Emirates CEO Maurice Flanagan

By Geoffrey Thomas

Emirates, the Middle East’s most profitable and forward-looking airline, took a giant step toward joining the first tier of global carriers with its decision to launch the A380 and then to become its biggest customer. Fending off rumors of impending retirement, CEO Maurice Flanagan talked to ATW about Emirates’ success and future direction.

■ Your competitors argue that Emirates prospers because of the funding of its owner, the Dubai government. How do you answer the critics?

We have become accustomed to one or two self-proclaimed experts in our industry declaring publicity that of course Emirates could not possibly achieve consistently profitable results without some form of hidden subsidy, despite our publication of transparent audited annual accounts. This has serious implications for other governments’ decisions relating to traffic rights, as they might be persuaded to think that we have an unfair advantage over their national carriers. In fact we have no protection whatsoever, as Dubai has an open-skies policy, and no subsidy. Thus we have to be smart to survive and it follows that we must be smart at running our airline. We achieve what we achieve because of our staff; we get no help from the government.

■ Has Emirates ever received any assistance or protection?

Dubai has always had open skies. This did not change when the airline started in 1985. We had an initial capital of only $10 million in 1985 and operated aircraft on wet-lease terms. Traditional thinking dictates that a government should protect its national airline, at least in its first years of operation but usually indefinitely, but this has never been the case for us. This was a farsighted policy and it has encouraged the development of a range of commercial disciplines that have been essential to our success.

■ Emirates is one of the few airlines ordering aircraft since 9/11. Do you have more to announce to handle Dubai’s explosive growth as a hub?

We ordered 58 aircraft last November worth $15 billion, which included 25 777s, 22 A380s and eight A340-600s, but we are recasting our forecasts as we will need still more aircraft.

■ Speculation has it that the 777 will be the focal point of that order. How has the aircraft worked for Emirates?

We are considering various Airbus options as well as various models of the 777, including the dash 300ER. The 777 has been superb for us with its size and marvelous economics, and will continue to be so. Of course the A380 takes size and economics a further step ahead.

■ Up until now you have resisted the first-class offerings of your long-haul competitors. What is your strategy with the A340-500?

The A340-500 will be fitted with sleeper beds specially designed for Emirates, and most of our medium-haul/long-haul fleet will be refitted with sleeper beds.

■ The A380’s weight has been the subject of recent press speculation in Germany. Have you been advised of any concerns?

There is no aircraft in its development stage that doesn’t have weight issues. But no, there is nothing of concern with the A380. We see the A380 as an outstanding aircraft for Emirates and I am really surprised that other airlines were so
slow to appreciate its value.

- **The growth in Dubai has been quite extraordinary. Are there aggressive plans to ensure the infrastructure can match this?**
  Last year the airport handled 14.3 million passengers and by 2015 we expect the airport to be moving 51 million passengers a year. The current terminal will be full by 2005 and a new terminal, which will double the airport’s capacity, is under construction.

- **How did 9/11 affect the airline?**
  We suffered initially from the fear of flying and then later from the perception that Dubai was very close to Afghanistan. We took a hit on seat factors, which fell to 64%, and profitability. But we didn’t lay off staff and we didn’t enforce pay reductions. Morale was high, we recovered, and we were able to reach our profit target for 2001-02 of $164 million.

- **The aircraft on order: Are they for new routes or increased frequencies?**
  Both. We want to thicken up on some of our existing markets and also open up new routes to destinations like Shanghai and Moscow. This year we added Casablanca, Perth, Khartoum, Osaka and Mauritius, while extra services have been added to Hong Kong, Tehran and Johannesburg. Next year we will start flying nonstop services from Dubai to New York, Chicago and Los Angeles daily using the ultra-long-range A340-500, which will be the best aircraft to operate from our region on 17-hour flights. Also we are looking at nonstop flights to Melbourne and Sydney, and later to Rio and Sao Paulo.

- **Would those nonstops also favor the Sonic Cruiser?**
  Certainly our route planning very much depends on what the manufacturers, Boeing and Airbus, offer us. We are talking to Boeing about the Sonic Cruiser and would like a 300-passenger capacity and Dubai-Los Angeles range. The further you go with such an aircraft, the greater its relative advantage over conventional aircraft.

- **You have resisted overtures to join one of the major alliances. Is this still the case?**
  We have examined this question from all angles and cannot see the business case, at least for Emirates. We are forging bilateral codeshares all the time with alliance members, including some sharing of frequent-flier programs, but will not join a major alliance.