Macrothink Institute™

Case Studies in Business and Management
ISSN 2333-3324
2025, Vol. 11, No. 1

Analyzing the Impact of Sunk Cost effect on Low-Cost Carriers in the GCC: A case of Wizz Air

Dr. Hasinul Hussan Siddique

Dept. of Business & Management, Muscat University, Sultanate of Oman

E-mail: brains786@live.com

Sheikh Rayyan bin Hasan

School of Engineering, University of Leicester, UK

E-mail: officesr@gmail.com

Sheikh Zain bin Hasan

School of Computer Science, University of Birmingham, UK

E-mail: szainbh@gmail.com

Received: October 11, 2025 Accepted: November 10, 2025 Published: December 29, 2025

doi:10.5296/csbm.v11i1.21232 URL: https://doi.org/10.5296/csbm.v11i1.21232

Abstract

This study investigates the operational strategies of low-cost carriers (LCCs) in the Gulf Cooperation Council (GCC) region, focusing on Wizz Air's market entry and subsequent exit in the UAE. Utilizing the framework established by Schlumberger and Weisskopf (2014), the implications of sunk costs are explored, particularly in regulated environments characterized by unique economic factors. The aviation market in the UAE presents a unique landscape influenced by a range of rentier economics and competitive dynamics. Wizz Air's entry into this market marked a notable deployment of a purist lean business model, distinct from legacy of the hub-and-spoke systems. This study seeks to analyze whether the decision-making processes of Wizz Air are affected by sunk costs and how these factors interact with LCC operations in the region. This study employs comparative analysis, benchmarking Wizz Air against peer European no-frills airlines, including Ryanair. Data was collected from industry reports, research publications, and financial statements, to assess the effectiveness of Wizz Air's operational strategies and decision-making processes regarding its

investment in the UAE. Evidence suggests a reverse sunk cost effect in Wizz Air's case; a behavioral phenomenon where the company's initial substantial investments reduced the likelihood of continued financial commitment. This behaviour contradicts most behavioral economics literature on sunk cost fallacy, where escalation of commitment typically increases with sunk costs. The results indicate that Wizz Air's reluctance to invest further in the UAE can be attributed to a calculated response to perceived risks and operational challenges unique to the Gulf market. This study concludes that Wizz Air's exit from the UAE; displayed a behaviour based on rational disengagement arising from loss aversion, deeply rooted in the managerial decision-making processes.

Keywords: sunk cost, low-cost carrier, hub-and-spoke, fallacy, ULCC

JEL classifications: M2 and M21

1. Introduction

Low-cost carriers (LCCs) are also known as budget, discount, low-fare, and no-frills airlines. The origins of the low-cost carrier (LCC) definition can be traced to Tary's work in 2010. Given the significant complexity and unpredictability of assessing marketing potential, Wizz Air had decided to enter the Abu Dhabi market in 2019. The emirate opened its new Terminal A, covering 84,000,000 square feet, at a staggering cost of USD 3 billion. Wizz Air's risk-averse approach led it to make substantial initial investments in relocating its operations to Abu Dhabi, thereby influencing future policy decisions. Most of the sunk cost bias in business investments arises from hypothetical scenarios in which the evidence is inconsistent (Sleesman et al., 2012; Roth et al., 2015). Psychologically, Wizz Air management set a mental cap on investment spending; once this limit was reached, they ceased investing and exiting the joint venture. Six years is a long time for any budget airline to sustain losses relative to its initial endowment, instead of making additional investments recover. This 'do not waste" mentality was simply a manifestation of the reverse sunk cost effect.

Rapid growth in the airline industry's low-cost carrier segment has attracted significant foreign investment in the Gulf Cooperation Council (GCC) region. The aviation industry has been liberalized because of ongoing economic diversification away from oil. Wizz Air Abu Dhabi was founded on December 12, 2019, as a joint venture between Abu Dhabi Developmental Holding Co. (51% share) and Wizz Air Holdings Plc (49% share). Wizz Air was responsible for 70% of the losses incurred. The investment was part of the 'GHADAN 21'initiative[1], the Abu Dhabi AED 50 billion accelerator aimed at driving Emirati development through investments in business and innovation start-ups. The tie-up was supported by the Open Skies Agreement of the General Civil Aviation Authority (GCAA) to allow the concerned airlines of each country to operate unrestricted flight frequencies, aircraft capacity, and aircraft types, whether owned or leased, in passenger or cargo segments on the routes between the country and the UAE.

[1] 'GHADAN 21' initiative was an AED 50 billion accelerator programme launched in 2019 to enhance the competitiveness of Abu Dhabi.

