

NEW EXPERT STUDY DEMONSTRATES SUCCESS OF OPEN SKIES AND CITES “FUNDAMENTAL FLAWS” IN THE BIG THREE U.S. CARRIERS’ REPORT

- **Contrary to claims by the Big Three U.S. carriers (Delta Air Lines, American Airlines and United Airlines), services introduced by Etihad Airways and other Gulf carriers to the U.S. have increased competition and consumer choice**
- **Traffic numbers to markets in which these carriers compete with Etihad Airways have increased in many cases as competition stimulates demand**
- **U.S. airlines and their European partners gained 223,000 new passengers on Indian Sub-Continent routes alone since 2009**
- **Etihad Airways’ pricing on these routes is competitive, contrary to claims that Gulf carriers are “harming” these airlines**
- **Etihad Airways’ growth is not “excessive” as claimed by the three U.S. carriers and is the result of increasing demand for high quality air services in emerging markets**
- **The report commissioned by Etihad Airways also identifies “fundamental flaws” and “ignores key evidence” in the Compass Lexecon Report recently released by the Big Three**

Despite claims by the Big Three U.S. airlines, the market for air travel from the U.S. to the Indian Sub-Continent has expanded significantly from 2009 to 2014 with U.S. airlines and their European partners actually flying 223,000 more passengers during that period. This is only one of a series of U.S. airline claims challenged and debunked in a new report released today by Etihad Airways.

The research, undertaken by the leading U.S.-based consultancy Edgeworth Economics, found that on routes where Etihad Airways competes with the three largest U.S. carriers and their global alliance partners, these airlines actually carried more passengers, despite having lost market share on certain routes.

Specific examples include:

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- Passenger numbers for the Big Three and their global alliances actually increased by 18 per cent, or an additional 223,000 passengers, despite losing 4.4 percentage points in market share for economy passengers between the U.S. and the Indian Sub-Continent (I.S.C.) between 2009 and 2014.
- Similarly, for premium passengers between the U.S. and the I.S.C. for the same period, the actual passengers carried by the carriers and their alliance partners increased by 27 per cent, or over 33,000 although their market share decreased by 12.5 percentage points.

The report also analyses Etihad Airways' pricing on the routes on which the airline competes with the three U.S. carriers and their global alliance partners. It found that Etihad Airways' prices are competitive, therefore contradicting their claims that Etihad Airways is anti-competitive.

The Edgeworth Report, commissioned by Etihad Airways, also disproves their claims that Gulf carriers have put "excessive capacity" into the market. The Edgeworth Report found that these simplistic claims do not stand up to economic scrutiny, as the markets in which Etihad Airways operates have much higher average rates of economic growth than the global average, which in turn, drove a higher demand for air services. The Edgeworth Report also identified other considerations such as pent-up demand due to underservicing by U.S. carriers.

Finally, in addition to assessing the claims in the Open Skies Report, Edgeworth also analysed claims made in a recent economic report published by Compass Lexecon on behalf of these carriers.

Edgeworth found that the Compass Lexecon Report is "fundamentally flawed" and "ignores key evidence" as it contains two unsupported assumptions: (i) the report treats as an accepted fact that Etihad Airways and other Gulf carriers have received subsidies, a point which has merely been asserted by the U.S. carriers but is the subject of the ongoing Government docket process; and (ii) that the Big Three essentially "own" traffic on existing routes and Gulf carriers are only entitled to compete for traffic if they can prove they have "stimulated" this traffic. The Compass Lexecon report also establishes no "causal link" between any alleged subsidies and any claimed harm to the U.S. airlines

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Certain statements in the Compass Lexecon report are also directly contradictory to previous statements and testimony that Compass Lexecon has presented on behalf of these same three U.S. carriers.

The Compass Lexecon Report fails to establish any actual harm caused by the Gulf carriers to U.S. carriers, whereas the Edgeworth Report demonstrates that competition has led to overall market growth and increased consumer choice.

Commenting on the Edgeworth Economics findings, Etihad Airways' Chief Strategy and Planning Officer, Kevin Knight, said: "The claims made by the three U. S. carriers that Etihad Airways and other Gulf carriers are damaging their business and taking 'their' passengers, are not only false, but also arrogant. They do not 'own' these passengers, nor do they do have a right to them. At Etihad Airways, we believe we must earn the business of our guests by offering the best value and product for their money, along with the most convenient service."

Mr. Knight also noted that in 2014 Etihad Airways fed 182,000 passengers onto U.S. carriers, including American Airlines. Delta Air Lines and United Airlines, with the number forecast to grow by 65 per cent to approximately 300,000 passengers in 2015.

"We work with 48 airlines around the globe who take advantage of our strategic position in the Gulf to connect their passengers to the emerging markets of the Middle East, I.S.C., and Asia. We also feed our passengers onto the networks of our partner airlines, including the U.S. carriers, thus increasing the reach of our respective networks and increasing choice to consumers."

"The U.S. Open Skies policy has been hugely successful for American carriers and has also allowed airlines like Etihad Airways to connect passengers to the U.S. who otherwise would not be able to travel. It has forced the Big Three carriers and their global alliance partners, which between them control over 50 per cent of global passenger traffic, to be more competitive. It is therefore disturbing that these same carriers are now seeking to roll back Open Skies and the huge benefits it brings for competition and consumers."

Etihad Airways also confirmed that it will file its full response with the U.S. Government by the end of May.

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For more information about Etihad Airways' campaign to keep the skies open, please visit:
www.KeepTheSkiesOpen.com

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About Etihad Airways

Etihad Airways began operations in 2003, and in 2014 carried 14.8 million passengers. From its Abu Dhabi base, Etihad Airways flies to or has announced 111 passenger and cargo destinations in the Middle East, Africa, Europe, Asia, Australia and the Americas.

The airline has a fleet of 116 Airbus and Boeing aircraft, and almost 200 aircraft on order, including 69 Boeing 787s, 25 Boeing 777-X, 62 Airbus A350s and eight Airbus A380s.

Etihad Airways has equity investments in airberlin, Air Serbia, Air Seychelles, Aer Lingus, Alitalia, Jet Airways and Virgin Australia, and is in the process of formalizing an investment in Swiss-based Darwin Airline, which trades as Etihad Regional.

Etihad Airways, along with airberlin, Air Serbia, Air Seychelles, Alitalia, Etihad Regional, Jet Airways and NIKI, also participates in Etihad Airways Partners, a new brand that brings together like-minded airlines to offer customers more choice through improved networks and schedules and enhanced frequent flyer benefits. For more information, please visit:
www.etihad.com.