MAJOR U.S. CARRIERS AIR FURTHER CHARGES IN SUBSIDIES DISPUTE

News / Airlines

The top three U.S. airlines this week aired new allegations in their ongoing campaign against Persian Gulf carriers. The lobbying group representing United, American and Delta airlines charged that United Arab Emirates government bodies unequivocally prop up their respective state-owned airlines in contravention of open-skies agreements.

On August 27, the Partnership for Open & Fair Skies trained its sights on Dubai-based Emirates, claiming its government owner “spent a staggering $7.8 billion to build an opulent, 11-story air terminal at Dubai International Airport for the sole benefit of its airline, Emirates.” The partnership is a lobbying group that represents United, American and Delta airlines, as well as the Air Line Pilots Association and other labor organizations.

Evidence of the government’s financial support to build the Emirates terminal was gleaned from documents the airline filed with the U.S. government, which has opened a regulatory docket to gather information from all sides in the dispute. In contrast, the partnership said August 26 that previously undisclosed documents its investigators “unearthed” in Hong Kong reveal that Abu

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Dhabi's government provided $2.6 billion in cash injections to Etihad Airways last year, and as much as $5 billion when considering loans.

"As in previous years, the financials show that Etihad's status as a 'going concern' was specifically tied to the 'expected continued financial support from the Shareholder of the Company' (i.e., the government of Abu Dhabi). Without the subsidies, Etihad would not be commercially viable," the partnership argued.

Etihad responded that it has never hidden what it describes as equity investments by its government owner. "We have never made any secret of the fact that we have received equity capital and loans from our shareholder. That is completely normal for any business which has significant long-term capital commitments, for example for aircraft deposits," the airline said in a statement.

"Etihad Airways' accounts are audited by KPMG and are fully compliant with international financial reporting standards," the statement added. "These issues have all been addressed in our submission to the U.S.government under the Open Skies docket."

The major U.S. carriers contend that Etihad, Emirates and Qatar airlines are subsidized by their governments in contravention of open skies agreements and to the detriment of American workers and industry. That sentiment is not shared by all U.S. carriers, as JetBlue, Hawaiian Airlines and cargo carriers FedEx Express and Atlas Air have filed comments that support the current open-skies agreements. They have formed their own coalition—U.S. Airlines for Open Skies.

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