AIR LINE PILOTS ASSOCIATION INTERNATIONAL
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1625 Massachusetts Avenue, N.W. • Washington, D.C. 20036 • 703-689-2270 • 888-FLY-ALPA

May 28, 2015

Ted Dean
Deputy Assistant Secretary for Services
U.S. Department of Commerce
International Trade Division
1401 Constitution Avenue NW, Suite 11030
Washington, DC 20230

Thomas Engle
Deputy Assistant Secretary for Transportation Affairs
U.S. Department of State
Bureau of Economic and Business Affairs
2201 C Street NW, Room 3425
Washington, DC 20520

Brandon M. Belford
Deputy Assistant Secretary for Aviation and International Affairs
U.S. Department of Transportation
1200 New Jersey Avenue SE, Room W88324
Washington, DC 20590

Re: Comments of the Air Line Pilots Association, International (ALPA)
Concerning Gulf Carrier Subsidies
Dockets DOC-2015-0001; DOS-2015-0016; DOT-OST-2015-0082

Dear Messrs. Dean, Engle, and Belford:

On behalf of its 48,000 U.S. members, ALPA submits the following comments on the issue of the subsidies provided by the governments of the United Arab Emirates ("UAE") and Qatar to their airlines, Emirates Airline, Etihad Airways, and Qatar Airways ("the Gulf Carriers").

I. Summary of ALPA's Position

Delta Air Lines, United Airlines, and American Airlines ("the U.S. Carriers"), have presented evidence to the Departments of Commerce, State and Transportation that makes out a *prima facie* case of unfair, market-distorting government subsidy support for the passenger-carrying Gulf Carriers. *See* "Restoring Open Skies: The Need to Address Subsidized Competition from State-Owned Airlines in Qatar and the UAE," Jan. 28, 2015 ("White Paper") and attached expert reports (or "exhibits"), available at http://www.openandfairskies.com/subsidies (last visited May 28, 2015). The subsidies are inconsistent with the air service agreements those countries have with the United States, and justify expeditious U.S. Government action. U.S. passenger carriers have already incurred significant harm, and it is foreseeable that the harm will grow. ALPA urges the U.S. Government to seek consultations with the UAE and Qatar promptly. To maintain the status quo while the parties discuss remedies, the U.S. Government should request those two governments to accept a voluntary freeze on the Gulf Carriers' passenger capacity and routes to the U.S. while consultations are underway.

II. The Aviation Statutes and the Air Services Agreements

The evidence of subsidy presented to date demonstrates massive government support for the Gulf Carriers that is inconsistent with the policy goals of the U.S. aviation statutes and the terms of the U.S.-UAE and U.S.-Qatar air service agreements.

In the aviation statutes, Congress has directed the Secretary of Transportation to consider several international air transportation policy goals as being in the public interest, including: "strengthening the competitive position of [U.S.] air carriers to at least ensure equality with foreign air carriers, including the attainment of the opportunity for [U.S.] air carriers to maintain and increase their profitability in foreign air transportation," 49 U.S.C. §40101(e)(1); "eliminating discrimination and unfair competitive practices faced by United States airlines in foreign air transportation," §40101(e)(9); and "promoting, encouraging, and developing . . . a viable, privately-owned United States air transport industry," §40101(e)(10). Thus, Congress has emphasized equal opportunities to compete, private airline ownership and adherence to fair competitive practices as means of strengthening the U.S. airline industry in the international arena.

The provisions of the U.S.-UAE and U.S.-Qatar air service agreements are consistent with those statutory objectives. The preamble paragraphs of these two agreements state that the "Parties . . . [d]esiring to promote an international aviation system based on competition among airlines in the marketplace with *minimum government interference* and regulation . . . agree as follows . . ." (emphasis added). In addition, the agreements include the requirements that "[e]ach Party shall allow *a fair and equal opportunity for the designated airlines of both Parties to compete* in providing the international air transportation governed by this Agreement (Art. 11, ¶1) and that "[e]ach Party shall allow each designated airline to determine the frequency and capacity of the international air transportation it offers *based upon commercial considerations* in the marketplace. . . ." (Art. 11, ¶2) (emphasis added in both).

The agreements provide that "[e]ither Party may, at any time, request consultations relating to this Agreement. Such consultations shall begin at the earliest possible date, but not later than 60 days from the date the other Party receives the request unless otherwise agreed." (Art. 13). Given the evidence of marketplace distortions, it is imperative that the U.S. Government request consultations under the agreements.

