Flydubai- moving aggressively to dominate sector

Ravindra Saxena
ravindra@uow.edu.au

Bindu Gupta
Institute of Management Technology, bgupta@imt.edu

Publication Details
FLYDUBAI- MOVING AGGRESSIVELY TO DOMINATE SECTOR

Ravindra P. Saxena
University of Wollongong in Dubai
Dubai, United Arab Emirates
e-mail: ravindrasaxena@uowdubai.ac.ae

Bindu Gupta
Institute of Management Technology
Ghaziabad, India
e-mail: bgupta@imt.edu

ABSTRACT

Flydubai was launched on June 01, 2009 with the vision and courage of the Government of Dubai and developers who continued to invest during the economic crisis. In a short span of two years, this airline has achieved a 200 percent increase in passengers, 78 percent increase in the number of flights, 100 percent increase in aircraft and 150 percent increase in routes. This study explores how a company’s strategic vision and appropriate moves can help in turning theories on paper into a reality even during the worst phase of recession.

Key Words: Flydubai; Economic Recession; Airline Network; Value Proposition; Aggressive Pricing.

INTRODUCTION

Flydubai (styled as flydubai) is a low cost airline of the United Arab Emirates, operating out of Dubai International Airport. The airline was founded on March 19, 2008 by Ahmed bin Saeed Al Maktoum, the chairman of Emirates Airline. Although flydubai is not part of The Emirates Group, Emirates supported flydubai during the initial establishing phase (www.flydubai.com). When flydubai began operations in June 2009, chief executive Ghaith al Gaith said he was bringing a “low-cost alternative” to residents of the Middle East. “There is still work to be done in this region to boost understanding of low-cost carriers and what they represent. In some markets there is still the suspicion that low-cost equals old, badly maintained aircraft and poor levels of service”, Al Ghaith tells to ‘The Gulf Business News & Analysis’.

Today, in a short span of two years flydubai has achieved a 200 percent increase in passengers, 78 percent increase in the number of flights, 100 percent increase in aircraft and 150 percent increase in routes. It has become one of the most successful low-cost airline launches in over 20 years, said Saj Ahmed, chief analyst at FBE aerospace while speaking to Gulf News, region’s leading news paper (Gulf News, June 06, 2011). Ghaith Al Ghaith, CEO of flydubai, said “Today we have 16 aircraft and 36 operational destinations, making us the fastest growing start-up airline ever. The growth gained by flydubai in just two years now makes it the second largest carrier operating out of Dubai International Airport, according to Paul Griffiths, CEO of Dubai Airports.

Ghaith Al Ghaith, said, "Two years ago this month our first flight took off. It was a wonderful, exciting time but I could never have imagined that two years on we would be in the strong position that we are today”. He says, "we've taken a theory on a piece of paper and turned it into a reality - and a reality that works well” (Gulf News, June 06, 2011). When the globe is facing the challenges of economic downturn and most of the industries are struggling for their survival during this tough period; then how a new low-cost airline could think of entering in the market, maintaining low prices when oil prices are going up day by day; and registering growth over year by year in spite of a number of obstacles in the aviation sector in addition to political pressures in the different regions. These are some of the vital questions addressed in this paper and authors attempt to analyse strategic moves made by flydubai in turning theories on paper into this reality of becoming second largest carrier operating from Dubai in just two years of its inception. Although, carrier has a very impressive and highly informative website www.flydubai.com to facilitate the target market, but it doesn’t carry any information about carrier’s goals and objectives, its performance, growth plans, market share or financial highlights etc. However, in the region media writes about its performance quite regularly and publishes the interviews with the top people in this company quite often; which is the only source available right now to understand the operations and performance of this carrier, which is ready to dominate the sector at the age of two.
AIRLINE UNCERTAINTY DURING RECESSION

As per the Avionics Magazine (2009), the recession in the global economy is casting a shadow over the airline industry and its growth potential for the coming year. Economic stagnation threatens airlines' delicate balance sheets and could restrain avionics equipage plans. Airlines weathered the fuel crisis by levying surcharges and cutting back on service. But economic pitfalls remain that could influence equipment choices. U.S.-based air carriers launched a series of cost-saving measures in 2008, including capacity reductions, network realignments and charging fees for services such as checking bags. With passenger demand expected to be weak through this year, experts say airlines are likely to maintain those cuts.

