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Mr Richard Chadwick
General Manager
Adjudication Branch
Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

Copy: David Jones, Director, Adjudication Branch, Australian Competition and Consumer Commission

Our ref 0014693-0000190 AU:1622080.1

23 April 2012

Dear Mr Chadwick

Proposed cooperative arrangements between Emirates and flydubai

We act for Emirates, a Dubai corporation established by Decree No.2 of 1985 (as amended) (**Emirates**), and Dubai Aviation Corporation, trading as flydubai, a Dubai corporation established by law No. (11) of 2008 (**flydubai**).

Emirates and flydubai (the **Applicants**) apply for authorisation pursuant to section 88 of the *Competition and Consumer Act 2010* (Cth) (the **Act**) in relation to a range of cooperative programmes and coordinated activities that include, but are not limited to, passenger air transportation and air cargo services (**Affiliation Agreement**) as well as cooperative arrangements beyond the Affiliation Agreement that the Applicants may wish to engage in from time to time (together the **Proposed Cooperation**).

We **enclose**:

- Application Forms A and B;
- a confidential supporting submission to the ACCC made on behalf of the Applicants (**Confidential Submission**);
- a redacted public register version of the supporting submission to the ACCC made on behalf of the Applicants (**Public Submission**); and
- cheques for the appropriate filing fee of $9,000.

The Applicants also apply for interim authorisation of the Proposed Cooperation pursuant to section 91(2) of the Act.

AUST. COMPETITION &
CONSUMER COMMISSION
SYDNEY

2 3 APR 2012

We request that the enclosed Confidential Submission be excluded from the Commission's Public Register. The Applicants make this request on the basis that the Confidential Submission (including appendices) contains information that is commercially confidential to the Applicants. The disclosure of this information would unreasonably and adversely affect the Applicants in respect of their lawful business, commercial and financial affairs. We request that only the Public Submission (with confidential information redacted) be placed on the Public Register.

Please contact myself or Tadeusz Gielas on 02 9373 7726 if you would like to discuss this letter or the enclosed submissions. The Applicants would be happy to meet with the Commission and to provide further information to assist in its consideration of their Applications for authorisation.

Kind regards

Dave Poddar
Partner

Encl

Form A

Commonwealth of Australia

Competition and Consumer Act 2010 – subsections 88 (1A) and (1)

EXCLUSIONARY PROVISIONS AND ASSOCIATED CARTEL PROVISIONS: APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:
Application is hereby made under subsection(s) 88 (1A)/88 (1) of the *Competition and Consumer Act 2010* for an authorisation:

- to make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act and which would also be, or might also be, an exclusionary provision within the meaning of section 45 of that Act.

- to give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of that Act and which is also, or may also be, an exclusionary provision within the meaning of section 45 of that Act.

- to make a contract or arrangement, or arrive at an understanding, where a provision of the proposed contract, arrangement or understanding would be, or might be, an exclusionary provision within the meaning of section 45 of that Act.

- to give effect to a provision of a contract, arrangement or understanding where the provision is, or may be, an exclusionary provision within the meaning of section 45 of that Act.

(Strike out whichever is not applicable)

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. **Applicant**

(a) Name of Applicant:

(Refer to direction 2)

A91298

Emirates, a Dubai corporation established by Decree No.2 of 1985 (as amended) whose registered office is at the Emirates Group Headquarters, P.O. 686, Dubai, United Arab Emirates (**Emirates**).

Dubai Aviation Corporation, trading as flydubai, a Dubai corporation established by law No. (11) of 2008, having its principal place of business at flydubai headquarters, Terminal 2, P.O. Box 353, Dubai, United Arab Emirates (**flydubai**).

(b) Description of business carried on by applicant:

(Refer to direction 3)

The provision of international air transportation services.

For more detail please refer to the Submission.

(c) Address in Australia for service of documents on the applicant:

Allen & Overy,
Level 25
85 Castlereagh Street
Sydney NSW 2000

Attention:	Dave Poddar Partner Tel: (02) 9373 7722 Fax: (02) 9373 7710 dave.poddar@allenovery.com	and	Tadeusz Gielas Senior Associate Tel: (02) 93673 7726 Fax: (02) 9373 7710 tadeusz.gielas@allenovery.com

2. Contract, arrangement or understanding

(a) Description of the contract, arrangement or understanding, whether proposed or actual, for which authorisation is sought:

(Refer to direction 4)

Emirates and flydubai seek authorisation to make, and to give effect to, the Affiliation Agreement (**Affiliation Agreement**) and the arrangements therein contemplated, as well as other cooperative arrangements which the Affiliation Agreement may be expanded to encompass including:

- holiday/vacation and products packages;
- co-branded joint offices;
- corporate dealings;
- customer rebates, incentives and discounts;
- agency arrangements (including coordinating agency commissions, rebates, incentives and discounts); and
- distribution.

(together the **Proposed Cooperation**).

A copy of the Affiliation Agreement is set out in Confidential Appendix 2 to the Submission.

(b) Description of those provisions of the contract, arrangement or understanding described at 2 (a) that are, or would or might be, exclusionary provisions and (if applicable) are, or would or might be, cartel provisions:

(Refer to direction 4)

Please refer to the Submission.

(c) Description of the goods or services to which the contract, arrangement or understanding (whether proposed or actual) relate:

Commercial passenger airline services and air freight services.

(d) The term for which authorisation of the provision of the contract, arrangement or understanding (whether proposed or actual) is being sought and grounds supporting this period of authorisation:

Authorisation of the Proposed Cooperation is being sought for the term of the Proposed Cooperation and, in any event, for a period ending no earlier than 10 years from the Commencement Date for the Proposed Cooperation being 23 May 2012.

The grounds supporting this period of authorisation are set out in the Submission.

3. Parties to the proposed arrangement

(a) Names, addresses and descriptions of business carried on by other parties or proposed parties to the contract or proposed contract, arrangement or understanding:

Not applicable.

(b) Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:

(Refer to direction 5)

Not applicable.

4. Public benefit claims

(a) Arguments in support of application for authorisation:

(Refer to direction 6)

Please refer to the Submission.

(b) Facts and evidence relied upon in support of these claims:

Please refer to the Submission.

5. **Market definition**

Provide a description of the market(s) in which the goods or services described at 2 (c) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

(Refer to direction 7)

Please refer to the Submission.

6. **Public detriments**

(a) Detriments to the public resulting or likely to result from the contract arrangement or understanding for which authorisation is sought, in particular the likely effect of the contract arrangement or understanding, on the prices of the goods or services described at 2 (c) and the prices of goods or services in other affected markets:

(Refer to direction 8)

The Proposed Cooperation will not result in any public detriment. Please refer to the Submission.

(b) Facts and evidence relevant to these detriments:

Please refer to the Submission.

7. **Contracts, arrangements or understandings in similar terms**

(a) This application for authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding:

(b) Is this application to be so expressed?

No.

(c) If so, the following information is to be furnished:

(i) Description of any variations between the contract, arrangement or understanding for which authorisation is sought and those contracts, arrangements or understandings that are stated to be in similar terms:

(Refer to direction 9)

Not applicable.

(ii) Where the parties to the similar term contract(s) are known — names, addresses and descriptions of business carried on by those other parties:

(Refer to direction 10)

Not applicable.

(iii) Where the parties to the similar term contract(s) are not known — description of the class of business carried on by those possible parties:

Not applicable.

8. Joint Ventures

(a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?

Yes, as defined by section 4J of the *Competition and Consumer Act 2010.*

(b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

Yes (being the attached Form B).

(c) If so, by whom or on whose behalf are those other applications being made?

Emirates and flydubai

9. Further information

(a) Name, postal address and telephone contact details of the person authorised by the applicant seeking authorisation to provide additional information in relation to this application:

Allen & Overy,
Level 25
85 Castlereagh Street
Sydney NSW 2000

Dave Poddar
Partner
Tel: (02) 9373 7722
Fax: (02) 9373 7710
dave.poddar@allenovery.com

Dated 23 April 2012

Signed by/on behalf of the applicant

....
(Signature)

....Dave Poddar....................................
(Full Name)

....Allen & Overy....................................
(Organisation)

....Partner....................................
(Position in organisation)

DIRECTIONS

1. Use Form A if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision and which is also, or might also be, an exclusionary provision. Use Form B if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision or a provision which would have the purpose, or would or might have the effect, of substantially lessening competition. It may be necessary to use both forms for the same contract, arrangement or understanding.

   In lodging this form, applicants must include all information, including supporting evidence, that they wish the Commission to take into account in assessing their application for authorisation.

   Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. Where the application is made by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the application and the application is to he signed by a person authorised by the corporation to do so.

3. Describe that part of the applicant's business relating to the subject matter of the contract, arrangement or understanding in respect of which authorisation is sought.

4. Provide details of the contract, arrangement or understanding (whether proposed or actual) in respect of which the authorisation is sought. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, exclusionary provisions. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, cartel provisions.

   In providing these details:

   (a) to the extent that any of the details have been reduced to writing, provide a true copy of the writing; and

   (b) to the extent that any of the details have not been reduced to writing, provide a full and correct description of the particulars that have not been reduced to writing.

5. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.

6. Provide details of those public benefits claimed to result or to be likely to result from the proposed contract, arrangement or understanding including quantification of those benefits where possible.

7. Provide details of the market(s) likely to be effected by the contract, arrangement or understanding in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the application for authorisation.

8. Provide details of the detriments to the public, including those resulting from any lessening of competition, which may result from the proposed contract, arrangement or understanding. Provide quantification of those detriments where possible.

9. Where the application is made also in respect of other contracts, arrangements or understandings, which are or will be in similar terms to the contract, arrangement or understanding referred to in item 2, furnish with the application details of the manner in which those contracts, arrangements or understandings vary in their terms from the contract, arrangements or understanding referred to in item 2.

10. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, and descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.

Form B

Commonwealth of Australia

Competition and Consumer Act 2010 — subsections 88 (1A) and (1)

AGREEMENTS AFFECTING COMPETITION OR INCORPORATING RELATED CARTEL PROVISIONS: APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:
Application is hereby made under subsection(s) 88 (1A)/88 (1) of the *Competition and Consumer Act 2010* for an authorisation:

- to make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act (other than a provision which would also be, or might also be, an exclusionary provision within the meaning of section 45 of that Act).

- to give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of that Act (other than a provision which is also, or may also be, an exclusionary provision within the meaning of section 45 of that Act).

- to make a contract or arrangement, or arrive at an understanding, a provision of which would have the purpose, or would or might have the effect, of substantially lessening competition within the meaning of section 45 of that Act.

- to give effect to a provision of a contract, arrangement or understanding which provision has the purpose, or has or may have the effect, of substantially lessening competition within the meaning of section 45 of that Act.

(Strike out whichever is not applicable)

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicant

(a) Name of Applicants:

(Refer to direction 2)

A91299 Emirates, a Dubai corporation established by Decree No.2 of 1985 (as amended) whose registered office is at the Emirates Group Headquarters, P.O. 686, Dubai, United Arab Emirates (**Emirates**).

Dubai Aviation Corporation, trading as flydubai, a Dubai corporation established by law No. (11) of 2008, having its principal place of business at flydubai headquarters, Terminal 2, P.O. Box 353, Dubai, United Arab Emirates (**flydubai**).

(b) Short description of business carried on by applicant:

(Refer to direction 3)

The provision of international air transportation services.

For more detail please refer to the Submission

(c) Address in Australia for service of documents on the applicant:

Allen & Overy,
Level 25
85 Castlereagh Street
Sydney NSW 2000

Attention:	Dave Poddar Partner Tel: (02) 9373 7722 Fax: (02) 9373 7710 dave.poddar@allenovery.com	and	Tadeusz Gielas Senior Associate Tel: (02) 93673 7726 Fax: (02) 9373 7710 tadeusz.gielas@allenovery.com

2. Contract, arrangement or understanding

(a) Description of the contract, arrangement or understanding, whether proposed or actual, for which authorisation is sought:

(Refer to direction 4)

Emirates and flydubai seek authorisation to make, and to give effect to, the Affiliation Agreement (**Affiliation Agreement**) and the arrangements therein contemplated, as well as other cooperative arrangements which the Affiliation Agreement may be expanded to encompass including:

- holiday/vacation and products packages;
- co-branded joint offices;
- corporate dealings;
- customer rebates, incentives and discounts;
- agency arrangements (including coordinating agency commissions, rebates, incentives and discounts); and
- distribution.

(together the **Proposed Cooperation**).

A copy of the Affiliation Agreement is set out in Confidential Appendix 2 to the Submission.

(b) Description of those provisions of the contract, arrangement or understanding described at 2 (a) that are, or would or might be, cartel provisions, or that do, or would or might, have the effect of substantially lessening competition:

(Refer to direction 4)

Please refer to the Submission.

(c) Description of the goods or services to which the contract, arrangement or understanding (whether proposed or actual) relate:

Commercial passenger airline services and air freight services.

(d) The term for which authorisation of the contract, arrangement or understanding (whether proposed or actual) is being sought and grounds supporting this period of authorisation:

Authorisation of the Proposed Cooperation is being sought for the term of the Proposed Cooperation and, in any event, for a period ending no earlier than 10 years from the Commencement Date for the Proposed Cooperation being 23 May 2012 .

The grounds supporting this period of authorisation are set out in the Submission.

3. Parties to the proposed arrangement

(a) Names, addresses and descriptions of business carried on by other parties or proposed parties to the contract or proposed contract, arrangement or understanding:

(Refer to direction 5)

Not applicable.

(b) Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:

Not applicable.

4. Public benefit claims

(a) Arguments in support of authorisation:

(Refer to direction 6)

Please refer to the Submission.

(b) Facts and evidence relied upon in support of these claims:

Please refer to the Submission.

5. **Market definition**

Provide a description of the market(s) in which the goods or services described at 2 (c) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

(Refer to direction 7)

Please refer to the Submission.

6. **Public detriments**

(a) Detriments to the public resulting or likely to result from the authorisation, in particular the likely effect of the contract, arrangement or understanding, on the prices of the goods or services described at 2 (c) and the prices of goods or services in other affected markets:

(Refer to direction 8)

The Proposed Cooperation will not result in any public detriment. Please refer to the Submission.

(b) Facts and evidence relevant to these detriments:

Please refer to the Submission.

7. **Contract, arrangements or understandings in similar terms**

This application for authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding.

(a) Is this application to be so expressed?

No.

(b) If so, the following information is to be furnished:

(i) description of any variations between the contract, arrangement or understanding for which authorisation is sought and those contracts, arrangements or understandings that are stated to be in similar terms:

(Refer to direction 9)

Not applicable.

(ii) Where the parties to the similar term contract(s) are known — names, addresses and descriptions of business carried on by those other parties:

Not applicable.

(iii) Where the parties to the similar term contract(s) are not known — description of the class of business carried on by those possible parties:

Not applicable.

8. Joint Ventures

(a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?

Yes, as defined by section 4J of the *Competition and Consumer Act 2010.*

(b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

Yes (being the attached Form A).

(c) If so, by whom or on whose behalf are those other applications being made?

Emirates and flydubai

9. Further information

(a) Name and address of person authorised by the applicant to provide additional information in relation to this application:

Allen & Overy,
Level 25
85 Castlereagh Street
Sydney NSW 2000

Dave Poddar
Partner
Tel: (02) 9373 7722
Fax: (02) 9373 7710
dave.poddar@allenovery.com

Dated 23 April 2012

Signed by/on behalf of the applicants

....
(Signature)

Dave Poddar
....
(Full Name)

Allen & Overy
....
(Organisation)

Partner
....
(Position in organisation)

DIRECTIONS

1. Use Form A if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision and which is also, or might also be, an exclusionary provision. Use Form B if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision or a provision which would have the purpose, or would or might have the effect, of substantially lessening competition. It may be necessary to use both forms for the same contract, arrangement or understanding.

   In lodging this form, applicants must include all information, including supporting evidence, that they wish the Commission to take into account in assessing the application for authorisation.

   Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. Where the application is made by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the application and the application is to be signed by a person authorised by the corporation to do so.

3. Describe that part of the applicant's business relating to the subject matter of the contract, arrangement or understanding in respect of which the application is made.

4. Provide details of the contract, arrangement or understanding (whether proposed or actual) in respect of which the authorisation is sought. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, cartel provisions. Provide details of those provisions of the contract, arrangement or understanding that do, or would or might, substantially lessen competition.

   In providing these details:

   (a) to the extent that any of the details have been reduced to writing, provide a true copy of the writing; and

   (b) to the extent that any of the details have not been reduced to writing, provide a full and correct description of the particulars that have not been reduced to writing.

5. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.

6. Provide details of those public benefits claimed to result or to be likely to result from the proposed contract, arrangement or understanding including quantification of those benefits where possible.

7. Provide details of the market(s) likely to be effected by the contract, arrangement or understanding, in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the authorisation.

8. Provide details of the detriments to the public which may result from the proposed contract, arrangement or understanding including quantification of those detriments where possible.

9. Where the application is made also in respect of other contracts, arrangements or understandings, which are or will be in similar terms to the contract, arrangement or understanding referred to in item 2, furnish with the application details of the manner in which those contracts, arrangements or understandings vary in their terms from the contract, arrangements or understanding referred to in item 2.

