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The Hon Bruce Scott MP
Chair
Trade Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence & Trade
Parliament House
Canberra ACT 2600



RE INQUIRY INTO AUSTRALIA'S TRADE AND INVESTMENT RELATIONSHIPS WITH COUNTRIES OF THE MIDDLE EAST

On behalf of the 6,000 Australians employed globally by Emirates Airline & Group, thank you for the invitation to make a submission to the Trade Sub-Committee's Inquiry into Australia's trade and investment relationships with countries of the Middle East.

Based in Dubai, Emirates operates to 143 destinations in 80 countries and is the world's largest international carrier by Revenue Passenger Kilometres (RPKs). Emirates currently has a fleet of 221 eco-efficient wide-body aircraft with an average fleet age of 72 months. In 2013/14 carried 44.5 million passengers, up 13.1% with a seat factor of 79.7%.

Emirates operates on transparent and wholly commercial basis, free of state aid or subsidy. Its PwC audited 2013/14 Annual Report confirmed Emirates' 26th consecutive year of profitability - US\$887 million on revenues of US\$22.5 billion and dividends of US\$280 million paid to its owners, Investment Corporation of Dubai. High fuel costs (US\$8.36 billion / 39.2% of cost base in 2013/14), currency fluctuations in key markets and patchy global economic recovery and consumer sentiment continue to challenge Emirates like all trade exposed businesses.

Emirates is a strong partner of Australian tourism and trade exporters, it has invested in the capital and people to provide global business and leisure travellers with an Australasian network that gives unparalleled levels of connectivity, capacity, flexibility.

Emirates is now the largest foreign carrier operating to Australia, flying 84 times per week – daily to Adelaide, twice daily to Brisbane and three times daily to Melbourne, Perth and Sydney. Twenty eight of those flights connect across the Tasman from eastern Australia's capitals to Auckland and Christchurch. Additionally, to meet the strong demand of Australia's exporters, Emirates' SkyCargo unit operates six per week dedicated freighter services to Sydney.

In 2014, Emirates' hub at Dubai International Airport overtook London-Heathrow to become the world's leading airport for international passengers and is projected to grow beyond 72.5 million passengers this year. This shift in international passenger traffic east from Europe is an important development for Australia, as it brings the potency and connectivity of the world's leading hub into range for direct non-stop services.

In 2013, Emirates carried over 3.45 million passengersⁱ and 107,500 tonnes of high-valued cargoⁱⁱ on its Australian flights from Dubai – this includes traffic from intermediate Asian points and Trans Tasman services.



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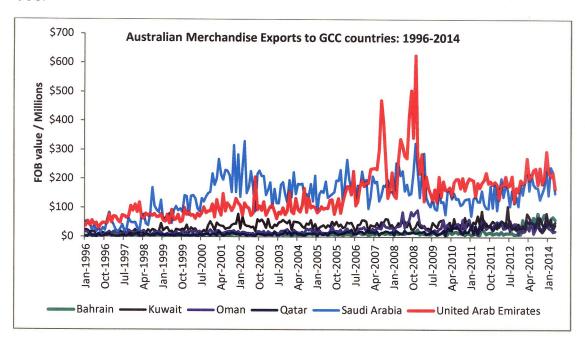
Emirates' investments in Australia go well beyond flying people and cargo to/from the country. Over the last decade Emirates has made substantial investments in Australian aviation and tourism related businesses includes Toll-dnata, Alpha catering and the creation of Australia's first luxury conservation resort, the \$125million Wolgan Valley Resort & Spa.

Since it launched services to Australia from its Dubai hub in 1996, Emirates has been an active partner in growing Australian exports into the United Arab Emirates (UAE), the Gulf Co-operation Council (GCC) and more broadly the Middle East and North Africa (MENA).

As a connector of people and places, partnerships are critical, and in the context of this inquiry there are three partnerships that are critically important to stimulating export facilitation:

- 1. <u>Trade promotion:</u> Austrade and the State trade promotion offices in Dubai play a key role in opening up new export opportunities across the GCC and MENA region. In many of these spheres Emirates is playing an important partnership role in providing cargo connectivity, facilitation and logistics services in bringing high-value exports to market;
- Stimulate tourism exports: In 2012, Emirates signed a three year A\$14.3 million marketing
 partnership aimed at stimulating inbound tourism from key markets in Europe and New Zealand.
 This is the largest investment Emirates has ever made with a tourism authority and highlights our
 view on the strength of 'destination Australia' and the quality of Tourism Australia's campaigns; and
- 3. <u>Australian connectivity:</u> In 2013, Emirates launched its global aviation partnership with Qantas, which provides customers with a seamless international and Australian network. Combined the two carriers operate 98 services per week (x84 Emirates + x14 Qantas) linking 55 Australian destinations to UAE, GCC and MENA.

The following graph highlights the link between Emirates' investment and progressive growth of services into the Australian market and the stimulation of trade and penetration of Australian exports into the UAE and GCC.



In 1996 when Emirates launched its first services to Melbourne, Australian exports to the UAE and the GCC was A\$573 millionⁱⁱⁱ and A\$1.42 billion^{iv} respectively. While there are some outlier results which are reflected in the broader macro-economic indicators in the 1997 and 2010 period; the overall growth in UAE and GCC has trended up-wards with strong gains in 2013 of 26% to A\$2.63 billion^v and 28% to A\$6.97 billion^{vi} respectively.

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Critically for Australian business, Dubai and the UAE remains the largest export market with a 38% of total exports to the GCC.

Political and economic stability, business friendly environment and extensive foreign trade network have been core elements in attracting Australian businesses into Dubai.

Emirates respectfully makes the following three recommendations to the Inquiry:

- 1. Establishment of Australia-GCC Free Trade Agreement (FTA);
- 2. Increased investment in Austrade and trade facilitation and promotion initiatives in the UAE and GCC; and
- 3. An increased emphasis from Tourism Australia on promoting 'destination Australia' in the UAE and GCC to attract high-yield tourists.

As we have seen in the international aviation, market liberalisation stimulates passenger and freight flows. The presence of Australian companies using Dubai as a business friendly hub and as a platform to penetrate the wider-GCC market continues to deliver impressive results and we believe an Australia-GCC FTA will provide a vital surge in trade activity and boost Australian exports.

We would be pleased to provide additional information to the Committee if it would be of assistance.

Yours sincerely,

Will Löfberg Vice President International, Government & Environment Affairs

ⁱ Bureau of Infrastructure, Transport & Regional Economics – Table 3 International Airline Activity 2013

Bureau of Infrastructure, Transport & Regional Economics – Table 1 International Airline Activity 2013

Australian Bureau of Statistics [5368.0 Table 14A]

iv Australian Bureau of Statistics [5368.0 Table 14A]

Australian Bureau of Statistics [5368.0 Table 14A]

vi Australian Bureau of Statistics [5368.0 Table 14A]