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SECTION 31. Economic research, finance, innovation, risk management.

USE LOW COST CARRIER STRATEGY AS SOLUTION TO REDUCE AIRCRAFT TICKET PRICE IN IRAQ

Abstract: Air transport is one of the most important sectors growing in Iraq, especially after 2003 and the removal of all restrictions that were imposed for the movement of people prior to this date also air transport are predicted to take advanced place in Iraqi economic. Iraq has the magnificent site in the heart of Middle East and this region which connecting Continents of the world. Iraq has seen a significant growth in the number of airports across his territory also increase of international airlines that work in Iraq but high prices of airline tickets is one of the most prominent problems of the aviation sector in Iraq compared to other airlines in the world prices for same distances, Knowing that most of the companies trying to lower the price in order to attract larger numbers of travelers.

Using of low cost carrier is one of the best solutions that ensure reduced ticket prices and this strategy has succeeded in a lot of areas in the world

Key words: Low cost carrier, Airline, Airplane, Iraqi Airways, Iraq, Baghdad.

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Introduction

American airline (Pacific Southwest airlines company was founded in Texas 1967) consider the first airline started the concept of low cost carrier back to 1981, many airline in America followed this strategy, this idea take more time to apply in Europe its start in 1991, start with Ryan Air and Easy Jet (formed in 1995). We can notes the different in time between America and Europe to apply this strategy because America is one country with large area but

Europe different countries and its take time to lifting of restrictions between countries.

In Middle East the progress not satisfy the ambition due to the restrictions between Arab countries and their neighbors in aviation regulation except Arabian Gulf countries which they have Cooperation in this field also State of United Arab Emirates has been achieved a good progress in LLC.

LLC Now has global spread and we can see that in Table 1 the number of LLC operating in different countries. [1][2][3][4]

Table 1

LLC countries operating – 2005.

Country	No. of LLC
Asian countries	31
European countries	41
UK	12
USA	12
Canada	5
Pacific countries	5
South America	4



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countries	
African countries	1
Total	111

Theory of LCC

As we say before, the idea of low cost carrier back to 1980 so there are a lot of problem faced the idea and many solution put for improvement it, we will not go to further the theory but we will explain the basic of theory.

At first we can see Fig.1 which represents the operating expenses of the airline industry and we can decide which section we can work on it to minimize the cost of ticket.

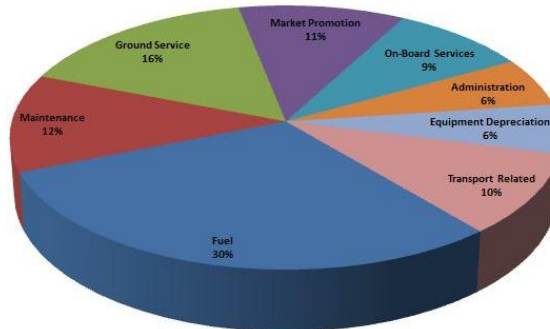


Figure 1 - The various type of operating expenses of an airline [2].

Table 2 shows which strategic measures lead to the reduction in unit costs.

Table 2

Cost distribution of LCC on short- haul flight in relation to traditional operators.

	Cost reduction (%)	Cost per seat
Traditional scheduled airline		100
Low cost carrier		
Operating advantage:		
High seating density	-16	84
Higher aircraft utilization	-2	82
Lower flight and cabin crew costs	-3	79
Use cheaper secondary airports	-4	75
Outsourcing maintenance/ single aircraft type	-2	73
Product/ service features:		
Minimal station costs and outsourced handling	-7	66
No free in-flight catering, fewer passenger services	-5	61
Difference in distribution:		
No agents or GDS commissions	-6	55
Reduced sales/ reservation costs	-3	52
Other advantage:		
Smaller administration and fewer staff/offices	-3	49
Low-cost compared to traditional airline		49

Source Doganis (2007) [5]

Principles of operation

1- One type of passenger class (there are no first or business class)

2- Fleet consists of one type of airplane (such as Airbus A320 or Boeing B737). In this case pilots and the crew of airplane can operate in any airplane in the fleet because it's one type and that

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will save many of training pilots to different airplane.

- 3- Cheap fees, increase with services. LCC don't offer drink or food but you can buy it on airplane the weight of baggage are limited and you will pay for additional weight.
- 4- Unreserved seating or free seating, which contribute in minimize the operation cost, it embolden to buy the ticket earlier.
- 5- Using secondary airports. The advantage of using secondary airports it's less busy than the main airports and the cost of services will be cheap.
- 6- Simplified routes and short Haul flight with fast turnaround time. (Less than 1500 km) and with these distance we get low operating costs per passenger required.
- 7- Electronic ticket, selling directly to customers to minimize the add cost to the ticket by commissions of travel agents. LCC using internet or call center and avoid computer reservation fees. [2] [5] [6]

Iraq aviation: status and possibility

The Iraq Civil Aviation Authority (ICAA)

Is the agency responsible for Iraq's obligations under the provisions of Annex 9 (Facilitation) of the Chicago Convention. The ICAA is responsible for coordinating with other Iraq agencies for the development and implementation of policy and coordination of ICAO matters. The (ICAA) is the specialist aviation regulator in Iraq. Its activities include airspace policy, flight permissions, safety regulations and economical regulations. New carriers wishing to operate in Iraq must receive full approval from ICAA prior to flight commencement. [7]

Approved Airports by (ICAA)

Civilian aircraft flying into or out of Iraqi territory shall only be permitted to make their first landing and final departure from an approved International Airport in order to complete required Customs and Immigration clearance. The current ICAA approved International Airports are:[7]

- Baghdad International.
- Erbil International.
- Sulaymaniyah International.
- Basra International.
- Al Najaf Al-Ashraf International.