Public Register Version - Restriction of Publication of Part Claimed

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SUBMISSION TO

THE AUSTRALIAN COMPETITION & CONSUMER COMMISSION

IN SUPPORT OF APPLICATIONS FOR AUTHORISATION

OF A PROPOSED COOPERATION BETWEEN

EMIRATES AND FLYDUBAI

Emirates

flydubai

April 2012

CONTENTS

1. INTRODUCTION AND EXECUTIVE SUMMARY

1.1 The Proposed Cooperation

The Applicants

Emirates (which includes the commercial passenger airline and the air cargo division of Emirates, Emirates SkyCargo) (**Emirates**) and Dubai Aviation Corporation trading as "flydubai" (**flydubai**) (and any related bodies corporate) (together, the **Applicants**) seek interim and substantive authorisation to make and give effect to certain cooperation arrangements described below pursuant to an Affiliation Agreement.

Emirates is a full service carrier (**FSC**) airline that operates flights and air cargo services to and from Australia. Emirates is wholly owned by the Investment Corporation of Dubai (**ICD**), which is ultimately wholly owned by the Government of Dubai.[1]

flydubai is a low cost carrier (**LCC**) airline that does not operate any direct flights into Australia (including for the provision of air cargo services) and its aircraft are not suitable for such long haul operations. flydubai is the trading name of Dubai Aviation Corporation, which is wholly owned by the Government of Dubai.

Both Applicants have the same Chairman, HH Sheikh Ahmed bin Saeed Al Maktoum, and are ultimately owned by the Government of Dubai. flydubai (ie. the Dubai Aviation Corporation) is wholly owned by the Government of Dubai, while Emirates is owned by the Government of Dubai via the ICD. A structural diagram of the relationship between the Applicants is set out in **Appendix 1**.

Proposed Cooperation

Under the Affiliation Agreement, the Applicants will coordinate operations on international air passenger transportation services and air cargo transportation services between Australia and Dubai and on extensive 'behind and beyond' Emirates and flydubai services which support the routes between Australia and Dubai either directly or via intermediary points to/from Australia. The Affiliation Agreement contemplates an extensive range of cooperative programmes and coordinated activities with respect to, but not limited to, passenger air transportation and air cargo services, including marketing and advertising arrangements, interlining arrangements, codeshare arrangements, frequent flyer rewards programmes, special prorate agreement, revenue sharing as well as other joint and coordinated activities (the **Proposed Cooperation**).

Emirates and flydubai are ultimately owned by the Dubai Government and as such the Proposed Cooperation does not create competition concerns in the main jurisdictions to which the airlines fly. Due to the particular language used in the Australian *Competition and Consumer Act (2010) (Cth)* (**CCA**), even though the Applicants are both wholly owned by the Dubai Government, the corporate ownership does not fit neatly within the definition of the CCA. It is therefore necessary for compliance purposes to obtain legal certainty of a clearance from the Australian Competition and Consumer Commission (**ACCC**) pursuant to the authorisation process for the conduct subject of the Proposed Cooperation arrangements and before the arrangements can be implemented in Australia.

[1] Emirates Group: http://www.theemiratesgroup.com/english/our-company/company-overview/company-overview.aspx

Request for Interim Authorisation

The Applicants also seek an interim authorisation of the Proposed Cooperation to enable the joint deployment, planning, marketing and sale of the new services to commence as soon as possible and if at all possible during May 2012 because of the long lead times described below so as to start providing benefits to consumers in Australia. In the airline industry there are significants lead times associated with implementing the arrangements contemplated in the Proposed Cooperation. These are including but not limited to: lead times of several months in negotiating route scheduling slots and obtaining local regulatory approvals in various destinations across the Applicants' combined network; implementing IATA's air e-freight system across flydubai's air cargo network; implementing and mobilising streamlined ground handling services for both airlines at Dubai International Airport and outstations, including obtaining United Arab Emirates (**UAE**) government approvals for dispensing with requirements for UAE transit visas and secondary baggage security screening for through-checked passengers and reconfiguration of terminal setup for this purpose; transitioning flydubai to Emirates' established IT systems; implementing joint marketing campaigns and co-branding; and developing joint systems for inventory, ticketing and revenue management.

It is submitted there is no substantive regulatory risk for the ACCC associated with granting interim authorisation, as implementation of the Proposed Cooperation on an interim basis will not permanently affect or substantially lessen competition in any relevant market in Australia, as the Applicants do not compete with each other on any direct inbound or outbound Australian routes and there is very limited overlap in the number of routes that both Emirates and flydubai operate to 'behind and beyond' destinations in the Gulf States. Furthermore, in the event substantive authorisation is not ultimately granted, the Proposed Cooperation could be unwound without substantial difficulty as the Applicants are both ultimately wholly owned by the Dubai Government.

1.2 The commercial rationale for the Proposed Cooperation

The Proposed Cooperation will enable the Applicants to offer a seamless series of connections from Australia via Dubai to a greater number of destinations in the Middle East, Africa, Europe and Asia, than either Applicant would be able to provide separately, and will also enable the Applicants to compete more effectively with air transportation services provided by other airline alliances and offer customers a wider choice of travel and cargo options via Dubai or intermediary points to/from Australia. The Proposed Cooperation will enable Australian passengers to fly to destinations, or enable international passengers to fly from certain destinations to Australia, which are not currently serviced by Emirates but are currently serviced by flydubai by purchasing a single fare in Australia from Emirates, rather than purchasing two separate fares from the two separate airlines.

The relevant counterfactual in the absence of the Proposed Cooperation would be a less competitive outcome with substantially fewer benefits for travelling passengers to or from Australia and for the Australian economy due to the associated benefits from commerce and tourism that would not otherwise occur in the absence of the authorisation.

In the counterfactual, Emirates would continue to operates flights into Australia and would not be likely to commence operating stand alone flights to the destinations that flydubai currently services but Emirates does not. flydubai for its part would not operate any direct flights (including the provision of air cargo services) into Australia other than via a current arm's length interlining agreement which includes a Special Prorate Agreement (**SPA**) for two-way interlining with Emirates. flydubai does not currently have any other interlining arrangements with other carriers that operate into Australia. Emirates would continue to be unable to provide a greater choice of destinations for Australian passengers and air cargo options.

Accordingly, the counterfactual is relatively straightforward in that, absent authorisation of the Proposed Cooperation, increased passengers and cargo connectivity, as well as other service enhancements and benefits, would not occur.

1.3 Public benefits arising from the Proposed Cooperation

The Proposed Cooperation will generate a range of public benefits in respect of the supply of international air passenger services and air cargo transport services from Australia to the Middle East / Asia / Europe / Africa, whether directly or via intermediate points to/from Australia.

The Applicants' international air passenger and air cargo transport services do not overlap on any inbound and outbound Australian routes because only Emirates operates in this sector (however flydubai can provide international air passenger and air cargo transport services via its interlining agreement with Emirates). There is very limited overlap on some routes serviced by the Applicants to destinations 'behind and beyond' Dubai which will not adversely impact Australian consumers. Given the ownership structure of the two airlines, the overlap is actually only beneficial to increase coverage, flow and increased public benefits in Australia.

The Proposed Cooperation will provide a range of public benefits including:

- Enhanced products and services, including expanded international network coverage and growth of overall two-way air traffic (eg. increased number of destinations, improved scheduling and flight interconnection, streamlined baggage handling services);
- Enhanced international trade between Australia and the UAE as well as other countries in the Middle East and North Africa (**MENA**) region;[2]
- Increased employment opportunities for Australians at Emirates' affiliated business in Australia, resulting from increases in tourism and trade;
- Single fares, shorter connection times, through check-ins for passengers and through-handling for air freight;
- Promotion of competition and lower connecting fares;
- Cost savings and efficiencies (e.g. more efficient allocation of resources);
- Improvement to the already high safety standards and/or reliability of flight services offered by the Applicants;
- Staff secondments, enabling the pooling of industry expertise and technical and operational know how;
- Improvement to the quality and/or variety of services offered by the Applicants to consumers (eg. harmonized service and product standards, improved in-flight service offering, streamlined corporate travel procurement, ability to offer coordinated passenger benefits such as airport lounge facilities);
- Enhanced business opportunities for Australian corporations that do business in the network in which flydubai operates;

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[2] The MENA region, at its broadest, includes the following countries: Algeria, Armenia, Azerbaijan, Bahrain, Cyprus, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Mauritania, Morocco, Oman, Palestinian territories, Qatar, Sahrawi Arab Democratic Republic, Saudi Arabia, Somalia, Sudan Syria, Tunisia, Turkey, United Arab Emirates and Yemen.

- Stimulation of Australian tourism by providing more end-point destinations for inbound and outbound Australian 'feeder routes'.

The Proposed Cooperation will not result in the removal of any routes currently operated by either Emirates or flydubai.

1.4 Framework for competitive analysis and relevant market definition

For the purpose of this submission, the Applicants are prepared to proceed on the basis the competitive effect of the Proposed Cooperation should be analysed within the context of markets for the supply of international air passenger and air cargo transport services between Australia and the Middle East / Asia / Europe / Africa, whether directly or via intermediary points to/from Australia. This is consistent with the approach taken by the ACCC in assessing other authorisation applications concerning cooperative airline arrangements. Emirates notes that its extensive international route network spans six continents and that it can provide air passenger and air cargo transport services to Australian consumers from a range of destinations direct via Dubai and via a range of intermediary points to/from Australia.

The Applicants note that the ACCC typically commences its analysis of cooperative airline arrangements by considering a distinction between 'leisure' and 'business' air passengers, however the Applicants submit that for the purposes of conducting a public benefits/detriments assessment of the Proposed Cooperation it may not be necessary to distinguish between 'leisure' and 'business' air passengers as Emirates and flydubai are not horizontal competitors in Australia and the distinction would not, in any event, alter the outcome of any public benefits/detriments analysis of the Proposed Cooperation.

Even if the ACCC were minded to take a narrower approach and consider the Proposed Cooperation solely on the basis of the Applicants' overlapping routes (none of which involve flights direct to/from Australia) on a route-by-route/city-pairs basis, no identifiable public detriments will arise.

Further, the Applicants submit that the very limited overlaps on routes in parts of the Middle East, Asia and Africa will not identifiably alter the competitive dynamics on those routes as Australian consumers are already able to access those destinations either via Emirates or flydubai under the SPA. The Proposed Cooperation will provide additional convenience for Australians and will enable them to benefit from enhanced service offerings arising from the Proposed Cooperation, including costs savings and lower priced fares which the Applicants will be able to achieve only under the Proposed Cooperation.

The Applicants submit that the Proposed Cooperation will have no material negative competitive effect on any relevant market for the sale of air passenger or air cargo transport services, and a negligible impact on any market for the sale of air transport services. Moreover the Proposed Cooperation will have no adverse impact on any market for domestic air passenger transport services in Australia as Emirates does not operate any point-to-point flights within Australia.

1.5 Conclusion: Public benefits of the Proposed Cooperation outweigh any potential detriments

The Proposed Cooperation will result in a range of benefits to Australian consumers which would not be realisable in the absence of the Proposed Cooperation. Given the lack of any overlap between Emirates and flydubai on any outbound and inbound Australian routes for the provision of international air passenger or air cargo transport services, and the fact that flydubai does not intend to fly long-haul distances to Australia (indeed flydubai's fleet as set out in section 2.2 is incapable of flying distances greater than 5,500 km), no identifiable public detriments are likely to arise from the Proposed Cooperation.

2. THE PARTIES

2.1 Emirates

Emirates is a government decree Dubai corporation established in 1985 by Decree No.2 of 1985 (as amended) whose registered office is at the Emirates Group Headquarters, P.O. 686, Dubai, United Arab Emirates. Emirates commenced operations to Australia in 1996. Emirates is wholly owned by ICD, which is ultimately wholly owned by the Government of Dubai.[3]

Emirates is a FSC airline that operates international air passenger transport and air cargo services around the world, including to/from Australia. Emirates operates more than 1,000 flights per week across six continents from its base at Dubai International Airport, which has the capacity to handle 70 million passengers per year.[4] In the financial year 2010/2011, Emirates carried 31.4 million passengers worldwide.[5]

Since 2004, when Emirates acquired its first long-haul wide-body aircraft allowing for much broader global expansion, the airline has opened 39 new outstations and now flies to over 100 destinations in approximately 70 countries. Emirates' Australian destinations are Sydney, Melbourne, Brisbane and Perth, and these are serviced by Dubai services as well as services from intermediary points in Singapore, Kuala Lumpur, and Bangkok and beyond points in Auckland and Christchurch.

Emirates operates 70 flights per week between Australia and Dubai, twice daily to Brisbane and Perth, and three times daily to Melbourne and Sydney.[6] In 2010/2011 Emirates' Australian flights carried 2.2 million passengers and approximately 80,447 tonnes of freight. Since it commenced operations into Australia in 1996, Emirates has carried over 14.5 million passengers on its Australian flights.

Emirates operates from its hub in Dubai where it competes with over 150 carriers at Dubai International Airport.[7] Emirates' progressive growth in Australia since 1996, through the addition of new frequencies in line with actual demand and by using larger aircraft, is consistent with the framework set by the Australian Government allowing for measured capacity increases.

Emirates continues to expand its international flight routes, having launched Geneva, Copenhagen and St Petersburg since April 2011 and Baghdad on 13 November 2011, and in early 2012 launching additional new routes to Rio de Janeiro, Buenos Aires, Harare, Lusaka, Dallas, Seattle and Dublin. All of these cities are not routes served directly (or in the case of Buenos Aires, will shortly cease to be served directly[8]) by any Australian carrier.[9] A map and list of Emirates' current and proposed routes is set out in **Appendix 3**.

Emirates currently operates codeshare flights with Air Malta, Air Mauritius, Japan Airlines, Jet Airways, Korean Airlines, Oman Air, Philippine Airlines, South African Airways and Thai Airways International.[10]

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[3] Emirates Group: http://www.theemiratesgroup.com/english/our-company/company-overview/company-overview.aspx
[4] The Emirates Group, Our Brands - Emirates Airline, http://www.theemiratesgroup.com/english/our-brands/air-transportation/emirates-airline.aspx
[5] Emirates: http://www.emirates.com/english/about/the_emirates_story.aspx
[6] Emirates, "Emirates – A Friend of Australia", 2011, page 1.
[7] Emirates, "Emirates – A Friend of Australia", 2011, page 1.
[8] Qantas announced in mid 2011 that it would be shifting its South American flights from Buenos Aires in Argentina to Santiago in Chile. Beginning on 26 March 2012, flights between Sydney and Buenos Aires will be replaced by inbound flights from Sydney to Santiago, where LAN will pick up passengers and forward them to other South American destinations. The service will operate three times a week with the intention to increase frequencies to daily services over time. See: http://www.ausbt.com.au/qantas-drops-international-routes-in-major-restructure; http://www.gringos.com/latin-american-business/qantas-ditches-buenos-aires-route-and-adds-santiago.html and http://www.ausbt.com.au/qantas-flights-move-from-buenos-aires-to-santiago-in-march
[9] These cities are, however, served by Australian carriers indirectly, via codesharing or bilateral alliance arrangements. For example Dallas is served via the Qantas/American Airlines alliance.
[10] Emirates: http://www.emirates.com/english/help/faqs/FAQDetails.aspx?faqCategory=193393

Emirates has one of the youngest fleets in the world and now operates a fleet of 168 wide-bodied Airbus and Boeing aircraft including the largest fleet of A380s comprising 17 aircraft and the largest fleet of Boeing 777s. Emirates' fleet consists of Airbus A380, Airbus A340-500, Airbus A340-300, Airbus A330-200, Boeing 777-300ER, Boeing 777-200LR, Boeing 777-300 and Boeing 777-200.[11]

Above: a photograph of the inside of an Emirates' airbus A380.

The Emirates brand is recognised worldwide and was named the third most valuable airline brand globally by Brand Finance in its 2011 Global 500 brand survey. Emirates has received more than 400 international awards for excellence in its more than 25 years of operation.[12] Emirates believes that the quality of the service which it offers and the strength of its brand are critical to its continuing success and intends to continue focusing on developing its brand.

Like many commercial airlines, Emirates supplies international passenger and air cargo services using aircraft which carry passengers in the cabin and cargo in the belly hold of the aircraft. Emirates also supplies international air cargo services through dedicated freighter aircraft. Emirates SkyCargo is the trading name for the cargo division of Emirates. Emirates SkyCargo operates flights to and from Sydney via Singapore. In September 2011, Emirates launched a new dedicated weekly freighter Boeing 777F aircraft on this route.

Dnata, a separate UAE decree corporation, provides services in ground handling, cargo, travel, IT solutions and flight catering to Emirates.

2.2 flydubai

flydubai is the trading name of Dubai Aviation Corporation, which is a government decree Dubai corporation established in 2008 by law No. (11) of 2008, having its principal place of business at flydubai headquarters, Terminal 2, P.O. Box 353, Dubai, United Arab Emirates. Dubai Aviation Corporation is wholly owned by the Government of Dubai. flydubai commenced commercial operations in June 2009.

