

AVIATION INDUSTRY IN THE UNITED ARAB EMIRATES IN THE POST-COVID PERIOD

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Summary. The COVID-19 pandemic has significantly affected the global industry. One of the most affected areas was air transport. During the COVID-19 pandemic, the volume of air traffic worldwide has decreased significantly. Airlines had to take various measures and adapt their strategies to overcome this period. In the presented article, we deal with the identification and description of strategies that were implemented as a tool to minimize or optimize the problems in the market in the United Arab Emirates during the COVID-19 pandemic. This issue is of considerable importance nowadays, because the aviation industry in the United Arab Emirates has proven, that even a negative situation can be turned into a positive one, and even extract and use new knowledge from it to improve services, optimize process actions, or innovate.

Keywords: UAE, Emirates, COVID-19, air transport, new challenges

1. INTRODUCTION

The UAE's aviation industry has seen exceptional success since welcoming its first passengers in the 1960s. The UAE is the biggest aviation market in the Middle East, with a 45 percent share of the region's aviation sector [1]. The UAE air transport infrastructure is consistently known for its innovative and progressive developments and maintenance of an enviable safety record [2]. The aviation sector contributes significantly to the UAE economy, as it is one of the country's most strategic assets, as the sector today supports nearly 800,000 jobs and pumps 47.4 billion dollars (173.9 billion dirhams) into the UAE economy, accounting for 13.3% of the country's gross domestic product [3]. Over the decades, the UAE's aviation industry has evolved into a global hub for aviation connectivity. Covid-19 has also significantly affected the UAE aviation industry - Challenges of the Etihad and Emirates Airlines revenues plunged which led to financial losses and a slew of employees laid off, the decreased profitability of the UAE's real estate market due to movement restrictions, curfew, and economic policies enacted which directly affected the growth and development [4], the crisis created by the pandemic also severely disrupted the working patterns of employees, especially in the aviation industry [5], and so on. In the post-COVID era, the UAE's aviation industry has focused on plans for the sustainability and future growth of the aviation industry driven by technology and well-targeted strategies. The aviation sector has been and will always be a fundamental factor in the transformation of the UAE economy, while its role in the development of areas such as tourism, hospitality, logistics, trade, and finance will never end. In the 80s, for example, Dubai made a long-term strategic decision to diversify its economy, focusing on the development of the aerospace sector as part of efforts to increase non-oil revenues, transform the city into a commercial center (hub), create jobs, and attract tourists [6]. The well-known open skies policy, large investments in infrastructure, and an investor-friendly foreign business environment stimulated the development of the aviation industry. This situation persists to the present time, although during the COVID-19 pandemic, the aviation industry had to recover in various areas, but it remained dynamic despite the problems and challenges.

2. EMIRATES AND THEIR STRATEGY IN THE FIGHT AGAINST COVID-19

Emirates during the Covid pandemic has also been significantly affected by the situation, resulting in financial losses, downsizing, and restrictions on flights and destinations. Emirates has not reported a profit for the first time in thirty years, which only highlights the dramatic impact that COVID-19 has had on the airline industry globally and in the UAE. The UAE posted a \$5.5 billion loss due to global travel restrictions, with revenue down \$8.4 billion even as airport operating costs fell by just 46%. Emirates Airlines said its total passenger and cargo capacity fell by 58% in 2020 [6]. However, the company also noted that, despite the financial losses, it was determined to book 200 new aircraft during the pandemic as part of its long-term strategy to operate a modern and efficient fleet and to minimize the inconvenience to passengers during travel [6].

Emirates responded very quickly to the global situation during the pandemic. They were the first airline in the world to offer their passengers free coverage for medical and quarantine costs related to COVID-19 when flying to any destination. The aim was to allow passengers to travel with confidence as the airline covered medical costs of up to €150,000 and quarantine costs of €100 per day for 14 days if they were diagnosed with COVID-19 during the trip. This coverage was provided by the airline free of charge to its customers [7]. Emirates has also revised its booking policies to offer customers more flexibility and certainty when planning their journeys. Customers whose travel plans were disrupted by flight or travel restrictions related to COVID-19 could keep their ticket, which was valid for 24 months, and rebook it on a later flight, apply for travel vouchers to offset future purchases with Emirates or apply for a refund via the online form on the Emirates website or through their travel agent [7].