Last year turned out to be more difficult than many in the industry had anticipated. Oil prices skyrocketed to historic highs, the U.S. stock market plummeted and the credit market tightened. Fuel expenses have risen to between 35 and 50 percent of an airline's operating costs. Stung by high oil prices, which peaked at more than $147 a barrel in July, airlines were braced for the wider economic fall-out that followed. "Carriers were adjusting their business models and their capacity to survive at $100-plus-a-barrel oil," said Basil Barimo, vice president for operations and safety with the Air Transport Association (ATA), which represents major U.S. airlines. "Carriers are trying to position themselves to have sustainable profits and be able to have something that's more consistent with all other businesses out there across the U.S., instead of [having] a razor-thin margin and making money every few years (Airline Uncertainty 2009, Avionics Magazine). If one thinks there is recession everywhere in the world, should think again, as certain pockets of the world continue to see good business despite the gloom visible in most places and United Arab Emirates is one of those pockets and flydubai is one of those successful examples.

According to latest research by RNCOS (2009) on Global aerospace industry, "Aerospace Industry Forecast to 2013", increasing passenger traffic in the Middle East and the rapid expansion by the regional airlines are expected to push the civil aerospace sector in the Middle East region. Despite the economic slowdown, Middle Eastern airlines will add on 114 civil aircrafts to their fleets in 2009, which will be 8% of the worldwide deliveries. According to this research report, in January 2009, Middle East was the only region to register a positive air traffic growth of 3.1% from a year ago. Increasing trade activities and development of tourism industry in the region are the major reasons behind the growth of passenger traffic in the Middle East. At the time of recession, when airlines around the world are retreating, airlines in Middle East are increasing their capacity by ordering more aircrafts and by expanding their routes rapidly to Asia, Europe, Africa and North America.

Offsetting the industry challenges, Emirates Airline, the Arab world’s largest carrier recorded a massive 52 percent jump in profit for the financial year 2010-2011. This is the airline’s 23rd consecutive year of profitability. Net profit rose to Dh5.4 billion in the year over 2009-10’s profit of Dh3.5 billion. Revenues grew 25 percent to Dh54.4 billion, largely driven by strong demand and the delivery of new aircraft. Emirates carried 31.4 million passengers, up 14.5 percent over last year, and 1.8 tonnes of cargo – up 11.8 percent. It has risen to become the number one airline in the world by scheduled international passengers in terms of kilometres flown (Gulf News, May 11’ 2011). These are a few remarkable results of flag carrier of Dubai - Emirates Airlines showing continuous growth even during the difficult phase of global economic crisis. Also the growth shown by flydubai during the past two years and the success achieved by it at the age of two reflects the similar trend. Although, it is not the part of Emirates Group, and is given the support only during its initial establishing phase; flydubai has now established a successful example in the industry on its own. By using well planned strategies since its inception, flydubai was able to double its size by its second anniversary on June 01’ 2011.

FLYDUBAI- THE BUDGET AIRLINE

Set up by the government of Dubai, flydubai is aimed at making travel a little less complex, less stressful and less expensive. Based on a low cost business model, flydubai offers a value-for-money product at an extremely competitive price. “We are committed to bringing a new option to the market and to growing the region’s budget air travel business”, said company chairman Sheikh Ahmed bin Saeed al Maktoum, also chairman of Emirates. He further adds “This will benefit our economy, our people, and tourism business as a whole.” “Despite a global economic slowdown whose effects are being felt in the oil-rich Gulf; there is a lot of potential in this region...and we have a lot to do” (www.theage.com.au/travel/travel-news/dubai-launches-budget-sister-airline-to-emirates).
flydubai has flights operating from and to Dubai, and all tickets are a one way destination ticket and tax inclusive. After receiving 18th aircraft it has doubled the size of its fleet in just one year. Each aircraft outfitted with one hundred and eighty nine passenger seats of economy class (http://www.airlines.einnews.com/news/flydubai). Flydubai functions by eliminating the difficulty of travels by assuring simplicity and through reduced operating costs in order to offer the low fares to their customers and to be able to compete with other low fare airlines available within the region. Flydubai has a system of "Pay to Change" fare which gives customers the privilege to make changes or cancel their booking 24 hours before the flight at just a small fee of AED 100 per person and can reschedule their booking by paying the difference in the fare, if any. Essentially, customers only pay for what they want or what they need. Where some carriers have hidden charges, flydubai has a policy of laying out in black and white what you get and what you pay for (Gulf News, June 06, 2011).