[11] Emirates: http://www.emirates.com/au/english/flying/our_fleet/our_fleet.aspx; http://www.emirates.com/english/about/the_emirates_story.aspx

[12] Including winning Air Transport World's Airline of the Year award (in 2011), the prestigious Skytrax Airline of the Year Award twice (in 2001 and 2002), the World's Best Airline Inflight Entertainment in the Skytrax World Airline Awards (in 2010 for the fifth consecutive year), the Best Airline based in the Middle East/Indian Sub-Continent in the OAG Airline Industry Awards (in 2009), the Long-haul Airline of the Year – Nonstop in the Annual Travel Star Awards (in 2009), the "Best of the Best" award for its Airbus A380 First Class Cabin in the Robb Report, China (in 2009) and the Cargo Airline of the Year in the Air Cargo News Awards (in 2010).

flydubai is a LCC airline that does not operate any direct flights into Australia for the provision of international air passenger or air cargo services (although it can do so under its arm's length interlining agreement with Emirates). flydubai does not intend to offer such services in the foreseeable future and in fact is technologically unable to do so because its aircraft fleet cannot fly non-stop distances greater than 5,500 km. flydubai also does not intend to fly to Australia on indirect services (ie. via intermediary points). flydubai does not currently codeshare with any carriers.

flydubai currently has a flight network servicing 48 destinations across the Gulf Cooperation Council (**GCC**)[13], Middle East, Africa, Indian sub-continent, Commonwealth of Independent States (**CIS**)[14], Europe and Asia. A map and list of flydubai's current routes is set out at **Appendix 3**. In servicing these routes, currently flydubai operates a fleet of 21 Boeing 737-800 Next Generation (**NG**) aircraft with an all economy class seat configuration. A further 28 Boeing 737-800NG aircraft are scheduled to be delivered through to flydubai by 2016.

As a LCC flydubai is focused on providing quality service, reliability and safety for its customers at price points that make air travel affordable, easier and accessible to customers that would otherwise be unlikely to fly. flydubai employs a simple business model where customers only pay for services they want to receive (for example check-in luggage, onboard meals and in-flight entertainment incur separate costs). While flydubai does not currently have a passenger frequent flyer programme, it will offer a comparable frequent 'shipper' program for air cargo customers that use flydubai's air freight services on a regular basis.

Above: a photograph of the inside of flydubai's Boeing 737-800 Next Generation cabin fitted with the Boeing Sky Interior and revolutionary Fibre-To-The-Screen in-flight entertainment systems from Lumenxis.

2.3 Relationship between Emirates and flydubai

Both Applicants have the same Chairman, His Highness Sheikh Ahmed bin Saeed Al Maktoum, and are ultimately owned by the Government of Dubai: flydubai (ie the Dubai Aviation Corporation) is owned outright by the Government of Dubai, while Emirates is owned by the Government of Dubai

[13] Member countries of the GCC include Bahrain, Kuwait, Oman, Qatar and the UAE. See Department of Foreign Affairs and Trade Fact Sheet United Arab Emirates: http://www.dfat.gov.au/geo/fs/uaem.pdf

[14] The CIS region, at its broadest, includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan , Ukraine, Russia, Uzbekistan

via ICD. But for the technical distinction as to the specific Government ownership structure in relation to the Applicants, the Applicants would otherwise be considered related bodies corporate for the purposes of the CCA 'related bodies corporate' exemption.[15] A structural diagram of the relationship between Applicants is set out in **Appendix 1.**

The Applicants also have in place a standard industry SPA, which is further discussed at section 4.3 below.

3. OVERVIEW OF THE AIRLINE INDUSTRY

3.1 Introduction

The international aviation industry is heavily regulated and the nature of this regulation means that airlines are not able to operate on every available route around the globe. The 1944 *Convention on International Civil Aviation* established the principle that each country has exclusive sovereignty over its airspace, which continues to guide the regulatory framework today. Before an airline can offer international air transport services, there must first be a formal bilateral Air Services Agreement (**ASA**) between the Government of its home country and the country to which it proposes to operate that specifically authorises international air transport services. The most recent ASA between Australia and the UAE was registered on 3 July 2007.[16] A Memorandum of Understanding between the two countries' aeronautical authorities, dated 8 February 2010, outlines the capacity entitlements of air services between the countries.[17]

The requirement to operate pursuant to an ASA means that airlines can only fly to where they have the specific rights. The ASA will also specify the terms and conditions of the airline's activity between the two countries. For example, an ASA may indicate the destinations that can be served in a particular country, the permitted frequencies per week and any right to operate via or beyond to third countries. Typically, the rights granted under an ASA can only be exercised by designated carriers of the countries that are parties to them. Furthermore, a standard set of separate air rights, known as 'freedoms of the air' which grant a country's designated airlines the right to enter and land in another country have been developed, and can be negotiated between sovereign states. The extent of aviation regulation means it is not possible for a single entity to operate a global service in its own right.

Given the nature of the regulation of the aviation industry, once the right to fly to a particular destination has been obtained capacity cannot be added on a seat-by-seat basis, and an airline can only increase capacity on that route by making significant changes, such as by purchasing another aircraft (which involves significant fixed cost outlays) or by redeploying an aircraft from a less profitable route. The fixed costs associated with operating an airline combined with the excess capacity associated with the addition of an entire aircraft to a route, can make it difficult for an airline to recover its cost of capital on international routes.

The dynamics of the aviation industry are also significantly influenced by geography. Australia is a considerable distance from established markets and does not operate as a hub to any other destination. Travel from Australia to the Middle East generally involves non-stop flight segments of over 12,000 km, more than 15 travelling hours, and this requires the acquisition of specialised long

[15] Emirates became part of the ICD portfolio in 2006, and flydubai was established in March 2008. It is likely that, if flydubai was established in 2006, it would have become part of the ICD's investment portfolio and the Applicants would indeed be related bodies corporate for the purposes of the CCA.

[16] Department of Foreign Affairs and Trade: http://www.info.dfat.gov.au/Info/Treaties/treaties.nsf/AllDocIDs/72D1AFD20C695B64CA256C2F0003D1B6

[17] Department of Infrastructure and Transport: http://www.infrastructure.gov.au/aviation/international/agreements.aspx and The Hon Anthony Albanese MP, Minister for Infrastructure, Transport, Regional Development and Local Government, media release, *More Seats on Routes Between Australia and the Middle East*, 12 February 2010, see: www.minister.infrastructure.gov.au/aa/releases/2010/February/AA029_2010.htm

range and large gauge aircraft. As outlined above, flydubai's aircraft is unable to fly non-stop distances greater than 5,500 km, well short of the 12,000 km mark.

3.2 Cooperation in the aviation industry

The nature of airline regulation has resulted in the development of cooperative arrangements between airlines, in particular bilateral and multilateral arrangements, to deliver to passengers and cargo services operators a wider and more efficient range of services, which would have otherwise not been possible to deliver by one airline on its own. These forms of cooperation have been widely recognised to generate substantial public benefits including lower fares, enhanced networks and more seamless travel.[18] As a result of cooperative arrangements between airlines, air passengers and air cargo operators benefit from an enhanced domestic and international network of destinations, flight frequencies, products and services, and airlines gain from cost savings and scale economies through shared facilities and resources. The Proposed Cooperation is just one of a number of methods of cooperation used in the airline industry. These range from fully integrated cooperative arrangements, such as the Proposed Cooperation, to more limited interline and codeshare agreements.

Airline alliances are a common feature of the aviation industry. Both in terms of global multi-party 'marketing' alliances (namely Star Alliance, OneWorld and Sky Team) and bilateral airline alliances. The FSC 'Gulf Region' airlines, which include Emirates, Etihad and Qatar Airways, are recognised as having a unique business model of 'ultra long-haul' flights, and as such have not felt the need to join either of the three global alliances. However vigorous competitive dynamics in the industry have gradually necessitated the promulgation of strategic bilateral airline alliances, such as the recent airline alliance between Virgin Australia and Etihad, which was authorised by ACCC in 2011.[19]

The ACCC has previously authorised bilateral cooperative airline arrangements in recognition of the potential for such cooperation to provide significant public benefits. In recent years the ACCC has granted authorisation for a number of airline cooperation arrangements, including between:

- Virgin Australia Group and SkyWest Airlines (interim authorisation granted on 25 January 2012, draft determination proposing to authorise the alliance made on 22 March 2012);[20]
- Virgin Australia Group and Singapore Airlines (granted 1 December 2011);[21]
- Qantas Airways and American Airlines (granted 29 September 2011);[22]
- Virgin Blue Airlines and Etihad Airways (granted 3 February 2011);[23]
- Virgin Blue Airlines and Air New Zealand (granted 16 December 2010);[24]
- Virgin Blue Airlines and Delta Air Lines (granted 10 December 2009);[25] and
- Qantas Airways and British Airways (granted 8 February 2005)[26].

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[18] See for example W.T Whalen, 'A Panel Data Analysis of Codesharing, Antitrust immunity and Open Skies Treaties in International Aviation Market', *Review of Industrial Organisation*, 2007 30 39-61 and J K Brueckner 'International Airfares in the Age of Alliances: the Effects of Codesharing and Antitrust Immunity', *The Review of Economics and Statistics*, February 2003, 85(1) 105-118.
[19] ACCC public authorisations register: http://www.accc.gov.au/content/index.phtml/itemId/944483/fromItemId/401858
[20] ACCC public authorisations register: http://www.accc.gov.au/content/index.phtml/itemId/1022673/fromItemId/278039
[21] ACCC public authorisations register: http://www.accc.gov.au/content/index.phtml/itemId/993958/fromItemId/278039
[22] ACCC public authorisations register: http://www.accc.gov.au/content/index.phtml/itemId/987619
[23] ACCC public authorisations register: http://www.accc.gov.au/content/index.phtml/itemId/944483/fromItemId/401858
[24] ACCC public authorisations register: http://www.accc.gov.au/content/index.phtml/itemId/927433/fromItemId/401858
[25] ACCC public authorisations register: http://www.accc.gov.au/content/index.phtml/itemId/881766/fromItemId/401858
[26] ACCC public authorisations register: http://www.accc.gov.au/content/index.phtml/itemId/744636/fromItemId/401858

Bilateral airline cooperation arrangements can vary in their level of integration, from least integrated (eg. interlining) to the most integrated (eg revenue sharing, integration of IT systems). Higher levels of integration enable the achievement of greater efficiencies as the airlines can pool resources and benefit from combined industry expertise and market knowledge to deliver the most cost-effective, innovative and streamlined provision of services that can be offered to consumers. The Proposed Cooperation will involve a higher level of integration so as to achieve maximum efficiencies and public benefits.

3.3 Dynamics in the aviation industry

There have been rapid changes in the aviation industry in Australia, as well as in the rest of the Asia Pacific, Asian and Middle Eastern regions – and to a lesser extent in Europe and Africa – over the past decade including the formation of new business models, alliances, new airlines, new routes, and vigorous competition among airlines. The two major changes include the entry of a number of LCCs into the Australian domestic and international air passenger transport markets and the formation and remodelling of some airlines' business models to compete in the LCC and the FSC markets. Recent significant changes in the Australian, Asian and Asia Pacific and Middle East aviation industries include:

(a) The recent reorganisation and rebranding of Virgin Blue to Virgin Australia in early 2011 and, in 2005, its move away from a LCC business model and towards becoming a New World Carrier (**NWC**) to attract higher yielding corporate and business travellers, while at the same time, remaining attractive to leisure passengers.[27]

(b) The recent announcement by Qantas and China Eastern Airlines in relation to the establishment of a new Hong Kong based LCC that will commence operations in mid-2013;[28]

(c) The recent entry of Air Asia X in providing LCC services between Australian destinations (including Sydney from April 2012) and Kuala Lumpur, with connections to other destinations in Asia.[29]

(d) Jetstar's growth in Australia and the Asia Pacific region. In August 2011, Jetstar announced the creation of a new airline called Jetstar Japan (a joint venture of Jetstar, Japan Airlines, and Mitsubishi Corporation) which initially expected to commence operations in December 2012 but has since brought forward the launch date forward to 3 July 2012 in response to competition from AirAsia in the region.[30] Jetstar was launched by Qantas in 2003 in response to LCC Virgin Blue (now rebranded as Virgin Australia) and a year later launched its Asian offshoot, Jetstar Asia.

(e) The recent announcement by Singapore Airways in May 2011 to launch Scoot, a LCC that will operate flights into Australia as well as Asia and the Asia Pacific.[31] In December 2011, Scoot announced that its first route will be between Sydney and Singapore, with flights

[27] *Submission in support of the Application for Authorisation of the Alliance between Virgin Blue and Etihad Airways*, 27 August 2010 and ACCC determination on the *Applications for Authorisation lodged by Virgin Blue and Etihad Airways*, 3 February 2011

[28] Maggie Lu YueYang, "Qantas, China Eastern Airlines to set up HK budget airline", Reuters, 25 March 2012; http://www.reuters.com/article/2012/03/25/us-qantas-chinaeastern-idUSBRE82O0HJ20120325

[29] Matt O'Sullivan, "Sydney set for budget airfare war ", *Sydney Morning Herald*, 17 January 2012; http://www.theage.com.au/business/sydney-set-for-budget-airfare-war-20120117-1q45h.html

[30] Matt O'Sullivan, "Jetstar beats AirAsia into Japan", *Sydney Morning Herald*, 19 February 2012: http://www.smh.com.au/business/jetstar-beats-airasia-into-japan-20120208-1resm.html

[31] Matt O'sullivan, "Australia in Singapore Airlines no-frills path", *Sydney Morning Herald*, 12 October 2011: http://www.smh.com.au/business/australia-in-singapore-airlines-nofrills-flight-path-20111011-1lj45.html

planned to commence in June 2012.[32] Scoot has also named New Zealand, North Asia, Europe, India and the Gulf States as potential destinations.[33]

(f) The entry of the LCC Tiger Airways Australia into the Australian domestic air passenger transportation market in late 2007.

(g) Emirates' entry into Australia and the trans-Tasman route to New Zealand. Emirates first commenced flights to Melbourne in Australia in 1996, and then extended its services to Sydney in 2000, Perth in 2002 and Brisbane in 2003. Emirates first commenced flights on the trans-Tasman route to New Zealand in 2003 to Auckland in 2004 to Christchurch. Emirates intends to continue to grow its services to utilise its full capacity entitlement under the Australia-UAE ASA (currently 84 flights per week), and at which point it will seek to increase to 100 flights per week at the next ASA negotiation. It has currently scheduled a capacity increase on the Sydney-Dubai routes from October 2011.[34]

(h) Etihad Airways entered the Australian aviation market in 2007 and has continued its expansion since then.[35] Etihad intends, through its partnership with Virgin Blue (now known as Virgin Australia Group), to improve its brand presence and services into and out of Australia.[36] Most recently Virgin has indicated renewed emphasis on its routes to the Middle East, including to Abu Dhabi.[37] Etihad is seeking to raise the limit on the number of its flights to Australia (as part of bilateral talks between the Australian and United Arab Emirates government later this year) as well as to open a lounge at Sydney Airport next year.[38] Etihad, when it takes delivery of the ten A380 super-jumbos in late 2014, is expected to put these on the 'kangaroo route' between Sydney and London via Abu Dhabi.[39]

(i) Qatar Airways' entry into the Australian market in 2007,[40] and its gain in almost 1% total market share within one year of entering the market.[41] Qatar Airways currently operates daily services between Melbourne and Doha (with connections onto UK/Europe), it operates wide body aircraft on its Australian routes. It is understood that Qatar Airways has capacity and frequency allowances which it could use to potentially serve Brisbane, Sydney and Perth in the next few years.[42]

4. THE PROPOSED ARRANGEMENTS

4.1 Introduction

The Proposed Cooperation arrangements will facilitate a system of closer cooperation which will enable Emirates and flydubai to offer a seamless series of connections from Australia via Dubai and several intermediary points to the Middle East, Africa, Europe and Asia and to compete more effectively with air transportation services of other airlines and airline alliances. It will also offer a

[32] http://www.smh.com.au/travel/travel-news/sydney-first-destination-for-singapore-airlines-new-budget-carrier-20111201-1o82t.html; http://www.ausbt.com.au/scoot-debuts-sydney-singapore-in-mid-2012-china-india-to-follow

[33] http://m.smh.com.au/travel/travel-news/sydney-first-destination-for-singapore-airlines-new-budget-carrier-20111201-1o82t.html

[34] Andrew Heasley, "Emirates eyes surge in flights", SMH, 11 May 2011, http://www.smh.com.au/travel/emirates-eyessurge-in-flights-20110510-1eh6e.html

[35] Sydney Morning Herald, http://www.smh.com.au/travel/travel-news/etihad-airways-expands-in-australia-20081113-5yct.html

[36] *Submission in support of the Application for Authorisation of the Alliance between Virgin Blue and Etihad Airways*, 27 August 2010 and ACCC at section 1.2(a)

[37] Steve Creedy,. 'Virgin Australia awaits ACCC nod to spread its wings, *The Australian*, 25 November 2011

[38] Matt O'Sullivan, "Etihad chasing Virgin stake, no buts about it", 10 February 2012, http://www.smh.com.au/business/etihad-chasing-virgin-stake-no-buts-about-it-20120209-1rwcn.html

[39] Matt O'Sullivan, "Etihad chasing Virgin stake, no buts about it", 10 February 2012, http://www.smh.com.au/business/etihad-chasing-virgin-stake-no-buts-about-it-20120209-1rwcn.html

[40] The Age, http://www.theage.com.au/news/national/qatar-airways-to-fly-to-melbourne/2007/03/16/1173722750179.html

[41] Department of Infrastructure and Transport, "Submission to the ACCC before draft decision on proposed alliance between Virgin Blue Group and Etihad Airways Limited", 22 October 2010, at 7.

