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MAXIMIZING THE UNTAPPED REVENUE RESERVOIR OF THE NIGERIAN AVIATION INDUSTRY IN THE 21ST CENTURY: THE IMPERATIVES OF A NEW APPROACH

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Abstract

Harnessing the forces of nature has helped nation-states and by extension, human institutions and organizations to advance their fortunes at varying degrees leading to different levels of accomplishment. There is equality of opportunity from the point of nature to all mankind but the defining limit has been how well such opportunities have been identified and maximized for the collective good of human socio-economic well-being and existence. In this circumstance, needless pain and discomfort will subsist for as long as opportunities offered and presented are not located, and properly harnessed. It is the lack of foresight, hindsight and, insight that has become the major forces that have balkanized and categorized social groups and institutions into successful and unsuccessful ones. The Nigerian Aviation hosts a huge potential for making resounding positive statements that would have re-focused the image of the Nigerian state, and positively place her on the global landscape. The state of Ethiopia in East Africa is in good reckoning among air travelers because of the influence of this airline which has brought fame and glory to the country. This is without mention of the direct and indirect employment it has created for Ethiopians. This study, therefore, intends to create awareness of the huge potential of the Nigerian aviation sector; outline its immense opportunities and establish ways these opportunities could be activated for the socio-economic development of Nigeria. Against this background, it adopts the structuralist–functionalist model as its theoretical praxis with the qualitative analytical framework to establish its findings which encapsulates the needed framework and steps the Nigerian state should take to maximize the huge potential in her aviation industry in this 21st century.

Key Words: Aviation Industry, Untapped, Revenue Reservoir, Imperatives, New Approach.

Introduction

Air transport is an integral component of the aviation industry. It remains a huge revenue resource, based on its potential for contributing to national GDP, job creation, and additional income through tax revenue across the value chain which is an incentive to public finance. The sector holds the record of contributing 0.4% to Nigeria's GDP which is about #119 billion (Oxford Economics, 2012). The Aviation industry is a technology-driven industry that has redefined, and continues to influence the outlook and framework of global transportation whether in terms of passenger or freight services. The aviation industry is comprised of airline services, the entire spectrum of air navigation, and other essential ground services that make up the transport infrastructure. The industry at this age of globalization is most reliably in the vanguard of time and space compression, only next to the electronic and advanced telecommunication infrastructure of the present age. But even with the pervasive influence of the latter, the movement of tangible goods in an age of digital technology is hugely dependent on the services of the aviation industry. It is thus the most reliable means through which perishable items can reach their end-users through air cargo transport service in record time and with precision. This account of the aviation industry justifies the belief that global interdependence is facilitated by the services provided by this industry by making goods and services almost readily available to their end-users.

The history of the aviation industry in Nigeria dates back to 1925 when Nigeria experienced the first commercial flight into the country under British colonial rule. The services rendered by the industry were a huge incentive that aided the British colonial interest in Nigeria. However, over the years, the potential of the industry in transforming the development landscape of the country has been largely ignored, grossly underutilized, and hugely not maximized. Transportation in air services both for human

capital and goods remains one of the indices for measuring the development strides of modern nation-states (Ogbeide, 2006). This is so because of its potential for job creation, revenue generation for the state through personal income and profit taxes, tourism development, the facilitation of trade, and foreign direct investment.

In light of the above, Nigeria, over the years has fallen short of maximizing the benefits of her huge population and market advantage, tourism potentials, etc. of which the aviation industry remains a catalyst for their transformation into real-time wealth and national development. The aim of this paper is therefore to raise or stress the need for the Nigerian state to revisit this sector especially now that she is in dire need of rising above the vexed issue of underdevelopment, and catching up with the rest of the globalizing world where every opportunity is 'hijacked' by the rational state actor to address the fundamental needs of the citizenry. The research methodology employed in the paper is exploratory and explores the potential areas of the untapped revenue reservoir of the industry. It therefore deploys the qualitative approach in its investigation where secondary source of data was utilized.

This paper begins with an introduction, clearly giving a general overview of its framework, the clarification of concepts within the nexus of untapped potentials of the industry, its theoretical framework and methodological thrust, and the review of literatures. This piece of academic work offers a model of the framework for adoption by Nigeria to maximize the huge benefits of the aviation industry. The concluding section preceded the references to materials engaged in this exploration.