2.1. Self-service kiosks

In the era of COVID-19, it was necessary to deal with the lack of personnel at airports due to the pandemic, and at the same time, it was a critical factor in ensuring smooth and safe, in the sense of contactless, running of airport operations. This is why Emirates has made extensive use of self-service kiosks and baggage drop-off kiosks at Dubai International Airport (DXB), which debuted in September 2020 and continues to enhance the smart contactless journey for travelers from Dubai to this day. These are 32 self-service baggage drop machines and 16 check-in kiosks that can be fully controlled by personal mobile devices without touching screens, providing a safe and convenient airport experience [8]. Kiosks allow customers to check in, get boarding passes, choose seats on board, or hand over luggage. From 2021, new services have also been added that allow passengers to pay for additional purchases, such as payments for additional baggage directly at the kiosks. The self-service check-in kiosks located in the check-in area of Terminal 3 complement the counters manned by Emirates check-in agents to reduce waiting times for customers during peak times, speed up airport processes, and enhance the experience. The service is now available to customers traveling to all destinations except the US, Canada, China, India, and Hong Kong due to additional requirements from these destinations. More kiosks are planned in the First and Business Class check-in areas. Travelers can also opt to use the integrated biometric system, where using the latest facial biometrics technology, Emirates passengers can check in for their flight, complete immigration formalities, enter the Emirates lounge, and board their flight after a pleasant walk around the airport.



Figure 1 Self-service kiosks at DXB airport [8]

2.2. SkyCargo Emirates

The COVID-19 pandemic has had a huge impact on the airline and air cargo industries worldwide. As part of its normal operations, Emirates SkyCargo transports cargo on dedicated cargo planes and during passenger flights. Cargo played a key role, as around 70 percent of total cargo was carried by passenger aircraft before COVID-19. When passenger flights were suspended because of COVID-19, Emirates operated with only 11 Boeing 777 cargo aircraft [9]. Emirates quickly recognized the increasing demand for cargo transportation around the world. It concerned goods that people urgently needed, such as medical equipment such as ventilators, medicines, and food. Given the distributed nature of the global economy, it was necessary to transport these critical commodities from the markets where they were produced to countries around the world. Emirates had to innovate and change the business model to make this important cargo operation work. Emirates began operating Boeing 777-300ER passenger aircraft as freighters only. It was for Emirates the first experience of this nature. Their team had to plan a new route network, collaborate with partners around the world, and also work with the relevant authorities to obtain the required permits to operate the flight, and that's all in a very short time [9]. Meanwhile, Emirates had other innovative solutions to increase air cargo capacity. This included e.g. loading cargo onto the seats of passenger planes and into overhead bins. But before that, they had to conduct a comprehensive security assessment and develop guidelines that the global team had to follow. Emirates has managed all this in a very short time as market needs have continued to evolve rapidly. Later, e.g. began removing economy class seats in 10 Boeing 777-300ER aircraft to convert them into "mini cargo ships". There were 16 of these aircraft in their fleet, which supplemented the capacity of air cargo transport [9]. Emirates says its most important operational change during the COVID-19 crisis was to operate passenger aircraft only as cargo aircraft to maintain connectivity for essential goods including medical supplies, pharmaceutical cargo, and food. Over one year, they operated more than 27,800 cargo-only flights on passenger planes, transporting more than 100,000 tons of food and medicine [9].

Emirates says that Covid-19 has taught them to always be on their toes. They should not be satisfied because they managed to develop a successful product or solution. The pandemic has shown that even the most thoroughly planned processes can be changed quickly, purposefully, and efficiently. The passenger and cargo aviation industry is still dealing with the consequences of the pandemic. Emirates has implemented measures that many thought would be impossible, such as operating cargo-only flights on passenger aircraft or loading cargo onto aircraft seats. However, they are convinced that the industry emerging from the crisis will be more responsive, agile, and resilient in dealing with such global problems and challenges.

3. THE AVIATION INDUSTRY IN THE UNITED ARAB EMIRATES AFTER 2021

In its annual report [10], IATA stated that although the COVID-19 pandemic has been extremely difficult for global aviation, it has been able to highlight the significant need of the sector, which is remarkably recovering much faster than expected worldwide. In its annual report for the year 2022, IATA declared that the global aviation industry, after the worst fall due to the pandemic, recorded one of the biggest losses in the history of the industry. However, 2022 should be a turning point in the post-pandemic period, with losses expected to decrease by \$9.7 billion compared to losses of \$42.1 billion in 2021, an improvement on 2020 losses of \$137.7 billion [10]. IATA pointed to global optimism in the sector and significant demand for freedom of flight to all world continents. Thanks to this, it is expected that by the end of 2023, the demand will be at the same or higher level than before the pandemic. The report points to the fact that COVID-19 has highlighted the importance of aviation around the world, as countries' economies have suffered because of the restrictions, which have worsened living standards and reduced the sense of security around the world.

