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Emirates Airlines Navigating the COVID-19 Pandemic

While the COVID-19 pandemic has negatively impacted every airline, some airlines were considerably more affected than others. While airlines in the United States had a sizeable domestic air travel market, many international airlines did not. One such airline is Emirates, based in Dubai, United Arab Emirates (UAE). Among international airlines, Emirates is unique. Emirates has an all widebody aircraft fleet that holds high passenger capacitates, relies heavily on a “hub and spoke” air travel model with many passengers flying Emirates not to travel to Dubai but to connect to another destination through Dubai airport, and is known for providing a luxury travel experience. The COVID-19 pandemic was a direct threat to the inherent business model of Emirates, which is a business built upon bringing people closer together.

One of the unique geographical auditees of Dubai’s location is that it is in the center of the world. With an appropriate aircraft, virtually every major population center can be reached from Dubai on a nonstop flight. Dubai also is a perfect stopover point for flights between Europe and Asia, Europe and Australia, and Europe and Africa. Despite considerable demand, up until recently, aircraft have not had the range capacity to connect Sydney and London nonstop. With current nonstop flights between Europe and Australia being minimal, Emirates serves an essential role in connecting these two continents. Due to the extensive network of destinations Emirates serves, Emirates can warrant flights to smaller markets in Australia and the United Kingdom, such as Perth, Australia, and Manchester, UK. This is of considerable value to Emirates customers because someone living in Manchester who wants to travel to Perth can get there in just two flights (Aquilina-Spagnol).

While there are many decisions Emirates had to make to successfully navigate the COVID-19 pandemic, one of the most precedented was its fleet strategy. The Emirates aircraft fleet is unique because it currently just consists of two main aircraft types, the Airbus A380 and the Boeing 777. This fleet is unique because the A380 is the world’s largest passenger aircraft, and the Boeing 777 is the world’s largest twin-engine aircraft. Emirates is by far the most prominent user of the A380 and B777. Airbus has had difficulty selling the A380 to most airlines mainly because the airlines have not seen a benefit in operating the aircraft. Due to its large capacity and it has four engines in comparison to most commercial airplanes, only having two. The breakeven cost for an airline to operate the A380 is significantly higher. The A380 can only reasonably make money if most of its 615 available seats are filled while incurring huge losses if they’re not filled. Given that the A380 doesn’t offer any benefits to the airline besides the size of the aircraft (which is likely to be a detriment), most airlines opt for a more modestly sized twin-engine aircraft such as the B777, B787, A350, or A330 for their widebody fleet (Pearson, James). Even during pre-pandemic travel times, the Emirates fleet strategy appeared questionable. During a time when global travel is nonexistent, it appears to be detrimental.

In the middle east, Emirates is currently the only airline with an all-widebody fleet. Its most similar competitors Etihad Airways and Qatar Airways, now have a narrow-body aircraft type in their aircraft fleet, both flying the A320 aircraft family. COVID-19 was a chance for Emirates to evaluate its current aircraft fleet and its future fleet strategy. During the COVID-19 pandemic, many airlines took this as an opportunity to retire their larger aircraft fleet, often much earlier than the planned retirement. AirFrance and Lufthansa have opted to retire their A380s early (Boon, Tom). While Emirates has not committed to retiring its entire A380 or B777 fleet, Emirates has retired specific A380s and B777s due to their age. Emirates currently has many of its aircraft grounded, awaiting a return to service.

