

Emirates and SriLankan begin the parting of their ways

By Shweta Jain on Thursday, February 14, 2008

About two-and-a-half months after Emirates ended its 10-year management contract with Srilankan, the airlines are in the process of working out the issues related to shared resources and services.

The contract comes to an end on March 31.

There has already been speculation about passengers using Emirates' frequent flyer programme, Skywards, being at a disadvantage due to the change.

Besides Skywards, some other key shared functions that would need looking into include codeshare flights, information technology and reservations. Emirates says it is still working out the fundamentals. "Besides Skywards, and codeshare flights, Emirates and SriLankan collaborate on a handful of other back-end business functions such as IT," Emirates' spokesperson told Emirates Business.

"Discussions are still under way on how these arrangements will be re-aligned after the management contract term ends, and we are unable to provide any further detail at this time," he said.

Srilankan, on the other hand, says Skywards members would not be at a disadvantage in any way. "Emirates has so far not sold its stake in SriLankan. But as per the contract terms, from March 31, many agreements including the one relating to the operation and administration of Skywards between Emirates and SriLankan, may be terminated by either party.

And if that happens, SriLankan would accept tickets issued before April 2008 on rewards miles for 12 months [until March 2009]," Manor Gunawardena, head of worldwide passenger sales at SriLankan, told Emirates Business.

"If both parties decide that SriLankan would not be a participant in Skywards from April 1 this year, then travel on SriLankan will not accrue any Skywards miles to the passenger from this date. However, the current membership base will

remain to be members of the Skywards programme and their earned miles too would remain intact with that programme,” he added.

Analysts feel differently. “With regards to Skywards, one would expect SriLankan to either offer its own frequent flier programme or try to join an alliance. Eventually, SriLankan will have to either stay with the programme or start fresh and lose all the Skywards customers.

Given the airline management and hubris, I expect SriLankan to start fresh,” said Addison Schonland, a California-based analyst with Innovation Analyst Group.

“As for the rest of the services, Emirates will now charge SriLankan differently as Emirates has so far been supplying most of the shared services probably at a discount. But Emirates cannot also ‘over charge’ because there are others who could sell these services to SriLankan. So, one will have to wait and watch,” he said.

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