PARTNERSHIP FOR OPEN & FAIR SKIES
A LEVEL PLAYING FIELD FOR ALL

Restoring Open & Fair Skies

OPEN SKIES AGREEMENTS

AIR TRANSPORT AGREEMENT

BETWEEN

THE GOVERNMENT OF

THE UNITED STATES OF AMERICA

AND

THE GOVERNMENT OF

QATAR

AIR TRANSPORT AGREEMENT

BETWEEN

THE GOVERNMENT OF

THE UNITED STATES OF AMERICA

AND

THE GOVERNMENT OF

THE UNITED ARAB EMIRATES

Since 1992, the U.S. has signed **117 OPEN SKIES AGREEMENTS** with other countries.

These agreements give each country's airlines free and open access to the other country's market.

We fully support Open Skies policy and only have concerns relating to two of the agreements.

OPEN SKIES AGREEMENTS

From "U.S. Objectives" section of *Statement of United States International Air Transportation Policy:*

"Ensure that competition is fair and the playing field is level by eliminating marketplace distortions, such as government subsidies…"

The stated goal of Open Skies is "to promote an international aviation system based on **COMPETITION** among airlines in the marketplace with **MINIMUM GOVERNMENT INTERFERENCE** and regulation."

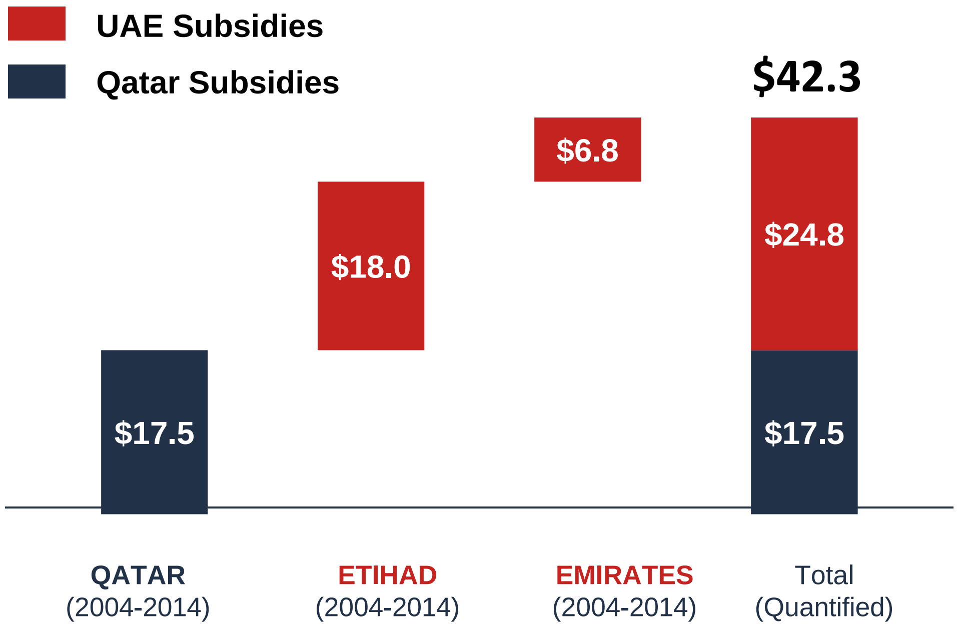
But the **MASSIVE SUBSIDIES** that Qatar and the United Arab Emirates (UAE) have been providing to their government-owned airlines **ARE THE ANTITHESIS OF "MINIMUM GOVERNMENT INTERFERENCE"** and undermine the competitive marketplace.

The Open Skies agreements allow for either government to request consultations with the other government. We are asking for the U.S. government to open those consultations with Qatar and the UAE and to seek a freeze on new Gulf carrier capacity into the U.S. during the talks.

GULF CARRIER SUBSIDIES

Total quantified subsidies ($39.2) and other unfair benefits ($3.1)

USD billions, by airline



The governments of Qatar and the UAE have provided three of their state-owned airlines – Qatar Airways, Etihad Airways and Emirates Airline – with $42.3 billion in quantifiable subsidies and other unfair benefits since 2004 alone.

- **Etihad Airways: $18.0B**
- **Qatar Airways: $17.5B**
- **Emirates Airline: $6.8B**

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GULF CARRIER SUBSIDIES

The combined **$39.2 BILLION** in government subsidies include:

- Government “loans” and “shareholder advances” with no repayment obligation
- Government capital injections and loan guarantees
- Government assumption of airline fuel-hedging losses
- Free land, subsidized airport infrastructure, airport fee exemptions and rebates, and more

The combined **$3.1 BILLION** in unfair benefits is attributable to the governments’ bans on unions, which result in below-market labor costs for the Gulf airlines.

