



**Settling in for the long haul: the shape of the skies in 2020 and what it
means for the European traveller**

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Ladies and gentlemen,

It's great to be back in Brussels.

Etihad first commenced flying to the capital of Europe in October 2005. It was the 18th destination on our young network.

Since then, we've carried 400,000 people between Brussels and our home of Abu Dhabi.

So we're no new kid in town. Etihad's friendship and partnership with this city has been enduring and our commitment has been, and remains, long-term.

THE LAST TIME I SPOKE AT THE EUROPEAN AVIATION CLUB WAS BACK IN OCTOBER OF 2007.

I had been Etihad's CEO for just 12 months.

I spoke then about the enormous potential of the Arabian Gulf, as an aviation hub and as a global business and leisure destination.

That potential is now well on the way to being realised.

THEN, ETIHAD WAS AN AIRLINE GENUINELY IN ITS INFANCY.

We had just 33 aircraft and we flew to 45 cities. Only 62 per cent of our destinations were served daily or more.

We were still tightening up our operational performance, by measures such as on-time performance and technical dispatch reliability.

Our workforce comprised 4,500 people and our head office was just a few demountable sheds by the airport.

Airline CEOs often refer to Skytrax as a preeminent measure of performance. The rankings are decided each year by the votes of 18 million passengers from 100 different countries. When I last stood here, we were ranked 23rd in the world by Skytrax, having jumped almost 30 places from 52nd in 2006.

Three years on and the Etihad Airways of today is a very different creature.

We are still a young airline but we have matured rapidly.

We now operate a fleet of 57 aircraft, including six freighters, with passenger services to 66 destinations in 44 countries.

Besides on routes where we are bilaterally constrained, 90 per cent of our network will be served at least daily by mid-2011, and I will talk more about

that shortly. But I say this to demonstrate that we are now arriving at the right balance of network reach and network density.

We have vaulted to sixth in the Skytrax rankings. In 2009 we won the world's best Business class and in 2010 we won the world's best First class.

In the World Travel Awards we have been named World's Leading Airline for the past two consecutive years.

Our on-time performance is sitting at around 87 per cent and our technical dispatch reliability is 99.2 per cent – both well above industry standards.

We now have 8,000 staff, and a state-of-the-art global headquarters and training academy in Abu Dhabi.

THE PAST THREE-AND-A-BIT YEARS HAVE BEEN SIMILARLY TRANSFORMATIVE FOR EUROPE AND HER ECONOMY.

Things were very different when I last spoke here.

For one thing, it wasn't so damned cold!

Europe in 2007 was enjoying a sustained period of economic prosperity.

Average GDP growth was at three per cent across the European Union.

Unemployment was around seven per cent.

Markets were strong and global consumer confidence was robust.

But things have changed decidedly since then.

2009 saw a 4.2 per cent *drop* in European GDP, followed by a tepid return to growth – 1.8 per cent – in 2010.

Unemployment has risen to nearly 10 per cent and equity markets have taken this long to recover to 2007 levels.

Only last month did consumer confidence across the European Union reach 2007 levels.

It has been a tough – and long – three years.

**BUT WE MUST NOT ALLOW ECONOMIC ADVERSITY TO NUDGE US
BACK TOWARDS PROTECTIONISM.**

Europe has led the way in the liberalisation of many markets and the economic benefits have been clear.

This is true across many industries. And it is certainly true of aviation.

The enormous economic multiplier effect of liberalised aviation markets is well documented and widely accepted.

Countries and cities that have welcomed open competition have reaped the benefits associated with larger inbound traffic flows, burgeoning tourism industries and increased trade.

Our home market, the UAE, has been a major beneficiary of that approach.

In good faith, we have put this strongly held view to the European Commission and to the governments of individual member states.

Europe needs growth.

And it needs vibrant aviation and tourism industries to underpin the recovery to strong growth.

**TOWARDS THE END OF LAST YEAR, A NUMBER OF MAJOR AIRLINES
ATTACKED THE GROWTH OF THE GULF CARRIERS.**

They cited alleged subsidies, the apparent unfairness of export credit financing and potential job losses, as grounds to prevent their competitors' growth in a free market.

