

Emirates' Economic Impact in Europe

A REPORT PREPARED FOR EMIRATES AIRLINE

Executive Summary

February 2015

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Background and context

As of the start of 2014, **Emirates Airline flies to 29 airports in 28 cities in the EU28 – with around 700 flights every week in total in both directions.**¹ Its European operations form a significant part of its route network that connects cities around the world via its hub in Dubai.

Passengers and policy makers often perceive the economic impact of airline operations to be limited to those interactions they can observe: for example, check-in staff, sales agents, cabin crew, etc. In fact, the economic impact of aviation is much wider than this, in terms of the value it provides to companies doing business around the world, the role it plays in supply-chains and logistics, and the opportunity affordable air travel provides for people to travel widely and experience new places and cultures.

It is also a common perception that all airlines have the same type of economic impact. However, these perceptions overlook two important elements of an airline's economic impact:

- the economic value of the unique connections the airline offers; and
- the economic impact along the supply chain as a result of the airline's operations.

What is the project's objective?

Emirates has commissioned Frontier Economics to assess its economic impact in Europe. The objective of this project is to answer the following questions:

- What is Emirates' economic impact in Europe?
- What is the unique contribution that Emirates makes?

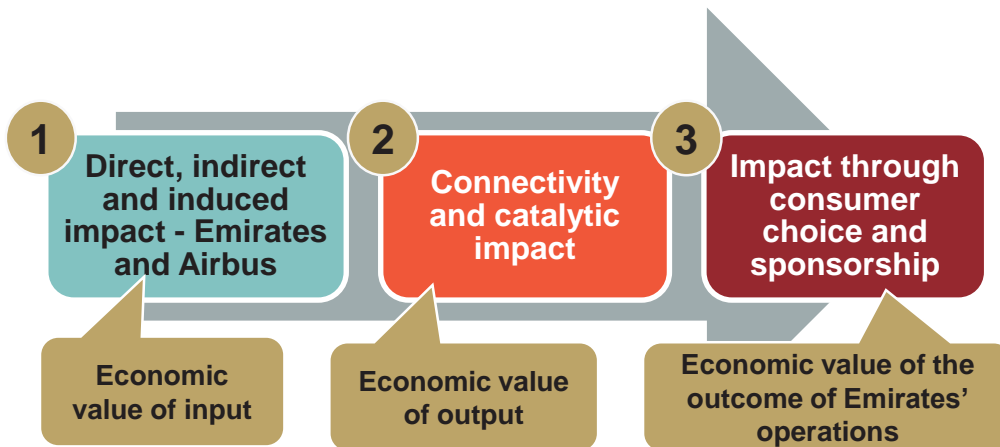
¹ For the purpose of this report, we define 'Europe' as the EU28 countries served by Emirates in 2013 either through their passenger services or through its cargo division SkyCargo. This covers 17 countries in total – Austria, Belgium (excluding passenger services started in 2014), Cyprus, Czech Republic, Denmark, France, Germany, Greece, Ireland, Italy, Malta, Netherlands, Poland, Portugal, Spain, Sweden and the United Kingdom. We note that Emirates flies to 29 *airports* in the EU28, of which two – Heathrow and Gatwick – are in the same city. This implies that we do not consider Emirates' impact based on new EU passenger destinations started in 2014 such as Budapest and Brussels.

In addition to the magnitude of Emirates' economic impact, we also consider its role in the context of the European Union's explicit policy goal to strengthen economic cohesion and to reduce disparities between the levels of development².

What is the economic impact of Emirates in Europe?

Our analysis quantifies Emirates' economic impact in Europe according to the categories shown in **Figure 1** below.

Figure 1. Quantifying Emirates' economic impact in Europe



We consider three categories of economic impact:

- **Direct, indirect and induced (DII) economic benefits** - In order to provide its services, Emirates directly employs many people in Europe, and in addition spends significant amounts on goods and services. This activity has a multiplier effect through the economies in which the airline is operating, thereby creating direct, indirect and induced employment. One key category of spending is on new aircrafts. **50% of Airbus' deliveries of A380s in 2013 were for Emirates.** We also quantify the economic impact of Emirates' aircraft purchases.
- **Connectivity and catalytic benefits³** - Emirates plays an important role in connecting Europe's regional centres to the rest of the world, with a pattern of serving regional centres that differs significantly from most European-

² Based on Article 174 of the Treaty on the Functioning of the European Union.