GULF CARRIER SUBSIDIES

37. Related party transactions

The following transactions were carried out with related parties:

	2014 AED m	2013 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Associates	58	56
Sale of goods - Companies under common control	51	11
Sale of goods - Joint ventures	29	12
Services rendered - Companies under common control	82	81
Services rendered - Joint ventures	11	11
	231	**171**
(ii) Purchase of goods and services		
Purchase of goods - Associates	208	194
Purchase of goods - Companies under common control	5,048	4,288
Services received - Companies under common control	2,810	2,472
Services received - Joint ventures	-	15
	8,066	**6,969**
Other transactions:		
(i) Finance income		
Joint ventures	5	6
Companies under common control	14	59
	19	**65**
(ii) Compensation to key management personnel		
Salaries and short term employee benefits	116	98
Post-employment benefits	14	15
Termination benefits	1	-
	131	**113**

NO INDICATION THE PURCHASE OF THESE GOODS AND SERVICES WAS CONDUCTED AT ARM'S LENGTH

PERVASIVE GOVERNMENT OWNERSHIP and a **LACK OF TRANSPARENCY** by the Gulf carriers make it impossible to determine the full extent of the subsidies, so the $42 billion doesn't include billions in currently unquantifiable subsidies.

Virtually every supplier of goods, services and capital that the Gulf airlines need are "related parties" (i.e. affiliated government owned entities).

For example, Emirates has made **MORE THAN $11 BILLION** in purchases of goods and services from other government-owned companies **AT BELOW-MARKET** prices since 2004.

GULF CARRIER SUBSIDIES

Etihad Airways PJSC (Company only)

Notes to the financial statements

2. Basis of preparation (continued)

2.4 Going concern

These financial statements have been prepared on a going concern basis nothwithstanding the fact that the Company has accumulated losses of USD 3,765 million as at 31 December 2014. The Executive Council of the Emirate of Abu Dhabi approved in 2007 (pursuant to decision No. 17) and then in 2008 (decision No. 53) for the availability of committed funds to the Company comprising: USD 6,512 million of authorised share capital of which USD 6,512 million has been issued for cash to date (refer to note 16.1); and USD 5,213 million of Shareholder loans (in substance these are equity in nature) of which USD 5,173 million has been utilised and the remainder (USD 40 million) is available for the acquisition of aircraft (refer to note 16.3).

The Company prepares rolling cash flow forecasts for a five year term. Based on their review and approval of these forecasts, funding facilities available from various financial institutions and expected continued financial support from the Shareholder of the Company, the Directors confirm that the Company has access to sufficient cash facilities to meet its obligations for the foreseeable future and for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Separate financial statements have been prepared on the going concern basis.

ETIHAD'S OWN FINANCIAL STATEMENTS SHOW BILLIONS OF GOVERNMENT FUNDING IN 2014.

New documents discovered as part of an ongoing, worldwide investigation provided damning evidence of the United Arab Emirates providing as much as $5 billion in subsidies to Etihad Airways in violation of Open Skies policy.

The **Etihad financial statements**, which had never been disclosed to the U.S. government, were included in a major legal submission that the Partnership for Open & Fair Skies filed with the U.S. Department of Transportation. These documents are only one example of the massive subsidization

GULF CARRIER SUBSIDIES

GULF CARRIERS ADMIT TO MASSIVE, ONGOING SUBSIDIES IN FILINGS WITH OBAMA ADMINISTRATION

Qatar Airways confirmed it received free land worth $452 million from the government of Qatar. Its submission to the U.S. government clearly states that “the State provided Qatar Airways with parcels of land to ensure that the carrier had enough real estate for office and residential space,” and “in 2013, appropriated the land for the public interest at its then market value.”

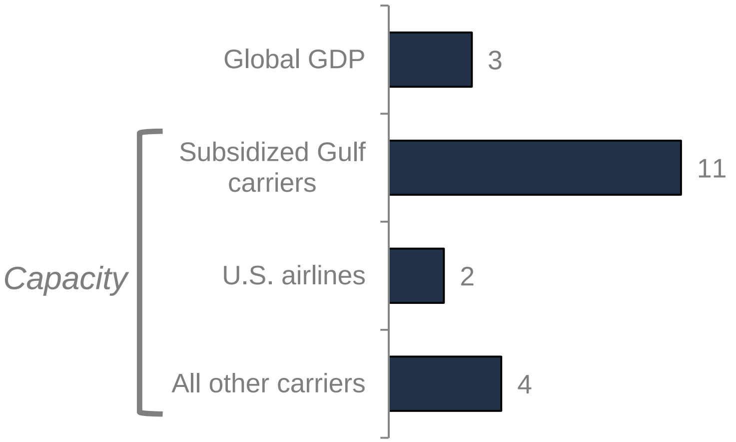
Emirates confirmed that it allowed its parent company, the Investment Corporation of Dubai (ICD) to assume its fuel hedging contracts, explaining that it “had the option to pursue a different approach,” one that made it unnecessary to report its hedging losses. The result is that Emirates shifted costs off its books and artificially increased its profits – all without the typical risk a commercial enterprise would encounter in the marketplace.

