

ETIHAD AIRWAYS WANTS TO ENGAGE WITH EUROPE

The President and Chief Executive Officer of Etihad Airways, James Hogan, today urged Europe's governments and airlines to embrace external investment to help strengthen the aviation sector.

Speaking in Vienna at a European Union conference on air transport competitiveness in Europe, Mr Hogan said aviation was a global, not regional, industry, generating strong economic and social benefits. He said his airline wanted to engage with Europe for mutual gain.

"Consolidation of airlines is critical to sustainable air services," Mr Hogan said. "External investment is not a threat. It is an opportunity to strengthen airlines, and to support employment and economic growth."

Etihad Airways has acquired minority stakes in three European airlines – airberlin (29.2 per cent), Aer Lingus (4.99 per cent) and Air Serbia (49 per cent), and is finalising the acquisition of a 33.3 per cent stake in the Swiss regional carrier Darwin Airline, which operates as Etihad Regional. Etihad Airways has also announced its intention to acquire a 49 per cent stake in Italy's Alitalia, subject to regulatory approval.

Mr Hogan said Middle Eastern airlines were coming under increasing scrutiny in Europe, as opponents cited the expansion of Gulf carriers as a major competitive threat.

"All Gulf carriers are not the same," said Mr Hogan. "We are different sizes, have different hubs and follow different strategies. We are actually vigorous competitors with each other."

He said Etihad Airways, in particular, had become a major focus of larger competitors who feared and opposed its investment strategy.

"Etihad Airways is wholly-owned by the Government of Abu Dhabi. We received start-up capital, like every airline does, but we receive no state subsidies, no free fuel and no reduced airport charges in the United Arab Emirates."

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Mr Hogan said the European airline industry was built upon decades of government ownership and support, and that even after privatisation or part-privatisation, government bailouts, debt waivers and various forms of subsidies had continued.

He cited examples of direct state aid totalling €14.2 billion, including an €800 million payment by the German Government to Lufthansa to support a pension fund gap, state aid of €1.1 billion for SWISS following the collapse of its predecessor, Swissair, and the Austrian Government's absorption of €500 million of debt accrued by Austrian Airlines. Both airlines are now subsidiaries of Lufthansa.

“Gulf carriers are not the cause of Europe’s aviation challenges,” Mr Hogan said, adding that the industry was already facing serious problems decades before Etihad Airways was established in 2003.

He said the biggest problems facing the European industry were long-standing issues including congestion from under-investment in airports and airspace management, high operating costs at traditional hub airports, high labour costs and inconsistent and inequitable taxes levied on airlines and passengers.

The rapid and broad growth of low cost airlines has also impacted heavily on legacy airlines, causing a major shift of intra-Europe traffic to budget operators and losses by legacy carriers on short and medium-haul routes. In 2013, the 10 member carriers of the European Low Fares Airline Association operated 915 aircraft and carried 216 million passengers, or 43 per cent of all scheduled intra-Europe air traffic.

Mr Hogan said consolidation had created three major European airline blocs – the Lufthansa Group, which, in addition to its SWISS and Austrian subsidiaries, owns Germanwings, holds major stakes in Brussels Airlines and SunExpress and a minority share in the US carrier JetBlue; International Aviation Group (IAG), which owns British Airways, Iberia and Vueling; and Air France KLM, which has equity in Alitalia, Transavia, Martinair and foreign carriers including Kenya Airways and the Brazilian airline GOL.

“We understand and respect the fact that European airlines have their own business models, and we understand and work within the rules of Europe,” Mr Hogan said. “We have a different business model to suit our different requirements.

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“To grow, we need scale. We cannot match the size of long-established competitors, including other Gulf carriers, so we have developed a strategy of growth through partnership,” he said.

“Our strategy is pro-competitive. We work with all partners for mutual gain, and within competition and ownership rules. Collaborative growth delivers sustainable businesses, and more choice, convenience, consistency, reliability and stability for our customers.”

Mr Hogan said the investments by Etihad Airways strengthened partner airlines, preserved and created jobs, and maintained air services, delivering benefits to consumers, local and national economies, as well as major suppliers such as Airbus Industrie.

Without Etihad Airways' stakes, Mr Hogan said there would be a loss of financial investment and synergy benefits for airberlin, Aer Lingus, Air Serbia and Darwin Airline, and loss of a 'rescue investor' for Alitalia, costing thousands of jobs and leading to air route closures, flight reductions, higher fares and lost tax revenue for European governments. Some carriers could even fail, causing much greater social problems. “There are strong economic and social benefits from stable and connected airlines,” Mr Hogan said. “Etihad Airways wants to engage with Europe.”

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About Etihad Airways

Etihad Airways began operations in 2003, and in 2013 carried 11.5 million passengers. From its Abu Dhabi base Etihad Airways flies to 103 existing or announced passenger and cargo destinations in the Middle East, Africa, Europe, Asia, Australia and the Americas. The airline has a fleet of 102 Airbus and Boeing aircraft, and more than 220 aircraft on firm order, including 71 Boeing 787s, 25 Boeing 777-X, 62 Airbus A350s and 10 Airbus A380s. Etihad Airways holds equity investments in airberlin, Air Seychelles, Virgin Australia, Aer Lingus, Air Serbia and Jet Airways, and is in the process of formalising its equity investment in Swiss-based Etihad Regional*. For more information, please visit: www.etihad.com

*Operated by Darwin Airline