AIR TRANSPORT

Emirates prospers despite slump
DUBAI

The business turndown in the
Gulf resulting from lower oil
revenues, the consequent
reduction in the number of
expatriate workers, and the
insecurity stemming from
the Gulf War, has caused a
decline in the demand for
travel to the region which
has put a number of
established airlines under
pressure. Business is boom-
ing, however, for Emirates
Airlines, the recently created
Dubai-based carrier.

Founded with support from
the Dubai royal family and
headed by Shaikh Ahmad bin
Saeed al Maktoum, the airline
started flying two years ago
this month, with services to
Bombay, Delhi, and Karachi
(reflecting the high propor-
tion of Asian expatriates
among its clientele).
Last year saw the start of
services to Colombo, Dhaka,
Amman, and Cairo, and this
year the route network has
been expanded with the addi-
tion of services to London,
Istanbul, Frankfurt, and Male
(capital of the Maldive
Islands).
Last year, its first full year
of operations, the airline
carried 287,762 passengers
(with a load factor of 58- 2 per
cent), 9,862 tonnes of freight,
and more than 330 tonnes of
mail. But in the first six
months of this year alone
195,858 passengers were
carried—one third more than
the 140,192 in the same period
for 1986. Emirates' profits in
the first half of this year
exceeded the total for the
whole of 1986, although the
airline would not give any
figures.
Both of the new European
services are performing
strongly, suggesting that the
results for the second half of
the year will be even better
than for the first six months.
The airline's daily London-
Dubai service began on July 6,
and in its first two months of
operation Emirates carried
11,478 passengers—nearly
half the total traffic on the
route. On its new Dubai-
Istanbul-Frankfurt service,
which began in early August,
the airline has already
captured 50 per cent of the
total traffic.

The airline is especially

Two-year-old Emirates has become the first Middle East operator of the Airbus A310-300

pleased at the London results,
which are better than it had
expected. "London has been
the big test," Emirates says.
"It is the most competitive
aviation marketplace in the
world."
In line with its route expan-
sion, Emirates has been
upgrading its fleet. The airline
began with one Boeing 737
(leased from Pakistan Inter-
national Airways), one Boeing
727, and one Airbus A300.
However, it has just received a
new Airbus A310, and another
is scheduled for delivery in
November. ' Moreover, the
airline has a 279-seat Airbus
A300-600R on order for deliv-
ery in November next year,
and an option on a second
A300-600R for possible deliv-
ery in 1990.
While Emirates Airlines
has gone from strength to
strength, its major local
competitor, Gulf Air, has been
under pressure. The airline
carried 2,589,697 passengers
last year, 10 per cent down on
1985, and made a $5 • 6 million
loss (compared with a profit of
$12-7 million in 1985).
The regional economic
downturn and the laying-off
of expatriate workers by the
Gulf states have been the
major reasons, according to
Gulf Air, although competi-
tion from the new Dubai-
based carrier may also have
been a factor: Gulf Air
suspended its own London-
Dubai services just a month
before Emirates Airlines
started operating the route. In
addition, Gulf Air has been hit
by severe price-cutting by

airlines fighting to retain
their market share.
In a bid to ease the pres-
sures, Gulf Air has launched a
rationalisation programme
which includes the return of a
leased Boeing 747 to Scan-
dinavian Airlines System and
which might entail the sale of
its two Lockheed TriStars.
Gulf Air's TriStars were
recently refurbished, and a
decision will be taken this
month on the acquisition of
new aircraft, possibly Boeing
767s. New services to Nairobi
and Dar-es-Salaam also start
this month. The airline hopes
they will benefit from the
Gulf's traditionally close ties
with east Africa.

Dubai, an important stop-
over point on Far Eastern
routes, is also served by PIA,
Air Lanka, and several Euro-
pean airlines, all of which
have also been feeling the
squeeze. British Caledonian
Airways concedes that traffic
to the emirate has "suffered
with the general business
decline in the region." Much
of this has been offset by a
strong demand for travel to
and from the Far East. Never-
theless, cargo and passenger
traffic levels to and from
Dubai remain "perfectly
satisfactory". British Airways
also admits that it "would like
more passengers than., we are
currently getting" on the
Dubai route. •

Emirates Airlines appears
to have escaped the downward
trend in the region for three
main reasons. First, it has
undertaken intensive market-
ing and advertising cam-

paigns. Second, it has laid
great stress on providing an
exceptionally high standard of
inflight services. Emirates'
new A310s have only 181
seats, in a three-class layout.
The third factor in
Emirates' success must be
that it is new and small, and
has been able to match its
operations closely to market
conditions. In contrast to
Gulf Air, it has been unen-
cumbered by an operation
developed when demand was
stronger.
Gulf Air, however, does
have one major advantage
over the newcomer which
could severely hamper
Emirates' continued expan-
sion. As a long-established
carrier, Gulf Air has an excel-
lent network of feeder routes
within the Gulf, and Emirates
Airlines is encountering major
political obstacles establish-
ing one of its own.
Gulf Air's shareholders
include the governments of
Oman, Qatar, Abu Dhabi, and
Bahrain, and they are proving
extremely reluctant to grant
landing rights to their com-
pany's major local competitor,
particularly when Gulf Air is
under such financial pressure.
Emirates Airlines—and the
Dubai royal family—have
been working hard to resolve
the problem, however, con-
centrating their efforts on the
two Gulf Co-operation Coun-
cil states which are not Gulf
Air shareholders. It is under-
stood that agreements are
imminent for the start of
services to Kuwait and to
Dhahran in Saudi Arabia.

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