³ The financial data used in the DII analysis relates to financial year 2013/14. Data on flight schedules used in the connectivity analysis relates to calendar year 2013.

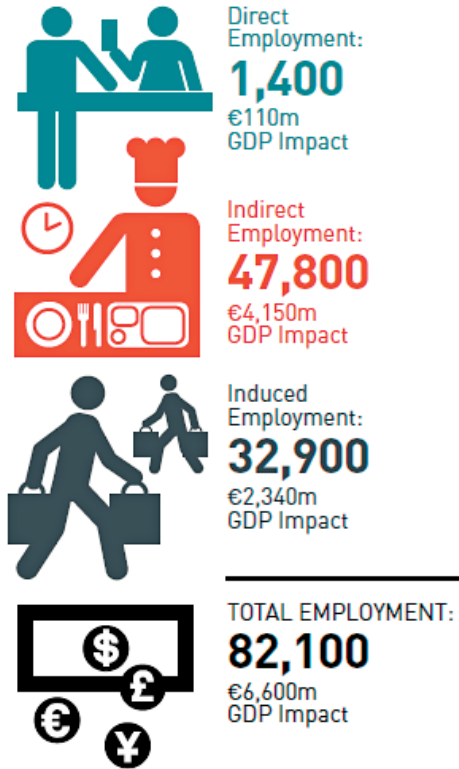
based network carriers. We estimate the number of unique direct and one-stop connections Emirates provides and the associated catalytic benefits from more trade, FDI and tourism spending.

- **Consumer choice** - By providing alternative connections, Emirates increases choice for European consumers as they have access to a wider range of airlines with different services.

Direct, indirect and induced (DII) economic benefits

We have assessed the direct, indirect and induced economic impact of Emirates' operations (without aircraft purchases). These impacts are incurred on an annual basis. We find that **Emirates' operations facilitated 82,100 jobs in 2013**. This represented **€6.6 billion of GDP** and constituted **0.05% of the EU28 GDP**. **Figure 2** summarises our results.

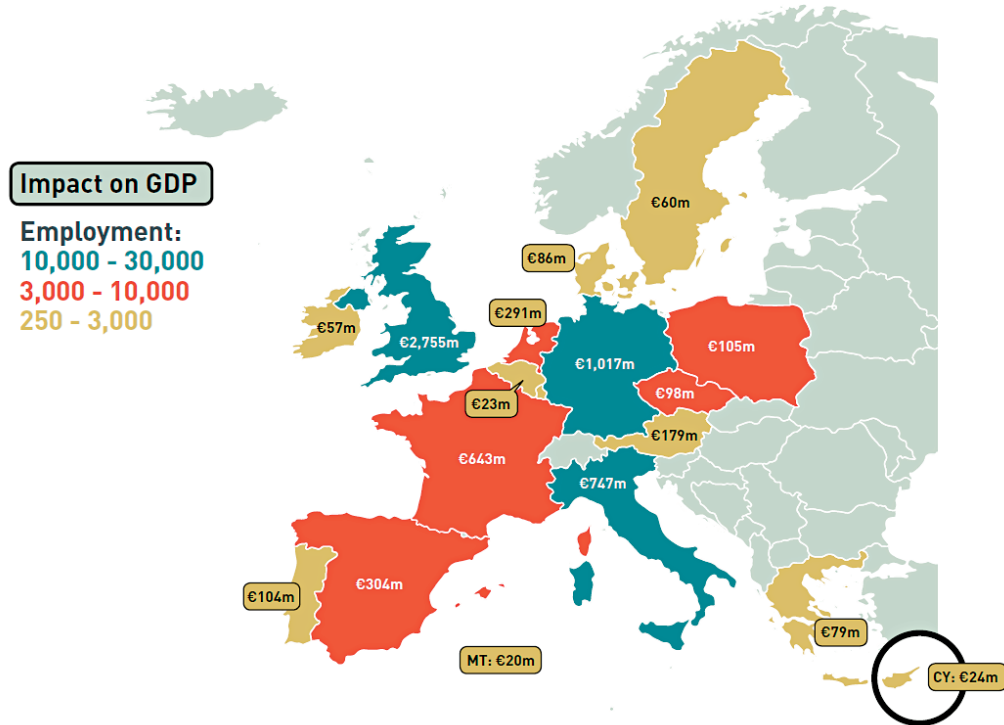
Figure 2. DII impact in Europe from Emirates' operations



Source: Frontier Economics estimates based on 2013/14 financial data. The total GDP impact is based on the EU28.

