

The Case for a non-stop flight between Dhaka and New York

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Having read the recent article in the Financial Express dated 14th August about Biman's resumption of its Dhaka-New York flights, I have a few comments to make and some questions to ask publicly to the CEO of Bangladesh's national flag carrier. Firstly, as a north-America resident of Bangladeshi roots I am delighted to hear the news because it can cut my journey from 24+ hours down to 16 hours. Secondly as a well wisher of the ailing carrier, I look forward to this becoming a profitable route. Thirdly, I question why the flight has to make a stop on-route to Dhaka from New York based on both technical and business reasons.

However, there are some assumptions I need to make to justify my thoughts and I leave it up to the experts in your readership to judge the fairness thereof. The article claims that there are some 200,000 Bangladeshis residing in the United States; let's add another 50,000 to cover those who live in Canada. If we assume about 90% of these folks travel to Bangladesh at least once every two years, and 75% of them live east of the Texas-Ontario diagonal and are therefore likely to fly on the JFK-DAC route. This brings the total number of such customers to 168,750. In other words, there are 660+ people who travel between Dhaka and New York every calendar day.

The current cost of an average economy class return ticket from this region (Toronto, New York, Washington DC etc..) on Etihad, Emirates and Kuwait Airways to Dhaka ranges from \$1,200 to \$1,400 (Tk 86,000). This is equivalent to \$650 one way (actual o/w fares are in excess of \$750). Therefore, the gross-earning for the airline operator per o/w flight with 231 passengers is \$150,150. Interestingly, Biman claims they made a loss of Tk 75 Lakh (\$107,142) per New York & Dhaka flight using a full load of 274 customers in their ancient DC 10-30s. This implies the cost per o/w seat to Biman on this flight was \$940 or 44% higher than other carriers – or they had 114 seats that were not filled or paid for.

A Boeing 777 has a range anywhere between 5,200 and 8,000 nautical miles (nm) with a capacity to carry 300 to 400 passengers. Such an aircraft is more than adequate to cover the 7,000nm over between New York and Dhaka with passenger and baggage but without any revenue cargo. All factors considered, such a non-stop flight would take about 16 hours. Recently, Biman wet-leased (aircraft, crew, maintenance and insurance) a Boeing 747 at \$5,300 per flying hour. The current wet-lease cost of a Boeing 777 ranges between \$10,000 and \$14,000 per hour. Taking a mid-range value of \$12,000 per hour, the lease cost to Biman is \$192,000 per one way flight. The fuel consumption of the aircraft is 0.01665 gallons per passenger mile; the price of jet fuel is currently \$1.47 (average price over last several years has been \$1 with a sudden spike up to \$4 in Q1 of 2008; it is now sharply declining). Let's assume a configuration and fill factor are such that there are 365 passengers in a three class configuration: 335 in economy, 20 in business and 10 in first class and the premium fares are weighted by 1:1.5:2 making the total number of economy seats – for cost purposes – 385. The total operating cost adding \$43,000 for fuel, now comes to \$235,000 per flight or \$610 per seat. If Biman charges the same as what the foreign carriers are charging, they would make a profit of \$40 per seat or \$15,400 (Tk 10.8 Lakh) per flight instead of a loss Tk 75 Lakh!

As long distance traveler, I'll readily opt for a non-stop flight that lasts less than 16 hours to nearly 24 hours it takes going via Abu Dhabi, Dubai or Kuwait. The opportunity cost of those extra wasted hours in changing planes, getting exhausted waiting in transit lounges (not to mention getting abused by natives of the Gulf countries) factoring in the per capita income of the USA (\$38,000) and Canada (\$30,000) - is equivalent to two whole productive days or \$200. Given this, Biman would be well within their rights to claim a share of that money and charge between \$1,400 and \$1,500 per seat and should easily make a profit of 15%-23% or \$90-\$140 per non-premium class seat. It appears there's a clear business case for operating such a flight and all the complaints from Biman about political pressure from Bangladeshi expatriates in north America seem utterly ridiculous. Furthermore, it is obvious that having such a direct flight between Dhaka and New York will benefit trade between the regions many times.

If one includes a few of hours of non-flying time for the leased aircraft, the total time per o/w flight comes to 18 hours. As 231 people travel everyday or 1,617 per week, 4+ flights/week with 365 paying passengers would consume 100% of the market share. But if only 2 flights a week are operated (365 x 2)/1,617 to capture 45% of the captive market share, Biman would still retain their profit margin on this route. This will leave the aircraft unused 45% of the time over that period and the excess capacity thus created can easily be diverted to operate flights to Dubai, Kuala Lumpur and Singapore – routes that are clearly over-subscribed by the several million strong expatriate labor force in those regions and fall in the 6 hour (flying plus non-flying time) per leg bracket. This is equivalent to one daily return flight each of these busy regional destinations – currently being monopolized by foreign carriers who from my recent personal experience have a nasty habit of mistreating Bangladeshi passengers.

While I am happy to see positive ideas emanating from Biman's management reflected by good business decisions, I think it would be a huge mistake to break-up the New York - Dhaka journey by stopping in a third country like the UK. Not only will it take away the biggest attraction of a shorter travel time but it will also add to the anxiety of having to deal with travel restrictions on Bangladeshi passport holders in those countries not to mention delays and elemental uncertainties related to any additional stop-over. I look forward to seeing Bangladesh's national flag carrier on US soil again soon!

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