In Fig.2 we can see the location of these airports in Iraq map.



Figure 2 - The Iraq main airports.

Iraqi Airways companies

In Iraq there is one national airline company called "Iraqi Airways" was founded in 1945 and we can consider it the first airline company in the Middle East. It was used at the beginning of the British and Soviet-made airplane. In the sixties Iraqi Airways was quick to modernize, buying new jet

airplane, these jets allowed Iraqi Airways to increase service across the Middle East, to Africa and Europe. In the seventies the United States has allowed Iraqi Airways planes using John F. Kennedy International Airport in New York, and because of that, it needed a bigger jet, so they buy Boeing 707, 747 jets. Fig. 3 show as the Iraqi Airways destinations.

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Figure 3 - Iraqi Airways destinations.

Analyzing the case

As we see, Iraqi Airways destinations to different places from different cities, in Table 3 we can see Airplane and passenger traffic in three Iraqi

civil airports (Baghdad, Basra and Najaf) according to the report issued by the General Establishment of Civil Aviation for the period from 8-14 / 4/2015.

Table 3

Airplane and passenger traffic in Iraqi civil airports [8].

Airport name	Baghdad	Basra	Najaf
No. of incoming flights	207	89	184
No. of passengers arriving	19488	7279	21145
No. of departing flights	211	89	184
No. of departing passengers	23825	7430	25183

To simplify we will choose Baghdad airport (the Capital airport) with three destinations that meet the low cost carrier demand and its important destination which is:

- 1- Baghdad - Erbil, flight time 53 min, flight distance 321 km, internal flight, and this route considered one of the most routes use especially

in summer and in many times when the overland route be dangerous between the Middle and North of Iraq. If we compared the price of ticket between let say "Iraq Airways" and LCC in Europe for the same distance, the result in Table 4.

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Table 4

Compared the price of ticket between different company [8] [10] [11].

Departure city	Warsaw, Poland	Baghdad, Iraq	Madrid, Spain
Arrival city	Malmö, Sweden	Erbil, Iraq	Porto, Portugal
Distance in km	645	321	421
Airways company	Wizz Air	Iraqi airways	Ryan Air
Price in \$	22.49	100	17

We measure the distance between the city according to Ref. [9] and we made the reservation to all company in the same date 19/08/2015 for same for same departure day 01/10/2015, one way.

2- Baghdad - Dubai/ UAE, flight time 2 hr. 13 min, flight distance 1389 km, External flight, and this route considered one of the most routes use in all year which connect Baghdad to Asia

through Dubai. If we compared the price of ticket between let say "Iraq Airways" and LCC in Europe for the same distance, the result in Table 5.

Table 5

Compared the price of ticket between different company [8] [10] [11].

Departure city	Warsaw, Poland	Baghdad, Iraq	Warsaw, Poland
Arrival city	Beauvais, France	Dubai, UAE	Beauvais, France
Distance in km	1362	1389	1362
Airways company	Wizz Air	Iraqi airways	Ryan Air
Price in \$	23	208	30

We measure the distance between the city according to Ref. [9] and we made the reservation to all company in the same date 19/08/2015 for same for same departure day 01/10/2015, one way

3- Baghdad - Istanbul / Turkey, flight time 2 hr. 30 min, flight distance 1611 km, External flight, and this route considered one of the most routes use during the all year especially in summer connect the Iraqi capital with Istanbul

which consider the gate to the rest of the world. If we compared the price of ticket between let say "Iraq Airways" and LCC in Europe for the same distance, the result in Table 6.

Table 6

Compared the price of ticket between different company[8] [10] [11].

Departure city	Warsaw, Poland	Baghdad, Iraq	Warsaw, Poland
Arrival city	Barcelona, Spain	Istanbul, Turkey	Barcelona, Spain
Distance in km	1877	1611	1877
Airways company	Wizz Air	Iraqi airways	Ryan Air
Price in \$	82.29	360	95

We measure the distance between the city according to Ref. [9] and we made the reservation to all company in the same date 19/08/2015 for same for same departure day 01/10/2015, one way

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Discussion and Conclusion

As we see in the Tables, there are big difference between the price of ordinary airline company represented by "Iraqi Airways" in our paper and low cost carrier, Although "Iraqi Airways" considered one of the cheap airlines company in the area due to nonprofessional service that provide it and "Iraqi Airways" have problem in planning, organization due to unstable situation in Iraq that made the passenger almost from Iraq only, in our simulation we based on the distance of flight as a criteria and we know this approach give us 80% from the real situation but in total show us the huge reduce in price of ticket. Now we will list the strengths and weaknesses in Iraqi situation.

Strengths

Iraq has great financial ability, cheap efficient workers, special location in the Middle East which consider the link between continental, possibility of

supply the fuel with motivational price "Iraq is one of rich oil country so it's not affected too much with increase the oil price", satisfied aviation structure and he liberated from all constraints which Imposed on him before 2003 so he must organized many things in aviation and investment and create a safe environment to attract the investor from out and inside Iraq.

Weaknesses

One off the most weaknesses is the non-stable situation which effect on the investment in Iraq, administrative corruption and bureaucracy, failure proper planning for aviation sector and non-utilization of International expertise.

At the end, LCC strategy proved around the world but it's only succeed with good planning to all process with high accuracy, and increase the number of a working airlines has great benefit to variety the services which present to passenger.

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