III. Evidence of Subsidy

The financial assistance provided by the UAE and Qatar to the Gulf Carriers fits the definition of subsidy.

While the air service agreements do not contain a definition of "subsidy," the term has a well-understood meaning in general trade law. The World Trade Organization ("WTO") Agreement on Subsidies and Countervailing Measures defines "subsidy" as a "financial contribution" including "grants, loans and equity infusion[s] . . . and loan guarantees" by a government that confers a "benefit" on its recipient (i.e., government support on better than commercial terms). *See generally*, WTO Agreement, Part I, Art. I, 1.1. A subsidy is actionable if, among other things, it causes "injury to the domestic industry" or "serious prejudice to the interests" of a WTO member state. *Id.*, Part III, Art. 5 (a) and (c). "Serious prejudice" is deemed to exist in cases where there are "subsidies to cover operating losses sustained by an enterprise" (*id.*, Art. 6.1(c)), or a "direct forgiveness of debt, i.e., forgiveness of

government-held debt and grants to cover debt repayment" (*id*., Art. 6.1(d)). "Serious prejudice" may arise where the effect of the subsidy is (1) "to displace or impede the imports of a like product of another Member into the market of the subsidizing Member" (*id*., Art. 6.3(a)); (2) "to displace or impede the exports of a like product of another Member from a third country market" (*id*., Art. 6.3(b)); or (3) cause "a significant price undercutting . . . or significant price suppression, price depression or lost sales in the same market." (*Id*., Art. 6.3(c)).

The U.S. Carriers' evidence demonstrates that the subsidies provided the Gulf Carriers would meet these tests.

From 2004-2014, the UAE has provided one of its carriers, Etihad, with: (1) approximately $6.6 billion in interest-free government loans; (2) $6.3 billion in equity infusions; (3) $751 million in government grants; (4) $501 million in airport fee exemptions, and (5) $3.5 billion in government funding in 2014 alone. The U.S. Carriers' White Paper presents evidence that the total subsidies to Etihad over this ten-year period have been over $17.5 billion. White Paper, 13-21; Capital Trade expert report, 3-4, 13-43; Gulf Airport Subsidy expert report at Appendix C, viii.

From 2004-2014, Qatar has provided its carrier, Qatar Airways, with: (1) $8.4 billion in shareholder loans and subsidized advances; (2) $6.8 billion in government loan guarantees; (3) $452 million in subsidies from free land, which the airline subsequently sold; (4) $616 million in airport fee exemptions and rebates; (5) $215 million in airport revenues assigned to the airline; and (6) $22 million in grants. These subsidies totaled over $16 billion over this ten-year period. White Paper, 21-27; Capital Trade expert report, 4-5, 46-71; Gulf Airport Subsidy expert report at Appendix C, viii.

From 2004-2014, the UAE has provided Emirates Airline with approximately: (1) $2.4 billion to $4 billion in benefits by assuming fuel hedging losses; (2) $1.6 billion in letters of credit; and (3) $2.3 billion in airport infrastructure subsidies, totaling approximately $6 billion in subsidies over this ten-year period. White Paper, 27-34; Capital Trade expert report, 5, 75-92; Gulf Airport Subsidy expert report, 34, 79.

Notably, these figures do not include other forms of unquantified support, which include:

- Corporate income tax and import duty exemptions;
- Subsidies from non-arm's length transacting with related parties; and,
- Laws that make trade unions illegal.

The U.S. Government should consider the quantified information especially reliable, since, except for data related to airport subsidies received by Emirates, the sources of the information are verified, signed auditors' statements.[1] Etihad's auditors have, as recently as 2013, expressed their qualified determination regarding the company as a "going concern" – meaning, able to remain in business in the near future – absent shareholder (*i.e.*, the Abu Dhabi government) commitment to continue to cover Etihad's financial needs. Qatar's auditors have expressed similar apprehension about that airline's status as a "going concern."[2]

Etihad and Qatar's CEOs have also made recent public statements that acknowledge that the UAE and Qatar have provided substantial financial support for their airlines. Etihad's CEO stated at a Washington, DC event earlier this year:

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[1] The source material for the U.S. Carriers' Emirates airport subsidy analysis is Dubai Airport's own statements and data, as well as data from a recognized supplier of airport charges information, RDC Aviation (www.airportcharges.com). Gulf Carrier Airport Subsidy report, 13-16.

