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An Overview of the Aviation Industry in Ghana

1. Introduction

Ghana's aviation industry made a remarkable recovery from the Covid-19 pandemic in 2022, with an approximate 70% upsurge in domestic passenger traffic and a 25% increase in international air travel from the 2021 figures and remains on a solid growth trajectory into 2023.

With an average annual growth of 10%, the aviation industry remains one of the fastest growing and investment-friendly industries in Ghana, particularly with the proposed and ongoing projects benchmarked for 2023 and 2024 as discussed in this article. Also, Ghana remains set to become a leading aviation hub in West Africa since the Terminal 3 of Kotoka International Airport is designed to process 5 million passengers per year and there are other state-backed tourism initiatives such as the 'Beyond-the-Return' which aims to foster increased travel and investments from people of African origin in the diaspora.

2. Market Developments in the Aviation Industry

2.1 New National Carrier

Ghana's new national airline is expected commence operations in the third quarter of 2023, 13 years after the country's second state-owned carrier stopped flights.

2.2 Planned infrastructure upgrades at the Kotoka International Airport (KIA)

The Ghana Airport Company Limited (**GACL**) is also currently undertaking its planned infrastructure upgrades and expansion projects at the KIA which includes:

- a. the expansion of Terminal 3 to increase its capacity to 10 million passengers per year by 2024; and
- b. the expansion of the domestic terminal, with a proposed investment of about US\$500 million, to accommodate the increase in monthly passenger traffic from 4,000 passengers to over 40,000 passengers.

2.3 Scope for public-private partnerships (PPPs) in terms of planned capital expenditure in the aviation sector

The GACL has in the past ten years undertaken several critical infrastructure projects in the aviation industry, by means of PPPs with foreign and local investors and partners such as Servair, Air Ghana Limited and Star Alliance. The GACL has also expressed its interest in collaborating with other investors and industry players for its ongoing and planned projects including the key infrastructure projects discussed below.

a. Construction of a new airport city

The GACL is in the process of designating approximately 272 acres located within the KIA enclave to build an "aerotropolis" or airport city that will include state-of-the-art facilities which should enable the KIA and the surrounding enclave handle over 20 million passengers per year. Local and foreign investors have been invited to express interest, through formal bids, to partner with GACL in the development of the airport city project within the KIA enclave.

The initial phase of the airport city project will entail the development of a high-end site and services scheme to develop the enclave. The enclave will be fully serviced with quality infrastructure (water, power, roads and associated drains, landscaping, telecommunication, and security infrastructure) to deliver premium serviced plots for the different structured land uses.

The second phase of the airport city project will include land/ plot allocation to individual investors, either through a joint venture agreement with GACL or outright lease for development, in conformity with the approved land use plan. The project will include the construction of hotel accommodation, shopping malls, high-end office accommodation and other complementary activities such as restaurants, car parks, offices, banks, health facilities, and fast-food centres. In an "Expression of Interest", GACL indicated that successful bidders will be required to provide funding for the construction/ installation of the infrastructure for the Initial Phase and must also be willing to develop some of the strategic properties in the KIA enclave under any of the 3 financing arrangements proposed by the GACL.¹

One of the 3 financing arrangements proposed in the Expression of Interest published by GACL is for investors to provide the requisite funding to GACL for the Initial Phase in return for an agreed size of land within the enclave which will be developed according to the approved project development plan during the Second Phase. The second option is for an investor to undertake the construction/ installation of the required infrastructure within the Initial Phase at their own cost in return for an agreed size of land in the enclave. The third option for investors is to partner GACL for the construction/ installation of infrastructure in the Initial Phase and the development of some of the strategic projects in the enclave within the Second Phase. The proceeds from both projects will be shared by the GACL and the partnering investor.

¹ Link here: <http://tenders.ppa.gov.gh/eois/4191>

b. Other Projects

There are multiple opportunities beyond KIA for infrastructural development of airports and aerodromes in Ghana. GACL is currently in the process of completing phase two and three of the Kumasi International Airport Project with a scheduled completion date of 30 June 2023. Phase II of the project, which began in 2018, includes the construction of a new terminal building to handle 1 million passengers per year, two boarding bridges, a road network, perimeter fence, a substation and a parking lot. Phase III of the project involves the extension of the existing runway pavement, construction of a new taxi link and two apron parking stands, an air traffic control building, and a fire station. Although, the Kumasi Airport is currently served by only 2 regional airlines, the airport will be designated as an international airport upon completion for international and domestic flights.²

The Takoradi Airport project also has great potential because of developments in the oil and gas sector. Prospective investors will likely focus on developing an aerotropolis (in line with the strategy of the GACL for KIA), which will create significant investment opportunities and jobs.