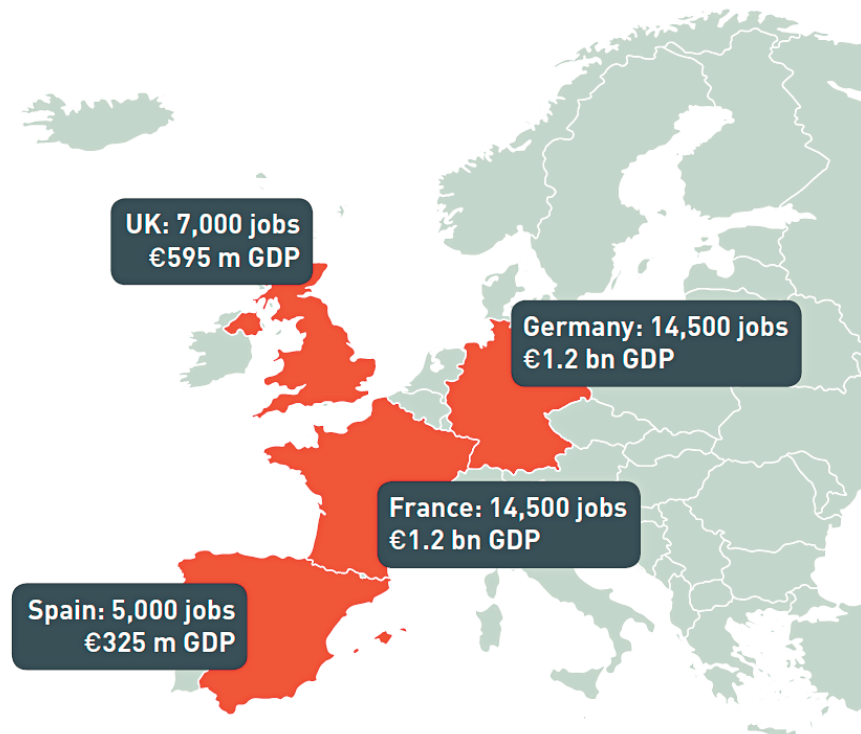
Figure 3 provides an overview of the DII impact from Emirates' operations across the EU28 countries.

Figure 3. DII impact from Emirates' operations



Source: Frontier Economics estimates. Please refer to Annex 1 for a table summarising the results by country.

In addition, we also considered the DII impact of Emirates aircraft purchases. The expenditure incurred during the production of the aircrafts generates a DII impact in each year deliveries are made. Airbus estimates Emirates' A380 orders supported 41,000 direct, indirect and induced jobs in 2013. **Figure 4** illustrates the country-wise breakdown of these jobs in 2013 and our estimate of the GDP impact they represent.

Figure 4. DII impact of Emirates' A380 deliveries in 2013

Source: Airbus and Frontier Economics estimates. Please refer to Annex 1 for a table summarising the results by country.