[2] The Qatar Airways statements include the following signed verification: "we conducted our audit in accordance with International Standards of Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. . . . We believe that our audit provides a reasonable basis for our opinion." Deloitte & Touche letter accompanying 1995 financials. Similar verifications appear for every annual audit the U.S. Carriers found; in 2007, 2008, and 2009, the verifications emphasize the auditors' "going concern" determinations with respect to Qatar Airways. *See, e.g.*, Ernst & Young letter, Sept. 20, 2007.

Etihad's financial statements include a "going concern" determination in 2008, 2009, 2010, 2011, and 2012, and contain International Standards of Auditing verifications by its auditors. *See, e.g.,* the KPMG letter dated 20 May 2009. The verifications accompanying the 2012 and 2013 financials called out the "going concern" determination for special attention. KPMG letter dated 4 Feb 2013.

These statements are available at http://www.openandfairskies.com/wp-content/uploads/2015/04/Gulf-Carriers-Financials.pdf (last visited May 28, 2015).

> Yes, our shareholder has provided equity investment and shareholder loans. They've invested, and they've seen success; they've invested in success. And quite frankly, that's business.

(Available at http://www.uschamberfoundation.org/event/14th-annual-aviation-summit, webcast at 1 hr. 51 min. mark (last visited May 28, 2015)).

Similarly, Qatar Airways' CEO said that it is government-owned because:

> [I]ts [former] private ownership 'did not have the capability to fuel or finance the aggressive expansion of Qatar Airways and this is why the government got involved.'

Jon Ostrower and Susan Carey, "Qatar Airways CEO Defends State Support," WALL STREET JOURNAL, May 13, 2015 (copy attached). He also stated that "'[b]ecause it is such a capital intensive industry . . . without very strong financial background [sic], especially from the government' an airline wouldn't be able to expand in today's environment." *Id*.

The massive financial assistance – set out in the Gulf Carriers' own documents and acknowledged in their own statements – certainly meets the description of "subsidy" as set out in the WTO agreement. Accordingly, unless the UAE and Qatar carriers can convincingly and promptly demonstrate that these subsidies have not – and will not – distort the U.S. passenger markets in which the U.S. Carriers and their European alliance partners compete, the U.S. Government should proceed to consultations quickly.

IV. The Current and Future Significant Harm to U.S. Carriers

A. The Current Harm

In the White Paper and supporting materials, the U.S. Carriers have demonstrated that the Gulf Carriers' subsidized expansion has had a significant negative impact on the U.S. Carriers. This harm is expected to increase as all three Gulf Carriers have ambitions growth plans largely targeting the U.S. market, the largest

passenger market in the world. The Gulf Carriers' aggressive growth – which far exceeds world GDP growth – has been accomplished by taking passengers from other carriers, including U.S. carriers, not by stimulating new demand as they allege.

The failure of Emirates, Etihad, and Qatar to stimulate new demand is illustrated by a recent study by a leading consulting firm, Compass Lexecon, titled "Assessing the Impact of Subsidized Gulf Carrier Expansion on International Passenger Traffic," available at http://www.openandfairskies.com/wp-content/uploads/2015/05/CL-paper-on-Gulf-Carrier-Traffic-1.pdf (last visited May 28, 2015). That study clearly shows that the Gulf Carriers' expansion has not stimulated additional Gulf demand to/from the United States. For example, the Compass Lexecon analysis shows that while the number of average daily seats between the U.S. and the Gulf Carrier hubs (Dubai, Abu Dhabi, Doha) increased by nearly 11,000 per day between 2008 and 2014 (with 95% of that growth coming from the Gulf Carriers), average daily bookings between those hubs and the 11 U.S. gateways increased *by only 240*. Compass Lexecon study, 7-8. As a result, any traffic gains by the Gulf Carriers in the Gulf-U.S. market have come at the expense of the U.S. Carriers. Since the sizable increase in seats being flown between the three Gulf hubs and the U.S. dwarfs the number of new passengers flying between those same points, passenger demand stimulation does not explain the Gulf Carriers' large daily increase in the number of passenger seats they fly.

