

Introducing Sama



subsequent handover to a local management team. This ensures the marrying of local skills and requirements with international low cost airline best practice.

Special Briefing

Mango completed the study in July 2005 and concluded that a new airline based on the low cost airline model, successfully established across the world would:

- o bring substantial customer benefits through the introduction of low fares, high frequencies, and the introduction of best practice in all aspects of airline operations;
- o provide a competitive alternative to Saudi Arabian Airlines albeit targeted at the more price sensitive part of the market, serving primarily domestic routes but also regional international routes currently served by much lower frequencies than similar city pairs elsewhere in the world;
- o stimulate substantial passenger growth taking the number of passenger journeys within Saudi Arabia and to the surrounding regions up to the levels experienced in many similar countries similar to Saudi Arabia, where competition has been able to flourish;
- o provide significant employment opportunities, either as direct employees, or through sub-contractors and in related business areas;
- o provide acceptable investment returns to private investors, recognising the risky nature of airline start-up's.

The hall filled again for the April Special Briefing when Andrew Cohen, Chief Exec of Sama, Saudi Arabia's newest airline, came to talk to RGBB members. The following notes have been compiled for those who were unable to attend the event.

- o Sama was founded in 2005 by HRH Prince Bandar bin Khalid al Faisal and is supported by some of the leading private and institutional shareholders in Saudi Arabia.
- o Following award of national licence in December 2006 Sama secured its AOC on 17th March 2007 and launched operations the day after.
- o Sama kicked off its commercial launch with a major eye-catching promotion - '10,000 Seats for free' and all available seats went in just over 24 hours!
- o Sama started with 4 x 737 -300's with two more arriving during the summer months. They fly from a base in Dammam to Riyadh, Madinah, Jeddah, Abha and Gizan. The company's growth plan calls for 35 aircraft by 2010.
- o Research has suggested that the internet is the most important sales channel contrary to current practice in the region. Sama does also sell tickets through City Centre Sales Offices, Airport Sales Desks and some Travel Agents. Their contact centre number is 920005588.

The feasibility study demonstrated that the most efficient capital structure was an all equity investment of SR187.5m/\$50m, assuming all aircraft were leased, therefore minimising funding costs. Accordingly, Investment Enterprises Ltd commenced an initial fund-raising exercise which concluded in December 2005 and was substantially oversubscribed. Subscriptions were received from 30 investors in all, including some of Saudi Arabia's most prominent long term investors.

Background

In May 2005 in anticipation of a liberalisation of the Saudi Arabian aviation sector, Investment Enterprises Ltd of Riyadh, Saudi Arabia, chaired by HRH Prince Bandar bin Khalid al Faisal contracted Mango Aviation Partners Ltd, a UK based aviation firm specialising in low cost airline start-up's, to conduct a feasibility study into the start-up of a new national airline for Saudi Arabia. Mango offers a turnkey airline start-up solution, from developing a business plan through to implementation and