Connectivity and catalytic benefits

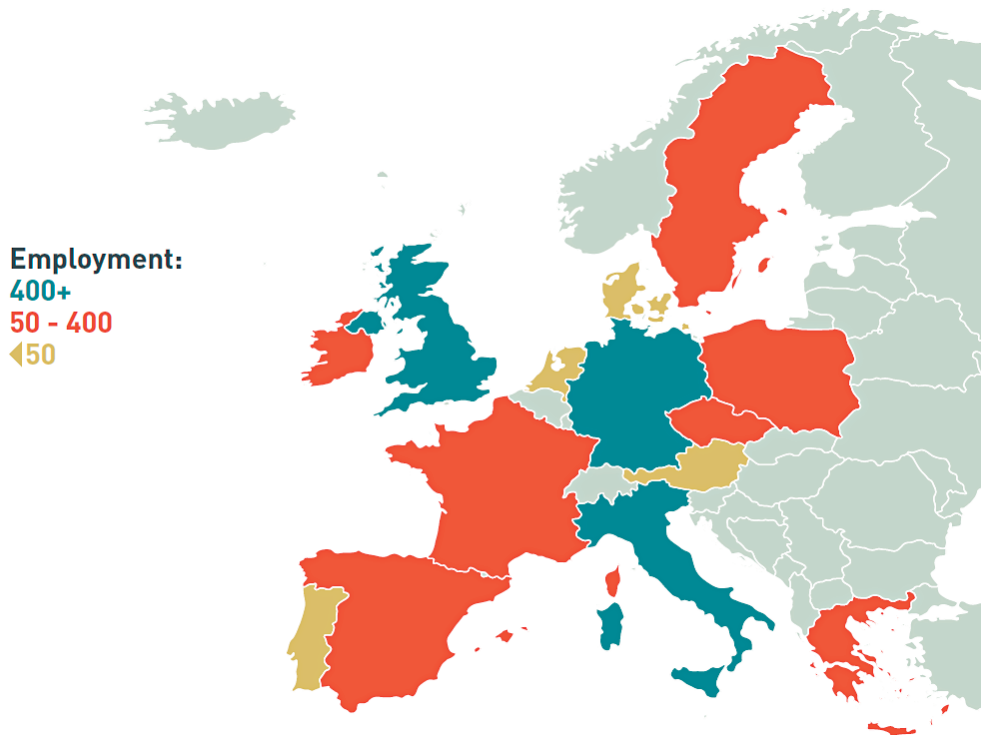
International connections between Europe and the rest of the world have traditionally been mostly routed via one of the network carrier hubs, so journeys from regional centres within these countries such as Hamburg, Newcastle or Lyon required at least one intermediate stop at one of these hubs. While this model makes many new destinations viable, passengers travelling from these regional centres may experience longer travel times. This creates a connectivity gap which may affect the growth potential of these regional centres.

Emirates flies to many regional centres in Europe and therefore helps to close the connectivity gap. Our analysis has identified that **Emirates offers 220 routes that are unique to Emirates** as they are either unique direct connections to Dubai (21 routes) or unique one-stop connections via Dubai (199 routes), implying that no other airline or alliance offers these connections. **Figure 5** provides an overview of the unique one-stop connections that Emirates provides.

Unique connections provided by Emirates mean that passengers in regional centres are faced with shorter travel times which increase the likelihood of travel. More business passengers lead to an increase in face-to-face meetings. There is a range of literature that identifies the importance of face-to-face meetings in overcoming the barriers to doing business across countries.

Emirates' unique contribution to Europe's connectivity has a consequent catalytic impact. We estimate that **Emirates facilitates around €365m of additional trade and €340m of additional FDI**. The productivity benefit of greater openness as a result of **the unique connections is equivalent to €215m of additional GDP or around 2,900 jobs**.

Figure 6. Catalytic impact of Emirates' connectivity



Source: Frontier Economics. Please refer to Annex 1 to a table with results by country.

In addition to unique connections, we have also analysed routes where Emirates provides higher frequency connections (measured by the number of days of the week that the connection is available) than all other alternative airlines combined.

For example, Emirates provides a one-stop connection between Madrid and Brisbane seven days a week. Other airlines also provide a one-stop connection on this route – but they do so less frequently. In fact, on three days of the week, Emirates is the only airline that provides a one-stop connection between Madrid and Brisbane. Therefore, while the connection is not strictly unique, the frequency that Emirates provides can be considered special.

Our analysis has identified **119 ‘more frequent’ connections** where Emirates provides a one-stop connection on more days of the week than all other airlines combined. And **on 58 of these routes, Emirates’ frequency was at least double** the frequency of all other airlines offering the same route combined. To ensure that our results are conservative, we have not estimated any additional catalytic impacts on trade, FDI and tourism from these routes.

Consumer choice and competition

Emirates’ operations also increase choice for European consumers - this has a positive impact on competition between airlines which is a benefit to consumers, whether or not they travel with Emirates. Specifically:

- Competition between airlines encourages improvements in service quality and innovation. Emirates’ multi-award winning service provides a particularly strong incentive for rival airlines to improve service offerings.
- Emirates’ presence in key markets adds to the level of competition between airlines. In principle, increased competition leads to better quality and/or lower fares from which all travellers benefit. This applies to routes where Emirates is competing head-to-head with another carrier as well as routes where Emirates’ unique one-stop connections leads competitors with less direct routings to price more competitively in order to compete.