While many could have viewed the COVID-19 pandemic as an opportunity for Emirates to rethink its fleet strategy, the airline has maintained more or less the same fleet it had pre-pandemic. The likely driver in this decision for Emirates not to have mass retirements of its A380 and B777 aircraft is likely because Emirates does not currently have a suitable replacement for these aircraft that would allow them to assume the same scope of operations post COVID-19 (Hayward, Justin). Unfortunately, during the height of the pandemic, Emirates was stuck with these large aircraft that were indivisibilities that could not easily be repurposed during their downtime. Emirates was essentially stuck with the decision to either fly its aircraft (likely losing a lot of money in doing so), ground it, or attempt to use the passenger aircraft as an inefficiently packed cargo plane. With the inability of an airline to quickly procure smaller aircraft and a crew trained for the new aircraft, there is a high switching cost for Emirates to replace its fleet immediately. Emirates could have decided to scale back its proposed post COVID operations to include only the most profitable routes and sell off a lot of its fleet. However, this could also prove to be detrimental when travel returns to its pre-pandemic levels because Emirates will have to incur additional costs to scale back up its operations due to the higher marginal cost. Additionally, for a city that is known for wanting to be “the best” at everything, it may reflect poorly on the Emirates brand image if it retired its A380 aircraft early because the airline that is trying to be the best airline in the world is no longer flying the worlds largest airplane. While for many airlines, that would not be a good reason to elect not to retire an unprofitable aircraft for Dubai, Emirates is a considerable marketing tool for the city. Emirates has arguably been one of the key driving factors in Dubai’s growth because people fly Emirates somewhere and remember their upscale experience with Emirates and associate that with Dubai (Goz, Daniel).

Although Emirates does appear to not be changing its aircraft fleet considerably for the immediate time being, Emirates does appear to be looking to take on aircraft that have lower capacities and phase out its A380s in the coming years. Emirates has recently committed to ordering the more modestly sized Boeing 787 widebody aircraft as well as the new B777X while declining to order the proposed new A380neo. Emirates has appeared to make upgrades to the onboard experience of its B777s by offering fully enclosed first-class suites. However, the Emirates B777 has yet to see the onboard bar/lounge area and showers that the A380 first-class features. Emirates has largely been able to maintain its current fleet strategy and restart operations to pre-pandemic levels quickly, largely due to a hefty loan from the Dubai government that it is just beginning to pay back (Batrawy, Aya).

Emirates operates in an industry that experiences significant economies of scale. While it costs Emirates a lot of money to start its first nonstop route to New York. Adding additional services to New York and to other cities becomes less and less expensive per new route started. Being able to maintain its current fleet throughout the pandemic may have helped Emirates recover rapidly from the COVID-19 pandemic. Emirates competes in a market that is most resembling an oligopoly. While there are many competitors Emirates faces, not just in the Middle East. Historically its most similar competitors have been the Abu Dhabi, UAE based Etihad Airways, and the Doha, Qatar based Qatar Airways. Emirates, Etihad, and Qatar Airways serve similar markets, particularly the connecting Europe and Australia market, have similar product offerings, and have a similar geographic hub location. One of the reasons Emirates has competed favorably against non-Middle Eastern airlines is due to the Government of Dubai’s successful vertical integration of the Dubai Civil Aviation Authority and Emirates Airlines to ensure that the businesses complement one another by offering the ability to have uncongested airspace and few restrictions on the timing of takeoff slot times. Additionally, the Government of Dubai has committed itself to ensuring Emirates long-term success through financial support (Aquilina-Spagnol).

While about two years ago, nothing was certain for Emirates. Today, Emirates, along with much of the international travel market, has rebounded. Emirate’s current problem isn’t getting passengers on its planes but rather finding a crew to fly them. The Emirates President Sir Tim Clark states that “if we can have all our [grounded] aircraft flying today, 270 of them then we would. I can’t because I am just short of crew (Curran, Andrew).” Unfortunately, Emirates, along with most airlines, had to lay off workers during the onset of the pandemic. While the international travel market to Asia has not quite rebounded yet, much of the market to Europe has rebounded due to the elimination of pandemic-related border control measures. As of right now, Emirates serves all pre-pandemic destinations in the United States. Whether or not Emirates continues to fly the A380 through its useful service life, it is apparent that Emirates remains committed to offering a premium air travel experience that can connect people from all corners of the earth.

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