What does explain this immense capacity increase is that the Gulf Carriers are shifting passenger traffic away from the U.S. Carriers' and their alliance partners with whom they codeshare. Those passengers used to connect over European hubs which are operated by the U.S. Carriers and their alliance partners, and instead now connect over the Gulf Carriers' subsidized hubs to Asia, Africa, the Middle East, Australia, and New Zealand. The structure of the alliances, including the joint ventures (JVs) within them, means that these losses have a financial and a jobs impact, which we discuss later in these comments. According to the U.S. Carriers, traffic between the U.S. and the Indian subcontinent is most affected by this share-shift. There, bookings for the Gulf Carriers have increased from 12% of the total in 2008 to 40% in 2014. Compass Lexecon study, 9. This growth has come at the expense of other carriers, including the U.S. Carriers, two of whom discontinued their non-stop operations between the U.S. and India, and whose daily U.S.-India bookings fell by more than 1,000 per day. *Id.*, 9-10.

The U.S. Carriers have already suffered substantially in terms of traffic losses, as the Gulf Carriers have used their connecting traffic to expand into the U.S. market – between 24% to 50% passenger reductions, depending on the market. *Id*., 14-17. If the Gulf Carriers are allowed to saturate a market with capacity through subsidized business practices, U.S. carriers and their partners will not be in a position to sustain or launch their own non-stop or connecting services if they are unable to cover their cost of capital or earn a profit for their shareholders.

There is also the impact of "Fifth Freedom" services.[3] Emirates currently operates a Fifth Freedom route from Milan to New York, carrying passengers travelling between those cities, and the U.S. Carriers have demonstrated losses in that market that they attribute to Emirates services. *Id.*, 13, n. 25. Other Fifth Freedom operations by the Gulf Carriers would also almost certainly harm U.S. carriers and their employees.

B. The Foreseeable Harm

There is every reason to believe that the harm suffered by the U.S. Carriers because of the subsidized operations of the Gulf Carriers will increase, not lessen, in the future. The Gulf Carriers have announced growth plans focused on increasing frequencies and destinations to the U.S. If the passenger losses already experienced by the U.S. Carriers continue, the U.S. Carriers' ability to serve a variety of international markets will diminish significantly. Furthermore, these losses in services come with a range of costs: as these markets become increasingly saturated with Gulf Carrier operations, the U.S. Carriers' ability to initiate or grow their existing services to a variety of destinations served by the U.S. Carriers and their alliance partners will continue to erode. In addition, as recent reports highlight, domestic feeder airlines and the communities they serve will also be negatively impacted, as the U.S. Carriers reduce capacity and destinations thereby cutting back on feeder operations as well.

The Gulf Carriers have the ability, opportunity, and expressed intent to continue on their course to rapidly expand their services. The "deep pockets" of the governments of the UAE and Qatar enable the Gulf Carriers' growth, as reflected in

[3] Fifth Freedom rights allow airlines from Country A to bring passengers between Country B and Country C as long as the flight originates or terminates in Country A. A formal definition may be found at www.icao.int/Pages/freedomsAir.aspx.

their record-setting fleet plans. Given the Gulf Carriers' absence of a profit requirement, that government support allows these carriers to undercut fares in many international markets, which will continue to adversely affect the bottom line of the U.S. Carriers. The U.S. Carriers will be forced to cut back both their international and domestic operations and eventually to reduce U.S. jobs. Ultimately, they will suffer a serious erosion of their competitive position.

The Gulf Carriers have expressed their desire to expand using the opportunities that flow from the absence of capacity or frequency restrictions in the U.S.-UAE or U.S.-Qatar air service agreements that permit Fifth Freedom services. They have clearly stated their intention to compete across new Fifth Freedom routes from the Pacific to the U.S., including from Northeast Asia. (Jens Flottau, *Emirates Could Use Transit Points to Extend Transpacific Network*, AVIATION DAILY, June 5, 2013, at 3, by[4]; Jens Flottau, *UAE Carrier Plans To Maximize Open Skies Agreements,* AVIATION WEEK & SPACE TECHNOLOGY, June 10, 2013).[5] They intend to compete more on Fifth Freedom routes between the U.S. and Europe via the UK. (Jens Flottau, *Emirates Hints at Possible Europe-U.S. Services*, AVIATION WEEK INTEL. NETWORK, July 25, 2013; *Emirates Considers More Fifth-Freedom Flying from Europe*, AVIATION DAILY, May 15, 2015, at 1-2 (airport constraints at Dubai might lead Emirates to "expand into offshore markets should filling its growing fleet with traffic to, from, and through Dubai become difficult")). Coupled with their huge order book for long-haul aircraft,[6] their continued aggressive expansion, and their open-

[4] The article noted: "Emirates Airline is considering a more prominent transpacific operation in what would be a slight twist to its business model. The airline may commence service through more intermediate points in Asia to destinations in North America, President Tim Clark said. . . . " *Id*.