[42] Air Transport Intelligence, News, "Qatar Airways orders five more 777s", 6 April 2011. See also Sydney Morning Herald, http://www.smh.com.au/business/qatar-airline-snubs-melbourne-to-fly-to-sydney-20090306-8rfe.html

wider choice of travel and cargo options via Dubai. The Applicants have prepared an Affiliation Agreement which is intended to establish a framework for the Applicants to implement and perform the activities contemplated by the Proposed Cooperation.

Emirates and flydubai have an existing SPA providing for arm's length interlining arrangements only. The Affiliation Agreement would enable the Applicants to engage in a wide range of conduct that requires a high level of integration between airlines to implement and would provide a broader range of benefits to customers that will produce substantial public benefits.

It is intended that the Affiliation Agreement, once finalised and executed, will continue indefinitely subject to appropriate regulatory approval or otherwise subject to termination by the Applicants. The Affiliation Agreement is subject to a condition preventing the Applicants from carrying out any aspect of the Affiliation Agreement in a jurisdiction unless and until it is in compliance will all applicable laws of that jurisdiction, which includes the obtaining of an authorisation from the ACCC in respect of the Proposed Cooperation.

4.2 Affiliation Agreement

Under the Affiliation Agreement, Emirates and flydubai will enhance commercial cooperation by coordinating their activities through mutually agreed commercial arrangements. The implementation of this enhanced cooperation will be governed by mutual agreement between the Applicants.

In particular, subject to regulatory approval, the Affiliation Agreement contemplates an extensive range of cooperative programmes and coordinated activities with respect to, but not limited to, commercial passenger air transportation and air cargo services, including:

(a) marketing, advertising, sale and operation of passenger services and cargo services (including codeshare flights);

(b) interline, special prorate and codeshare arrangements;

(c) pricing strategies, including fares, fare categories, air cargo rates and air cargo rate categories;

(d) revenue allocation from codeshare flights and other flights, interline, special prorate, and block space agreements, including, if mutually agreed, the pooling or sharing of revenue and/or costs and optimising pricing opportunities;

(e) coordinating frequent flyer programmes and harmonising service and product standards;

(f) joint purchase of goods and services from third party suppliers and vendors (including selection and agreement of rates on General Sales Agents (**GSAs**) and Ground Handling Agents (**GHAs**));

(g) flight schedules and airport handling services;

(h) sharing of information and facilities (including sharing IT facilities and IT systems development in respect of air cargo services);

(i) staff secondments;

(j) making joint submissions to IATA where appropriate in relation to operational matters; and

(k) other joint and coordinated activities as agreed between Emirates and flydubai from time to time.

In addition the Applicants anticipate that the Affiliation Agreement may be extended to encompass the following cooperative arrangements:

(l) holiday/vacation and products packages;

(m) co-branded offices;

(n) corporate dealings;

(o) customer rebates, incentives and discounts;

(p) agency arrangements (including coordinating agency commissions, rebates, incentives and discounts); and

(q) distribution.

The Applicants note that the reference to "other joint and coordinated activities" between the Applicants in paragraph (k) is in the context of the types of conduct expressly stipulated at paragraphs (a)-(j) and (l)-(q) above. The provision in paragraph (k) is intended to provide a measure of flexibility in the manner that the types of conduct envisaged by the Affiliation Agreement are carried out, consistent with the corporate relationship between the Applicants.

A copy of the Affiliation Agreement is set out in **Confidential Appendix 2.**

4.3 Existing arrangements between the Applicants

The Applicants have in place an existing SPA, which is an industry standard arm's length interlining agreement under which each airline pays each other revenue on a pro-rata basis depending on the section of the route operated by the respective carrier (eg if a passenger purchases a fare with Emirates for a journey where separate sections of the route are operated by each of Emirates and flydubai, flydubai receives a portion of the fare pro-rated to the section of the route operated by flydubai). The Proposed Cooperation envisages a substantially deeper level of cooperation and integration between the Applicants.

From 15 January 2012 the SPA provides for a two-way interlining of air passenger and air cargo transport services when it is technically feasible. Prior to this date Emirates and flydubai were party to an SPA that provided for one-way interlining of air passenger and air cargo transport services.

The Applicants do not have any existing codesharing arrangements or any other integrated cooperative arrangements with each other.

4.4 Term of Authorisation sought

The Applicants seek authorisation of the Proposed Cooperation for a period of ten years. This period reflects a reasonable period required for the Applicants to realise the full range of public benefits arising from the Proposed Cooperation and while it is longer than the terms of most authorisations by the ACCC, the Applicants submit that:

(a) there is no overlap between the Applicants on any outbound and inbound Australian routes for the provision of international air passenger or air cargo transport services (under the SPA flydubai may interline its air passenger and air cargo transport services with Emirates' services to/from Australia, however this does not technically result in an overlap);

(b) flydubai's narrow-bodied aircraft are incapable of flying long-haul distances and have a maximum range of 5,500km and therefore flydubai cannot provide non-stop international air passenger or air cargo transport services between Dubai and Australia;

(c) there are significant differences between the business models of Emirates (an FSC) and flydubai (a LCC);

(d) the overlap between Emirates and flydubai flights is confined to 19 routes out of Dubai International Airport: Africa (two routes), Asia (five routes) and the Middle East (12 routes);

(e) but for the technical corporate ownership structure issues outlined above the Applicants are effectively part of a single group such that there would otherwise not have been a need for authorisation under the CCA.

Accordingly, in the particular circumstances of the Proposed Cooperation there is unlikely to be a risk of a material change in Applicants' status quo vis-à-vis each other in the medium-long term, such as to not justify the usual level of caution that would typically be applied to assessing the potential competition effects of airline alliances between horizontal competitors and where typically shorter authorisation periods are granted (eg five years). If, for example, flydubai ceased to be owned by the Government of Dubai, the Applicants consider this would constitute a significant change in circumstances that would enable the ACCC to review the authorisation of the Proposed Cooperation.

The Applicants anticipate that, over the term of the Authorisation, the Applicants may expand their combined networks in response to emerging opportunities for serving new destinations or additional intermediary points, however such expansion would occur within the scope of the Proposed Cooperation. For example, flydubai currently operates flights in the MENA region and to certain parts of Europe and Asia and over time those routes could increase as flydubai and Emirates cooperate on servicing underserved or emerging destinations from time to time. The Applicants note such changes would not significantly impact any direct air passenger or air cargo transport flights to or from Australia, as flydubai does not intend to - and indeed cannot for technological reasons – operate long-haul flights on direct or indirect (via intermediary points) inbound/outbound Australian routes.

4.5 Why integrated conduct is required to bring about the objectives of the Proposed Corporation

The Proposed Cooperation is necessary for the Applicants to achieve the level of integration necessary to implement the arrangements contemplated under the Affiliation Agreement. It will allow the Applicants to achieve significant efficiencies, as well as to deliver a wide range of public benefits, which are discussed in more detail in how they operate and service customers in section 5 below. Arms length arrangements such as codesharing or the existing SPA cannot provide a sufficient level of integration to enable the Affiliation Agreement to be implemented. While in theory certain types of conduct envisaged by the Affiliation Agreement could be implemented without integration, such as joint marketing or scheduling, the associated antitrust risks would require lengthy and cumbersome ring-fencing, monitoring and approval processes for individual initiatives, which would be likely to result in costs and delays that would obviate any efficiencies that could otherwise be achieved.

The Proposed Cooperation, by effecting highly integrated arrangements between the Applicants, will allow for joint pricing and scheduling arrangements to achieve the most efficient outcomes for the Applicants' commercial arrangements. The Applicants are currently constrained in joint pricing and sale level cooperation making it difficult to compete against carriers which already have a presence in both regions contemplated by the Proposed Cooperation. In addition, yield management coordination between the Applicants is currently limited to groups and individual traffic as specific fares cannot be discussed between the Applicants in the absence of authorisation. Under the Proposed Cooperation the Applicants will be able to discuss issues such as routes, capacities, marketing and pricing, and thereby be better able to compete against other carriers for the provision of both international air transportations services for both passengers and cargo (see section 7.5 below). In addition, the Applicants' sales teams will be able to coordinate joint sales calls with agents and provide a one-stop solution for customers (both passenger and cargo) rather than requiring agents to deal with the carriers independently.

The provision of joint scheduling and pricing, greater network coverage, more frequencies, and a range of other enhanced services offerings, which is only viable under a highly integrated cooperation arrangement, will result in numerous public benefits including avoidance of 'double marginalisation', which in turn lead to more competitive offerings for consumers.

The ACCC through its recent authorisation of several airline cooperation arrangements in Australia has acknowledged the role of cooperative arrangements as a response to strong competition, low yields and low profitability in the aviation industry. The recent trend towards consolidation to increase efficiency in the face of rising costs, makes it increasingly important for airlines, including the Applicants, to enter arrangements such as the Proposed Cooperation to ensure the most efficient commercial outcomes for consumers.

The commercial rationale for a highly integrated Proposed Cooperation is further discussed below.

4.6 The commercial rationale for the Proposed Cooperation

The Proposed Cooperation will enable the Applicants to use their core competencies to provide the best range of product and service offerings to consumers at competitive prices. The Proposed Cooperation will enable the Applicants to offer a seamless series of connections to and from Australia via Dubai and other intermediary points to a greater number of destinations in the Middle East, Africa, Europe and Asia than either Applicant would be able to provide separately.[43] It will also enable the Applicants to compete more effectively with air transportation services of other airlines and airline alliances.

With respect to international air passenger transportation services, Australian passengers will be able to fly to a destination in the Middle East, Africa, Europe and Asia that is not currently serviced by Emirates, but which is currently serviced by flydubai, by purchasing a single fare from Emirates rather than purchasing two separate fares from two separate airlines. Similarly, international air passengers will be able to purchase a single fare from either Emirates or flydubai and from destinations in the Middle East, Africa, Europe and Asia and travel to Australia via Dubai or other intermediary points.

With respect to air cargo that is carried in the belly hold of passenger aircraft, Emirates and flydubai will be able to offer Australian customers a wider choice of air cargo transportation destinations to the Middle East, Africa, Europe and Asia via Dubai and various intermediary points.

Emirates (under its Emirates SkyCargo brand) is the only Applicant who operates dedicated air freight aircraft. flydubai may, towards the latter half of the proposed term of authorisation of ten years, consider providing dedicated air freight services but at this stage flydubai does not operate any dedicated freight aircraft or does it have the necessary infrastructure in place to provide such

[43] The Applicants note flydubai flies only to a limited number of destinations in parts of Africa, Europe and Asia, with most of its operations being focused in the Middle East region.

services. On this basis, the Proposed Cooperation will have no impact on the provision of dedicated international air freight services.

The Proposed Cooperation will also enable the Applicants to:

(a) Extend their respective networks to access revenue opportunities and to jointly reduce overall fares and rates, providing stimulation to relevant airline markets in turn leading to increased pool of passengers and air cargo customers and further business opportunities for the Applicants. flydubai will be able to access, via connections to Emirates flights, the broad range of international destinations serviced by Emirates.

The Proposed Cooperation will essentially enable gaps in the Applicants' respective networks to be addressed. Currently Emirates has a limited network servicing regional low-volume points whereas flydubai cannot cover distances that require more than four to five hours' flying time. As such, each Applicant is not able to access air traffic flows which depend on either flight leg. For example, Emirates flies to four Australian points while flydubai operates services to Belgrade. Emirates can benefit from joining its network with flydubai as there is significant leisure traffic between Australia and Belgrade which could be accessed if the Applicants are able to jointly offer fares and services. Equally, flydubai is unable to sell fares into or from Australia as it does not supply direct services to/from Australia, and has no presence in, Australia. Both Applicants can therefore benefit from an enhanced relationship by effectively combining their complementary networks under the Proposed Cooperation.

(b) Fulfil an important strategic need of each other: the overlap between the Applicants' routes is very limited and there is excellent complementarity of services on routes operated by the Applications, which will result in material net benefits for consumers travelling with both airlines or using both airlines' cargo transportation services.

(c) Achieve efficiencies in revenue and capacity management by achieving optimal utilisation of available capacity on each other's services and attaining increased distribution reach worldwide.

A closer cooperation would also remove duplication in relation to fare filings in Global Distribution Systems (**GDSs**). Currently, each Applicant separately files individual fares for each carrier depending on the origin and destination for each service, which results in a level of complexity and inefficiency arising from the duplication of effort and need for two separate teams (one for each Applicant) to arrange the fare filing for each Applicant's respective network. The Proposed Cooperation would eliminate duplication and increase efficiency in GDS fare filings, and reduce costs associated with operating two separate teams, resulting in increased revenue for the Applicants and simplification of the process leading to more clarity for travel agents and consumers alike when making bookings on the Applicants' combined network.

Coordination on seat allocation and inventory will also minimise loss of traffic that could otherwise occur without the Proposed Cooperation (eg absent the Proposed Cooperation one carrier may allocate seats on a specific route whereas the other carrier does not, resulting in loss of traffic).

(d) Achieve closer cooperation between revenue management departments which will allow closer integration of revenue management philosophies and result in capacity efficiencies and greater revenue and higher yield for the Applicants. The Proposed Cooperation can create efficiencies by enabling the Applicants to jointly manage and coordinate their inventory and adopting a consistent approach in their strategic operations. For example, absent the Proposed Cooperation, the carriers pursue divergent strategies (eg one carrier may be pursuing a volume strategy to expand their regional presence while the other carrier may be pursuing a yield strategy to increase their revenue performance on a specific flight) and, in effect, these different strategies could work against each other and result in reduced passenger revenue because the actions of one carrier could lead to reduced demand on particular routes. The Proposed Cooperation will enable the Applicants to align their strategies and optimise revenue, which can in turn be passed through to consumers in the form of more competitive airfares and enhanced service offerings.

(e) Significantly enhance their product offering to unique market segments including but not limited to student traffic, seaman traffic, religious traffic, by combining the Applicants' respective global programs. Such integrated global offering would be impossible absent the Proposed Cooperation. In the absence of the Proposed Cooperation flydubai may be unable to access established traffic types on the same scale as Emirates, for example seaman traffic is generally confined to specific origin and destinations through established sales channels. In the case of seaman traffic, sales channels are an integral part of the Emirates network but may not be directly accessible for flydubai given the location of seaman traffic (eg Manila) or relationship with the local clearing houses. Under the Proposed Cooperation Emirates will bring its channel strength and penetration to flydubai's network while at the same time flydubai can provide the operational capability to carry the passengers to their final destination.

Student traffic is another example where the Proposed Cooperation could benefit both Applicants - a significant volume of student air traffic is arranged through selected student agencies worldwide and, like other international carriers, Emirates has a global relationship with selected student agencies as it provides the network and capability. Under the Proposed Cooperation flydubai can utilise Emirates' technical capability and established relationships and processes to establish arrangements with relevant student agencies to sell tickets on flydubai operations. Emirates can in turn benefit from increased volumes of feeder traffic on its networks that can result from increased passenger demand attracted by the availability of new destinations on flydubai's network.

(f) Generate efficiencies by combining industry knowledge and expertise to deliver enhanced products and services to customers, including "through check-ins" for passengers and integrated reliable end-to-end and air cargo transport arrangements.

(g) Capitalise on growing international trade between Australia and the MENA region, particularly involving member countries of the GCC[44] by offering competitively priced air passenger and air cargo transport services between Australia and MENA region locations.

(h) Achieve synergies by jointly marketing flights to facilitate the travel of tourist passengers to/from Australia, and to develop under-serviced or emerging destinations. For example under the Proposed Cooperation, Emirates will have access to new emerging or under-served destinations in flydubai's network without significant capital outlay. Further Emirates' wide-bodied aircraft are unsuitable for some destinations serviced by flydubai (mainly because it is not commercially viable to fly larger capacity aircraft on routes with relatively lower volumes of passenger and cargo traffic, and because some of the airports are not equipped to handle larger aircraft).

The reach of Emirates' network in Australia will enable flydubai to have an Australian presence without the need for significant expenditure, as Emirates will be able to incorporate

[44] Member countries of the GCC include Bahrain, Kuwait, Oman, Qatar and the UAE. See Department of Foreign Affairs and Trade Fact Sheet United Arab Emirates: http://www.dfat.gov.au/geo/fs/uaem.pdf

flydubai's product and offerings into its own communication strategy, and each Applicants' sales staff will be able to promote each other's flights, establishing brand awareness and market presence and support to agents for the sale of tickets on both carriers. Without the Proposed Cooperation each of Emirates and flydubai would have little incentive to cross-promote each others' services and destinations, as typically carriers only have sales staff representation in the destinations they serve or have large volume potential. Under the Proposed Cooperation Emirates can have sales representation in destinations not served or considered too small to commercially justify permanent representation for a FSC (eg in Djibouti), while conversely flydubai can be represented in destinations such as Australia which are beyond the geographic reach of flydubai's aircraft.

(i) Serve an expanded route network without the need to invest in a new fleet. The Emirates fleet is exclusively composed of wide body long-haul aircraft, while flydubai's fleet comprises entirely of short-medium haul narrow body aircraft. Due to the capacity and size of wide body aircraft, often it is uneconomic to deploy large aircraft on short-haul routes with relatively low volumes while it may be viable for smaller and more cost efficient aircraft, such as those in flydubai's fleet. For example, an Emirates wide body aircraft would not be suitable for short-haul route between Dubai and Port Sudan given the relatively small volume of air traffic carried; however, a smaller flydubai aircraft with a lower break-even seat factor may be suitable given its lower-cost operations on short-haul routes. The differences between the two fleet types complement each other and the Proposed Cooperation will enable the Applicants to achieve synergies, optimise cost-efficiencies and be able to satisfy customer demand, without having to invest in new aircraft nor having to bear the costs and inefficiencies resulting from reduced load factors when the most suitable aircraft type is not deployed on specific routes.