I have two responses:

FIRSTLY, PROTECTING A NATIONAL CARRIER FROM OPEN COMPETITION IS A NET NEGATIVE POLICY SETTING FOR ANY ECONOMY.

Any benefits to those national airlines yielded from a protected aviation market are far, far outweighed by the loss of traffic growth and associated job creation to the wider economy.

You only have to look at the history of European aviation deregulation to see the massive benefits that come from opening markets. Even national airlines have, in most cases, found the rigours of the free market a helpful stimulus.

We see the same basic rules applying on the routes on which we are able to operate freely. Our services act as a stimulus to the market and, over time, the overall market grows.

Everything from increased hotel occupancy to thriving hospitality and retail businesses.

Even banking jobs in aircraft financing – although we don't quite have warm feelings for the bankers just yet!

A HEALTHY, COMPETITIVE GLOBAL AVIATION MARKET ALSO BRINGS MASSIVE BENEFITS TO THE EUROPEAN AIRCRAFT MANUFACTURING INDUSTRY.

Etihad has 58 firm orders for Airbus aircraft to be delivered over the next decade.

Emirates has 143. Qatar has 97.

At list prices, that's worth about US\$80 billion.

The net effects of open skies are a bigger industry, more passenger traffic, faster growth, and more trade and tourism right across the EU.

SECONDLY, I BELIEVE THE LEGACY CARRIERS OF EUROPE HAVE A UNIQUE OPPORTUNITY TO USE THE EMERGENCE OF GENUINE COMPETITION AS A CATALYST TO TRANSFORM THEIR OWN CUSTOMER OFFERINGS AND TO MODERNISE THE WAY THEY DO BUSINESS.

Failure to do so represents a threat to their ongoing relevance and their ability to compete in the global market.

They would be well-advised to focus less on how unfair they perceive the world to be, and more on how to adapt to take advantage of emerging opportunities and changing operating conditions.

The world is more mobile than ever.

Markets shift. New powers emerge.

Agility, and the embrace of change, will triumph.

And those that cling to the old order of things will be left behind.

WHY HAVE AIRLINES LIKE ETIHAD BECOME SO APPEALING TO BOTH THE CORPORATE AND LEISURE TRAVELLER TO AND FROM EUROPE?

It's not because we are behemoths. Let's not forget we are up against more established competitors.

All of the big European flag carriers are members of the major airline alliances that collectively control 70 per cent of all global international air traffic.

What's more, several have taken advantage of liberal markets to merge and consolidate.

And it's not because we have somehow tricked our way into their affections.

I BELIEVE IT IS BECAUSE WE HAVE A VASTLY SUPERIOR OFFERING FOR THE CUSTOMER.

By starting with a clean sheet of paper, we have been able to develop the best-in-class product and service, to deliver it on the newest and most efficient aircraft, with young and enthusiastic crew, and to operate our business free from the hangover of a legacy cost structure.

Consider this: According to IATA's latest industry outlook, released last month, Middle Eastern airlines made a collective profit of USD 700 million in 2010, almost double our European counterparts; but, astoundingly, *on just a quarter of the revenue.*

Quite simply, we offer the customer a better product and we deliver it cost-effectively.

AND PARTLY BECAUSE OF THIS, THE CONSUMER'S CONCEPT OF VALUE HAS CHANGED.

As 2020 advances from the middle distance, travellers are embracing a new set of expectations of airlines.

They want access to modern and dynamic networks.

They won't settle for tired old aircraft and tired old service.

They don't want to backtrack through tired old hubs.

They've had enough of brands that often take them for granted.

All of these customer needs are our starting point.

WE'RE ALSO ABLE TO LEVERAGE OUR GEOGRAPHIC ADVANTAGE.

Just about everywhere on earth is a direct flight to or from Abu Dhabi.

The Gulf is also one of the world's fastest-growing regions.

And again, looking to 2020, this growth looks to become ever more pronounced.