[5] The article noted: "Emirates . . . outlined plans to set up a major transpacific operation. Its aircraft would be flying through intermediate points in Asia to destinations in North America. . . . The United Arab Emirates (UAE) has an open skies agreement with the U.S. 'It allows us to take passengers on a fifth-freedom basis from the West Coast and central points in the U.S. to points in Asia,' Clark says. In Asia, there are open skies agreements with Thailand and Singapore. Emirates also has similar rights for some destinations in Japan." "The transpacific operation would complement the link with Qantas, which also has significant exposure on the Australia-North America market, although the Emirates initiative would be geared more toward Southeast Asia or North Asia-to-North America flying, which would not compete with the Qantas network to the East." *Id.*

[6] As of March 2015, the Gulf Carriers had a combined order book of over 600 aircraft valued at more than $200 billion.

ended opportunities, the U.S. Carriers take these statements of intent seriously, and so should the U.S. Government.

Future harm is foreshadowed by the experience of the U.S. Carriers and their European partners, and illustrate what the U.S. will continue to face if subsidized growth runs unabated. Since 2008, the Gulf Carrier share of EU-India passenger bookings has grown from 18.6% to 35.0%, while the U.S./alliance share has fallen from 49.4% to 28.6%. U.S./alliance carriers have been forced to reduce their EU-India capacity by more than 1,000 seats per day each way. Slides titled "Restoring Open Skies: Addressing Subsidized Competition for State–Owned Airlines in Qatar and the UAE," Jan. 2015, 11, available at http://www.openandfairskies.com/subsidies ("Presentation") (last visited May 28, 2015).

The job impact of this share-shift is estimated to be approximately 800 net jobs lost by the U.S. Carriers and U.S. airline employees per every lost or foregone international flight. This job impact will only intensify as the Gulf Carriers expand operations to the U.S. Job loss will be compounded by the ripple effects from a loss of an alliance partner's revenue that is felt by the U.S. Carrier partner. [7]

The Gulf Carriers and their allies argue that U.S. Carriers do not suffer economic harm on routes on which they do not operate their own aircraft. *See, e.g.*, Emirates'

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[7] This revenue loss will be particularly acute in a joint venture (JV) arrangement. JVs typically include a revenue-sharing arrangement, and are typically "metal neutral," meaning that the carriers are be indifferent about which airline's aircraft – and crew – fly a given route in the JV. With JV revenue sharing, the incentive to operate and book passengers on an airline's own "metal" is eliminated, as a participating airline could receive a substantial portion of revenue whether it operates the aircraft on a particular route or not. In either case, revenue flows back to the U.S. carrier; therefore, when the alliance is harmed, the U.S. carrier in it is directly harmed as well.

Open Sky publication, May 2015, 4.[8] But that argument fails to account for the importance of revenue-sharing arrangements in the U.S. Carriers' global networks.[9]

Further, as the U.S. Carriers face increased subsidized capacity in the markets they serve, and are unable to recover their cost of capital, reductions in long-haul service will result in reductions in their domestic networks. These reductions will not only diminish or eliminate service to many small and medium-sized communities but will also result in the loss of yet more U.S. jobs.

