been sacked, with discriminatory salary payment system.

**x. Airline Operators**

a). Among the local/domestic airlines that made presentations were Arik Air, Chanchangi Airlines, Dana Air and Med View. Two international airlines, Emirate Air and Ethiopian Air also made presentations.

b). For domestic airlines, their challenges include but not limited to;

- i. Absence of enabling aviation infrastructure;
- ii. Inconsistency in government policy;
- iii. High cost of operation due to multiple taxation;
- iv. Transaction in the sector is foreign currency denominated;
- v. Irregularity in the availability and high cost of aviation fuel;
- vi. Lack of access to foreign exchange;
- vii. Non-availability of passengers due to recession;
- viii. Encroachment of foreign airlines into multiple airports in Nigeria;
- ix. Treating foreign airlines more favourably than domestic airlines;

c). On the other hand, international airline identified the following challenges as some of the reasons for relocation to other countries or outright suspension of operations.

- i. Uncertainty in foreign exchange that results in revenue losses;
- ii. Poor state of aviation infrastructure such as runways; and
- iii. Shortage and high cost of aviation fuel

So far, Emirates has cut down operations to 21 flights a week and will be further reduced to 7 due to these challenges. The airline was also scheduled to suspend operations in Abuja from October 29, 2016 and continue with Lagos.

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## **xi. Civil Society Organisations (CSOs)**

### **1. Aviation Safety Roundtable Initiative**

a). The Aviation Safety Roundtable Initiative stated that it will support the proposed concession of airports by the Ministry if it is transparently conducted.

The process must be clear on what and what are being concessioned.

b). The support for concession is because current earnings by government have been adversely affected by economic recession. Thus, concession will enable the private sector to participate in the development of the airports.

c). The Association opined that before the concession, the Nigerian Civil Aviation Authority (NCAA) should be mandated to audit the accounts of all airline operators to uncover corrupt practices.

d). Nigeria has given too much concession to international airlines to the detriment of domestic ones. They are encroaching into domestic markets.

e). There is the need to make airline industry viable by setting new standards. For instance, no domestic airlines should be allowed to operate with 2 or 3 aircraft. The minimum should be 5. Those who do not meet this standard should merge or go to public market to raise funds.

f). Regulatory agencies should be strengthened, while oversight function by the legislature should be made more regular.

### **2. International Air Transport Association (IATA)**

IATA was represented by its Area Manager, Dr. Sampson. He made the following submissions;

i. 1<sup>st</sup> intervention was not beneficial to airlines because the rate of exchange given by the Central Bank of Nigeria as against what obtained at the parallel market was not favourable;

ii. 2<sup>nd</sup> intervention is still being proposed;

iii. For interventions in the airline industry to work, there must be a significant reduction in exclusive dependence on dollars by airlines. Local airlines can be made to pay in local currency;

iv. FAAN must address the crisis of uncertainty in the availability of aviation fuel by collaborating with NNPC to ensure regularity of supply. This also has implication for revenue for FAAN, NIMA etc;

v. Government should address high rate of infrastructural decay in the aviation sector, especially the Abuja Airport runway;

vi. Make proactive aviation policies to support the growth of the aviation industry; and

vii. Address security challenges;

### **3. Safe Nigeria Group**

Safe Nigeria Group was represented by Barrister Okere. He made the following submissions;

i. The interest of the employees of FAAN cannot override the public interest of Nigerians;

ii. If the concession will bring about efficient services delivery, it has to be supported. But it must not result in the sack of workers.

iii. It is not the responsibility of government to rescue dying private airlines with public funds.

iv. Relevant anti-corruption agencies should be mobilised to investigate the activities and operations of private airlines in Nigeria.