Hooper et al. (2011) identified ‘a principal axis shift” as the GCC market has evolved from an intermediate stopover point on the East-West corridor to a ‘central place’ in today’s trade and travel flows.

Source: Schlumberger, C. E., & Weisskopf, N. (2014).

Figure 1. Flowchart of the LCC impact

1. LCC: low-cost carrier
2. SME: Small and medium enterprise

This led to the rise of three global super-connector hubs: Dubai, Abu Dhabi (UAE), and Doha (Qatar). While legacy carriers in Europe and the Americas are constrained by political and economic factors, airlines in the Gulf Cooperation Council (GCC) region benefit from their geographic location. The Gulf states generously subsidize their airline industry using oil revenue, a trait found only in ‘rentier economies’.[2]

The aggressive expansion of legacy airlines in the region is unsustainable in the long run without subsidies. The Abu Dhabi-based ‘Etihad’ is the y oungest of the three major Gulf airlines. Although all three benefit from the ‘hub and spoke” strategy, they have different approaches. Emirates’ organic growth aligns with Dubai’s tourism and a large expatriate workforce that travels frequently, Qatar Airways focuses on transit passengers, and Etihad aims to increase capacity utilization.

The United Arab Emirates (UAE) is a rentier economy with a government-led macroeconomic model, where the idea of sunk costs in economics is derived from the oligopoly market theory. The strategic moves of Flydubai and Air Arabia created credible threats that discouraged the entry of new low-cost carriers (LCCs). This led to the argument that if a level playing field existed in the market and costs could be recovered, sunk costs would become zero.

Equipped with knowledge of market conditions, Wizz Air, a European low-cost carrier, relocated to Abu Dhabi with a ‘short-haul, point-to-point route structure” as opposed to a ‘hub and spoke” strategy. The intention was to benefit from lower fuel costs and gain access to flying rights to the Indian subcontinent. Hu (2019) studied the dynamic optimality of hedging airline fuel costs and concluded that hedging creates value only when the policy is near optimal but can be harmful otherwise.

[2] A rentier economy is one where rental wealth is generated from extraction of natural resources rather than producing goods and services.

2. Wizz Air JV

In 2019, a Memorandum of Agreement was signed between Wizz Air Holidays plc and Abu Dhabi Developmental Holding Co. PJSC (ADDH), envisioning a 49 percent stake for Abu Dhabi Developmental Holding Co. in the joint venture and a 70 percent loss-sharing arrangement. Wizz Air was optimistic about the growing demand for air travel in the GCC, fueled by increased disposable incomes, growth in the middle class, and an expanding foreign workforce in the region's economies. The market entry parameters for the UAE, such as service offerings for business, tourism and travel, value propositions to customers, competitive advantages over other carriers, and operational schedules that provide the highest value and lowest cost, were key elements of the competitive strategy.

The growth of the middle class and disposable incomes made air travel a more practical option for UAE society. In addition to addressing the socio-economic gap in the customer segment, Wizz Air complemented the following objectives:

(i) Benefit middle-class people with connectivity to European destinations, thereby accelerating tourist travel.

(ii) Access to the deregulated market in the Indian sub-continent to provide affordable travel.

(iii) Prioritize passenger demand, air transport liberalization, and good governance.

(iv) Higher perceived value proposition to customers.

(v) Increase the availability of tourist destinations by using secondary airports.

(vi) This ensures an even traffic distribution throughout the year, thereby reducing the 'seasonality effect'.

(vii) Launching low 'off-peak fares enables mid-week holiday travel.

Low fares combined with a high-quality onboard experience would immediately attract frequent flyer markets to destinations across Europe. However, this was not the case here. Although estimated revenues from outbound travelers from GCC were expected to reach $216 billion by 2030, Wizz Air's decision to withdraw and redeploy its assets proved to be a suboptimal strategic decision given the market conditions. Customers enduring long car drives on risky roads proved to be a critical customer base for Wizz Air, but the venture could not break even throughout its existence. The management realized that the unprofitable venture would be more costly in the long run, so sunk costs had to be factored into the decision.

Since adopting a new system faces resistance to replacing an existing one, Wizz Air maintained the status quo to avoid impacting perceptions and intentions to use the system. Rising fuel costs and regulatory barriers restricted Wizz Air's access to the expatriate flyer segment in the Indian subcontinent. Its operations to Europe's slot-controlled destination airports turned out to be more expensive to operate, with longer turnaround times and a higher likelihood of delays.

3. Wizz Air LCC model

More than a dozen low-cost carriers (LCCs), including many from outside the region, operate in the GCC. These airlines include Air India Express, IndiGo, SpiceJet, Fly Jinnah, Air Blue, Air Asia, Pegasus, and US-Bangla, which connect the Indian subcontinent to the GCC. Spurred by political and macroeconomic stability and pro-market reforms in the UAE, Wizz Air decided to hedge its investment in a joint venture.