THE IMPACT

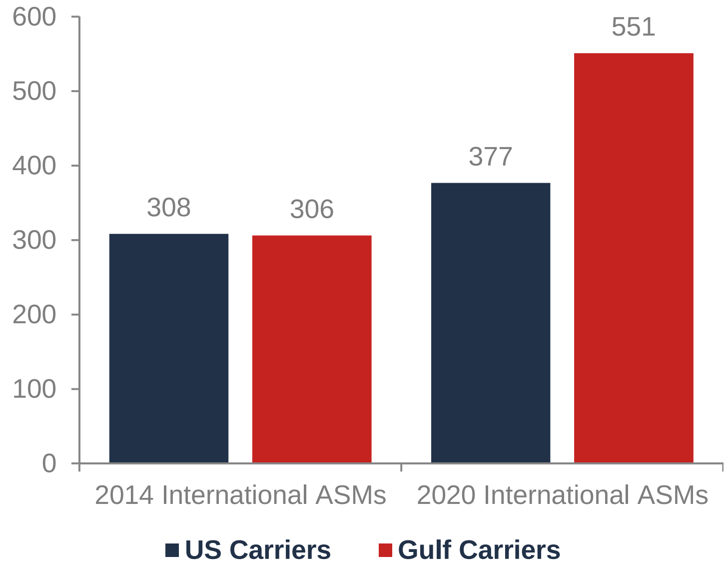
The Gulf carriers are expected to grow capacity at more than three times the growth rate of global GDP between 2012 and 2020. By 2020, the Gulf carriers' capacity will far exceed that of U.S. carriers.

GDP & Capacity Growth Rate

Annual Growth Rate %, 2012-2020



International ASMs (Billions)



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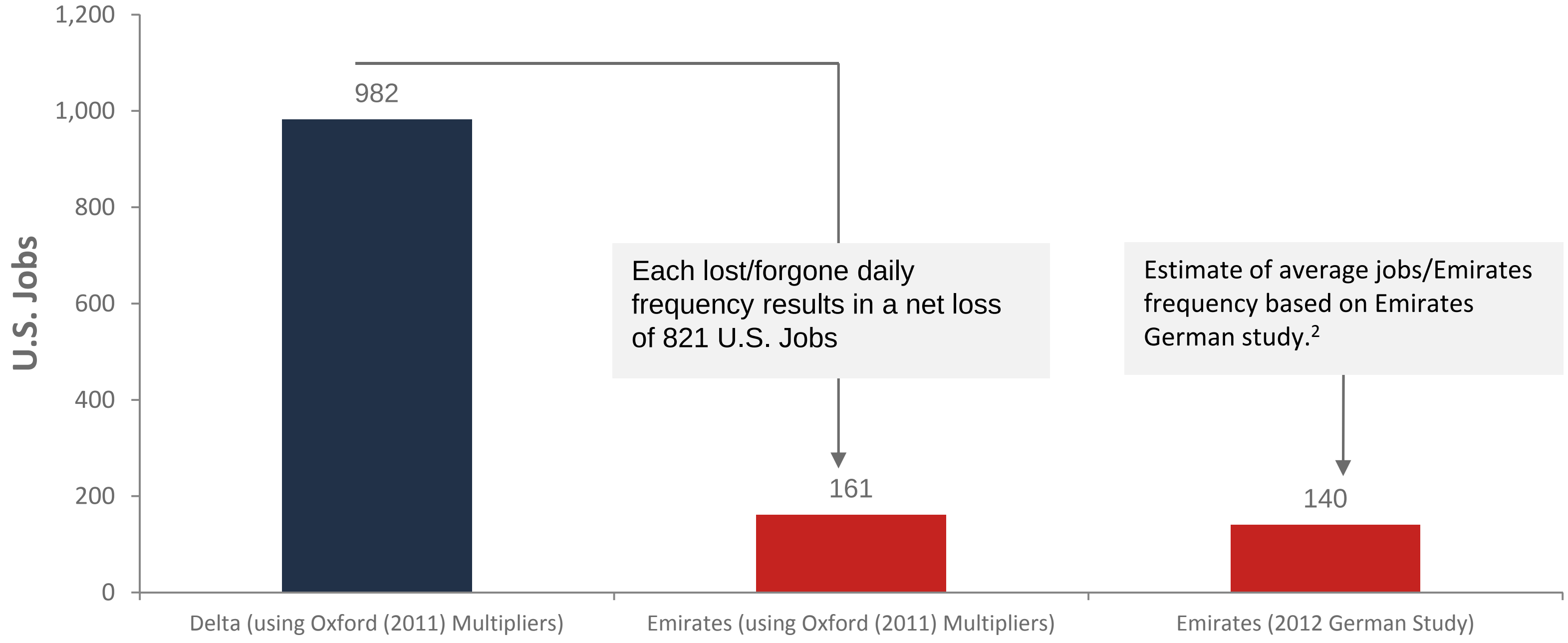
THE IMPACT

