

Wednesday, March 19, 2008

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EMIRATES Business24/7

The Numbers

Dirham / Pound	Dirham / Euro	Rupee / Dirham	Dubai Index
7.3911 (-0.0406)	5.7699 (+0.0231)	11.0067 (+0.0652)	5,578.19 (0.70%)

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Dubai budget airline to shake up the market

By Shweta Jain on Wednesday, March 19, 2008

A new low-cost airline venture announced yesterday is likely to create a stir in the low-cost carrier market in the Middle East, according to industry experts.

His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, issued a decree to create the airline, to be managed and operated by Emirates Group.

Reacting to the move, the DFM-listed Air Arabia and Kuwait stock exchange-listed Jazeera Airways – the two low-cost airlines to directly compete with Emirates' yet to be named low cost venture – expect it to impact the market for value-conscious fliers positively.

"We have long believed the low-cost carrier market in the Middle East is set to grow simply because the region is growing so fast and the low-cost carrier market penetration is still small," said Adel Ali, chief executive of the region's first budget carrier, Air Arabia.

"We are convinced the business model we introduced to the region will continue to prove extremely successful, and we believe with the entry of new low-cost carriers to the region, customers will have more value for money options to choose from, and the low-cost carrier market penetration will grow bigger," he added.

US-based aviation analyst, Addison Schonland (with Innovation Analysis Group), on the other hand, is of the view that the Middle East aviation market will witness more alliances in the low-cost segment of the market.

"With Emirates' new initiative of the launching a low-cost carrier, Dubai becomes an even more powerful hub.

"And that is going to irritate other airlines – Emirates competitors such as Ethihad Airways and Qatar Airways – and force them to look at something similar," he told **Emirates Business**.

"The other carriers may not start their own low-cost arms, but may form alliances with other low-cost carriers, which is actually a much cheaper way of doing the business," he added.

Jazeera Airways' spokesperson, Fawaz Al Sirri, said: "That Jazeera has continued its profitability in 2007, should display how strongly the Middle East low-cost carrier market is growing."

Further pointing out advantages for Emirates, Schonland said Emirates and the new budget carrier could feed traffic to each other.

"Airlines such as Jazeera or Air Arabia do not have such an advantage," he said. "The new venture is going to be the likely vacuum cleaner for Emirates to suck up traffic in the Middle East. This would help build traffic further for the long-haul carrier."

Sheikh Ahmed bin Saeed Al Maktoum, President of Dubai Civil Aviation Authority and Chairman of Emirates Group, will be the new unnamed carrier's chairman. Whereas, Ghaith Al Ghaith, the executive vice-president for commercial operations worldwide at Emirates, has been appointed as its chief executive.

"Dubai's Open Skies policy encourages the growth of air transport, which has and continues to contribute to the development of this city," said Sheikh Ahmed.

He added that the Dubai-based carrier would be flying either the Airbus A320s or Boeing's 737s on its planned low-cost routes. new low-cost hub at jebel ali

The launch of Emirates' low-cost carrier is likely to coincide with the launch of the dedicated low-cost terminal coming up at Al Maktoum International Airport in Jebel Ali's Dubai World Central development.

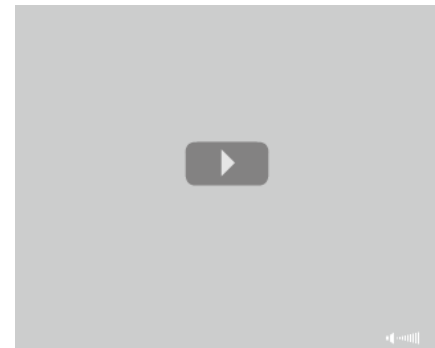
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The budget terminal is scheduled to open in mid-2009 and according to Sheikh Ahmed, the new low-cost carrier would be launched in a year's time. The airport will actually begin operations when the first passenger and cargo terminals are completed.

Last Update at 7:53 am on March 19, 2008

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