Wizz Air's ultra-low-cost carrier model resulted in significant investment in relocating aircraft and infrastructure from Eastern Europe to Abu Dhabi. Its expected profitability was envisioned through competition, rivalry, demand conditions, barriers to entry, and low fuel prices. The total travel costs calculated by Wizz Air included landing fees, parking fees, navigation, aerobridges, night operations, passenger services, infrastructure development, and approaches to the terminal en route.

Currently, there are three business models globally for low-cost carriers (LCCs) (Schlumberger & Weisskopf, 2014).

(i) *Purist model*: It is the 'purest' business model available in the market. The focus is on cost reduction, point-to-point services, and generating ancillary revenues through value-added services. Ryanair and Wizz Air use it.

(ii) *Southwest model:* it is a business model in which the cost reduction strategy is not rigid. There is an upscale service level, including refreshments, a more generous luggage allowance, wider seats, and onward online connections. Flyadeal and Air Arabia use it.

(iii) *Hybrid model*: This model focuses on the low-fare business market with mini hubs to provide convenient connections. Flynas, Salam Air, Jazeera Airways, and Flydubai use it.

Table 1 lists the existing LCCs in the GCC region, along with their respective fleets.

Table 1. Low-cost carriers in the GCC: aircraft fleet

Airline	ICAO code	Country/Emirate	Type	No	Average age
Wizz Air	WZZ	UAE/Abu Dhabi	A320/A321Neo	12	4.7
Fly Dubai	FDB	UAE/Dubai	B737/B737Max8	88	5.3
Air Arabia	ABY	UAE/Sharjah	A320/A321NeoLR	83	10.5
Salam Air	OMS	Oman/Muscat	A320/A321NeoLR	15	4.8
Flynas	KNE	KSA/Riyadh	A320	71	5.3
Flyadeal	FAD	KSA/Jeddah	A320/A321Neo	45	4.8
Jazeera Airways	JZR	Kuwait	A320/A321Neo	24	9.9

Source: Centre for Asia Pacific Aviation 2024

Table 2 lists the existing low-cost carriers (LCCs) in the GCC region and their operations.

Table 2. Existing operations of Gulf-based low-cost carriers (LCC)

S no.	Airline name/ICAO code	Incorporation	Country	Hub/Base	Destinations	Tactical objective	Corporate setup
1	Air Arabia-Sharjah/ ABY	Feb 3, 2003	Sharjah-UAE	Sharjah, Ras al Khaimah, Casablanca, and Alexandria	Sharjah-22, Casablanca-28, Ras al Khaimah-11, Alexandria-06 Casablanca-28 Ras al Khaimah-11 Alexandria-06	Low-cost carrier (LCC)	Emiri decree
2	Air Arabia-Abu Dhabi/ ABY	July 14, 2020	Abu Dhabi-UAE	Abu Dhabi	Domestic 1 International International 30	Low-cost carrier (LCC)	JV between the Etihad Aviation Group & Air Arabia
3	Wizz Air-Abu Dhabi LLC/ WZZ	Dec 12, 2019	Abu Dhabi-UAE	Abu Dhabi	50	Low-cost carrier (LCC)	JV between Abu Dhabi Developmental Holding Co PJSC and Wizz Air Holdings Plc
4	Fly Dubai/ FDB	Mar 19, 2008	Dubai-UAE	Dubai	131	Low-cost carrier (LCC)	The Dubai Aviation Corporation
5	Jazeera Airways/ JZR	April 2004	Kuwait	Kuwait	57	Low-cost carrier (LCC)	Emiri decree no. 89/2004
6	Flynas/ KNE	Nov 13 2013	Saudi Arabia	Riyadh	Domestic-70 International - 30	Hybrid model (LCC and full-service perks)	Subsidiary of the National Air Services
7	Flyadeal/ FAD	April 17, 2016	Saudi Arabia	Jeddah	Domestic – 18 International-17	Low-cost carrier (LCC)	The Saudi National Transformation 2020
8	Salam Air/ OMS	Jan 30, 2014	Oman	Muscat	Domestic – 05 International-36	Low-cost carrier	Muscat National Development and Investment Co., Ltd.

