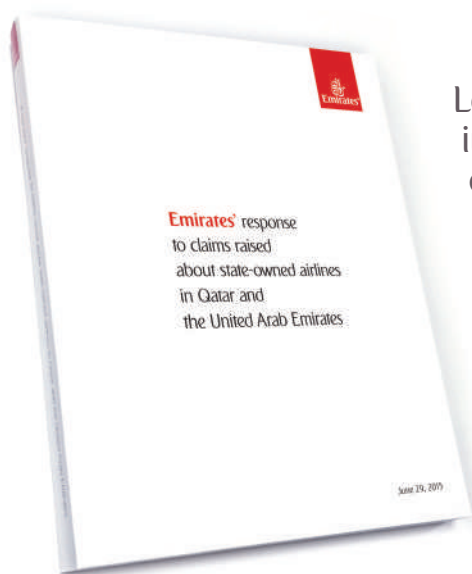


# Emirates' position summarized



Recently Delta Air Lines, United Airlines and American Airlines (“Legacy Carriers”) have embarked on a campaign asserting that Emirates has received subsidies from the Government of Dubai in violation of the United States-United Arab Emirates Open Skies Agreement. Our response to their allegations – which consist of a series of demonstrably inaccurate assertions, outright distortions, and misinterpretations of applicable law, including the Open Skies Agreement – has been submitted to the United States Government.



## Legacy Carrier self-interest put ahead of consumers and competitive choice

The Legacy Carriers' real aim is to block competition, protect their entrenched domestic oligopoly position and record-breaking profits, deny consumers an alternative to the three global alliances they dominate, and enforce desertion

of America's successful pro-growth, pro-competition, and pro-consumer Open Skies policy. Simply put, they are demanding the U.S. Government puts their parochial self-interest ahead of the national interest in having robust air services trade, and the interest of consumers in competitive choice.

## Why Emirates?

Emirates is a consumer-focused, profit-driven, financially transparent and commercial enterprise that has earned a profit for 27 straight years. Why? Because Emirates is committed to world-class customer service, is well-managed, and has pioneered an innovative aviation model: long-haul to long-haul services that reduces costs and travel times and provide unrivalled global connectivity for travelers. This is particularly so in the heavily populated but underserved countries in the Indian Subcontinent and Africa – precisely those markets the Legacy Carriers have historically ignored.

## Debunking the subsidy myth once and for all

The Legacy Carriers falsely allege that Emirates has received over \$6 billion in subsidies from the Dubai Government. However, this is groundless. Emirates is not subsidized and our responses to the individual allegations as put forward in our submission are summarized here:



### Myth:

The Dubai Government relieved Emirates of \$4 billion worth of fuel hedge losses in 2008/09.

### Fact:

While Emirates transferred its fuel hedging contracts to its shareholder ICD, all actual payments on the contracts at maturity were ultimately paid using Emirates' own cash resources. Emirates also continued to provide collateral in support of those contracts. The potential, future paper losses under “mark-to-market” accounting were never realized.

### Myth:

Emirates benefits from various below-market terms for goods and services purchased from “related-party” suppliers.

### Fact:

Emirates purchases goods and services from its related parties on an arm's length basis. This is clearly stated in our most recent 2014-15 financial statements and our auditor, PricewaterhouseCoopers, has issued an unqualified audit opinion in respect of these financial statements.

### **Myth:**

The comparably lower airport charges at Dubai International airport – which apply to all users without discrimination – is a subsidy to Emirates.

### **Fact:**

Absent any discrimination in fees between airlines, comparably lower airport charges are not a subsidy nor inconsistent with a fair and competitive environment for the operation of air services.

### **Myth:**

Dubai provides an artificial cost advantage to Emirates through the structure of its labor law.

### **Fact:**

There is no precedent under the Open Skies Agreement or under any international trade agreement for treating differences in national labor practices as a “subsidy” and, in fact, the United States has always strongly objected to any efforts to change that.

## **Deliberately misinterpreting applicable law to suit a specific agenda**

The Legacy Carriers misstate the governing law, and then urge the U.S. Government to violate it. Much of the Legacy Carriers’ case rests on a single legal premise—that the WTO Agreement on Subsidies and Countervailing Measures (“SCM Agreement”) either applies to international aviation or is somehow implicitly incorporated in the United States’ Open Skies agreements. This is a profound misstatement of both Open Skies and the WTO SCM Agreement. The SCM Agreement, by its own terms, does not apply to services, which are covered by an entirely separate WTO Agreement, the General Agreement on Trade in Services (“GATS”). GATS, in turn, explicitly excludes air transport services, and does not include rules on unfair subsidies.

## **Failure to show harm done by Emirates**

In no instance have the Legacy Carriers shown that they have been harmed by competition from Emirates. This is because they cannot make such a showing: they are earning record profits. They claim that they have lost traffic to competition, but in fact on every route that Emirates has established to the U.S., overall traffic has grown significantly after Emirates’ entry. Fundamentally, the Legacy Carriers fail to recognize that Emirates has grown in large

part by focusing on markets like the Indian Subcontinent that have grown rapidly and yet have been neglected by the Legacy Carriers and their joint venture partners.

## **Living in glass-houses?**

The Legacy Carriers have entered this debate with unclean hands. They have received more than \$100 billion in government support since 2002 and share with other U.S. carriers in annual benefits potentially exceeding \$24 billion. The support and benefits include U.S. Government assumption of airline pension obligations, airline stabilization grants, loan guarantees, grandfathering of airport slots, bankruptcy relief from debt and other obligations, direct grants and tax exemptions to support airport development, grants of antitrust immunity to form market-dominant alliances, protection of the U.S. aviation market from foreign competition, and the prohibition against majority foreign ownership.

## **And the real goal is... protection from competition and an end to Open Skies**

Such protection would come at the expense of other U.S. stakeholders—U.S. aircraft and engine manufacturers, competing low-cost U.S. carriers, non-Legacy Carrier hub U.S. cities and airports, U.S. tourism, U.S. air cargo carriers, U.S. jobs, and most of all, U.S. consumers, who have benefited enormously from Open Skies and an end to government-mandated oligopolies on international travel.

## **The U.S. Government should reject the Legacy Carrier calls**

All in all, the Legacy Carriers’ allegations against Emirates collapse under closer analysis. Their argument is nothing more than a mess of legal distortions and factual errors. Unlike the Legacy Carriers, Emirates is not subsidized. What the Legacy Carriers want is protection from competition, protection which would do irreparable harm to U.S. cities and airports, America’s world-leading aerospace industry, U.S. exports and jobs, U.S. air cargo carriers, and most of all, U.S. consumers. It would also undermine America’s leadership in international aviation—leadership that has made Open Skies the global template for air services. Therefore, the U.S. Government should reject the Legacy Carrier calls to take action against Emirates.

Read our full response and the Executive Summary here: [www.emirates.com/USsubsidyRebuttal](http://www.emirates.com/USsubsidyRebuttal)

Access our audited annual report here: [http://content.emirates.com/downloads/ek/pdfs/report/annual\\_report\\_2015.pdf](http://content.emirates.com/downloads/ek/pdfs/report/annual_report_2015.pdf)

See what others have said about the Legacy Carrier claims: [www.emirates.com/USsubsidyRebuttal](http://www.emirates.com/USsubsidyRebuttal)