MAJOR PLAYERS IN THE BUDGET AIRLINE SECTOR IN THE REGION

The Gulf’s low-cost market is still in its infancy with only a handful of players, but that could be set to change. “There is big room to grow”, says flydubai chief executive Ghaith Al Ghaith. “Just 3-5% of the capacity in this region is low-cost, compared with Europe, where it is 20%. I think more airlines will come, primarily as there are not enough right now”. The region’s major established player is Air Arabia, based at Dubai’s nearest neighbour emirate Sharjah, which serves more than 40 points across the region with a fleet of 17 Airbus A 320s. Kuwait based Jazeera Airways launched in 2005 and has grown its A320 fleet to 10 aircraft, and it flies to 21 destinations (Flight International, 2009).

Being state-owned, flydubai is a sister company to Emirates Airline- although there are no operational links between the two. If the low-cost threat grows, it could prompt a response from Emirates’ rival Qatar Airways, which has warned it will spin off its own low-cost arm if its market share is being eroded. Qatar Airways chief executive Akbar Al Baker says he has registered a low-cost brand which can be launched quickly if necessary. “As soon as we feel the pain of the low-cost carrier into our market and our market share, then we will launch a low-cost within 90 days”, he says. Etihad Airways chief executive James Hogan says he is now focused on growing Etihad but “we always consider options and alternatives” (Sobie, B 2008).

Flydubai has been the biggest success story the Middle East witnessed in the last decade. Its desire to see more market freedom favours the airline ahead of its competitors. Naturally, the links to Emirates as being the biggest Arab airline also serving the same hub as Flydubai may be the most obvious point noted by observers, but flydubai’s success has not hinged on its fledgling partnership with the airline. Indeed, the GCC market is as hugely competitive as it is misunderstood, particularly by those who have no idea how the region is, its culture, background or players work. For flydubai, they have started their operations using well oiled examples in the industry upon which to base their business. That has given them a cost advantage over everyone else, even over the ubiquitous Air Arabia in neighbouring Sharjah. Open skies treaties, deregulation and the like also favour flydubai since it knows its fleet spends more time in the air than on the ground- its no-frills approach, impressive turnaround times and ease of customer product understanding has helped the airline to reach “cult status” in just over a year since it first flew to Beirut and it hasn’t looked back since. For flydubai, the desire to breakeven is no less ambitious than its expansion plans. The airline hopes to be profitable within a five year period while it grows its network and fleet to support frequency growth. And with Emirates continuing to suck in passengers through Dubai, flydubai will have little less hard work to do to get to that target, according to GLG Research (http://www.glgroup.com/News/Open-Market-Favours-FlyDubai-50273.html).