Source: Author's compilation

4. Literature Review

Research on low-cost carriers, hereinafter LCCs, is limited. The existing literature discusses the traditional sunk cost fallacy, where decision-makers rely on unrecoverable investments rather than future potential, leading to suboptimal outcomes. Al-Kaabi (2014) provided an overview of Middle East air transport, with a focus on regulatory frameworks and political issues. Morrison and Mason (2016) examined socioeconomic indicators and supported the use of low-cost travel. Although survey years are inconsistent and data accuracy is limited, over the past 30 years, 56 percent of the GCC's national income has been in the top 10 percent of the population, and only 12 percent goes to the bottom 50 percent. (World Income Inequality Database, 2024). This unequal income distribution has driven the demand for affordable travel among tourists, workers, and students.

Bowen (2019) described low-cost carriers in the Middle East as 'short super connectors' that enhance connectivity for long-haul flights provided by 'super connectors' (Emirates, Etihad, and Qatar Airways).

The argument against the sunk cost fallacy, or faulty reasoning, is based on the idea that past non-recoverable investments do not make sense and should not affect future decisions, as unrecoverable costs should not influence our choices. Regarding opportunity cost, there are often better options that could have been selected if decision-makers had not already spent money that could not be recovered. (Arkes & Blumer, 1985; Thaler, 1980) argued that higher investments encourage people to consider more alternatives.

Post-COVID-19, Wizz Air realized that the sunk cost ~~fallacy~~ will continue to threaten its investments in the UAE, making any effort to recover sunk costs futile. In the case of Wizz Air, this fear ~~fallacy~~ may have been driven by previous investments in Europe. Historically, examples of the sunk costs ~~fallacy~~ include politicians overspending on public works projects (Ross & Straw, 1993), people staying in failing relationships (Strube, 1988), penny auctions (Augenblick, 2016).

Arkes and Blumer (1985) argued that the sunk cost effect is a regressive economic behaviour characterized by a stronger tendency to continue pursuing something after investing money, time, or effort. Extensive literature supporting this argument suggests that previous investment bias should not influence current investment decisions. Instead, the focus should be on the incremental costs and benefits of current investments.

Marcello et al. (2022) successfully argued that a reverse sunk cost effect means that the larger the initial investment, the less likely it is to continue investing. This contradicts most behavioral economics literature, where escalation of commitment typically increases with sunk costs. It describes the tendency to continue investing even when it is not the best choice once an investment has been made.

5. Methodology

A sample analysis of the business models of low-cost carriers (LCCs) in the Gulf Cooperation Council (GCC) was conducted, and carriers were scored based on their adherence to the key

features and parameters of LCCs, inspired by the conceptual framework (Schlumberger & Weisskopf, 2014; Morrison & Mason, 2016; Klophaus et al., 2012). Each ‘YES’ is awarded ‘1’ point, and each ‘NO’ is awarded ‘0’ point. The “big two” European LCCs (Ryanair and EasyJet) were used as benchmarks. The model considers two main operational and organizational features, which are further divided into 20 parameters, each characteristic of low-cost carriers worldwide. In practice, these parameters highlight the primary factors that distinguish LCCs from legacy airlines (full-service carriers).

Data was collected for each carrier from aeronautical information publications, airport websites, and airlines' annual reports. Table 3 lists the parameters and point allocation.

Table 3. Adherence of Low-cost Carriers in the GCC to the LCC Business model

S no.	Low-cost carrier/International Civil Aviation Organization (ICAO) code	FlyDubai FDB	Air Arabia ABY	Flynas KNE	Flyadeal FAD	Jazeera Airways	Salam Air OMS	Ryanair RYR	Easyjet EZY	Wizz Air WZZ
	1. **Operational Features:**									
1.	No-Frills service: no free meals	1	1	1	1	1	1	1	1	1
2.	No-Fills service: no free checked baggage*	1	1	1	1	1	1	1	1	1
3.	No-Frills service: included ladies' handbags**	0	0	0	0	0	0	1	0	1
4.	No-frills service: not in-flight entertainment	0	1	1	1	0	1	1	1	1
5.	Point-to-point network	0	0	1	1	0	0	1	1	1
6.	Secondary airports: less congested, cheaper secondary airports rather than expensive primary ones.	1	1***	0	0	1	0	1	0	1
7.	Fleet commonality: a single-type aircraft fleet to standardize maintenance, reduce training costs, and simplify operations.	1	1	1	1	1	1	1	1	1
8.	No-Frills service: single class.	0	1	0	1	1	1	1	1	1
9.	Standardized single service class cabin configuration: A simple, one-class cabin layout is offered to maximize seating capacity and minimize service complexity.	0	0	0	0	0	0	1	1	1
10.	One-way pricing	1	1	1	1	1	1	1	1	1
11.	One fare class	0	0	0	0	0	0	0	0	0
12.	No frequent flyer status	0*****	0	0	1	0	0	1	1	1
13.	No alliance membership	0	1	1	1	1	1	1	1	1
	Score (A)	**5/13**	**8/13**	**7/13**	**9/13**	**7/13**	**7/13**	**12/13**	**10/13**	**12/13**