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In summary, the presentations and submissions made before the Committee border on the following;

- i. The merits and demerits of the proposed concession of the airports with evidences from the concession of MMA2 by FAAN to Bi-Courtney;
- ii. The challenges of airline operators in Nigeria (domestic and international);
  - Instability of foreign exchange;
  - Non-availability and high cost of aviation fuel;
  - Use of multiple airports by foreign airlines;
  - High cost of operation due to multiple taxation; and
  - Poor state of aviation infrastructural facilities, etc.
- iii. The fears and concerns of the members of labour unions employed in the airline industry during and after the concession;
- iv. Arik Air indebtedness to FAAN; and
- v. Poor management of Aero Contractors by AMCON

## **8. Summary of Findings**

From the presentations and submissions made before the Committee, the following findings were made;

### **1. Previous and Current Airports Concession Process**

1. Previous concessions were not successful. This is evident by the fact that about 68 cases are pending in various courts of law against the Federal Government as a result of failed concession agreements;
  2. The concession agreement between FAAN and Bi-Courtney Aviation Services Ltd, which has become a subject of protracted litigation is a good case of bad concession arrangements and processes;
  3. Principally, the failure of previous concession agreements is occasioned by the fact the processes were neither transparent nor did they follow due process;
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4. The failure of previous concession agreements have resulted in revenue losses in the aviation sector. For instance, FAAN paid over N5 billion for jobs that were already invalidated by court rulings;
5. The Hon. Minister of State, Aviation, confirmed government's proposed plan to concession some of the airports;
6. The concession, according to the Hon. Minister will be 100%;
7. The proposed concession is not based on any feasibility studies;
8. The Hon. Minister has already set up an Implementation Committee to drive the proposed concession process without the involvement of some critical stakeholders in the aviation sector such as the labour unions;
9. While members of the labour unions in the airline industry (ATSSSAN, NUATE, NAAPE, among others, are opposed to the proposed airports concession arrangements, CSOs with interest in the sector such as Safe Nigeria Group, and Aviation Safety Roundtable Initiative, are in support of concession provided the process will be transparent and orderly..

## **2. Suspension of Operations by Local Airlines**

1. The Committee found that for some technical reasons, Arik Air and Aero Contractors at various times suspended scheduled operations;
2. While Arik Air has since resumed operations, Aero Contractors has not resumed;
3. With the prevailing circumstance, the likelihood of other airlines suspending operations in the near future is plausible.

## **3. Increasing termination of operations by international airlines**

1. The Committee found that a total of 15 international airlines, including, Air Gambia, Delta Air, Emirates, Iberia, United Airlines, among others, have relocated to neighbouring countries like Ghana;

2. This mass relocation is occasioned by a cumulative loss of about N64 billion by foreign airlines in the wake of the new foreign exchange policy of the Central Bank of Nigeria;
3. Other factors behind the increasing relocation of international airlines include scarcity and high cost of aviation fuel, inconsistency in government policy and poor state of aviation infrastructure.

#### **4. The fate of Nigerians employed in the industry**

1. The Committee found that about 1,200 staff of Aero Contractors are being owed 4 months salaries and have been verbally asked to proceed on an indefinite suspension by the Management of Aero Contractors;
2. Arik Air is also owing its staff various months of unpaid salaries;
3. Staff of Nigerian Airways are still being owed a severance allowance of N74 billion till date;
4. The proposed concession arrangement has not taken into consideration the fate of Nigerians who are employed in the industry.

#### **5. AMCON vs. Aero Contractors**

1. The Committee found that Aero Contractors is in a critical situation;
2. Since the takeover of the Company by AMCON, its operational efficiency has grown worse;
3. An accumulation of a number of challenges compelled Management to suspend operations with effect from September 1, 2016;
4. The current status of the Company is occasioned by the deliberate refusal of AMCON to invest more funds into the Company, despite holding 60% equity stake in the Company;
5. There is the possibility of rescuing the Company if AMCON would be willing to inject more funds into the Company;

6. However, it is evident AMCON has no immediate plan of action on how to rescue Aero Contractors

## **6. Challenges of Airline Operators**

i). The Committee found that both domestic and foreign airline operators in Nigeria are challenged in the main by the following factors;

### **Domestic Airlines**

- Lack of access to foreign exchange;
- Absence of enabling aviation infrastructure;
- Inconsistency in government policy;
- High cost of operation due to multiple taxation;
- Transaction in the sector is foreign currency denominated;
- Irregularity in the availability and high cost of aviation fuel;
- Non-availability of passengers due to recession;
- Encroachment of foreign airlines into multiple airports in Nigeria;
- Treating foreign airlines more favourably than domestic airlines;

### **Foreign Airlines**

- Uncertainty in foreign exchange that results in revenue losses;
- Poor state of aviation infrastructure such as runways; and
- Shortage and high cost of aviation fuel.

ii). This has resulted in increasing relocation of airlines to neighbouring countries;

iii). The Central Bank has no immediate plans to rescue the airline industry in terms of access to foreign exchange at an affordable rate;

iv). The Committee also found out that in September 5, 2015, the CBN established a N300 Billion Power and Airline Intervention Fund (PAIF). But N120 billion meant for the aviation sector was diverted by the beneficiaries of the fund.

