AIR ARABIA PLANS FOR MORE DESTINATIONS AND A BIGGER FLEET

News / Airlines, Finance

The aviation industry is one where the potential for profit is great, but it is also extremely competitive and faces some serious challenges in the short to medium term. Whilst areas like private jet charter are growing, there are issues with capacity and companies must box clever if they are to expand at a rate that matches demand, as is currently the case with Middle Eastern carrier, Air Arabia.

2017 saw record profits for the budget airline Air Arabia and the 30 per cent increase came from growing passenger numbers and flights to more destinations. The airline now sees further growth for the future and to accommodate this is planning a possible order of 100 narrow-body aircraft and even more destinations.

Air Arabia Chief Executive Adel Ali has been quoted by the news agency Reuters as saying,

"It doesn't necessarily have to be a purchase order. The leasing market is pretty good," and revealed that the increased demand is coming from Egypt and other Middle Eastern hubs.

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"We see the tourists coming back, trade is coming back. We have slowed down in Egypt for some time now because of geopolitical and economic uncertainties. We now see certainty there," added Ali.

The news comes after an announcement back in November 2017, when Air Arabia confirmed it had entered into a leasing agreement for 6 Airbus A321neo long-range aircraft. These will complement the company's current 50 strong fleet of jets.

Expansion in the Middle East is not the only goal that Air Arabia has set itself. They also have plans to grow their already established market in India where the aviation sector is booming. Evidence of the boom can be seen by the deal Air India has recently concluded with Boeing. Delivery of the 23rd B777 plane was made in March this year and will help bolster Air India's long-haul provision.

The financial implications that airlines face when ordering jets en masse is complex and are part of a much wider business plan and often third party partnerships. The plans and negotiations call for considerable legal involvement and assistance. Here, specialist legal firms like DWF Law are brought in to oversee the deals.

"We provide sustainable solutions for the financing and leasing of business jets, light aircraft and helicopters, including advice on acquisition and disposal, inspection and pre-delivery problems, secured and unsecured loans, structured finance and chartering." DWF

The acquisition of new aircraft can take a long time and therefore be fraught with legal issues that need to be managed by experts. In the case of Air India, the delivery of 3 B777 aircraft had to be held back in 2010 due to economic factors in the sector. The contract with Boeing did not contain a cancellation clause and so legal representatives were left to negotiate a solution.

The end result saw only 1 of the B777's being retained and the other 2 being replaced with B747-400's and whilst this is not typical, it does underline the need for sophisticated legal involvement on behalf of all parties.

The expansion plans that have been put forward by Air Arabia seem to be well thought through, they also include growth of their flights to Russia in a bid to capitalise on the 2018 FIFA World Cup that will be hosted there. "The best-laid plans of mice and men often go awry", however and so only time will reveal how much legal wrangling will occur before Air Arabia's plans are flying high.

12 MARCH 2018

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