	B. Organizational Features:									
14.	Cost Leadership: The core strategy of undercutting rival firms on price.	1	1	1	1	1	1	1	1	1
15.	Simplicity of the business model: It is easy to manage and execute operations approach.	1	1	1	1	1	1	1	1	1
16.	High asset turnover: generating high returns on assets through efficient operations.	1	1	1	1	0	1	1	1	1
17.	High load factors: a high percentage of occupied seats is maintained to ensure necessary resource utilization.	1	1	1	1	1	1	1	1	1
18.	Productivity: achieving high productivity from both personnel and aircraft.	1	1	1	1	1	1	1	1	1
19.	Competitive Wages with Profit Sharing: Offers competitive, performance-related pay that aligns employee and company interests.	0	1	1	0	0	0	1	1	1
20.	Low Operating Costs: The cumulative effect of these practices results in a significantly lower cost base compared with that of full-service carriers.	1	1	1	1	0	1	1	1	1
	Score (B)	**06/07**	**07/07**	**07/07**	**06/07**	**04/07**	**06/07**	**07/07**	**07/07**	**07/07**
	Total score (A + B)	**11/20**	**15/20**	**14/20**	**15/20**	**11/20**	**12/20**	**19/20**	**17/20**	**19/20**

Source: Adapted from the original LCC model (Alamdari & Fagan, 2005)

1. * Laptop carry bag or lady bag with maximum size (25cm x 33cm x 20 cm)
2. ** in the cheapest fare
3. *** Sharjah is assumed to be a secondary airport in the United Arab Emirates
4. **** Emirates Skywards Program
5. In a multiairport system, secondary airports are airports complementary to a city's primary airport (De Neufville 2005)
6. Each 'YES' is awarded one point, and each 'NO' is awarded zero point.

Of the 20 parameters that govern the LCC criteria, each carrier fulfils them; we calculated the score out of 20. For example, a score of 19/20 indicates 95% fulfilment. The scores for each LCC were recorded and categorized into three business models, as defined by Schlumberger and Weisskopf (2014).

Table 4. Benchmarking LCC business models in the GCC

S.no	Low-cost carrier model	LCC carriers	Percentage
1	The Purist model	Wizz Air (19/20), Ryanair (19/20), Easyjet	95
		Ryanair (19/20	95
		Easyjet (17/20)	85
2	Southwest model	Flyadeal (15/20), Air	75
		Air Arabia (15/20	75
3	JetBlue model	Flynas (14/20), Salam	70
		Salam Air (12/20)	60
		JazeeraAir (11/20)	55

Source: Compilation by the author

Although the variability level is significantly low, low-cost carriers can be grouped into three clusters. There appears to be a moderate positive correlation between ‘adherence and profitability.” However, no single successful strategy has yet been identified. Operating practices must be flexible and adaptable to market conditions and a competitive environment, allowing a business model to develop and evolve. Since there are several common building blocks among all low-cost carriers, there is no single definition of what constitutes a low-cost business model; rather, a range of models fall under the LCC umbrella.

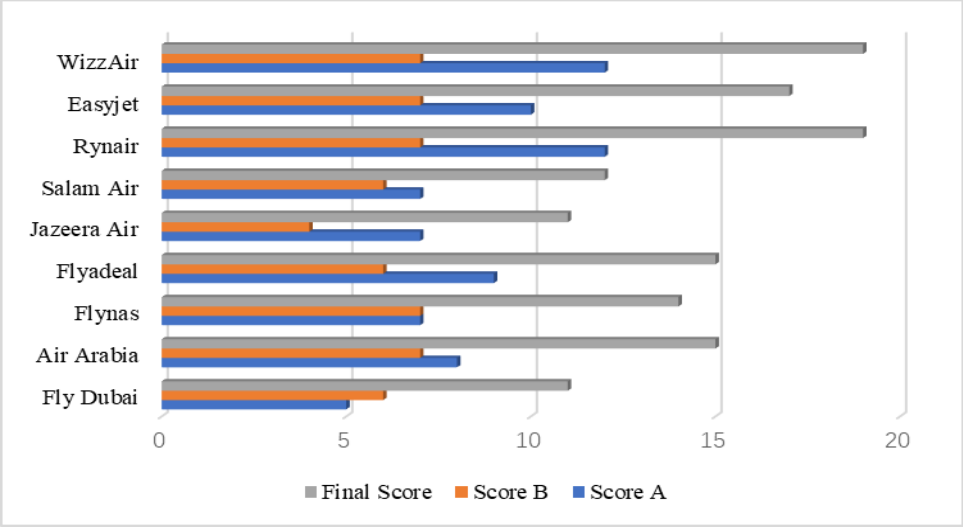

Figure 2. Adherence scores of the LCC business model

As competition matures, fuel prices fluctuate, and airline network alliances aim for higher yields, LCCs have blended their models. It is a common misconception that an airline's expenditure is measured by a metric known as Cost per available seat km (CASK). This metric calculates the cost of operating one available seat per kilometre. However, significant differences exist globally in the basic cost areas; therefore, CASK cannot serve as a universal benchmark.