FLYDUBAI- FIRST TWELVE MONTHS OF OPERATION

Flydubai launched its operations on 1st June, 2009 , with Beirut as one of its first destinations, from Terminal- 2 at Dubai’s existing international airport; just over 12 months after being established in March, 2008 with a start-up capital of 250 million dirhams ($68 million). Since the start of operations to Beirut and Amman in June 2009, traffic on the Dubai-Beirut route has increased by 33% and Dubai-Amman has grown by a staggering 40%, which proves that flydubai’s simple, uncomplicated low fares help to grow the market (Business Wire, June 02’ 2010). The vision of the airline was to provide a low-cost route from Dubai (Air Arabia already flew out of Sharjah) to popular routes such as the Lebanese capital as well as to open up destinations such as Baku in Azerbaijan (Gulf News, June 06’ 2011). Flydubai chief executive Gaith Al Gaith says the carrier will fly five 189-seat Boeing 737-800s by the end of its first year. It plans to have a fleet of 13 to 14 737s by the end of its second year and will take the last of 50 aircraft in 2015, ordered at Famborough air show. Flydubai has also agreed to lease four 737-800s from Babcock & Brown; further Gaith says “if we get the right deal we may lease some more”. A fleet of 54 aircraft would already exceed the planned fleet of rival
Air Arabia, which in 2003 became the region’s first low-cost carrier and now operates 14 A320s with another 39 on order (Airline Business, 2008). Ghaith Al Ghaith, CEO, flydubai commented on the proud occasion of carrier’s first anniversary: “We would not be where we are today without the vision and leadership of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the U.A.E. and Ruler of Dubai - and it is thanks to the guidance and support of our Chairman, Sheikh Ahmed bin Saeed Al Maktoum that we are in such a strong position after such a short time (Business Wire, June 02’ 2010).

When flydubai does launch its big birds, they will be flapping off to destinations within about 4 ½ hours from Dubai, much the same as Air Arabia started off doing when they launched flights from Sharjah Airport in October 2003 (www.dubaifaqs.com/flydubai.php). Flydubai chief executive Ghaith Al Ghaith says flydubai will target a mix of business and leisure destinations within a 4 ½ hour range of Dubai, which gives it access to two billion people. Flydubai is planning a 24-hour operation and will likely follow Air Arabia’s model of flying within the Gulf during the day and to the Indian subcontinent overnight. While restrictive bilateral are still common in the Middle East, Ghaith expects gradual liberalization and flydubai will have access to Iran, North Africa, the CIS countries, all the Gulf states and the Indian subcontinent. He acknowledges securing rights to India’s major cities will be difficult but flydubai is happy to leave those destinations to Emirates given their congestion. “We will go to places that have easy access,” Ghaith says. “Any airport in India will work for us” (Airline Business, 2008). Launched with services to Beirut in 2009, flydubai has had an encouraging start as it expanded its network to include Alexandria, Aleppo, Amman, Damascus, Doha and Djibouti. “New routes will be primarily where there is an open sky agreement making access easier, and where the market is smaller and the major airlines don’t operate”, Ghaith says (Flight International, 2009).

Operating a one-type fleet of 189-seat Boeing 737-800s, flydubai is operating to the established no-frills policy of low fares, point-to-point services with buy-on-board catering and high-density cabins (Flight International, 2009). Carrier plans to follow a pure low-cost model, charging for food and checked bags. No connectivity is planned initially, but Emirates vice-chairman Maurice Flanagan says the two carriers could interline or code-share at some point. He sees the two carriers as potentially having complementary networks, and explains; “They can fly to places we don’t and to places we go to that are marginal” (Airline Business, 2008). A press release of 2nd June’ 2010 for the first year of operation of flydubai (from 01 June’ 2009 to 01 June’ 2010) states that during the year 1 million passengers booked their tickets on flydubai, 83% of passengers bought an item of food or drink in the flight, 30% of passengers paid to choose a seat, 56% paid for checked baggage (i.e. 44% travelled with only hand luggage). Flydubai operated around 8,000 flights in its first year of operation, of which 85% recorded on-time departure (up to 92% on-time out of 1000 flights for May, 2010). As of 01 June 2010, flydubai employs over 500 staff from about 70 countries, with 100+ pilots and 200+ cabin crew. It has flights to 16 destinations, with another 5 scheduled to start in June 2010. Plans are to have 25 cities on their route map by the end of 2010. Number of aircraft is 8 Boeing 737-800 NG planes, with total expected to be 13 aircraft by end of 2010. Aircraft utilization expected to be 14 ½ hours per day (www.dubaifaqs.com/flydubai.php).