Meaning of Key Concepts

Aviation Industry. The Aviation Industry is the business sector dedicated to manufacturing and operating all types of aircraft (www.vocabulary.com). Aviation itself is flying in the airspace using an aircraft in form of an aero plane. The whole spectrum of activities that takes place when an aircraft is manufactured to address the transport needs of man is what the aviation industry represents. There are various types of aviation services among them are; agricultural aviation, business and personal travel aviation, law enforcement aviation, medical transport, etc. Another word for aviation is aeronautics.

Untapped: As used, the word untapped is akin to something whose value has been underutilized. It speaks of potentials either ignored or out rightly neglected despite of its huge benefits. The word is a synonym for something unused or unexploited; the potential of which is not drawn on to full capacity. Accordingly, the Cambridge dictionary (dictionary.cambridge.org) opines that if a supply of something valuable is untapped, that means it is not yet used or taken advantage of.

Resource Reservoir: A Resource is a stock of materials and other assets which can be drawn on by a person or organization to function effectively. A Resource is also taken to be a source of supply, support, or aid, especially one that can be readily drawn upon when the need arises (dictionary.com). it is a useful or valuable possession or quality of a country, or person. In this case, the collective wealth of a country, and the means of producing them can be called resources.

The word Reservoir is a natural or artificial place where water is collected and stored for use either for irrigation or general use by a community (dictionary.com). it is a place where anything is collected or accumulated in large quantities. When this is considered in the nexus of the aviation industry, a resource reservoir is a description of the industry as a receptacle or place that has a huge storage capacity for wealth creation but has been largely underutilized or maximized.

The word 'imperative' literally suggests a request predicated on the compelling need to act or do something because of its value attachment and the role such thing, individual or institution plays in the overall benefit of the majority. Imperative sometimes conveys a connotation of warning to avoid an imminent danger. Etymologically from its Latin root, imperative means 'command'. Crystal (1991) opines that, the usage of the word refers to verb forms or sentences, clause types that are typically used in the expression of command. Such command is expressive that something is of utmost importance or necessity.

The word new approach is the clarion call for a substantive departure from the conventional or hitherto established pattern that has not yielded maximum results. It conjures the re-ordering of priorities in the face of emerging trends or changing realities. It presupposes the response to human dynamism which naturally evokes some corresponding responses.

Theoretical Framework: Structural Functionalism

This theory is considered worthwhile because of its emphasis on the functions fulfilled by the components of a system as the system responds to environmental demands. The four functions of actions highlighted by this theory are adaptation, goal attainment, pattern maintenance, and integration. They are in Parson's (1951) view necessary recipe for maintaining a system's existence (survival) and effectiveness, as well as the system's goal of seeking equilibrium. In this perspective, adaptation involves system components becoming open for exchange in the environment to acquire resources to maintain the development of the system. Similarly, goal attainment involves the use of resources to accomplish goals concerning other systems in the environment. This presupposes Nigeria's survival and triumph within the comity of states.

Pattern maintenance and integration is hinge on the development of a system's symbolic frame of reference and use of resources for internal coordination (Slattery, 2013). Structural functionalism addresses the Nigerian state with its four functions and activities in the areas of adaptation, goal attainment, pattern maintenance, and integration in a logical manner especially in the area of untapped resource potentials in the aviation sector which this paper intends to address.

Literature Review

Writing on the Economics of Transportation in Pre-industrial Nigeria, Ogunremi (1982:2) threw up the complex ramifications of the nature of transport systems in Nigeria, and how it contributed to the development of the society of this era through poverty reduction, support for both agricultural and non-agricultural occupations and market exchanges. According to him, the complexity in the organization of transport in pre-colonial Nigeria could be seen in the management of the trade routes, the utilization of the industrial capacity of the means of transportation such as canoe, human portage, pack animals and their contribution to trade. From his account, the pre-industrial system fitted and aligned with the diverse cultural heritage of the people, the geographical configuration, and the mode of production.