6. Discussion

Since it is not possible to cover all aspects of LCC research in detail here, the focus is on the findings of the Wizz Air business model. Comparing the Wizz Air ultra-low-cost carrier (ULCC) model with other models in the GCC indicates that Wizz Air aligns with the key features and traits of LCCs. Wizz Air can be compared to Ryanair, as both scored 19 out of 20, and EasyJet scored 17 out of 20. Although no single LCC model is comprehensive, many low-cost carriers share common operating practices. Cost convergence has driven many LCCs to adopt a 'hybrid' model to enhance their competitive edge and revenue potential. While Wizz Air continues to operate out of Abu Dhabi as its base, many other LCCs, such as Air Arabia and Flynas, have adjusted their schedules to compete with new entrants. Fleet renewal is another area where cost convergence has created challenges due to the emergence of fuel-efficient aircraft.

6.1 Exit of the Wizz Air

The investment model of Wizz Air was flawed from the outset and heavily biased in favour of ADDH (51 percent). The venture was never profitable, and the partnership resulted in a net loss of €39.3 million in the fiscal year 2024-2025, representing an increase of €35.6 million from the previous year. Wizz Air Annual Report (2024).

Initially, Wizz Air successfully reduced its operational costs through a lean and 'purist model' of a low-cost carrier. The innovative strategy focused on the following measures-

i. Implementing the Fleet program planes A321ceo that are powered by more mature technology.

ii. Minimizing the marginal costs of manpower.

iii. Utilizing advanced airport infrastructure at the AUH airport.

iv. Entering into liberal air service agreements with other countries on route sharing and operations.

v. Integrated expansion plan for air travel on VFR-centric routes.

vi. Adding more XLR long-haul narrow-body aircraft at low trip costs.

vii. Sponsorship activities to increase brand awareness.

However, the additional revenues generated failed to sustain it. As a last resort, the airline management decided to salvage its investment. Wizz Air's financing and risk management involved promises to pay that needed to be collateralized. As Wizz Air was financially

constrained, it either adopted a less aggressive hedging policy or avoided it altogether. (Rampini, 2013)

In June 2025, Wizz Air's shares dropped below their 2015 IPO price. (Hughes, 2025). The airline continued to face the following challenges-

a) The Eastern European focus of the Budapest-based carriers meant that the Ukraine invasion hit them harder than others.

b) Since 2023, one-fifth of its fleet has been grounded since 2023, owing to tainted metal problems with Pratt and Whitney engines.

c) Outsized schedule to Tel Aviv as the war loomed high.

d) Failure to access the market for flights to the Indian subcontinent.

e) Expensive maintenance of aircraft engines due to suboptimal durability in hot and harsh climates.

These challenges led Wizz Air to redirect its aircraft to more sustainable markets in Eastern Europe. Emerging geopolitics, economic uncertainties, and war threats against Israel have increased the airline industry's vulnerability to revenue fluctuations.

7. Industry implications for LCCs

The analysis of Wizz Air's withdrawal and its repercussions on the low-cost airline sector has been constrained by challenges in establishing a direct connection between a specific model and the influence of low-cost carriers (LCCs) on air transport. The emergence of LCCs in the Gulf region is a recent phenomenon, but its triple impact has been profound due to the interdependence among various economic sectors. Ishutkina and Hansmann (2009). The triple impacts can be summarized as follows:

(a) Direct impact: employment and output in the aviation industry.

(i) Availability of qualified human resources through capacity building, training, and skill development.

(ii) Distributing traffic evenly throughout the year reduces the 'seasonality effect'.

(iii) Availability of affordable air transport infrastructure, including air traffic control, navigation, and surveillance.

(iv) Proper implementation of flight operations safety standards.

(v) Fuel availability and associated costs.

(vi) Good governance fostered a stable investment environment.

(b) Indirect impact: jobs and activities generated by the aviation supply chain.

(i) Availability of aircraft financing.

(ii) Affordable distribution through IT infrastructure

(iii) The overall effect on competition and market fare level helped increase traffic.