3.1. Statistics of the aviation industry in the United Arab Emirates beyond 2021

The aviation industry in the UAE has significantly contributed to the improvement of the situation in the sector not only in the country but throughout the world. It is pertinent to mention that despite significant financial losses during the post-2020 Covid-19 period, leading airlines in the UAE such as Emirates, Etihad Airways, AirArabia, and FlyDubai were able to continue the fight against the pandemic and come up with new possibilities, innovations and collaborations within aviation. Thanks to these efforts, the UAE had a relatively high and constant percentage of air ticket purchases compared to Europe in the period from January 2021 to March 2022. As can also be seen below in the graph, the war in Ukraine contributed to the increased number of air ticket purchases as well.

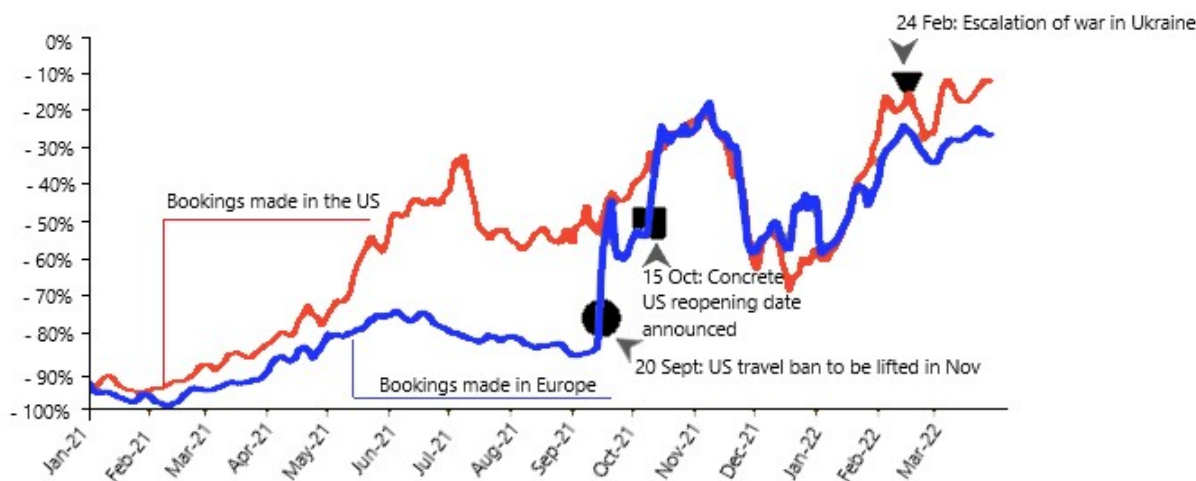


Figure 2 Percentage display of ticket purchases in the UAE and Europe in the period 01/2021-03/2022 [12]

Another positive example given by IATA was the transportation of goods (cargo) in the period 2021 - 2022. As the table below shows, cargo transportation is currently in decline worldwide. From January 2020 to January 2022, airlines in North America, UAE, Asia-Pacific, and Europe experienced a significant increase in cargo volume due to the need to transport goods during the pandemic. Still, in the post-pandemic period, cargo transport took a back seat due to the focus on passenger transport. Airlines in Latin America have not been able to compete with other companies in this regard, but they are gradually recovering. However, IATA drew attention to the extreme volume of transport of goods by African companies, which was strengthened mainly by investments and transport of goods from China. These data show that the aviation industry in the UAE was relatively stable in the given period and used its potential to supply e.g. medicines of countries such as Africa or Latin America.