3. Regulation of the Aviation Industry

- 3.1 The aviation and air transport services industry in Ghana is regulated by the Ghana Civil Aviation Authority (**GCAA**) which was established by the Ghana Civil Aviation Act 2004 (Act 678) as amended by the Ghana Civil Aviation (Amendment) Act 2019 (the "**Civil Aviation Act**"). The functions of the GCAA in respect of planning, developing, managing and maintaining airports and aerodromes in Ghana were however decoupled in January 2007 and assigned to GACL.³ GACL is therefore currently authorized to undertake the development and management of aerodromes and airports in Ghana while the GCAA focuses on airspace management and safety regulation.
- 3.2 In addition to its general administrative functions, the GCAA is authorized under the Civil Aviation Act to (a) regulate air navigation services; (b) regulate the provision of air navigation services; (c) establish and regulate aviation security and (d) regulate aerodromes and aerodrome service providers.

4. Licensing Requirements for the Aviation Industry

Industry players and service providers in the aviation industry are subject to stringent registration and licensing requirements under the applicable Civil Aviation Act and are required to obtain the relevant licences and certifications including:

- a. Aircraft Registration: An aircraft is not authorized to fly over Ghana unless it is registered by the GCAA, a contracting state, a member country of the Commonwealth or a country in relation to which there is in force an agreement between Ghana and the government of that country.⁴ Operators of aircrafts which have not been registered by relevant contracting states are therefore required to register the aircraft with the GCAA under the Civil Aviation Regulations 1996 (LI 1617) (the "**Civil Aviation Regulations**").

² Link here: <https://www.gacl.com.gh/kumasi-airport/>

³ The decoupling of the airport management function of the GCAA and the subsequent assignment of such function to an independent entity was mandated by the Civil Aviation Act 2004 (Act 678)

⁴ Regulation 1 of the Civil Aviation Regulations

- b. *Airline Certification*: Entities which intend to operate airlines in Ghana to provide commercial air transport services for the purpose of carrying passengers, cargo or mail are required to obtain an Air Carriers Licence issued by the GCAA in accordance with the Civil Aviation (Air Transport Licensing) Regulations 1976 (LI 1075).
- c. *Air Operator Certificate (AOC)*: In addition to the Air Carrier Licence, an entity which intends to operate aircrafts for public transport must apply for an AOC from the GCAA after an Air Carrier Licence has been issued.⁵ The GCAA generally assesses business viability and financial capacity for the grant of an Air Carrier Licence while the technical capacity of the applicant is predominantly assessed for the grant of an AOC.
- d. *Certification for Aerial Work*: An entity which intends to operate or charter aircrafts in Ghana for the purpose of aerial photography, aerial survey and aerial work⁶ in Ghana is also required to obtain certification from the GCAA.
- e. *Remotely Piloted Aircraft Systems (RPAs)*: In line with article 8 of the Convention on International Civil Aviation⁷, all **commercial** operators of RPAs (RPAs operated for remuneration or hire) in Ghana, irrespective of the weight, are required to obtain an operating permit from the GCAA. All flights of RPAs are also limited to a maximum height of 400 feet above ground level unless otherwise authorized by the GCAA.⁸

5. Outlook

The general market outlook and investment opportunities for the aviation industry in Ghana for 2023 seem geared towards building infrastructure to support the growth of the industry, with projects such as the Airport City project and the Kumasi Airport project estimated to close this year and the GACL's emphasis on courting viable investment partners for these projects.

The domestic airline segment also remains attractive for investors with long term investment plans as patronage of domestic air travel continues to soar. With only 2 domestic airlines (African World Airlines and Passion Air) operating within the country, it is reported that there is approximately 30% to 40% of local demand that is being spilled at the current price points, and likely as much as 150% to 200% unmet demand at a lower price point. This gap in the market therefore presents viable opportunities for investors looking to invest in existing airline companies or enter the market with lower price points.

⁵ Regulation 4 of the Civil Aviation Regulations; Regulation 2 of the Air Transport Licensing Regulations

⁶ Aerial Work is defined by the GCAA as an aircraft operation in which the aircraft is used for specialized service such as agriculture, construction, photography, surveying, observation and patrol, search and rescue, aerial advertisement.

⁷ Convention on International Civil Aviation, December 7, 1944, Doc 7300

⁸ Ghana Civil Aviation Authority, Remotely Piloted Aircraft Systems Guidance Material, Link here: <https://www.gcaa.com.gh/RPAS/RPAS-Guidance-for-Commercial-Operations/Guidance.pdf>