Tracing the birth of air transportation in Nigeria, Tunde's (2008:33) account depicts that the Royal Air Force of Britain pioneered the arrival of the first aircraft in Nigeria in 1925. Philip, C. et al (1978:5) corroborated this account further that the inception of aviation in Nigeria was a 'child of crisis'. As if to buttress this position, he mentioned that the first flight into Nigeria was activated by some political exigencies orchestrated by a feud between the then-colonial administration under Hugh Clifford and the indigenes of Kano. During this crisis which occurred in mid-1925, a British Royal Air force fighter plane landed According to him, the mission of the crew was to carry out surveillance of the riotous situation which began as a protest by the people of Kano against the highhandedness of the British Resident officer. It was after this inaugural flight that the British Royal Air Force decided to operate to extend their operation from Sudan to Kano and Maiduguri.

Tolcha, (2020) in his appraisal of Air transport demand, and economic development in Sub-Saharan Africa took five Sub-Saharan states of Angola, Ethiopia, Kenya, Nigeria, Senegal and South Africa as case studies in examining the prospect and role of air transport from a sub-regional perspective. This is because, in terms of geographical consideration, the International Air Transport Association adopts Ethiopia and Kenya as representing East Africa; South Africa represents Southern Africa, while Angola represents Central Africa and Nigeria West Africa respectively. According to him, these countries equally represent different income categories in the region (World Bank, 2020). With the benefit of a Cost Benefit Analysis, the writer made the submission that air transport benefits society by reducing the cost of transportation for existing users, and allowing more people and businesses to interact. This reduction in transport cost is what paves the way for a higher number of users which

potentially improves economic efficiency that mitigates a spillover effect that further strengthens the demand for air transport.

In their report, the World Bank (2020) gave a case description that revealed that Nigeria, South Africa, and Angola have the largest economies in Sub-Saharan Africa, while Senegal and Ethiopia are among the lowest-income countries in the region. This report equally indicated that South Africa's per capita GDP was about \$7000 in 2009, which is four times higher than the average for Sub-Saharan Africa pegged at \$1800. For Ethiopia and Senegal, the figures are around \$1300 and \$800 respectively. The disparity in per capita GDP of these states according to this report, is traceable to the disparity in these countries' aviation markets, as measured by indices like passenger traffic, volume of freight, number of domestic and international destinations, levels of aviation liberalization, available seats and frequency of flights. One clear piece of evidence about Sub-Saharan countries of this report, is that they have different economic and aviation market experiences which are reflected in their economic development and aviation market participation in the region.

Oxford Economic Forecasting (2003) opines that the aviation industry has a vital role to play in achieving sustainable development in Africa and that the expansion of this sector is a necessary component for the development and achievement of a more diversified export base across the continent. According to them, improvement in air transport infrastructure would help to raise the living standards, and alleviate poverty on the continent by supporting more rapid economic growth initiatives as well as encouraging personal mobility at reduced transport costs. It is their view also that the major potential contribution that air services can make to economic development in Africa is through developing and promoting international tourism. Tourism, they said facilitates poverty reduction by generating economic growth, providing employment opportunities and national revenue through an increase in tax collection.

Something to note in their forecast is that expanding aviation in Africa has the potential to generate the largest net benefits of any of the world's regions. The current income per capita is very low on the continent means that African countries would gain more than the developed economies from the new investment that will naturally follow the expansion of the sector on the continent. But this will be idealistically possible if some local forces such as lack of political will, mismanagement of scarce resources, and corruption are addressed.

Banno & Redoni (2014) note that concerning foreign direct investment, improving air transport capacity through investment in the sector could be a good strategy for attracting both traditional and low-cost airlines. To justify the benefit of investing in the aviation sector, both IATA, (2013) and Meichsner, et al (2018), revealed that the Ethiopian Airlines group is the biggest airline in Africa in terms of revenue and profits. With a revenue profile of \$3.3 billion in 2018, of which around \$232 million was profit, it has about 13,000 permanent employees, operates 126 aircraft, and has 47 aircraft on order stock including 31 Boeing, 10 Airbus, and 6 Bombardier (Ethiopian Airlines, 2020). The secret of this airline's success could be traced to her ownership of a large intra-African network, a strong hub with multiple wave permutations for onward connecting traffic, and deep strategic partnership with regional African carriers (Meichsner, et al (2018)).

The Imperatives of New Approach

In discussing the imperatives of a new approach, this paper considers the points below as areas of benefits of the aviation sector to the Nigerian state.