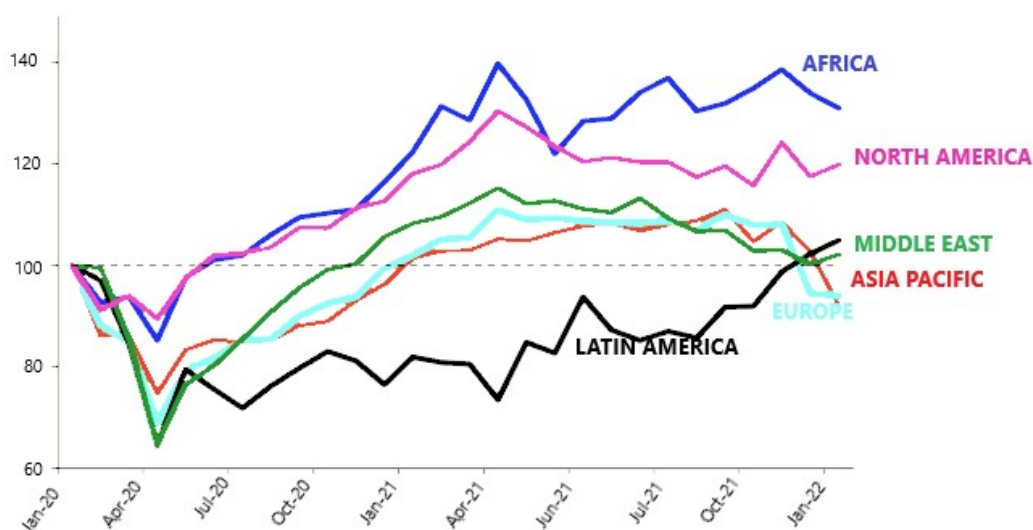


Figure 3 Volumes of transported cargo in the world in the period from 01/2020 to 01/2022 [12]

In other words, the UAE is home to many airlines that have managed to establish themselves in the global market in the post-Covid era, while also outperforming expectations in 2021 – 2022. An example is Etihad Airways, which posted record profits in the first half of 2022, the result of an increase in passenger demand, growth in cargo traffic, and the easing of post-COVID measures within aviation. Another example is Emirates, which is one of the world's top 10 airlines in terms of passenger transport, carrying more than 19 million people in 2021 [12]. Regarding low-cost companies, e.g. FlyDubai transported 2.3 million people in the first quarter of this year, which represents an increase of 110% compared to the same period last year [12]. One of the biggest developments in the aviation industry in the UAE in 2022 was the announcement that Abu Dhabi's aviation safety, maintenance, and repair holding company, ADQ, had requested a partnership with Abu Dhabi Aviation (ADA) to unify its operations. In Aeronautical Engineering, Military Aeronautical Engineering, and Overhaul, creating a center called MRO, would mean the creation of a Maintenance, Overhaul, and Safety Operator in the Aviation Industry with a center in Abu Dhabi. The industry is predicted to be worth \$10 trillion within 10 years [12]. This project aims to secure the leading position of the aviation industry in Abu Dhabi and take it to the top on a global scale.

This new entity should have assets worth USD 2.6 billion. Among other things, this effort is expected to bring new trade opportunities to the Emirates, cementing Abu Dhabi's position as a leading center for logistics, supply chain management, and engineering in the region. In conclusion, we can conclude that the aviation industry in the UAE after 2021 sets an example of the importance of diversifying the sector in the post-pandemic period, while not losing sight of the need and profitability of such sectors as energy, environmental science and the necessity of ecological fuel, as well as the use of new technologies in aviation industry as a strategy to eliminate the problems and challenges that the aviation industry in the UAE has faced and will face because "aviation is movement and therefore change".

4. CONCLUSION

The UAE's aviation industry has grown steadily over the past two decades. According to the International Air Transport Association IATA, the aviation industry in the UAE belongs to the top 10 fastest-growing markets in the world due to the country's strategic position – the UAE connects Europe, Asia, and Africa, creating an ideal location for international aviation. Almost two-thirds of the world's population is accessible by just an 8-hour flight from the UAE. In addition, the UAE invests significantly in infrastructure, airport development, and technology, but also the training of its

employees. The government in the UAE is trying to create supportive regulations and regulations for the aviation industry so that it grows and simultaneously gives room for research and development in the aviation industry. However, the aviation industry in the UAE has faced and will always face certain problems and challenges due to the global political and economic situation, geopolitical relations, the impact of the post-Covid pandemic, the environmental situation, strong competition, and others. However, what airlines in the UAE have in common is their approach to various challenges and problems, which they ultimately do not perceive as something negative but rather as something that will help these companies to find new opportunities, innovate, diversify, and create new partnerships in the aviation industry.

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