FLYDUBAI- IN THE 2nd YEAR OF OPERATION

The airline, which celebrates its first anniversary today, plans to add ancillary services, such as holiday packages and travel insurance by the end year. Low cost carrier is looking to double its route network by the end of its second year of operations, said the airline’s chief executive Ghaith Al Ghaith. Speaking to Emirates Business, Ghaith said “Our first year of operations has been fantastic. We set forward on the right growth plan, knowing that anything lesser would not allow us to reach our one-year targets.” While the carrier has yet to break even, Ghaith reiterated “flydubai will make a profit in two to three years. That has always been the case.” He explained, “If we wanted, we could have launched with just two aircraft and made a profit in the first year alone. But we wanted to grow as far as possible and this is our flight plan for the carrier.” Flydubai plans to take delivery of its 13th aircraft by year-end, with another 37 on the order book, which are scheduled to join the fleet by 2016 (Africa Aviation News, June 01’ 2010).

Flydubai’s aggressive growth is arguably the most extensive compared to any other budget carrier in the world. In its first year, the airline added 21 destinations to its route map, nine of which were announced last month alone. “We are aiming to double that number by the end of the second year of operations,” said Ghaith, without revealing any destinations. Asked if the airline would consider adopting the Sharjah-based Air Arabia model, which opened hubs in Morocco and now in Egypt through joint venture deals, Ghaith said “There are no plans for a hub now or in the near future. Our focus is on growth in Dubai and this is where we see the potential.” He adds further, “Pakistan and India share strong economic ties with the UAE and we have more
than 2.5 million people from the region residing in the country. That holds big market potential for us. The carrier already flies to Nepal, with its India operations launching tomorrow with a flight into Lucknow. Flydubai will also jet into the Pakistani city of Karachi from June 21, followed by the Sri Lankan capital, Colombo from June 23 (Africa Aviation News, June 01’ 2010). Flydubai is further eying a move into popular European tourist spots as it pursues what it says is an almost “limitless” number of new destinations. Greece and Cyprus are two places the state-owned carrier could head to in future, says Ghaith Al Ghaith. The airline has already racked up 26 destinations, making it one of the fastest growing start-up airlines in recent years. The two most recent destinations were announced recently – Sulaimaniyah in Iraq and Yerevan in Armenia. It plans to have 30 destinations by the end of the year, says Mr. Ghaith. He says in an interview with the Financial Times, “the potential is huge. Eighty percent of people in our country are expatriates. Imagine in U.K. if eighty percent of the people travelled once or twice a year how big an airport or airline you would need” (Financial Times, October 11’ 2010).

Aviation Week dated December 16, 2010 stated flydubai growth plans are on track. It states that flydubai now connects to 28 destinations from its base Dubai, many of which are also served by Air Arabia, Etihad and Emirates. “We do not have many low-cost carriers in the Middle East”, says Ghaith. “The national airlines are huge, but the low-cost model has not been explored as much as it should in the Middle East.” “Our strategy is to get to a size that allows us more success. When we have 20 plus aircraft in operation, we will have reached critical mass,” he says. The airline currently has 13 aircraft and expects to receive another 10 in 2011, taking its total fleet to 23 by the end of 2011. All new aircraft will be fitted with the Lumexis IFE (Inflight Entertainment System), the Next Generation Aircraft with Sky Interior (Aviation Week, 2010).

CONCLUSION

Flydubai boasts impressive growth as it celebrates its second anniversary on June 01’ 2011. In a short span of two years, with an impressive collection of statistics that prove the airline’s growing success and importance in the UAE’s aviation market, it enters in the 3rd year of operation. Chairman of flydubai, His Highness Sheikh Ahmed Bin Saeed Al Maktoum, said, “after just two years in operation flydubai is now a household name in the region. Flydubai has consistently delivered a quality, affordable service during its two years of operation and millions of passengers have benefitted from the airline’s commitment to making travel more accessible and more affordable. It is this consistent, quality service that has made flydubai a well-loved brand. With a network spanning the GCC, Middle East, North Africa, Indian Sub-Continent, Asia and the fringes of Europe, flydubai is stimulating demand for travel and finding new markets with an appetite for developing business and tourism links with the UAE. This brings benefits to all sectors of the economy and I look forward to flydubai continuing with its good work for many years to come” (Multi Media Release, 2011 available at: http://www.eglobaltravelmedia.com).