Each daily widebody roundtrip frequency lost/forgone because of subsidized Gulf carrier competition results in a net loss of over 800 U.S. jobs

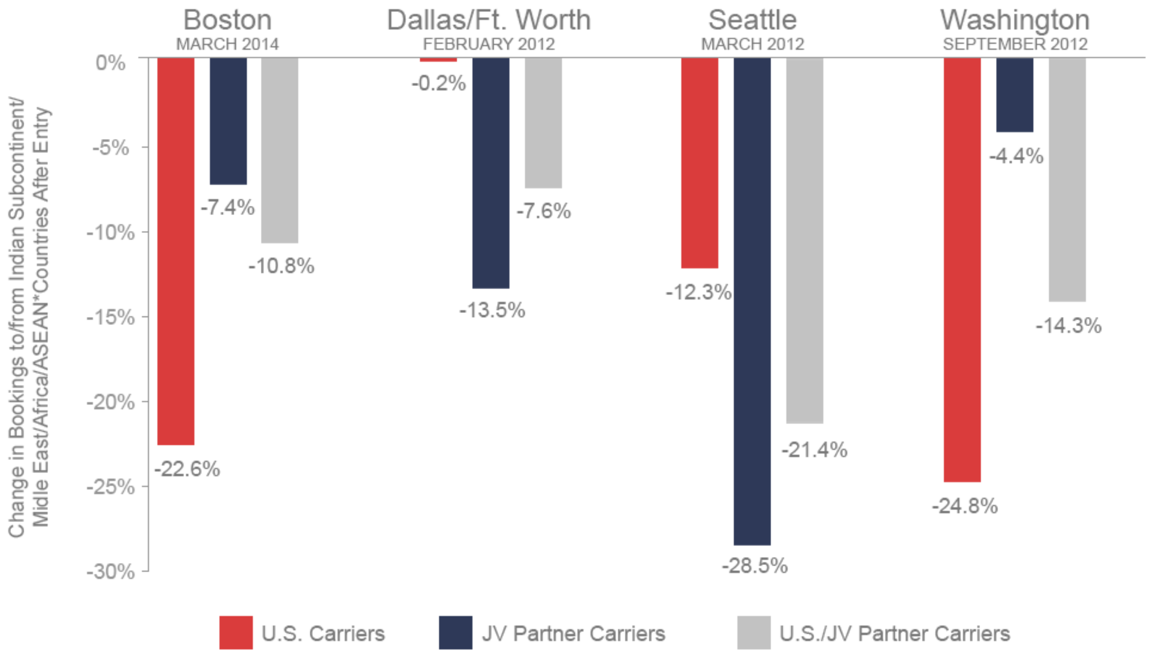
Comparison of U.S. jobs (airline direct, indirect and induced) per widebody Daily Roundtrip Frequency to/from the United States



THE IMPACT

New research confirms that the state-owned Gulf airlines have not stimulated any meaningful new demand and are instead diverting passengers from other airlines, inflicting harm on the U.S. aviation industry.

Change in U.S. and JV Carrier Bookings to/from the Middle East, Indian Subcontinent, Africa & ASEAN* Countries in Year Following Emirates Entry



*Dallas/Ft. Worth and Seattle exclude ASEAN countries

CALL FOR ACTION

A broad group of stakeholders have called on the U.S. government to act:

- 21 Senators sent a letter
- 262 Members of the U.S. House of Representatives sent a letter
- The U.S. Conference of Mayors, representing 1,400 mayors passed a resolution
- 30 local and regional airport directors sent letters
- Over 70 groups representing businesses – both local and national – expressed support in letters and op-eds.

CONCLUSION

The U.S. airline industry is a critical U.S. industry that drives **NEARLY $1.5 TRILLION IN U.S. ECONOMIC ACTIVITY** and supports **MORE THAN 11 MILLION U.S. JOBS.**

The **U.S. GOVERNMENT MUST REQUEST CONSULTATIONS WITH QATAR AND THE UAE** and seek a freeze on new Gulf carrier passenger service into the U.S. during the talks.

The Partnership for Open & Fair Skies is a coalition composed of American Airlines, Delta Air Lines and United Airlines, along with seven of the largest labor unions in the industry. The goal of the Partnership is to restore a level playing field under the Open Skies agreements with Qatar and the UAE.