Access to Supplies and Markets: Air transport is a catalyst for global trade and market supplies thus facilitating the globalization of production across national boundaries. The trickling of small volumes of air freight services on goods dove-tails into an increase in value to world trade. In Nigeria, most of the cargo transport services are undertaken mainly through road transport which is far more expensive when all the variables are considered and analyzed economically. With the current dilapidated road network in almost all parts of Nigeria, incessant breakdown of vehicles and the attendant risk that this engenders

gives a cutting edge to air transport in the movement of goods. Aviation's advantage over other modes of transport in terms of speed and reliability has contributed to the market for “same-day” and “next-day” delivery services, especially in the transportation of time-sensitive goods. This has remained untapped in Nigeria.

Opportunities for Cultural and Social Exchange: The aviation industry in Nigeria is far yet unable to take full advantage of its opportunities to advance cultural and social exchange. Most of the air services in this area are provided by foreign airlines. Most times the few airlines operating in the country only provide linkage or support service to major airlines that can carry direct flight from a country of origin to a country of destination. Through aviation service delivery, educational opportunities are made accessible to students around the world, especially those students from developing countries where the proclivity to travel abroad to access good and higher quality education. Aviation generally contributes to improvement in quality of life by expanding the space for travelers' leisure and cultural experiences. Nigeria should snatch the opportunity it provides a more reliable and fast means of visitation to friends and relatives in distant places, and thus promote awareness of other cultures.

Response Capability to National Emergencies: Emergency are highly unanticipated but usually throw up the need for quick response by the state for rescue purposes. National emergencies could range from fire outbreak, the outbreaks of epidemics especially in remote areas with poor access roads, flood disasters with very unpredictable occurrence in this age of global warming and climate change, etc. Thus, in the face of these recurrent and sometimes seasonal situations in Nigeria, valuable and unquantifiable losses in human lives have been recorded due to a lack of quick response to these unfortunate occurrences. Air transport, where available, serves as the only possible, safe, and most efficient means of long-distance transportation for providing healthcare and food supplies to remote communities during emergencies.

As a standard global practice, it has been proven to be a fast and reliable way to deliver urgent humanitarian aid during such emergencies caused by natural disasters like famine and sometimes war. To the areas affected by this, air transport provides quick lifeline connections that prove inaccessible to other means of transportation, especially road transportation.

Potentials for Job Creation: One of the major challenges facing Nigeria is unemployment especially, the teeming youths of the Nigerian population. The aviation industry holds the potential for the employment of these young, and productive Nigerians who by their age have all it takes to contribute to national development. The aviation industry is a considerable source of economic activity that can create jobs that directly serve the needs of passengers at airlines, airports and air navigation services providers. These include check-in, baggage handling, on-site retail, cargo, and catering services. It equally enables direct jobs in the manufacturing sector should Nigeria choose to go into the manufacture of aircraft engines and other vital technologies which her youthful population has the wherewithal to support.

Other than the agricultural spectrum of job creation, aviation service is the ready-made solution to perishable commodities whose supply chains are often truncated by bad roads which serve as a disincentive to agricultural productivity and the attendant revenue and job losses. A survey carried out by the World Bank (2018) on Kenya Flower Council reported that over 100,000 jobs in Kenya depend on the cut flower industry which impacts over 2 million livelihoods. According to this report, this cut flower industry supports approximately 1.06 percent of the national economy of Kenya thus generating around 700 million USD in foreign exchange each year. The magic wand to this success story in Kenya where over 90 percent of fresh horticultural products are sold in the international market is air freight transportation. From Jomo Kenyatta's airport in Nairobi, flowers picked in the morning reach their destination markets in Amsterdam by evening. This report further confirmed that the Netherlands is the leading destination for Kenya Flowers, thus controlling 48 percent of export volume, followed by the United Kingdom at 16 percent. About 38 percent of all cut flower imports into the European Union

comes from Kenya (World Bank, 2018). The icing on the cake is the official launch of direct flights between Nairobi and New York by Kenya Airways in October 2018. This has further reduced the time frame and freight costs and has also opened Kenya flowers to markets in North America.