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## **7. Implications of prevailing issues in the sector on the Nigerian economy**

i). The aviation sector is one of the most vibrant in Nigerian economy;

- In 2014, the sector's contribution to Nigeria's GDP was about \$0.7 billion (N137.9 billion) and \$685 million in 2015;
- The sector also supports 159,000 jobs in the country, comprising 44,000 jobs directly supported by the aviation sector, 64,000 jobs indirectly supported by the aviation sector; 51,000 jobs supported through the spending by the employees of the aviation sector and its supply chain;
- In addition, there are further 130,000 people employed through the catalytic (tourism) effect of the aviation sector.

ii). If the crisis in the sector continues unabated;

- Its contribution to GDP will drop significantly;
- There will be excessive job losses;
- Already, with the suspension of operations by Aero Contractors for instance, over 1,200 staff have been placed on indefinite suspension and without salaries in the last 4 months, while the relocation of international airlines to neighbouring countries has also resulted in some job losses;

iii). Job losses will result in economic distress and poverty. There is an intricate relationship between poverty and security crisis around the world. Thus, the job losses in the sector may aggravate the existing national security crisis in Nigeria;

iv). Socially, the challenges will negatively affect interactions and relations between individuals across national borders. This is also expected to have negative implications on national economy

## 9. Recommendations from the Findings

From the findings made above, the following recommendations are herewith made;

- i. The House of Representatives to direct the Hon. Minister of State, Aviation to stay action on the proposed airports concession until the Minister has been able to brief the House and Nigerians on how the proposed concession will remedy the challenges facing the sector and benefit consumers;
- ii. The House of Representatives to invite the Hon. Minister of State, Aviation to appear before the House and properly and fully brief the House on his plans and programmes for the aviation sector including the current status of the on-going remodeling of international airports and the reasons behind the scope and design of the ongoing remodeling. Minister to provide detailed drawing and specification of the current design. This important to ascertain the actual cost of ongoing remodeling compared to the loan received.
- iii. The House of Representatives may not take any action on FAAN and Bi-Courtney concession agreement till the case is determined by the Supreme Court.
- iv. The House of Representatives to invite the Governor of Central Bank and airline operators (Domestic and International) to deliberate on the possibilities of CBN's intervention in the crisis of foreign exchange for the airline industry;

v. The House of Representatives to direct the Officials of the Economic and Financial Crimes Commission (EFCC) to investigate the diversion the N120 billion aviation intervention fund by the CBN in 2012;

vi. The House of Representatives to meet with Management of aviation regulatory agencies (FAAN, NCAA, NAMA, AIB, etc.) to deliberate on the possibilities of denominating the aviation sector in local currency (Naira);

vii. The House of Representatives to urge the Management of Arik Air and other Airlines to reconcile its accounts with FAAN, NAMA and NCAA with a view to paying off their debts;

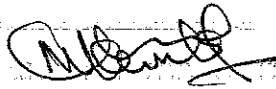
viii. The House of Representatives to invite the AMCON to appear before the House and fully brief the House on its plan of action to resuscitate Aero Contractors airlines;

ix. The House of Representatives to invite AMCON, Management of Aero Contractors airlines and leaders of Labour Union in the airline industry to discuss the continuation of the redundancy negotiations between Management of Aero Contractors airlines and labour union leaders, which was suspended by AMCON's refusal to finance the outcome of the negotiation;

x. The House of Representatives to investigate the status of payment to Aero by Chevron and discover full details and where the funds are currently domiciled;

xi. The House of Representatives to direct N.N.P.C to as a matter of urgency make aviation fuel available regularly at affordable price; and

- xii. The House of Representatives to direct NNPC to make effort to refine aviation fuel (Jet A1) locally.



Hon. Nkeiruka Onyejeocha  
Chairman