(c) Induced impact: employment and economic output generated by household spending by directly and indirectly employed actors.

(i) Increase in tourist destinations due to the use of secondary airports.

(ii) Low 'off-peak fares allowed mid-week vacation travel.

(iii) Increase in aviation services benefitted aviation industry's supply chain, resulting in higher demand from airlines for aircraft, ground handling, and other related services.

(iv) An increase in disposable household income from higher employment could be spent on goods and services. The implications led the entire industry to have a higher learning curve.

8. Conclusion

After six years of continuous losses, Wizz Air announced that it would cease all operations in the UAE as of September 1, 2025. Management cited major challenges to ensuring a smooth exit, including emerging geopolitical instability that causes frequent airspace closures, extreme dry heat affecting aircraft engine efficiency, regulatory barriers limiting route permissions, and protectionist policies impacting operations. A major conflict arose over seat allocations and capacity use toward destinations in the Indian subcontinent. The company blamed the state civil aviation regulator for this bias, claiming that it was a clear violation of the investment memorandum, as its routes were allocated to Etihad Airways.

While other low-cost carriers in the GCC have adopted hybrid business models that combine elements of LCC and traditional airlines, Wizz Air chose to maintain a strictly 'puristic' low-cost carrier model. However, high load factors were not achieved on the routes between UAE and Europe. The existing market distortions, including subsidies to Etihad and exclusive rights to serve certain routes, should have been removed.

This study has attempted to fill this gap in the existing literature by analysing the effects of unrecoverable past costs and benefits that should not influence current or future decisions. However, some unresolved questions raise doubts about the Wizz Air Abu Dhabi LCC business model's sustainability. Why did Wizz Air accept responsibility for 70 percent of the joint venture's losses? Data on contract terms are not publicly available because of their proprietary nature. Lack of transparency damaged trust. General Civil Aviation Authority (GCAA), the federal authority for civil aviation in UAE should attempt to eliminate current market distortions, including subsidies to certain carriers and the granting of exclusive rights to serve specific routes.

The significant initial investment made by Wizz Air led it to persist with the decision, driven by the escalation of commitment, which includes justifications for earlier choices and a desire to avoid appearing wasteful in the long run.

Acknowledgments

We are grateful to our colleagues, family members, and friends who contributed to the successful completion of this study through their insightful discussions, constructive suggestions, and support during data collection and analysis.

Authors contributions

Sheikh Zain bin Hasan was responsible for the study design and revision. Dr. Hasinul H. Siddique was responsible for collecting data. Sheikh Rayyan bin Hasan drafted the manuscript, and Dr. Hasinul H. Siddique revised it. All authors read and approved the final manuscript. All three authors contributed equally to the manuscript and bear responsibility for the contents.

Funding

Not applicable

Competing interests

The authors declare that, to the best of their knowledge, they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Informed consent

Obtained.

Ethics approval

The Publication Ethics Committee of the Macrothink Institute.

The journal's policies adhere to the Core Practices established by the Committee on Publication Ethics (COPE).

Provenance and peer review

Not commissioned; externally double-blind peer reviewed.

Data availability statement

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

Data sharing statement

No additional data are available.

References

Alamdari, F., & Fagan, S. (2005). Impact of adherence to the original low-cost model on the profitability of low-cost airlines. *Transport Reviews, 25*(3), 377–392. https://doi.org/10.1080/01441640500038748

Alkaabi, K. (2014). Middle Eastern air transport geographies. In A. R. Goetz & L. Budd (Eds.), *The geographies of air transport* (pp. 231–246). Ashgate Publishing Limited. https://doi.org/10.4324/9781315557779

Antonoaldo, N. (2025, July 22). No 'favouritism' for Etihad in Abu Dhabi. *Gulf News*. https://gulfnews.com/business/aviation/no-favouritism-for-etihad-at-abu-dhabi-airport-says-ceo-antonoaldo-neves-1.500206495

Arkes, H. R., & Blumer, C. (1985). The psychology of sunk cost. *Organizational Behaviour and Human Decision Processes, 35*(1), 124–140. https://doi.org/10.1016/0749-5978(85)90049-4

Augenblick, N. (2016). The sunk-cost fallacy in penny auctions. *The Review of Economic Studies, 83*(1), 58–86. https://doi.org/10.1093/restud/rdv037

Bowen, J. (2019). *Low-cost carriers in emerging countries* (1st ed.). Elsevier.

CAPA Fleet Database. (2024). *Centre for Aviation*. Retrieved December 14, 2025, from https://centreforaviation.com/data/fleet

Godinho, V. (2023, July–August). Full thrust. *Business Traveller*, 20+.