"One of the biggest challenges for a new company is dealing with rapid expansion while ensuring the systems, procedures and staffs are in place to maintain consistent levels of service," says Ghaith Al Ghaith. "At flydubai we have achieved that and more. Despite starting operations at a difficult time for the aviation industry, flydubai has not only stuck to our ambitious growth plan, but we've added to it by taking on challenges such as bringing all our maintenance and engineering in-house. We've done all of this successfully while at the same time maintaining an On Time Performance record that is one of the best in the industry at 85%. And perhaps most importantly of all our passengers still receive a friendly welcome when they come on board flydubai. "We've taken a theory on a piece of paper and turned it into a reality - and a reality that works well. We've developed systems, training programmes, procedures which have made the vision of the Government of Dubai work in practice. We started with an ambitious plan and we are making that plan a reality." He adds further "Our rapid growth could only have been accomplished with the support of the GCAA, DCA and Dubai Airports who have worked closely with us to provide the facilities and operating slots we need for our expansion. This growth puts pressure on resources and facilities to grow as quickly as we do and I thank them for their support and patience." Two years into operations, the airline has delivered on its commitments and despite rapid increases in fleet, network and passengers, flydubai has managed to keep the quality of its service high. One measure of how well an airline is performing is to look at the airline's Available Seats per Kilometre (ASKM) and Revenue Per Kilometre (RPKM). From June 2010 - May 2011 flydubai recorded increases of 161% for ASKMs and 181% for RPKMs over the previous 12 months. Not only are these huge increases, but the fact that RPKM grew more than ASKM shows that the airline is working smartly and ensuring more revenue is being generated (http://multivu.prnewswire.com/mnr/prne/flydubai/50523/).
With a 78% increase in the number of flights, a 100% increase in aircraft, a 150% increase in routes and a 200% increase in passengers it is easy to see why flydubai is now the second largest carrier operating out of Dubai International Airport. While celebrating second anniversary of the carrier, CEO of flydubai Ghaith Al Ghaith commented: “I am proud to be able to announce such incredible achievements today. The flydubai team has worked extremely hard to ensure flydubai reached this point, and this success is the reward for that hard work”. He added further "Clearly our strategy is paying off. We knew there was a place for us in the market and we have worked hard and ensured that we have made that place our own. We've taken the business head on, surmounted all the obstacles and made it work. When I look back over the two years that we have been flying and see how far we have come, it makes me very proud. "Two years into our operations and we are right on track. I am confident that our strategy is the right one. Flydubai is well placed to continue to forge ahead into new markets with new innovations in the future. I am confident 2011 will be another good year for flydubai” (Airlines Aviation, 2011).

As per the Staff Report published on May 04, 2011 in Gulf News, flydubai secures financing for all 2011 aircraft. Airline signs deal worth $80 million, at list prices, with aircraft leasing company, MC Aviation Partners (MCAP) for the remaining B737-800NG aircraft the airline is due to receive this year. The eight year sale and lease agreement is for flydubai’s 10th new Boeing 737-800NG aircraft, fitted with the new Boeing Sky Interior and the airline's revolutionary new in-flight entertainment system, to be delivered in 2011. Ghaith Al Ghaith said “We are pleased to add MCAP to our existing group of leasing companies, both local and international. Like flydubai, MCAP is a young, ambitious and dynamic company and we look forward to developing a long and mutually beneficial relationship with them.” Further he states “The overwhelming response we received to our latest request for financing shows the confidence the international markets have in Dubai and flydubai has not been dented during the phase of economic recession (http://www.glgroup.com/News/Open-Market-Favours-FlyDubai-50273.html).