This danger of future foreseeable harm, standing alone, justifies prompt action. Indeed, it would be a very poor business practice for the U.S. Carriers, and very poor policy for the U.S. Government, to wait to respond if such significant harm is foreseeable. U.S. jurisprudence provides some guidance. Here, the U.S. Carriers essentially seek injunctive-type relief (maintenance of the status quo to avoid further harm) while their breach of contract case (violation of the agreements) is heard.[10] Under injunction case law, the ability to protect one's self from harm is forward- as well as backward-looking. Here the likelihood of imminent harm is foreseeable. Moreover, the

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[8] Available at http://content.emirates.com/downloads/ek/pdfs/open_sky/OpenSky_21_v3.pdf (last visited May 28, 2015). At page 4, Emirates states: "Far too often, many U.S. carriers have been content to play it safe with long-established, trans-Atlantic and trans-Pacific routes, and either ignore new and growing markets such as India and Africa, or simply hand over passengers to their European alliance partners." And it states in the sidebar, "Emirates' flights carry travelers from the U.S. to 57 destinations in Africa (19 points), Asia Pacific (26 points) and the Middle East (12 points) that are not served by any American carrier, and we do this with just one plane change in Dubai." In fact, "all but three of the destinations served by one or more of the Gulf carriers is served by a Star Alliance member. Moreover, the three destinations not served by a Star Alliance member (Hoffuf, Saudi Arabia, Peshwar, Pakistan, and Sialkot, Pakistan) generate very little traffic between to/from [sic] the United States. . . ." Compass Lexecon study, 11, n. 22. The Gulf Carriers' assertion is plainly wrong.

[9] See n. 7 above.

[10] "In a market-share loss case like this one, injunctive-type relief [would be] especially appropriate. In a competitive industry where consumers are brand-loyal, loss of market share is a harm that cannot be redressed by a legal remedy, nor by an equitable one following trial." *Callmann on Unfair Competition, Trademarks and Monopolies* (4th ed.), database updated April 2015, citing *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharmaceuticals Co.*, 290 F.3d 578, 2002-1 Trade Cas. (CCH) ¶73672, 62 U.S.P.Q.2d (BNA) 1757 (3d Cir. 2002).

likelihood of imminent damage need not be established when the unfairness of the act – in this case, massive subsidies – is indisputable. *Callmann on Unfair Competition, Trademarks and Monopolies* (4th ed.), database updated April 2015, citing *Royalty Designs, Inc. v. Thrifticheck Serv. Corp.,* 204 F. Supp. 702 (S.D.N.Y. 1962). As shown above, the U.S. Carriers have seen the harm the subsidized services have done to their European partners. The harm has begun to be felt on U.S. shores. The harm is real, further harm is foreseeable, and there is no need for the U.S. Carriers, or the U.S. Government, to wait to act.

V. Recommendations for Action

The case for government action is compelling. As stated above, Article 13 of both the UAE and Qatar agreements allows for either side to request consultations for any reason. The evidence submitted by the U.S. Carriers demonstrates massive "government interference" that violates Article 11's "fair and equal opportunity to compete" provision. It further demonstrates that national governmental priorities, not "commercial considerations," determine the Gulf Carriers' subsidized actions.

It is important to proceed quickly to request and initiate consultations. The U.S. Government should, in the next 30 days, request consultations. Those consultations should occur and arrive at a remedy promptly. The U.S. should also request that the UAE and Qatar agree to a freeze on capacity in the marketplace while the consultations proceed. Such a freeze would be akin to maintaining the status quo while the arguments are heard and weighed.

If the U.S. does not request consultations, it would send the wrong message to other governments that subsidize their airlines today, or may do so in the future.

VI. Conclusion

For the foregoing reasons, we believe the U.S. Carriers have made a *prima facie* case that there is unfair government subsidy support for the passenger air carriers of Qatar and the United Arab Emirates that deprives the U.S. Carriers of a fair and equal opportunity to compete and justifies U.S. Government action. The U.S. Carriers have demonstrated that these subsidies have fueled the massive expansion of the Gulf

Carriers over the past ten years and have been necessary for the continued operation of Etihad Airways and for Qatar Airways.

The U.S. Government should request consultations within the next 30 days to discuss the market-distorting effects of the subsidies and request a freeze on Gulf carrier capacity while consultations occur.

Thank you for the opportunity to comment on this important matter.

Respectfully submitted,

Air Line Pilots Association, International

By: Russell Bailey
David Semanchik
Air Line Pilots Association, International
1625 Massachusetts Avenue NW, Suite 800
Washington, DC 20036
202-797-4086

Russell.Bailey@alpa.org
David.Semanchik@alpa.org

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BUSINESS

Qatar Airways CEO Defends State Support

'We don't have a blank check like everybody thinks we have'

Qatar Airways plans to add flights from Doha to Boston, Los Angeles and Atlanta in 2016. *PHOTO: EUROPEAN PRESSPHOTO AGENCY*

By JON OSTROWER
May 13, 2015 5:44 p.m. ET

WASHINGTON—The chief executive of Qatar Airways said Wednesday he believes it is impossible for an airline to establish a global presence without the backing of a government.