Hooper, P., Walker, S., Moore, C., & Al Zubaidi, Z. (2011). The development of the Gulf region's air transport networks: The first century. *Journal of Air Transport Management, 17*(6), 325–332. https://doi.org/10.1016/j.jairtraman.2011.02.001

Hu, X., Sy, M., & Wu, L. (2019). *Dynamic optimality of airline fuel cost hedging*. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.3488128

Hughes, J. (2025). *The global annual activity and sustainability report*. CAE. Retrieved September 24, 2025, from https://www.cae.com/media/documents/FY24_Global_Annual_Activity_and_Sustainability_Report-en.pdf

Ishutkina, M., & Hansman, R. J. (2009). *Analysis of the interaction between air transport and economic activity* (MIT International Center for Air Transportation Report No. ICAT-2009-1). Massachusetts Institute of Technology. http://hdl.handle.net/1721.1/44957

Jasper, C. (2025, July 20). Wizz Air quit Gulf after Abu Dhabi went back on deal, boss says. *The Telegraph*.

https://www.telegraph.co.uk/business/2025/07/20/wizz-air-quit-gulf-abu-dhabi-reneged-deal-boss-says/

Khaleej Times. (2025, July 14). *Low-cost carrier Wizz Air to exit Abu Dhabi operations*. Gulf News. https://gulfnews.com/business/aviation/wizz-air-to-exit-abu-dhabi-operations-by-september-1-refocus-on-europe-1.500197356

Klophaus, R., Conrady, R., & Fichert, F. (2012). Low-cost carriers going hybrid: Evidence from Europe. *Journal of Air Transport Management, 23*, 54–58. https://doi.org/10.1016/j.jairtraman.2012.01.015

Marcello, S., De Paola, M., & Scoppa, V. (2022). Sunk cost in investment decisions. *Journal of Economic Behavior & Organization, 200*, 1105–1135. https://doi.org/10.1016/j.jebo.2022.06.028

Morrison, W. G., & Mason, K. J. (2016). Low-cost carriers in the Middle East and North Africa: Prospects and strategies. *Research in Transportation Business & Management, 21*, 54–67. https://doi.org/10.1016/j.rtbm.2016.06.003

Neufville, R. de, & Odoni, A. (2005). *Airport systems: Planning, design, and management*. McGraw-Hill.

Rampini, A., & Viswanathan, S. (2013). *Dynamic risk management* (NBER Working Paper No. 17158). National Bureau of Economic Research. https://doi.org/10.2139/ssrn.1875051

Ross, J., & Staw, B. M. (1993). Organizational escalation and exit: Lessons from the Shoreham nuclear power plant. *Academy of Management Journal, 36*(4), 701–732. https://doi.org/10.5465/256758

Roth, S., Robbert, T., & Straus, L. (2015). On the sunk-cost effect in economic decision-making: A meta-analytic review. *Business Research, 8*(1), 99–138. https://doi.org/10.1007/s40685-014-0014-8

Schlumberger, C. E., & Weisskopf, N. (2014). *Ready for takeoff? The potential for low-cost carriers in developing countries*. World Bank. https://doi.org/10.1596/978-1-4648-0282-9

Sleesman, D. J., Conlon, D. E., McNamara, G., & Miles, J. E. (2012). Cleaning up the big muddy: A meta-analytic review of the determinants of commitment escalation. *Academy of Management Journal, 55*(3), 541–562. https://doi.org/10.5465/amj.2010.0694

Strube, M. J. (1988). Decision to leave an abusive relationship: Empirical evidence and theoretical issues. *Psychological Bulletin, 104*(2), 236–250. https://doi.org/10.1037/0033-2909.104.2.236

Tarry, C. (2010, January 21). Focus: Low-cost commodity. *Airline Business*. https://www.flightglobal.com/news/articles/focus-low-cost-commodity-337437

Thaler, R. (1980). Toward a positive theory of consumer choice. *Journal of Economic Behavior & Organization, 1*(1), 39–60. https://doi.org/10.1016/0167-2681(80)90051-7

Weisskopf, N. (2010). *Global expansion strategies for low-cost airlines* [Unpublished doctoral dissertation]. University of Edinburgh.

Wizz Air Holdings Plc. (2024). *Annual report and accounts 2024*. AnnualReports.com. Retrieved September 24, 2025, from https://www.annualreports.com/Company/wizz-air-holdings-plc

World Inequality Database. (n.d.). *Income inequality in the Middle East*. Retrieved December 14, 2025, from https://wid.world/news-article/income-inequality-in-the-middle-east/

[1] Wizz Air Abu Dhabi ceased commercial operations on September 01, 2025.