(j) Derive lower operating costs and efficiencies from shared services, including for example sharing maintenance repair and overhaul (**MRO**) and ground handling services, sharing of IT systems and operational processes relating to air cargo transportation services, as well as achieving cost efficiencies through economies of scale.

(k) Utilise Emirates' brand and reputation to attract additional customers to flydubai's network, as well as utilise each Applicants' respective relationships with vendors, and the Applicants' combined bargaining ability, to increase overall air passenger and air cargo volumes on the Applicants' combined network. For example flydubai can utilise Emirates' longstanding reputation for reliability and quality of service to help attract corporate passengers travelling to regions not directly served by Emirates, such as Djibouti or Ukraine.

(l) Access business/corporate travellers from flydubai destinations flying into Dubai, for example corporate clients involved in the mining industry in Djibouti or Ukraine where only flydubai provides air passenger transportation services, and connect in Dubai to Emirates business services to Australia.

Government and corporate customers tend to have distinct requirements relating to namely destination reach, scheduling, pricing and safety. Government and corporate traffic often travels to destinations which may not be typical for leisure traffic (eg Baku, in Azerbaijan) and may themselves generate demand on some routes (eg between Baku and destinations in Australia). Emirates' current reach in providing air transportation services to corporate and government customers in Australia would unlock potential opportunities for flydubai to carry some of the traffic. Equally, under the Proposed Cooperation Emirates will be able to provide its corporate customers access to new destinations while maintaining the high client service standard to which the corporates have become accustomed. Both Applicants will therefore benefit from increased corporate and government traffic flows and, to this extent, the Proposed Cooperation will enable the Applicants to compete for corporate customer accounts which are currently dominated by carriers such as Qantas and Singapore Airlines.

(m) Jointly offer special group rates (and achieve cost savings through such joint tendering) for traffic moving in larger numbers, eg religious traffic, corporate travellers, seaman and student traffic, etc. A number of the destinations served by flydubai involve large group movements such as seaman traffic and domestic workers. For example, a number of routes to/from Saudi Arabia which are only served by flydubai are key destinations for domestic workers from the Philippines. Under the Proposed Cooperation both Applicants can combine their services in a number of interrelated ways. For example on travel from Manila (Philippines) and to Abha (Saudi Arabia) traffic originating in Manila could be sourced by Emirates sales staff and carried on a joint Emirates-flydubai itinerary. This is typically one-way traffic so flydubai would have been unable to carry such demand. However this type of domestic worker traffic tends to return to Manila on one-way fares, one to two years after arrival in Saudi Arabia, in which case only flydubai sales would be able to access traffic flow for the return journey as Emirates has no direct presence in Abha. This type of air traffic flow is generally arranged by specific agents who tend to purchase seat access in bulk and therefore they require specific handling on a group basis. Enhanced group rates and handling achievable by both Applicants under the Proposed Cooperation will enable them to attract more business and improve load factors and revenue performance.

(n) Compete more effectively with other bilateral airline alliances and the three global airline alliances (Star Alliance, Sky Team and One World), as neither Emirates or flydubai belong to a multilateral airline alliance. By working closer together, Emirates and flydubai are able to compete more aggressively with the three global airline alliances which have a larger integrated network. Often, corporate and government offices sign broad contracts with an alliance rather than a carrier, which places Emirates and flydubai at a disadvantage if they operate separately. By expanding the product offering through an enhanced network under the Proposed Cooperation, Emirates will be better placed in Australia to compete on corporate bids and win some of the contracts tendered, and this will in turn benefit flydubai via the additional feeder traffic that can be generated by Emirates.

(o) Derive operational efficiencies from sharing Emirates' established IT systems and jointly developing systems for inventory, ticketing, cargo and revenue management. Under the Proposed Cooperation both Applicants can achieve substantial efficiencies by utilising common platforms, IT enhancements and links to outside sources such as GDSs, and using a single team (instead of multiple separate platforms and teams) to perform these functions. Under the Proposed Cooperation the Applicants will also combine their marketing, commercial, and accounting systems, leading to significant potential costs savings. By combining their IT and accounting operations and resources the Applicants will be able to utilise each other's expertise with a view to lowering short-term operational IT costs as well as developing a long-term strategy for IT platform simplification.

5. PUBLIC BENEFITS ARISING FROM THE PROPOSED COOPERATION

5.1 Overview

The direct beneficiaries of the Proposed Cooperation will include existing and potential passengers on international services to and from Australia, customers of international air cargo services to and from Australia, the Australian tourism industry, Australian corporations carrying on business in destinations to which the Applicants fly, Australian international trade with MENA region countries, as well as the Applicants themselves. The competition and efficiency enhancing effects of the Proposed Cooperation are of value to the community generally.

The Applicants submit that the ACCC should assess the likely public benefits arising from the Proposed Cooperation by applying 'a public benefit standard' or 'total welfare standard' as applied by the Tribunal in *Qantas Airways* and with the ACCC's Guidelines.[45] That is, "anything of value to the community generally" is a public benefit for the purposes of the authorisation test.[46]

Significant net benefits will accrue to air passengers and freight customers as a result of the Proposed Cooperation, including:

(a) enhanced and expanded international network coverage that will provide more single booking destinations;

(b) improvement to the standard of cargo services offerings and an increase in the number of cargo destinations;

(c) the provision of a wide range of enhanced customer products and services;

(d) cost savings and efficiencies;

(e) the promotion of competition and lower connecting fares;

(f) enhanced trade opportunities between Australia and the MENA region;

(g) increased overseas business opportunities for Australian corporations; and

(h) stimulation of Australian tourism.

These benefits are discussed in greater detail in sections 5.2 to 5.10 below.

5.2 Expanded network coverage that will provide more single booking destinations for Australian air passengers

The Proposed Cooperation will provide a greater range of services to more destinations and a higher frequency of services for Australian air passengers. Under the Proposed Cooperation the Applicants will operate flights to over 160 destinations worldwide across their combined international network. The Proposed Cooperation will allow Emirates to enhance its service offerings to Australian consumers that take through connections on flydubai in the Middle East, Europe, Africa and Asia, as Emirates can utilise flydubai's smaller aircraft to penetrate underserved and emerging destinations while at the same time delivering customers the benefits of Emirate's brand.

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A significant number of one-stop routes (connecting via Dubai International Airport) would benefit significantly from the Proposed Cooperation, including bidirectional traffic on the routes set out in the table below:

flydubai destination (connecting with Emirates via DXB)	Emirates destination (connecting with flydubai via DXB)
Belgrade (Serbia)	Sydney/Melbourne/Perth/Brisbane
Baku (Azerbaijan)	Sydney/Melbourne/Perth/Brisbane

[45] *Re Qantas Airways Ltd (2004)* ACompT 9 at 50; ACCC, *Guideline to Authorisation*, March 2007 at 34

[46] *Re Qantas Airways Ltd (2004)* ACompT 9 at 51.

flydubai destination (connecting with Emirates via DXB)	Emirates destination (connecting with flydubai via DXB)
Kiev (Ukraine)	Sydney/Melbourne/Perth/Brisbane
Donetsk (Ukraine)	Sydney/Melbourne/Perth/Brisbane
Kharkiv (Ukraine)	Sydney/Melbourne/Perth/Brisbane
Ashgabat (Turkmenistan)	Sydney/Melbourne/Perth/Brisbane
Tbilisi (Georgia)	Sydney/Melbourne/Perth/Brisbane
Yerevan (Armenia)	Sydney/Melbourne/Perth/Brisbane
Bishkek (Kyrgyzstan)	Sydney/Melbourne/Perth/Brisbane

Under the Proposed Cooperation these is significant scope for routes to significantly benefit from the interconnectivity offered to destinations which are not served by Emirates.

5.3 Improvement to the standard of cargo services offered and increase in the number of cargo destinations

The Proposed Cooperation will provide a greater number of destinations for international air cargo transportation services operated by the Applicants and enhance the efficiency and reliability of these services. Emirates and flydubai will be able to utilise the available capacity on each other's services and access a greater distribution network. The Proposed Cooperation will:

(a) give customers greater comfort and provide greater reliability by the use of Emirates SkyCargo brand, including improved customer disruption handling as Emirates will be able to assist and manage the needs of flydubai customers no differently from its own established carrier;

(b) customers will be able to 'check through' cargo to their final destination when transiting in Dubai from an Emirates flight to a flydubai flight (or vice versa) which will reduce airport transit time, result in smoother connections, provide greater convenience for customers and will reduce uncertainty for customers travelling on two separate airlines;

(c) the closely aligned and shared schedules of the Applicants will provide better connections for customers and this will improve the transit of particular time-sensitive cargo such as perishable items. flydubai estimates that cargo transit times may be reduced from 18-24 hours to 3-9 hours. The Proposed Cooperation will also facilitate streamlined customs duty processes and remove the need for repackaging and relabeling of cargo as it will be transported via one combined network;

(d) improve cargo services offerings in the cities that Emirates and flydubai operate as flydubai will be able to utilise Emirates experience and industry knowledge while Emirates will be able to utilise flydubai's extensive networks in the Middle East, Europe, Africa and Asia, that are not currently serviced by Emirates. For example, Emirates SkyCargo's air freight processes are now completely e-freighter compliant thus enabling the processing of electronic air waybills, ensuring optimal efficiency and reliability for transport and delivery of international air freight. Under the Proposed Cooperation e-freighter protocols can be rolled out on flydubai's network and related know-how can be shared with flydubai, to ensure world-class air cargo transports services are provided to customers across the Applicants' entire combined international network, at competitive prices;

(e) allow flydubai to take advantage of Emirates wide-body aircraft, as well as Emirates' dedicated freight planes, to provide a more diverse range of air cargo service options for customers, while enabling Emirates to utilise flydubai's existing network to connect with and enhance Emirates' air freighter services;

(f) allow flydubai to move cargo from stations which Emirates does not use (such as Belgrade, in Serbia) and then place this with Emirates via a Dubai connection (and vice versa, whereby cargo is moved from routes only served by Emirates and then, via a Dubai connection, to routes only served by flydubai), thereby improving air freight capacity utilisation on Emirates and flydubai; and

(g) enable the Applicants, through their combined international network, to realise new opportunities for partnering with global courier and logistics companies to offer an extended range of international air transportation services and additional optionality and flexibility for consumers of those services.

5.4 Enhanced service offerings to customers

The Proposed Cooperation will result in net public benefits and enhance service offerings to consumers by providing:

(a) Customers access to lower fares across flydubai's network

flydubai is a LCC and customers using Emirates will now be able to take advantage of the lower fares to access destinations in the Middle East, Africa, Europe and Asia by using flydubai's services. Under the Proposed Cooperation, prorated fares will be calculated on flown mileage and each airline will be receiving its revenue share as a percentage of the operated route distance. This will allow Emirates and flydubai to achieve more dynamic and flexible pricing which will increase competition with existing carriers.

(b) Through check-ins

In the absence of the Proposed Cooperation, passengers transiting in Dubai from an Emirates flight to a flydubai flight (or vice versa) will be required to check out following arrival in Dubai, then obtain a UAE transit visa, and then check-in again for the flydubai flight (or the Emirates flight, if they arrived in Dubai on a flydubai flight, as the case may be). This also entails checking out luggage, passing through baggage security screening, and re-checking in baggage for the next flight sector with the other carrier. Under the Proposed Cooperation, however, customers will be able to purchase 'through fares' from point of origin to destination and will be able to 'check through' themselves and their baggage to the final destination. For example consumers wishing to fly from Sydney to Belgrade can purchase a single ticket from Emirates that will include travel from Sydney to Dubai (flying Emirates) and from Dubai to Belgrade (flying flydubai), and those passengers will not be required to obtain a UAE transit visa, pass through secondary baggage security screening, or to check-in for the second leg of their journey. This will significantly reduce airport transit time, resulting in smoother connections, greater convenience to customers and reduction in uncertainty for customers travelling on two separate airlines. Customers will also be able to view their flight to/from Emirates and flydubai on the single ticket.

(c) **Increased scheduling cooperation**

Under the Proposed Cooperation both Applicants will closely align their schedules in response to market demand. This will result in a greater number of connections for customers on high-growth routes, allowing for seamless interconnectivity between flights operated by the two airlines and an enhanced customer experience.

(d) **Improved customer disruption handling**

Under the Proposed Cooperation all itineraries will be included on the same ticket, enabling customers to benefit from improved customer disruption handling and agents will be able to manage flydubai customers no differently than the way they deal with established mainline carriers such as Emirates. This will bring simplicity and consistency to flydubai's product offering to the end consumer.

(e) **Improved services to current locations and those that are currently under-serviced**

The Proposed Cooperation will enable the Applicants to lower costs by contracting jointly with local vendors in destinations where both carriers operate. Similarly, the Applicants will be able to share ground handling agents in some countries and this will enhance the Applicants' ability to procure ground handling or catering services at lower prices and achieve efficiencies. Reduced operational costs will enable the Applicants to lower overall fares and air cargo prices across their combined network, to the benefit of consumers.

(f) **Coordinated frequent flyer program benefits**

flydubai does not currently have in place a passenger frequent flyer program, however under the Proposed Cooperation flydubai would be able to incorporate into Emirates' Skywards frequent flyer program and this will allow more opportunities for customers to accrue and redeem frequent flyer points. Customers will be able to take advantage of upgrade offers and premium passengers will be able to benefit from Emirates' lounge access while travelling on flydubai.

flydubai does not currently have in place a frequent 'shipper' program for customers who regularly use flydubai's air cargo transportation services. Emirates is soon to implement a frequent 'shipper' program and flydubai is likely to have a similar system in place in the next two to three years. Under the Proposed Cooperation these programs could be incorporated to ensure each Applicants' air cargo customers obtain loyalty benefits.

Emirates and flydubai will be able to closely align their standard and excess baggage polices on joint itineraries as each carrier's policy is different. Passengers travelling on a joint itinerary would be able to benefit from Emirates' policy irrespective of flydubai's policy.

(g) **Reciprocal corporate discounts and group offers**

Corporate passengers travelling with flydubai will have access to Emirates' discounts (and vice versa) and customers will be able to streamline corporate travel procurement. flydubai will be able to utilise its access to emerging destinations that are increasingly becoming attractive to corporate investors (eg mining and engineering companies conducting operations in countries such as Afghanistan, Djibouti, Iraq and Ukraine), which will be complemented by Emirates' established corporate travel capability.

In addition the Proposed Cooperation will enable the Applicants to jointly offer special group rates for traffic moving in larger numbers, which can include corporate traffic (eg between Perth and Djibouti, using both Applicants' respective networks) or religious traffic.

(h) **Improved overall customer experience**

The combination of the benefits outlined above will result in an improved overall customer experience for passengers travelling on the Applicants' combined international network, result from seamless connections, enhanced onboard product, streamlined baggage policies, joint ground handling, single handling at City Ticket Offices (**CTO**), Agent Ticket Offices (**ATO**), Ground Handling Agents (**GHA**), General Sales Agents (**GSA**) and call centres, also ensuring that customers obtain better product offerings in terms of airfares.

5.5 Cost savings and efficiencies

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5.6 Promotion of competition and lower connecting fares

The Proposed Cooperation will enable the Parties to achieve cost synergies and savings, which will result in significant enhancement to products and services but also translate to greater value for money on fares for consumers. Emirates would be able to price more competitively on fares to achieve additional volumes and this would also translate into a broader distribution of fares in conjunction with flydubai. Passengers flying on flydubai may also be able to take advantage of Emirates' specific land products such as Fully Inclusive Tours (**FIT**) programs, visa programs and stopover programs. Emirates would be able to efficiently service the travel trade using its network including sales offices, CTO, call centres to service passengers flying on Emirates and flydubai. flydubai consumers will benefit from the substantial industry expertise and know how that flydubai will be able to obtain from Emirates and apply to flydubai's routes and operations.

Further, where customers switch from other airlines to the Applicants as part of the improved efficiency resulting from the Proposed Cooperation, this will encourage a competitive reaction from existing competitors, resulting in further benefits to consumers.

5.7 Benefits to the Australian economy and enhanced international trade

The Proposed Cooperation will enable Emirates to increase the substantial benefits its operations generate for the overall Australian economy, and will enhance international trade opportunities between Australia and the MENA region.

(a) **Benefits to overall Australian economy**

A 2011 study by Oxford Economics found that Emirates' one-stop connectivity to/from the MENA region and Europe via Dubai generated an additional US $248 million for the Australian economy and over US $840 million in consumer benefits.[47] In 2010/2011, Emirates' direct expenditure through its procurement of Australian goods and services was worth over US $500 million. The Proposed Cooperation will ensure significant and continuing increases in the volume of air traffic entering Australia via the Applicants' expanded international network coverage, and will result in associated gains for the Australian economy. As air traffic in Australian airports is predicted to increase by over 50% by 2020,[48] a significant portion of that traffic is likely to arrive from the underserved and emerging destinations targeted by flydubai and which, through the Proposed

[47] Emirates, "Emirates – A Friend of Australia", 2011
[48] Steve Creedy, "Virgin Australia awaits ACCC nod to spread its wings", *The Australian*, 25 November 2011

Cooperation, will more easily be able to reach Australia and contribute towards growing the Australian economy.