And finally, Emirates also sponsors a number of major sports teams and events around Europe. While relatively small compared to the primary activities of the airline, the sponsorships provide important benefits to the teams, events sponsored, their cities and local economies.

Conclusion

Overall, we conclude that Emirates makes a substantial contribution to the European economy as it supports:

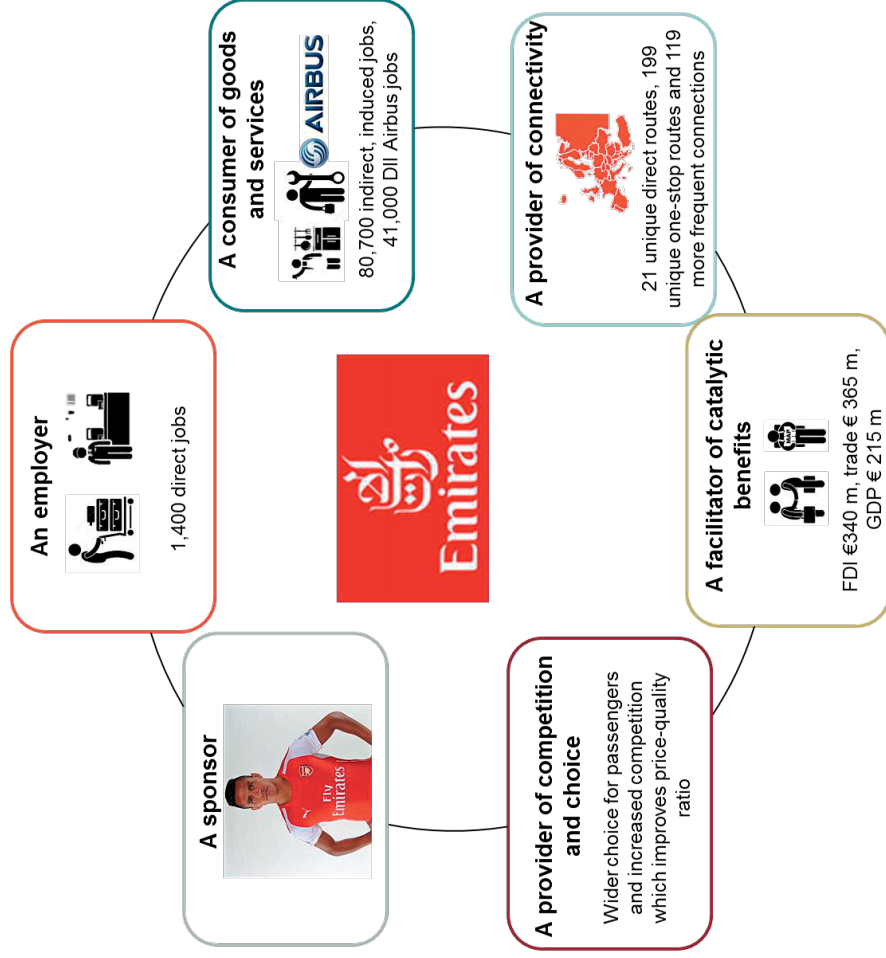
- **82,100 direct, indirect and induced jobs based on its operations;**
- **41,000 jobs based on its aircraft purchases from Airbus; and**
- **2,900 jobs based on the catalytic impact of its 21 unique direct connections and 199 unique one-stop connections from regional centres in Europe to Dubai and the rest of the world.**

In addition, there are an extra **119 one-stop connections where Emirates flies on more days of the week than all other airlines combined**. And for **58 of these one-stop connections, Emirates flies at least on twice the number of days** of the week than all alternatives combined.

In addition, the majority of the impacts are located in and around Europe's regional centres. Emirates makes a significant contribution to the EU's cohesion policy by providing international connectivity and therefore jobs, trade and FDI to regional centres such as Manchester, Hamburg or Lyon.

Emirates' economic impact is unique and additional in many respects, such as the connectivity and catalytic impacts. **Figure 7** summarises the multiple roles Emirates plays in Europe and the consequent economic impact.

Figure 7. Emirates' multi-faceted contribution to economic value



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