For Kenya, it is her fresh flower agricultural advantage which has been facilitated by an efficient air transport system. But for Nigeria, there are many other areas of comparative advantage. Nigerian export farmers have counted unquantifiable losses in their attempt to export agricultural produce under the partnership called Africa Growth and Opportunity Act (AGOA). These produce waste away either in their attempt to freight them by sea or through some irregular flights to their market destinations. Kenya today, apart from tourism, is on the global map through the positive image of a reliable national carrier called Kenya Airways. President Muhammadu Buhari committed to re-launch a national carrier for Nigeria in 2015 but this has remained a dream in perpetuity.

Catalyst for National Tourism Development: Nigeria's greatness as the most populous black nation on the earth and the largest population in Africa potentially lies on her natural endowment and gifts of nature most of which are very attractive sites to behold and source of revenue through tourism. Globally, aviation is a proven catalyst for harnessing the tourism potential of nation-states. According to Air Transport Aviation Group (ATAG), the total economic impact of tourism both directly and indirectly amounted to 2.7 trillion USD, making up about 3.6 percent of the world's gross domestic product (GDP) 2016 (ABBB, 2018). Nigeria's contribution to this figure in spite of her huge tourism potential is grossly infinitesimal. One of the industries whose fortunes heavily depend on aviation is tourism. With the huge tourism potential in Nigeria, air transportation will speed up economic growth by generating foreign exchange and income that will alleviate poverty in the land. It is estimated in the report (ABBB,2018) that, about 1.4 billion tourists cross national borders annually, and more than half of them get to their destinations by air. This same report has it that in 2016, aviation supported almost 37 million jobs within the tourism sector thus contributing roughly 897 billion USD annually to global gross domestic product (GDP).

Conclusion

The importance of the aviation industry to national governments is increasingly being appropriated by other states and Nigeria should follow in this noble call for national renaissance. The burden of national development especially in the spheres of economic development raises the clarion call for her to explore all legitimate avenues to address her hydra-headed national concerns especially the high rate of youth unemployment which lends credence to many of the prevailing social vices bedeviling the country. The negative narratives put forward about Nigeria in the global space could be corrected through an efficient national carrier that will help to rebrand Nigeria and restore the good image of her citizens. It will equally serve as an entry point to other nationals who would want to visit Nigeria to explore our rich cultural heritage and tourist sites. Through this avenue as well, we shall be telling our own story about Nigeria that, Nigeria is a land of good people, and a great nation where hospitality and friendship are our national culture. This study is of the firm belief that, in fixing the missing links through harnessing the untapped revenue resource of the aviation industry, Nigeria would attract its potential for access to foreign supplies and markets, plus the opportunities this offers for cultural and social exchange. The employment creation prospects it will engender through a flourishing tourism industry and the rapid response capability to emergencies it will engender are benefits too huge to ignore at this stage of Nigeria's development.

Recommendations

To help the industry achieve its growth potential and contribute to the socio-economic development of the Nigerian state, this study makes the following recommendations;

- ❖ Upgrade and overhaul of critical infrastructure: As a new perspective, this paper advocates that the potential benefits in the aviation industry can only materialize or attain meaningful ends when there is a complete overhaul and upgrade of critical infrastructures in the industry. This will

- enable foreign and domestic investors to muster up the required confidence to invest in all aspects of the industry.
- ❖ Efficient management system: It further holds the belief that better results could be attained if government surrenders the management of critical infrastructures in the industry to private firms. The interventionist role which the aviation industry should play during national emergencies can be achieved when private firms oversee the management of these infrastructures.
 - ❖ Greater Security: There is a need for priority attention to be given to security in our airports. The sporadic invasion of our runways by cows and the challenge to the safety of passengers by unscrupulous elements in our airports should be squarely addressed by the government.
 - ❖ Favorable Taxation: To further attract foreign investors to the industry and create jobs for teaming unemployed Nigerians, the government should look into the multi-tax regimes in the industry. Going forward, tax incentives should be given to both domestic private and foreign investors to woo them into the industry.
 - ❖ Bringing back a National Carrier: This recommendation is calculated as a strategy to give Nigeria global visibility and correct some of the unpleasant narratives about the country. An efficient national carrier will also help to attract foreign exchange from foreigners who would patronize this national airline. Much foreign exchange is spent by Nigerians who ply the foreign airlines that feature in this industry today.

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