

Dubai to inject capital into grounded Emirates Airline

31 March 2020



Emirates grounded its passenger flights last week as the United Arab Emirates moved to contain the spread of the coronavirus

Dubai said Tuesday it will support Emirates Airline with a capital injection to help the carrier through the coronavirus crisis which has forced it to halt passenger flights.

Emirates Airline, with its vast fleet of 271 wide-body aircraft, is the largest carrier in the Middle East and has huge strategic importance for Dubai and the United Arab Emirates.

"The Government of Dubai is committed to fully supporting @emirates at this critical time & will inject equity into the company," the emirate's Crown Prince Sheikh Hamdan bin Mohammed bin Rashid Al-Maktoum said on Twitter.

"@emirates, our national carrier, positioned Dubai as a global travel hub and has great strategic value as one of the main pillars of Dubai's economy, as well as the wider economy of the UAE."

The statement did not give details about the size of the intervention but said more details will be

announced later.

Emirates, which owns the world's largest fleet of Airbus A-380 superjumbos with 113 in its ranks, grounded its passenger flights last week as the United Arab Emirates moved to contain the spread of the coronavirus.

The carrier has cut costs by slashing between 25 percent and 50 percent from the basic salary of most of its 100,000-strong staff, saying the strategy was designed to avert layoffs.

Cash on hand

Emirates transported around 90 million passengers last year and is among the few Arab carriers that have posted profits in recent years.

The Arab Air Carriers' Association has urged regional governments to urgently provide financial assistance to national carriers, in addition to tax relief and exemption from fees.

The "important point" in Dubai's move "is the recognition of the importance of airlines for the Emirates' economy," International Air Transport Association chief Alexandre de Juniac said Tuesday in a conference call with journalists.

"That's the key question, it is the approach that all governments should have," he added.

De Juniac noted a number of countries have taken steps to help out airlines, and in particular highlighted letting them avoid reimbursing clients for unused tickets with cash, instead allowing them to offer coupons for future flights. Unused tickets represent \$35 billion for the sector.

The association says airlines had at the beginning of the year only two months worth of cash on hand and are finding it hard to quickly reduce their costs.

IATA expects airlines will see their cash on hand wither by \$65 billion in the April-June period.

The association estimated last week that the 2020 revenues of Middle East airlines will drop by \$19 billion, a 39-percent decline over last year.

The UAE, which groups seven emirates including Dubai, has reported 611 coronavirus cases along with five deaths.

It has imposed a sweeping crackdown, closing its borders and halting passenger flight among others measures to contain the virus.

© 2020 AFP

APA citation: Dubai to inject capital into grounded Emirates Airline (2020, March 31) retrieved 2 December 2022 from <https://techxplore.com/news/2020-03-dubai-capital-grounded-emirates-airline.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.