Embroiled in a growing dispute with the three biggest U.S. airlines, Qatar Airways defended its stakeholder relationship with its owner, the State of Qatar; the carrier, along with Emirates Airline of Dubai and Etihad Airways of Abu Dhabi are among the fastest-growing airlines on the planet, ordering hundreds of jetliners from Boeing Co. and Airbus Group NV.

"Because it is such a capital intensive industry...without very strong financial background, especially from the government" an airline wouldn't be able to expand in today's environment, said Qatar Airways Chief Executive Akbar Al Baker in an interview.

Mr. Al Baker claimed the airline's relationship with Qatar's rulers was no different from other state-owned airlines, specifically citing carriers in China, Russia, India, Egypt, Saudi Arabia and Ethiopia. He also cited the former ownership of some European airlines, which received billions of dollars in state aid over the years.

"So why when it comes to the Gulf three that it becomes an issue?" he said, noting that Qatar Airways doesn't compete directly with U.S. carriers on any nonstop routes.

The rapid expansion of Emirates, Etihad and Qatar over the past 10 years has been aided by geography, with 60% of the world's population located within a five-hour flight of their home hubs. New long-haul aircraft have allowed them to expand rapidly to North American destinations.

The growth has drawn the ire of critics led by Delta Air Lines Inc., American Airlines Group Inc. and United Continental Holdings Inc., which allege the Middle Eastern trio is taking traffic from them and their alliance partners with the help of government subsidies that breach open-skies aviation treaties with the U.S.

A report assembled through forensic accounting investigators hired by the U.S. airlines alleges Qatar Airways received $17.5 billion in state subsidies since 2004.

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- U.S. Airlines Claim to Document Subsidies at Gulf Rivals (http://www.wsj.com/articles/u-s-airlines-claim-to-document-subsidies-at-gulf-rivals-1429573165) (April 20)
- Gulf Airlines Reject Claims of Unfair State Support (http://www.wsj.com/articles/etihad-ceo-rejects-claims-of-unfair-state-support-1426617539) (March 17)

The three U.S. carriers have called on the U.S. government to review its bilateral open-skies air travel agreements with the governments of the United Arab Emirates and Qatar that currently offer airlines in all three countries unfettered access between the countries.

Opponents want expansion frozen until the charges are answered, but Qatar Airways and Emirates have both announced new U.S. flights since the allegations were leveled earlier this year. Qatar plans to add flights from Doha to Boston, Los Angeles and Atlanta in 2016.

The Doha-based operation began in 1994 and was relaunched in 1997 as a public/private partnership because its private ownership "did not have the capability to fuel or finance the aggressive expansion of Qatar Airways and this is why the government got involved," Mr. Al Baker said.

Mr. Al Baker expects its double-digit annual growth to continue to at least 2020.

"We don't have a blank check like everybody thinks we have," said Mr. Al Baker, who noted that the airline's aircraft are financed through commercial capital markets.

Yet, Qatar has provided equity as part of its long-term investment to fuel the airline's rapid growth, Mr. Al Baker said. He said the U.S. airlines are taking a broad view of what contributions constitute a subsidy and a narrow view of financial support they have received.

Mr. Al Baker and the chiefs of Etihad and Emirates claim $15 billion in loan guarantees and cash infusion to U.S. airlines after the terrorist attacks of Sept. 11, 2001, as well as the subsequent bankruptcy protections, antitrust immunity across the Atlantic and Pacific Oceans constituted unfair support.

The chief executives of Emirates, the largest airline by international traffic, Etihad and Qatar all dispute the backing of their governments as stakeholders has unfairly disadvantaged the U.S. airlines.

Opponents rejected Mr. Al Baker's argument.

"It's unfortunate that he won't answer serious questions about the $17.5 billion in subsidies and unfair benefits that Qatar Airways has taken from its government in order to undermine fair competition, which is a serious violation of Open Skies," said Partnership for Open & Fair Skies, the group that includes the three big U.S. carriers.

—Susan Carey contributed to this article.

Write to Jon Ostrower at jon.ostrower@wsj.com

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