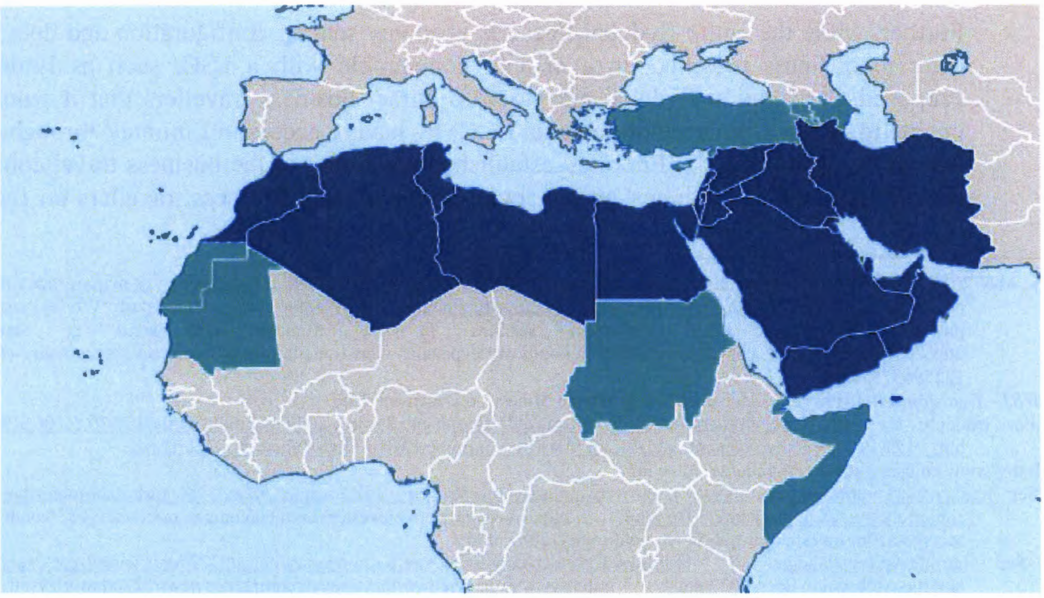
(b) **Enhancement of international trade between Australia and the MENA region**

The Proposed Cooperation will result in lower overall air cargo pricing, increased coverage of international destinations – particularly in the MENA region – greater efficiency, reliability, enhanced access to customers by capitalising on Emirates' brand and dedicated air freight SkyCargo network. This in turn has strong potential to further enhance import/export trade between Australia and the MENA region, including countries which are members of the GCC, such as the UAE.

The UAE is currently Australia's largest trade partner in the MENA region with bilateral trade reaching A$5.3 billion in 2010.[49] Australian exports to the UAE have held an annual average growth rate of approximately 10% since Emirates commenced its operations to Australia in 1996, and is estimated at over A$2.4 billion for 2011.

Emirates has been the first carrier to link Australia and the Middle East with direct services, and throughout its operations it has carried over 325,000 tonnes of high-value and time-sensitive Australian exports on its flights and works closely with Australian exporters to provide supply chain certainty for their markets in the UAE, MENA and across Emirates' wider global network. The Proposed Cooperation will enable Australian exporters to access flydubai's current and rapidly expanding network (flydubai will more than double the size of its fleet by 2016) and significantly increase international trade opportunities for Australia. The Proposed Cooperation, by increasing the demand for 'behind and beyond' routes, will also improve the Applicants' service offerings on their respective non-stop routes to Dubai. The reduced overall freight prices, and increases in efficiency and reliability resulting from the Proposed Cooperation, will significantly benefit Australian businesses engaging in trade with the MENA region and will help ensure optimal supply chain certainty.

Figure 1: The MENA region



[49] See Department of Foreign Affairs and Trade Fact Sheet United Arab Emirates: http://www.dfat.gov.au/geo/fs/uaem.pdf

5.8 Increased overseas business opportunities for Australian corporations

Under the Proposed Cooperation Australian corporations carrying on business in regions where flydubai operates will benefit from integrated access to Emirates' global network of air passenger and air cargo transportation services. For example, increasing mining and engineering activity by Australian companies (eg Leighton Holdings) in the MENA region, such as Iraq,[50] has seen increasing demand for air passenger transport services between Perth and the Middle East which led, in part, to Emirates rolling out a new route between Dubai and Baghdad. flydubai has an existing network of routes across the Middle East and the larger MENA region that – once the Proposed Cooperation is implemented – can be accessed by Australian mining company representatives travelling to MENA countries for business. flydubai also operates air passenger services to Djibouti, Ukraine and Afghanistan – locations which have been attracting considerable foreign investment, including by Australian companies, in the mining/resources, energy and engineering/construction sectors. For example Afghanistan has recently been attracting foreign investors interested in mining the country's various mineral deposits,[51] while Djibouti is attracting foreign investment in mineral extraction and geothermal energy projects.[52] Djibouti is also an important transport hub in the East Africa region.[53] Similarly Australian mining companies, such as Lugansk Gold (a subsidiary of Korab Resources Ltd, an Australian mining company headquartered in Western Australia)[54] and Hawkley Oil & Gas Limited have been investing in mining operations in Ukraine, another flydubai destination.[55] The Proposed Cooperation could therefore enable representatives of major Australian mining corporations to more easily explore business opportunities in emerging mining or crude oil regions, thus benefiting Australian-based companies.

The importance of the mining industry in generating demand for air passenger transportation services has been acknowledged by the ACCC when it recently granted interim authorisation of the proposed cooperative arrangements between Virgin Australia and SkyWest Airlines for the provision of air passenger transportation services principally tailored for mining and other resources companies.[56] Indeed, both of Australia's domestic carriers have recently developed a focus on serving Australian mining and resources companies,[57] and the Proposed Cooperation will enable the Applicants to also serve Australia resources companies in relation to their offshore operations particularly in the MENA region.

Further, while the entire flydubai fleet has economy seating configuration and does not specifically cater to business travellers in a manner comparable with a FSC, such as Emirates, under the Proposed Cooperation flydubai may seek to attract business travellers that it would otherwise be unable to access (by virtue of being an LCC) by having access to Emirates' through-connections via Dubai, by capitalising on Emirates' established reputation in the business travel community, and by providing access to Emirates' airport lounges, or enabling business travellers on flydubai flights to

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[50] In May 2011 Leighton Offshore, a subsidiary of Leighton Holdings, has become involved in construction of major crude oil facilities in Iraq (see http://www.miningaustralia.com.au/news/australian-govt-supports-leighton-holding-iraq-con); similarly WorleyParsons has contracted to provide engineering and construction services in the Rumalia Oil Field in Southern Iraq (see http://www.theaustralian.com.au/archive/business-old/worleyparsons-wins-rumaila-oil-field-contract-sources/story-e6frg96x-1225968785228).

[51] *WSJ – Deal Journal Australian*, "Afghanistan Taps Aussie Miners", 6 December 2011.

[52] For example see http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Djibouti%20-%20CSP%202011-15.pdf and http://175.107.169.98/wp-content/uploads/2011/04/RB-Milestone-EHR-Initial-Valuation-Report1.pdf

[53] http://www.embassy.gov.au/ethiopia/welcome.html

[54] See http://www.korabresources.com.au/; http://www.proactiveinvestors.com.au/companies/news/5986/australian-junior-korab-resources-aims-to-enhance-ukraines-gold-picture-5986.html; http://www.proactiveinvestors.com.au/companies/news/12083/korab-resources-subsidiary-secures-a20m-investor-for-bobrikovo-gold-mine-12083.html

[55] See http://hawkleyoilandgas.com/; http://www.proactiveinvestors.com.au/companies/news/9377/hawkley-oil-gas-expects-to-hit-pay-zone-at-ukraine-well-within-days-9377.html; http://www.proactiveinvestors.com.au/companies/news/8280/hawkley-oil-gas-makes-asx-debut-after-a55m-capital-raising-8280.html

[56] ACCC, *Virgin Australia and Skywest Airlines - Applications for Authorisation A91287 & A91288 – Request For Interim Authorisation – Reasons for Decision*, 25 January 2012, and ACCC, Draft Determination, *Virgin Australia and Skywest Airlines - Applications for Authorisations*, paragraphs 4.40-4.41, 22 March 2012, http://www.accc.gov.au/content/index.phtml/itemId/1022673/fromItemId/278039/display/acccDecision.

[57] Ellis Taylor, "Qantas, Virgin swoop on mine travellers", *Western Australia Business News*, 19 January 2012.

obtain frequent flyer rewards points that can later be redeemed on Emirates services or on promotions offered by a range of Emirates-affiliated companies. In addition, the Proposed Cooperation will enable the Applicants to more compellingly bid for corporate air travel clients in the destinations within flydubai's existing network.

5.9 Stimulation of Australian tourism

The benefits described above are likely to stimulate growth in airline traffic between Australia and the MENA region as well as between Australia and 'behind and beyond' destinations. A study by Oxford Economics found that Emirates' 2009 passenger traffic to/from the MENA region and Europe via Dubai generated US $1.33 billion GDP for the Australian tourism sector.[58] The tourism industry is an important part of the Australian economy, contributing to the equivalent of $94.8 million a day to the Australian economy in 2010-11.[59]

The Proposed Cooperation is likely to increase the volume of passengers flying into Australia and to directly benefit tourism in Australia by providing more end-point destinations for inbound and outbound Australian 'feeder routes'. In particular, Australian tourism would be stimulated by:

(a) The greater number of inbound markets, such as from the MENA region, Africa, Europe and Asia, that would be able to sell into Australia with only one stop via Dubai or other intermediary points such as Bangkok, Singapore or Kuala Lumpur.

(b) More competitively priced flights for under-serviced destinations for tourism travel, destinations such as between Australia and Serbia or Australia and Armenia.

(c) The establishment of connections between Australia and destinations within Saudi Arabia, Eastern Europe and Nepal (via Dubai), as well as increased connections between Australia and Gulf region destinations such as Oman and Qatar via Dubai, as flydubai has more appropriate aircraft for the first segment of these routes.

(d) Emirates and flydubai will partner with other tour operators to provide lucrative tour packages into Australia from the destinations served by the Applicants.

5.10 Other public benefits

(a) **Increased overall number of airline customers**

The Proposed Cooperation will result in lower overall fares across the Applicants' combined networks which, combined with flydubai's already lower price points, will make international air travel accessible to passengers who would be otherwise unable to afford to fly. This in turn may lead to the overall increase in the number of international air passengers by stimulating further travel. An overall increase in air traffic will thus benefit Australia by increasing overall volumes on feeder routes between Australia and Dubai.

(b) **Employment opportunities in Australia**

Emirates and Emirates' sister businesses operating in Australia employ over 4,500 Australians, and have a national footprint of aviation and tourism businesses beyond the four cities to which Emirates currently serves. The Proposed Cooperation will result in larger numbers of passengers and air cargo being transported on Emirates' flights into and from Australia, potentially creating additional employment opportunities for Australians in the

[58] Emirates, "Emirates – A Friend of Australia", 2011
[59] Australian Bureau of Statistics – Australian National Accounts: Tourism Satellite Account, 2010-11.

tourism sector and aviation-related industries such as airport infrastructure and logistics services.

For example Toll dnata Airport Services (**TDAS**) – a 50/50 joint venture between dnata Emirates' sister company, dnata, and Australia's largest airports services contractor, Toll Holdings, currently employs 1,450 people for the provision of a comprehensive range of services including passenger and customers services, ramp activities, cargo loading, road feeder transport and aircraft servicing. As another example, we note that the forecast growth in air traffic volumes at Sydney Airport is estimated to generate job opportunities (directly and indirectly) for more than 338,000 people by 2015/16, a substantial increase from the approximately 206,000 jobs currently generated by Sydney Airport (75,000 jobs generated directly, and 131,000 jobs indirectly).[60]

The Proposed Cooperation will result in increased mutual feeder traffic to Australia via Dubai from locations in the MENA region and parts of Europe and Asia, potentially resulting in associated growth of employment opportunities in the tourism sector and aviation-related industries in Australia. The tourism industry accounts for 4.5% of total employed persons in the Australian economy. In 2010-2011 the Australian tourism industry employed 513,700 persons.[61]

Emirates also contributes to the Australian hotel industry as it makes long-term daily block reservations for its cabin crew at selected hotels in each Australian city to which Emirates flies, as well as chartering buses to convey its cabin crew between the airports and hotels.

Finally, Emirates contributes to increased employment opportunities in Australia indirectly through its sponsorship of a wide range of high profile Australian events including the Melbourne Cup, as well as golf, football and cricket sporting events, which can create significant event-related employment opportunities for Australians. Emirates-sponsored events are intended to increase Emirates' Australian profile and attract potential passengers, increases in Emirates passenger volumes to/from Australia resulting from the Proposed Cooperation will therefore further incentivise Emirates to sponsor Australian events and contribute to the benefit of Australians and the Australian economy.

(c) **Potential new routes and frequencies**

There are a number of markets which may be too small for Emirates to operate without traffic feed from the network. With the addition of flydubai feed, Emirates would be in a position to start operations which may have not been viable previously.

In addition, given that flydubai's scheduled timings are different than Emirates', it would help Emirates to establish a new connecting bank at Dubai airport thereby increasing frequencies to current destinations. This would translate into a greater consumer choice as there would be a greater number of frequencies available for sale. It would also improve the transit of particular time-sensitive cargo such as perishable items.

As an example, flydubai currently operates a wide network of destinations in Saudi Arabia with a traffic pattern geared to the Indian Subcontinent. As a result, Emirates has seen increases in traffic flows enabling it to increase frequencies to current destinations in the region. This not only benefits the new traffic flows but also improves the convenience for the current consumers residing in Dubai and across the network as a result of increased frequencies, capacity and destinations.

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[60] Sydney Airport Fact Sheet, Issued June 2011: http://www.sydneyairport.com.au/corporate/community-environment-and-planning/~/media/Files/Corporate/GrndTrnsprtTravelPlan/TrprtBlueprntSubmssion.pdf

[61] Australian Bureau of Statistics – Australian National Accounts: Tourism Satellite Account, 2010-11.

Greater traffic feed from each network and the use of marketing and distribution strength of each Applicant will enable better promotion of the services and generate greater passenger numbers. Increased feeds can make new routes and frequencies viable based on load factors, which would be unachievable by either airline absent the alliance. Greater feed may also increase the profitability of underperforming routes, increasing the likelihood of their continuation.

The ACCC has acknowledged that direct services give rise to public benefit through increased choice and convenience arising out of reduced travel time. New routes may also stimulate market growth.[62]

For example, under the Proposed Cooperation, Australian consumers will benefit from improved connectivity on routes between Australia and Eastern Europe, Ukraine and Azerbaijan, as these are destinations that Emirates does not currently service. The improved offerings for services on these routes may also promote increased tourism to Australia.

(d) **Staff secondments**

The Proposed Cooperation will facilitate staff secondments between the Applicants, enabling the pooling of industry expertise and technical and operational know how, translating into highest levels of safety, efficiency and reliability in air passenger and air cargo transportation services across the Applicants' combined international network.

6. RELEVANT FRAMEWORK FOR COMPETITIVE ANALYSIS

6.1 Overview

The Applicants do not overlap in respect of any direct air passenger and direct freight routes into or out of Australia (although flydubai can supply air passenger and cargo services to Australia via its SPA with Emirates). The Proposed Cooperation should therefore be assessed within the framework that:

- the relevant markets for passenger air transport services should be analysed on a regional basis and no express distinction should be drawn between leisure and business passengers;
- no identifiable public detriments will result (including no lessening of competition in any relevant market); and
- in substance the Applicants are related bodies corporate and are considered as such by almost all jurisdictions with the CCA having a very narrow definition.

6.2 Relevant markets

As a starting point for its assessment of the public benefits/detriments likely to arise from airline cooperation arrangements, the ACCC has previously defined the relevant markets as follows:

- international air passenger transport for leisure passengers (on a regional geographic basis);
- international air passenger transport for business passengers (on a city-pairs geographic basis);

[62] See for example: ACCC determination dated 1 December 2011 for the Singapore/Virgin Alliance, pp 21-25 (http://www.accc.gov.au/content/trimFile.phtml?trimFileTitle=D11+2350421.pdf&trimFileFromVersionId=1020061&trimFileName=D11+2350421.pdf); ACCC determination dated 2 February 2011 for the Etihad/Virgin Alliance, pp 12-17 (http://www.accc.gov.au/content/trimFile.phtml?trimFileTitle=D11+10863.pdf&trimFileFromVersionId=971565&trimFileName=D11+10863.pdf)

- international air freight/cargo transport services (on a regional geographic basis);
- the sale of air passenger transport services; and
- Australian domestic air passenger transport services.

In relation to **international air passenger transport services**, the ACCC has previously identified separate product markets for leisure and business passengers on long haul routes. This approach is based on the view that there are limitations in demand and supply side substitutability which make it appropriate to distinguish between more price sensitive (leisure) passengers and more time sensitive (business) passengers.