India, our neighbour just across the Arabian Sea, has emerged as a world economic power.

And we are ideally positioned between Europe and Asia.

In days past, all economic activity and innovation emanated from the USA and Europe. And therefore all roads led there, or simply between the two.

Then the 1980s happened and the world was beating a path to Hong Kong and Singapore.

Today, the passenger flows between Brazil and India, or Africa and China, or the Middle East and Germany, are growing to rival those between Heathrow and JFK.

I AM PARTICULARLY PLEASED TO BE BACK AT THE EUROPEAN AVIATION CLUB AT THE BEGINNING OF 2011 BECAUSE, FOR US AT ETIHAD, 2011 WILL BE THE YEAR OF EUROPE.

This year we will enter five wide-body passenger aircraft into service.

We are going to use these new aircraft to significantly enhance our European schedule.

From June through to August, we will gradually increase our frequencies.

Brussels will go from six to eight flights a week.

Geneva and Milan will go to daily.

Paris will go to double-daily.

Manchester will initially move to ten flights a week, and then go to double-daily before year-end.

We will also add one more European city to our network in 2011, but we're not quite ready to announce where that will be.

THE REASON ETIHAD IS DIRECTING THIS NEW CAPACITY INTO OUR EXISTING EUROPEAN DESTINATIONS IS TO ACHIEVE SUFFICIENT DEPTH IN OUR SCHEDULE.

Sufficient depth to target those corporate travel accounts that generate critical premium traffic.

And to win business travellers, you really need to have daily flights and even double-daily in bigger markets.

It generally takes three years for a new route to become profitable. Naturally, you need some time to establish a sufficient presence in a market.

But we're now at the stage where many of our network destinations are reaching that point of maturity and are ready to support more frequency and capacity.

THE OTHER MAJOR ENHANCEMENT WE HAVE IN THE PIPELINE FOR 2011 IS THE RECONFIGURATION OF SOME OF OUR AIRCRAFT ON THESE ROUTES.

This year we will retrofit the eight three-class A330-200s in our fleet to have a two-class 22/240 configuration, and with an upgraded Business cabin.

Destinations such as Brussels and Milan will become two-class.

The configuration of our A330-300 fleet will also change slightly, with more efficient First and Business class cabins and five additional rows of Economy.

In Europe, three-class aircraft will continue to serve Frankfurt, Geneva, London, Munich and Paris.

THESE CHANGES HAVE THREE BENEFITS:

We optimise the utilisation of our fleet by using the right aircraft on the right routes.

We homogenise the configuration of the fleet so the customer has certainty of what they'll get when they step onto one of our aircraft.

And we accept that some markets have consistent and profitable demand for First class, and some markets do not.

THE ADDITIONAL NETWORK DENSITY AND THE RECONFIGURATIONS ARE KEY PLANKS OF OUR PLAN TO BREAK EVEN THIS YEAR, AND TO MOVE INTO SUSTAINABLE PROFITABILITY NEXT YEAR AND ONWARDS.

We are growing fast. But we are growing sustainably.

And we are here for the long haul.

THAT'S THE KIND OF AIRLINE ETIHAD WILL BE IN 2020 AND ONWARDS.

It's informed by the mandate from our shareholder:

To be best-in-class.

To be commercially viable and to turn a profit.

And to support the Abu Dhabi 2030 Plan through the wider benefits that aviation brings to the economy.

YOU'LL NOTE THERE'S NOTHING IN THERE ABOUT BEING THE BIGGEST.

We will have around 150 aircraft by the end of the decade – still much smaller than even today’s Air France, British Airways, Lufthansa or indeed even Air Canada.

And that’s OK because it is not part of our strategy to fly everywhere.

We want to choose our markets carefully, grow our presence in them sustainably, use the right aircraft for the right routes and be the best airline in those markets.

That’s how we’re going to be the best; remain the best; and do it profitably.

And that, in turn, will underpin Abu Dhabi’s evolution into one of the world’s leading economic, political and cultural capitals.

Thank you again for having me here today and I am more than happy to take any questions you might have.

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