Flydubai has reached a landmark agreement with Travelport that will guarantee that all Travelport-connected travel agents worldwide have full access to flydubai fares. There is so much growth potential within the Middle East's low-cost carrier (LCC) sector that it only makes sense for LCC's in the region to capitalise on the opportunities available through the travel agency distribution channel, said Rabih Saab, President and Managing Director, Travelport Middle East and Africa. We are delighted to offer our travel agents such valuable airline content and look forward to adding more into our fold in the months ahead. The agreement enables the fledgling carrier to enter into the extensive worldwide network of 63,000 travel agents who currently use Travelport's Galileo or Worldspan global distribution system (GDS) for their travel booking needs (MENA Report, 2011).

Speaking to Gulf News, Saj Ahmad, chief analyst at FBE Aerospace, said “Flydubai’s strategy enabled it to grow in fleet size without compromising on revenue.” “Flydubai’s growth has been aggressive, but it has also been judicious. It is taking just five more 737-800s aircraft this year (less than one a month) and is focused more on growing frequencies between city pairs to give passengers more choice over when they can fly,” he said. “more flight options means lower fares and that in turn means aircraft make more money being in the air than parked on the ground,” Ahmad added. He says further “When you look at the 40 destinations the airline serves at present, it flies not only to busy hubs like Beirut and Damascus, but also to very under-served cities like Latakia and Yekaterinburg, where high cost fares put customers off. Flydubai has come along and broken the mould and given passengers a much lower fare alternative.” Between June 2010 and May 2011 flydubai recorded increases of 161 per cent for available seats per kilometre (ASKMs) and 181 per cent for revenue per kilometre (RPKM) over the previous 12 months. RPKM has grown further than ASKM which shows a continued growth in revenue. “Flydubai and Air Arabia will continue to be leaders, but overall they will dominate the market and fringe players may just collapse,” Ahmad said (Gulf News, June 06, 2011). Paul Griffiths, CEO of Dubai Airports, said "In just two years flydubai has become a potent force in the region's aviation industry. Now the second largest carrier operating out of Dubai International Airport, flydubai has played a significant role in the continued success and growth of passenger traffic at the airport. By opening up new and previously untapped markets, flydubai is helping to bring in significant volumes of traffic from around the region to Dubai and beyond. I am confident that flydubai will continue to go from strength to strength over the coming years and I wish them all the best for the future (http://www.eglobaltravelmedia.com). Flydubai is targeting 140% growth in passenger traffic this year due to low penetration of the no-frills sector in the Middle East, and the CEO Mr. Ghaith said he is on-track to turn a profit by the end of 2012 and hoping to offer 70 destinations by 2016 (Aviation Exchange News, May 19, 2011, http://www.ascendworldwide.com). Flydubai expects to announce its first annual profit in 2012. “With 21 aircraft [by the end of 2012] we will have the right size to” operate sustainably, CEO Ghaith Al Ghaith told Air Transport World in Dubai recently (http://www.aviationbrief.com/?p=2213).
flydubai CEO, Ghaith Al Ghaith outlined the enormous potential of the Gulf low cost aviation sector, the success of the flydubai formula, and the reasons for welcoming competition, when he addressed leading industry delegates and aviation media in his keynote speech at the 7th annual World Low Cost Airlines Congress in London earlier today (September 30, 2010). Although developing quickly, low cost aviation in the Middle East still has some way to go to catch up with the market in Europe and the US, as Al Ghaith explained: “Low cost air travel currently accounts for just 7% of the total air travel market in our region, whereas in Europe it is as high as 35% - and some predictions are that it will reach 50% in a few years.” There is no reason why we cannot reach those same figures and that is why I welcome competition; I welcome more players into the market. This is why I believe the sky really is the limit for low cost air travel and low cost airlines in our region.”

REFERENCES


Airline Uncertainty (2009), Access Intelligence LLC, United States, Potomac. by Anonymous, Avionics Magazine, ISSN 1085-9284, 01/2009, Volume 33, Issue 1


Financial Times, October 11, 2010, “Flydubai chief’s sky-high ambitions”, (http://www.ft.com/cms/s/0/eff6c10e-8-d553-11df-8e86-00144feabdce0.html#axzz1V7ovHqxq)


Gulf News, May 11, 2011

Gulf News, June 06, 2011