The Applicants submit that it is not appropriate to apply this distinction to the Proposed Cooperation which involves arrangements between an FSC and LCC in circumstances where no overlap occurs on direct inbound and outbound Australian flights for air passengers and air cargo transportation. This is because the assessment of public benefits/detriments in the Proposed Cooperation will not change irrespective of whether a narrow or broad product market approach is adopted in this matter. The ACCC has implicitly adopted this approach in recent airline authorisations namely:

- ***Virgin Australia/Singapore Airlines*** – where the ACCC stated that " ... the distinguishing features of leisure and business passenger services may warrant their treatment as separate product markets. However, the ACCC considers that the assessment of public benefits and detriments in this matter is not affected by whether a single market or separate markets for business and leisure services is adopted".[63]
- ***Qantas Airways/American Airlines*** – where the ACCC considered that " ... in the market for international air passenger transport services, adopting a narrow or broad product market is not likely to alter the assessment in this case, since the applicants do not currently offer any competing services."[64]
- ***Virgin Australia/Etihad Airways*** – where the ACCC determined that "The ACCC notes and accepts the applicants' submission that adopting a narrow or broad product market will not alter the assessment in this case since the applicants do not currently offer any competing services."[65]

Indeed, in the Virgin/Etihad alliance the ACCC adopted a 'regional basis' rather than a 'city pairs' geographic dimension in its market definition, determining that the relevant markets were markets for the supply of international air transport services for passengers travelling between (i) Australia and the Middle East, and (ii) Australia and the UK/Europe.[66]

The ACCC also noted that any distinction between leisure and business passengers becomes less pronounced on short-haul routes,[67] therefore to the extent flydubai provides short-haul 'behind and beyond' routes, the leisure/business dichotomy for air passengers becomes even less appropriate in assessing the Proposed Cooperation.

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[63] ACCC Draft Determination, Virgin Australia Group and Singapore Airlines alliance, 13 October 2011, pages 16-17; http://www.accc.gov.au/content/index.phtml/itemId/993958/fromItemId/278039/display/acccDecision

[64] ACCC Final Determination, Qantas Airways and American Airlines alliance, 29 September 2011, page 12; http://www.accc.gov.au/content/index.phtml/itemId/987619/display/acccDecision

[65] ACCC Final Determination, Virgin Blue Airlines and Etihad Airways, 3 February 2011, page 10; http://www.accc.gov.au/content/index.phtml/itemId/944483/fromItemId/401858/display/acccDecision

[66] ACCC Final Determination, Virgin Blue Airlines and Etihad Airways, 3 February 2011, page 10; http://www.accc.gov.au/content/index.phtml/itemId/944483/fromItemId/401858/display/acccDecision

[67] ACCC Final Determination, Virgin Blue Airlines / Air New Zealand airline alliance, 16 December 2010, at page 24. See http://www.accc.gov.au/content/index.phtml/itemId/927433/fromItemId/401858

The Applicants submit that a consideration of a **domestic air transport services market in Australia** is not relevant for the purposes of assessing the Proposed Cooperation because Emirates does not enjoy cabotage rights (eighth or ninth freedom rights) in Australia and so cannot operate domestic services within Australia, and therefore does not compete with any carriers for the supply of domestic air passenger transport services within Australia.[68]

(a) **Geographic dimension**

Passengers

The Applicants do not overlap on any inbound and outbound flights between Australian and UAE destinations, as flydubai does not operate any direct air passenger or direct air cargo transportation services into or out of Australia. There is, however, an ability for flydubai to *indirectly* supply air passenger and air cargo services to and from Australia via the existing SPA with Emirates. This situation will not change if the Proposed Cooperation is implemented.

Emirates' inbound and outbound Australian flight routes will interline with flydubai to destinations 'behind and beyond' Dubai. Both Applicants operate flights to destinations 'behind and beyond' Dubai in the Middle East, Africa, Europe and Asia (although flydubai's operations are currently confined to the MENA region and certain parts of Europe and Asia).

The very limited overlap between the Applicants' routes is confined to 19 'behind and beyond' destinations, which are discussed in section 7.3 below. As the Applicants do not intend to reduce capacity on any of their existing routes, nor to discontinue any existing routes, under the Proposed Cooperation the Applicants will serve more than 160 destinations across their combined international network. The overlap will therefore be limited to 19 direct routes out of 160, and none of the 19 routes serves Australia directly (non-stop) or indirectly (via an intermediary point).

Cargo

The Applicants consider that regardless of the manner in which the market is defined, the Proposed Cooperation will result in public benefits associated with the supply of international air cargo transportation services which outweigh any public detriments. This is the case in relation to the supply of cargo on both inbound and outbound flights including flights involving the ports 'behind and beyond' Dubai.

Given this, and without prejudice to Emirates' position in proceedings No. NSD 876 of 2009 or any other context, the Applicants are prepared to proceed in this submission on a basis which is consistent with the approach to market definition taken by the ACCC in previous authorisation applications. That is, that the relevant markets for air cargo services are the regional markets between Australia and the Middle East, Asia, Europe and Africa.

While the Applicants are prepared to proceed on this basis for the purpose of this submission, the Applicants wish to make clear that, in their view, cargo which originates at a port outside Australia (whether or not the cargo is destined for Australia) is not supplied in a 'market in Australia' for the purpose of the CCA. Unlike air passenger services, the carriage of air cargo is invariably unidirectional (that is, cargo does not generally return to the point of origin) and competition between airlines in respect of the supply of cargo occurs at the place where the cargo originates.

[68] Department of Foreign Affairs and Trade: http://www.info.dfat.gov.au/Info/Treaties/treaties.nsf/AllDocIDs/72D1AFD20C695B64CA256C2F0003D1B6 and the confidential MOU dated 8 February 2010.

Sale of air transport services

The Proposed Cooperation will facilitate easier sale of the combined services of Emirates and flydubai as all distribution channels, including travel agencies and online websites, will have access to the combined services.

While the Proposed Cooperation will enable the Applicants to jointly market their services, the Applicants submit that – consistently with the ACCC's recent approach in the Qantas/American Airlines alliance – the Applicants will face strong competition in the sale of air transport services from travel agencies (online and in shop fronts) throughout Australia as well as increasingly from the internet through global portals such as Zuji, Expedia and Webjet. Consumers are also able to easily purchase air passenger transports services direct via an airline's website.

Accordingly the Proposed Cooperation will have a negligible impact on the sale of air transportation services.

(b) **Product dimension**

Passengers

The Applicants submit that it is unnecessary to be definitive on the question of product dimension in assessing the Proposed Cooperation because it is unlikely to be determinative of the outcome of the public benefits/detriments balance in the present matter. If however the ACCC adheres to its traditional approach of distinguishing between FSC and LCC in markets for the supply of international air passenger transport services, the Applicants submit there will most likely be no overlap, or very limited overlap, from a product dimension perspective as the Applicants supply differentiated products.

Cargo

For the purposes of this submission the Applicants are prepared to proceed on a basis which is consistent with the ACCC's approach in previous applications for authorisation of airline cooperation arrangements, namely, that the relevant product market is one for the transport of air cargo in the belly hold of passenger aircraft and dedicated freighter aircraft.

Sale of air transport services

The Applicants submit that this product dimension will be negligibly impacted by the Proposed Cooperation as consumers will continue to be able to purchase air fares from travel agencies (online and in shop fronts) throughout Australia: through global internet portals such as Zuji, Expedia and Webjet, and direct via an airline's website. Any impact on this product dimension will be positive, resulting from the availability of combined single-ticket fares across both airlines.

(c) **Functional dimension**

The Applicants submit that the relevant functional dimensions for market analysis of the Proposed Cooperation are as follows:

- The supply of international air passenger transport services to consumers and government/corporate bodies.
- The supply of international air cargo services to freight forwarders.

- The supply of air passenger transport services to consumers and government/corporate bodies.

(d) **Temporal dimension**

Thc implementation of airline cooperation arrangements involve substantial lead times: including for the delivery of aircraft; establishment of new routes; rescheduling existing routes to maximise flight interconnectivity; obtaining local regulatory approvals; developing and rolling out joint IT, inventory, ticketing, revenue management and cargo tracking systems; implementing and mobilising streamlined ground handling services. Accordingly, the Proposed Cooperation should be assessed against time horizons in the order of five to ten years. For the reasons outlined in section 4.4 above, the term of authorisation should be at the longer-term end of the continuum, namely a period of ten years.

6.3 Counterfactual

Absent the Proposed Cooperation, Emirates would continue to operate flights into Australia and would be unlikely to commence operating stand alone flights to the destinations that flydubai currently services and Emirates does not. flydubai for its part would not operate any direct flights (including the provision of air cargo services) into Australia other than via its current arm's length SPA for interlining with Emirates. Emirates would continue to be unable to provide a greater choice of destinations for Australian passengers and air cargo customers.

7. COMPETITION ASSESSMENT

7.1 Overview

The Proposed Cooperation will not substantially lessen competition in any market and will not result in any identifiable public detriments, however it is likely to result in a range of net public benefits including several competition enhancing outcomes.

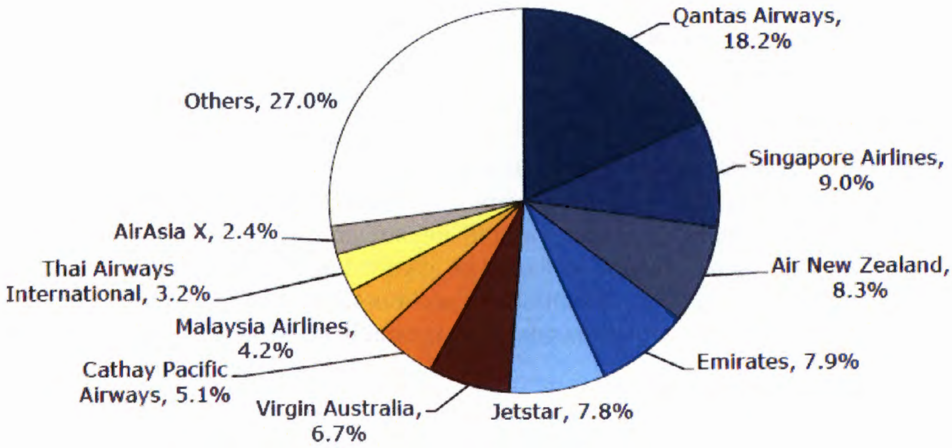
7.2 Market analysis: Australia-Middle East /Asia / Europe /Africa

In the past the ACCC's approach to market definition in the aviation industry has suggested that, at its broadest, the ACCC may wish to consider relevant markets for the supply of air passenger and air cargo transportation services on a global basis, with regard being had to the impact on Australian commerce and consumers.[69] The Applicants understand that the ACCC may now be receptive to a more commercially realistic consideration of relevant markets by looking, for example, at the unidirectional nature of certain services (such as international air cargo transportation services).

Emirates' overall shares in relevant markets for the supply of international air passenger and air cargo transport services to destinations between Australia and all regions in which Emirates operates are estimated to be well below 10%, as indicted by the following data published by the Bureau of Infrastructure, Transport and Regional Economics (**BITRE**):[70]

[69] *Emirates v ACCC* [2009] FCA 312.
[70] BITRE, *Statistical Report – Aviation: International Airline Activity*, December 2011; see http://www.bitre.gov.au/publications/ongoing/files/International_airline_activity_1211_M.pdf

Chart II International Passengers by Major Airlines - Year ended December 2011



Source: BITRE, December 2011

Top ten airlines

Share of passengers carried	Dec-10	Dec-11
Qantas Airways	17.7%	17.6%
Singapore Airlines	9.2%	9.3%
Emirates	7.9%	8.7%
Air New Zealand	8.5%	8.3%
Virgin Australia	6.1%	8.1%
Jetstar	7.6%	7.4%
Cathay Pacific Airways	5.4%	5.3%
Malaysia Airlines	4.2%	3.9%
Thai Airways International	3.4%	2.9%
AirAsia X	2.8%	2.8%

Share of freight carried	Dec-10	Dec-11
Qantas Airways	17.5%	17.3%
Singapore Airlines	14.9%	15.9%
Emirates	10.6%	11.2%
Cathay Pacific Airways	9.9%	8.8%
Malaysia Airlines	5.2%	6.2%
Thai Airways International	5.2%	4.9%
Air New Zealand	4.9%	4.8%
Etihad Airways	2.3%	2.7%
United Parcel Service	2.3%	2.5%
Jetstar	2.2%	2.4%

Source: BITRE, December 2011

The Applicants submit that, for the reasons set out in section 6 above, the appropriate relevant markets for the purpose of assessing the Proposed Cooperation are:

- International air passenger transport services, between Australia and the Middle East/Asia /Europe/Africa, whether directly or via various intermediary points; and
- International air freight transport services between Australia and the Middle East/Asia /Europe/Africa.

To the extent the ACCC wishes to consider the likely impact of the Proposed Cooperation on the Applicants' overlapping routes on a route-by-route/city-pairs basis (none of the overlapping routes involve flights direct to/from Australia and none will result in any adverse outcomes for Australian consumers), the overlapping routes are discussed in more detail in section 7.3 below.

The Applicants consider that the Proposed Cooperation will have no material adverse impact on the market for the sale of air passenger transport services, and will not impact the market for the supply of Australian domestic air passenger transport services in any negative manner. To the contrary it will be beneficial for competition and consumers as it may increase the volume of air passengers travelling within Australia.

(a) **International air passenger transport services, between Australia and the Middle East/Asia /Europe/Africa, whether directly or via various intermediary points**

[Confidential – Restriction of Publication Claimed]

Even if the ACCC considers it appropriate to analyse the Proposed Cooperation on the basis of the 'leisure' and 'business' air passenger distinction any likely public detriment on this analysis will also be negligible because:

- From a traditional product market perspective there is no overlap as the Applicants supply differentiated products – flydubai's LCC model would be considered as principally targeting leisure travellers, while Emirates' FSC model would be considered as catering more readily to business travellers.

- Any city-pairs market analysis will be confined only to the consideration of the supply of international air passenger transport services to business travellers, while the supply of international air passenger transport services to leisure travellers will be considered on a broader regional basis (ie between Australia and Asia / Middle-East / Europe / Africa).

- The Proposed Cooperation will continue to be competitively constrained by a range of competitors operating in each overlapping route both on a city-pairs and regional market analysis (please refer to **Appendix 4**). As flydubai does not serve Australia directly, and relies on interline traffic with Emirates to serve the Australian market, the main competitors of the Proposed Cooperation will be any airlines that touch points in Australia, along with their respective interline or alliance partners that carry traffic to points served by flydubai. There are hundreds of combinations of possible carriers, via competing hubs for each origin and destination market, with the common factor that the last leg would be operated by a carrier serving Australia directly. For example, on the Aleppo/ Syria–Sydney/ Australia route, one of the main competitor groupings for the Applicants would be Syrian Arab/Etihad Airways, on an itinerary that is Aleppo/ Syria-Damascus/ Syria-Abu Dhabi/ UAE-Sydney/ Australia.

(b) **International air freight transport services between Australia and the Middle East/Asia /Europe/Africa** (subject to section 6 above)

In addition to the air cargo carried in the belly space of the Applicants' respective passenger aircraft, Emirates SkyCargo operates a once a week freighter flight to and from Sydney via Singapore, carrying approximately 90,000 kilograms each week. In September 2011 Emirates launched a new dedicated weekly freighter Boeing 777F aircraft on this route.

The Applicants do not have access to information containing competitors' market share from any point of sale, in relation to the provision of international air cargo transportation services (either in the belly space of passenger aircraft or onboard dedicated freighter aircraft) and are not aware of any industry bodies or international organisations or databases that collect such data using consistent methodology such that the data could be compared to estimate market shares for various regions with any measure of accuracy.

The Applicants note that a wide range of international airlines provide air cargo transportation services between Australia and the Middle-East, Asia, Europe and Africa including most/all international passenger airlines (which carry belly hold freight) and a number of dedicated air freighters including those operated by Qantas, Air France-KLM, Air New Zealand, Malaysia Airlines, Thai Airways, Cargolux, Martinair, Korean Airlines, British Airways, Cathay Pacific, Japan Airways, Garuda Indonesia, Singapore Airlines, DHL, TNT, International Cargo Express (ICE), FedEx, Toll, UPS, Pacific Air Express, HeavyLift Cargo Airlines, Australian AirExpress (operated by Australia Post and Qantas), Air Niugini and Eva Air. These carriers will continue to impose powerful competitive constraint on the Applicants once the Proposed Cooperation is implemented.

(c) **No negative impact on the sale of air passenger transport services**

The Proposed Cooperation is unlikely to adversely affect the market for the sale of air transport services given the wide range of mechanisms for ticket purchases available to consumers. While the Proposed Cooperation will enable the Applicants to jointly market their services, the Applicants submit that – consistently with the ACCC's recent approach in the Qantas/American Airlines alliance – there is strong competition in the sale of air transport services from travel agencies (online and in shop fronts) as well as increasingly from the internet through global portals such as Zuji, Expedia and Webjet.[71] Consumers are also able to easily purchase air passenger transports services direct via an airline's website.

The Applicants consider that the Proposed Cooperation will have negligible impact in this market and therefore submit that, consistently with the ACCC's recent approach in the Virgin/Singapore Airlines alliance, it is not necessary to consider this market in greater depth.[72]

(d) **No impact on Australian domestic air passenger transport services**

The Proposed Cooperation will not impact any market for domestic air passenger or air freight transport services as Emirates does not, and cannot under the current UAE ASA and MOU, operate any point-to-point flights within Australia.

7.3 Market analysis: overlapping routes between Dubai and the Middle East / Asia / Africa

Even if the ACCC were minded to take a narrower approach and consider the Proposed Cooperation solely on the basis of the Applicants' overlapping routes (none of which involve flights direct to/from Australia) on a route-by-route/city-pairs basis, rather than on the basis of the regional approach outlined in section 7.2 above, no identifiable public detriments will arise as a result of the Proposed Cooperation.

The Applicants only overlap on 19 routes between Dubai International Airport and the destination airport, which are set out in the table below. None of the 19 overlapping routes serve Australia directly (non-stop) or indirectly (via an intermediary point).

No.	Region	Country	City	Airport
1.	Africa	Ethiopia	Addis Ababa	Bole International Airport
2.	Africa	Sudan	Khartoum	Khartoum International Airport
3.	Asia	Bangladesh	Dhaka	Hazrat Shahjalal International Airport
4.	Asia	India	Ahmedabad	Sardar Vallabhbhai Patel International Airport
5.	Asia	India	Hyderabad	Hyderabad International Airport
6.	Asia	Pakistan	Karachi	Jinnah International Airport
7.	Asia	Sri Lanka	Colombo	Bandaranaike International Airport
8.	Middle East	Bahrain	Bahrain	Bahrain International Airport
9.	Middle East	Jordan	Amman	Queen Alia International Airport
10.	Middle East	Kuwait	Kuwait	Kuwait International Airport

[71] ACCC Final Determination, Qantas/American Airlines alliance at pages 24-25.
[72] ACCC Draft Determination, Virgin/Singapore Airlines alliance, at page 18.

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No.	Region	Country	City	Airport
11.	Middle East	Lebanon	Beirut	Rafic Hariri International Airport
12.	Middle East	Oman	Muscat	Muscat International Airport
13.	Middle East	Qatar	Doha	Doha International Airport
14.	Middle East	Saudi Arabia	Dammam	King Fahad International Airport
15.	Middle East	Saudi Arabia	Jeddah	King Abdul Aziz International Airport
16.	Middle East	Saudi Arabia	Riyadh	King Khalid International Airport
17.	Middle East	Syria	Damascus	Damascus International Airport
18.	Middle East	Iraq	Bagdad	Bagdad International Airport
19.	Middle East	Yemen	Sana'a	Sana'a International Airport

Source: Emirates and flydubai

In addition to the 19 overlapping routes listed above the Applicants both operate services from/to:

- Istanbul (Turkey) – however the services fly to/from different airports: Emirates operates services from/to Ataturk Airport (airport code: IST) while flydubai operates services to Sabiha Gokcen Airport (airport code: SAW). The Applicants understand these airports are over 70km apart; and
- Kabul (Afghanistan) and Erbil (Iraq) however Emirates operates only dedicated freighter from/to these airports while flydubai (which has no dedicated freighter operations) transports passengers and cargo (that is contained in the 'belly space' of the aircraft) on these routes.

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flydubai is unable to verify the accuracy of the market shares as it does not retain any historical data on account of being a relatively new carrier nor does it subscribe to any market information system. Market share data is generally available to airlines through subscriptions to statistical data services, eg IATA's PAX-IS data or MIDT data from each individual Global Distribution System (**GDS**). The costs of subscribing to such data is prohibitive for a relatively new LCC such as flydubai (subscriptions can cost in the order of several hundred thousand US$ for a partial PaxIS solution, to over ten million US$ for global MIDT). Accordingly flydubai does not currently subscribe to either service and is therefore unable to verify the market shares of its competitors.

Further information relating to services on overlapping routes, including estimated market shares on a city-pairs basis, is set out in **Appendix 4**.

As the Applicants do not intend to reduce capacity on any of their existing routes, nor to discontinue any existing routes, under the Proposed Cooperation the Applicants will serve more than 160 destinations across their combined international network. The overlap will therefore be limited to 19 direct routes out of 160.

The Applicants submit that the very limited overlaps on routes in parts of the Middle East, Asia and Africa will not materially alter the competitive dynamics on those routes as Australian consumers are already able to access those destinations either via Emirates or flydubai under the SPA. The Proposed Cooperation will provide additional convenience for Australians and will enable them to benefit from enhanced service offerings arising from the Proposed Cooperation, including cost savings and lower priced fares which the Applicants will be able to achieve.

7.4 Enhanced competition under the Proposed Cooperation arrangements

The vigorously competitive and dynamic nature of air passenger and cargo transportation industries has led to a recent trend in the formation of bilateral airline alliances, and expansion of the three global alliances (Star Alliance, SkyTeam, oneworld). The Proposed Cooperation will enable Emirates and flydubai to become more competitive and offer more services that benefit Australian consumers.

The Proposed Cooperation will enable the Applicants to achieve economies of scale, lower their overall cost base, capitalise on mutual industry knowledge and expertise and achieve efficiencies through sharing of various support services, IT systems and joint marketing/advertising campaigns, which in turn will enable the Applicants to reduce overall fares and air cargo prices across their combined network, and compete against both bilateral and multilateral airline alliances on price, customer service, product range and quality, network reach, and will also be able to continue to add capacity and increase their networks in response to consumer demand (subject to regulatory approvals such as ASA traffic rights entitlements). Please also refer to section 5.6 above.

7.5 Strong competitors in the relevant markets

If authorised, the Proposed Cooperation will be subject to a range of vigorous competitors operating in the relevant markets for air passenger and air cargo (belly hold freight only) including:

- Etihad Airways (not a member of a global airline alliance, but operates codeshare agreements with members of Star Alliance, One World Alliance, Velocity and others)
- Malaysian Airlines (announced intention to join OneWorld Alliance)
- Singapore Airlines (Star Alliance)
- Qatar Airways (not a member of a global airline alliance)
- Qantas Airways (One World Alliance)
- South Africa Airways (Star Alliance)
- Gulf Air (One World Alliance)
- RAK Airways (is not a member of a global airline alliance)
- Air Arabia (is not a member of a global airline alliance)
- Saudi Arabian Airlines (is not a member of a global airline alliance)
- Turkish Airlines (Star Alliance)

In terms of the 19 overlapping routes outside Australia competitors include: Air Arabia, AirBlue, Air India, Al-Naser Airlines, Ariana Afghan Airlines, Att, AVE.COM, Bahrain Air, Biman Bangladesh Airlines, Cathay Pacific Airways, China Eastern Airlines, China Southern Airlines, Condor Airlines, Egyptair, Ethiopian Airlines, Georgian Airway, Global Jet, Gryphon Airlines, GMG Airlines, Gulf Air, Haninan Airline China, Indian Airlines, Jazeera Airways, Jet Airways (India), Jordan Aviation, Kam Air, Kenya Airways, Kingfisher Airlines, Kuwait Airways, Kuwait National Wataniya Airways, Malaysia Airlines, Middle East Airlines, Mihin Lanka, National Air Services and its subsidiary NasAir, Novelair Tunise, Oman Air, Pakistan International Airlines, Pamir Airways, Qatar Airways, Royal Jordanian Airlines, Royal Nepal Airlines, Saudi Arabian Airlines, Shaeen, Somon Air (Tajikistan), Sri Lankan Airlines, Sudan Airways, Tunis Air, Turkish Airlines, United Airways (Bangladesh), Vision Air and Yemenina Yemen Airways. A brief overview of the competing carriers that operate on the overlapping routes is set out in **Appendix 5**.

As flydubai does not serve Australia directly, and relies on interline traffic with Emirates to serve the Australian market, the main competitors of the Proposed Cooperation will be any airlines that touch points in Australia, along with their respective interline or alliance partners that carry traffic to points served by flydubai. There are hundreds of combinations of possible carriers, via competing hubs for each origin and destination market, with the common factor that the last leg would be operated by a carrier serving Australia directly. For example, on the Aleppo/Syria–Sydney/Australia route, one of the main competitor groupings for the Applicants would be Syrian Arab/Etihad Airways, on an itinerary that is Aleppo/Syria-Damascus/Syria-Abu Dhabi/UAE-Sydney/Australia.

The Proposed Cooperation will not materially change the existing competitive dynamics relating to the supply of international air passenger and air cargo transportation services to Australian consumers as flydubai presently has low volumes of interline traffic with Emirates and (flydubai's market share on any given route for the year 2011 would be between 0% and 1%, furthermore flydubai does not operate any dedicated air freight services and therefore does not overlap with any Emirates' SkyCargo services.

The dynamic and vigorous nature of competition for the provision of air passenger and air cargo transportation services, and the sustained competitive tension that will constrain the Applicants once the Proposed Cooperation is effected, is evidenced by recent entries and expansions by carries operating directly to/from Australia, as well as carriers operating on the 19 overlapping routes. Examples of recent entry and expansion include:

(a) The entry of LCC Virgin Blue into the Australian domestic air transportation services market in 2000, the move away from a LCC business model and towards a NWC business model in 2005, and its reorganisation and rebranding to Virgin Australia in 2011.

(b) The recent announcement by Qantas and China Eastern Airlines in relation to the establishment of a new Hong Kong based LCC that will commence operations in mid-2013;[73]

(c) The entry of LCC Jetstar into the Australian domestic air transportation services market in 2003 and its subsequent expansion in Australia and the Asia Pacific region through Jetstar Asia (in 2004) and Jetstar Japan (which is expected to commence operations in July 2012).

(d) The entry of LCC Tiger Airways, an airline based in Singapore, into the Australian domestic air passenger transportation market through Tiger Airways Australia in late 2007. Tiger Airways has also expanded its international air passenger transportation services between Australia and the Asia Pacific through its sister airline, Tiger Airways Singapore and SEAir.

(e) The imminent entry of Scoot, a LCC being rolled out by Singapore Airways, that will operate flights into Australia as well as across Asia, the Asia Pacific, the Gulf region and other regions.[74]

(f) The recent entry of Air Asia X in providing LCC services between Australian destinations (including Sydney from April 2012) and Kuala Lumpur, with connections to other destinations in Asia.[75]

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[73] Maggie Lu YueYang, "Qantas, China Eastern Airlines to set up HK budget airline", Reuters, 25 March 2012; http://www.reuters.com/article/2012/03/25/us-qantas-chinaeastern-idUSBRE82O0HJ20120325

[74] O'Sullivan M, *Sydney Morning Herald*, "Australia in Singapore Airlines' no-frills flight path", 12 October 2011, http://www.smh.com.au/business/australia-in-singapore-airlines-nofrills-flight-path-20111011-1lj45.html

[75] Matt O'Sullivan, "Sydney set for budget airfare war ", *Sydney Morning Herald*, 17 January 2012; http://www.theage.com.au/business/sydney-set-for-budget-airfare-war-20120117-1q45h.html

There has also been a significant recent entry and expansion on the 19 overlapping routes by LCCs such as Air Arabia, Bahrain Air and Jazeera Airways.

For example the UAE-based LCC Air Arabia, which operates out of Sharjah International Airport, has launched operations on 66 new routes serving the MENA region and parts of Asia and Europe, since it commenced operations in 2003 serving just five routes at the time.[76]

Similarly the Kuwait-based LCC Jazeera Airways, which services destinations in the Middle East and parts of Europe, has grown rapidly since it commenced operations in October 2005, becoming Kuwait's second national airline. Jazeera Airways has been dynamic in popularising LCCs in the Middle East and is now one of the largest operators at Kuwait International Airport. The carrier operates out of two key hubs: in Kuwait and Dubai.[77]

These developments illustrate the competitive strength of the Applicants' competitors, which will continue to competitively constrain the Applicants after the Proposed Cooperation is implemented.

7.6 No increase in likelihood of coordinated conduct under the Proposed Cooperation

The Proposed Cooperation will not increase the likelihood of anticompetitive coordinated conduct in any of the relevant markets, as market characteristics typically considered to be facilitative of coordinated conduct are absent in the markets for the supply of international air passenger and air cargo transport services markets from Australia to the Middle East/ Asia and Asia Pacific / Europe / Africa namely:

- The vigorously competitive and highly dynamic and innovative nature of the relevant markets would be likely to destabilise attempts to engage in coordinated conduct.
- The differentiated nature of airline service and product offerings, which comprise a mixture of FSCs and LCCs and different business models (such as Virgin Australia's NWC business model);
- The lack of transparency in airline service and price offerings would make it difficult to detect 'cheating' on coordinated conduct.

In addition to the above, the Proposed Cooperation poses no risk of substantially lessening competition for Australian consumers for the following reasons:

- The Applicants are not competitors on any direct air passenger services to/from Australia and are not close competitors on the routes on which they do overlap (which do not fly direct to Australia) in terms of the product offering (Emirates is a FSC, flydubai is a LCC).
- The Applicants are not competitors on any routes for the supply of dedicated air freight services as flydubai has no air freighter fleet.
- The Proposed Cooperation will not result in any material aggregation of services, and on the routes on which the Applicants' interline under the SPA flydubai's market share is estimated to be less than 1%.
- The Applicants would not have capacity to exercise market power through raising fares, reducing or withholding capacity or decreasing service capacity without losing passengers to alternative carriers.

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[76] Air Arabia website: http://www.airarabia.com/crp_1/route-launches&stitle=route-launches&pid=127?CSRT=16476119532611345757 (accessed January 2012).

[77] Jazeera Air website: http://jazeeraairways.com/InvestorInnerPage.aspx?ipid=76GybxOTyWg= (accessed January 2012).

- There remain a large number of competitors in all relevant markets in which the Applicants operate including on the 19 overlapping routes to destinations 'behind and beyond' Dubai.
- There will be no material adverse impact on competition on routes to or from Australia and nor will there be a material impact on overlapping routes outside of Australia. Passengers have and will continue to have multiple options for travelling to/from Australia via many different combinations of hubs and carriers, including on the 19 overlapping routes, where competition is vigorous. The Proposed Cooperation will make it easier for passengers to book flights on Emirates/flydubai combination flights but will not materially impact the overall competition dynamics in the relevant markets, and the presence of vigorous competition will constrain the Applicants from being able to increase prices beyond competitive levels.

7.7 Regulatory matters

As indicated in section 3 above, regulatory requirements constitute the main barriers in relation to the provision of international air passenger and air cargo transportation services, these are discussed below.

(a) Regulatory requirements between Australia and UAE

Standard regulatory restrictions apply to entry and expansion for the supply of international air transportation services, and these will vary significantly depending on the jurisdictions involved. For example under the existing UAE-Australia ASA there is a limit placed on the number and routing of services that may be operated by UAE carriers. The Route Schedule permits services only from Dubai, Abu Dhabi and Sharjah; services from each of these points to the gateway points in Australia are capped. Until the ASA is amended, there is therefore no *automatic* ability for any UAE carrier to enter the UAE-Australia market, although it may be achieved via cooperation arrangements with exiting UAE carriers.

A different ASA applies to each country, and other Middle Eastern carriers (or indeed carries based in other parts of the world) could enter or expand in the market in Australia depending on the particular terms of the ASA between Australia and their country of origin. The Applicants understand, for example, that Qatar Airways has capacity and frequency allowances which it could use to provide services between Qatar and gateway points in Sydney, Perth and Brisbane (it currently only operates services into/out of Melbourne).[78]

(b) Regulatory requirements on overseas Overlapping Routes

The overlapping routes discussed in section 7.3 involve flights between UAE (ie Dubai Internaitonal Airport) and destinations in Sudan, Bangladesh, India, Pakistan, Sri Lanka, Bahrain, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and Syria. For each particular country an ASA is required, which is negotiated between the respective governments.

Of the overlapping countries, unrestricted third/fourth freedom rights frequencies are available to UAE carriers for Bahrain, Jordan, Lebanon, Qatar, Sudan, Ethiopia, Kuwait and Oman.

For all others countries, frequencies are limited to some extent. Frequency can be allocated under the ASA either to a particular carrier or on a particular route; the latter being further sub-divisible to particular city-pairs or to country-pairs. Thus frequencies can be available to:

(i) Emirates only on DXB–XXX; or

[78] Air Transport Intelligence, News, "Qatar Airways orders five more 777s", 6 April 2011. See also Sydney Morning Herald, http://www.smh.com.au/business/qatar-airline-snubs-melbourne-to-fly-to-sydney-20090306-8rfe.html

(ii) any UAE carrier on any point in UAE–XXX.

Re-allocation of frequencies where there is an allocation to a particular carrier ((i) above) may not be available without the need to renegotiate that part of the relevant agreement. Re-allocation of frequencies between UAE carriers within an overall limit ((ii) above) may be possible but this requires the approval of the UAE authorities.

In addition to the allocation or reallocation of available traffic rights and frequencies under the ASA, usual seasonal approvals are required for any scheduled service operated by any carriers. These schedules are submitted twice-yearly, one for each of the IATA northern winter and summer flying seasons. Changes to the approved schedules may be made at any stage throughout the relevant season by resubmitting the schedule, provided that the changes are within the overall allocation of traffic rights noted above. Where there is no limit, therefore, the services may be easily rescheduled. At congested airports it may not always be possible to get preferred landing slots.

Having got the traffic rights, the airline needs to seek regulatory schedule approval from the Civil Aviation authorities of each country as well as negotiate landing slots at each airport. At congested airports it may not always be possible to get preferred landing slots and so existing carriers may enjoy a competitive advantage by having access to the best commercially viable schedule timings.

In general, aside from the obtaining of slots for the relevant airport from the relevant airport slot coordinator, which is a fairly transparent and routine practice done under IATA guidelines, no other approvals are required.

The Applicants note that these regulatory requirements have not precluded significant growth in the entry and expansion of carriers on the overlapping routes, and accordingly consider that overall barriers to entry and expansion on the overlapping routes are relatively low.

8. INTERIM AUTHORISATION

8.1 Overview

The Applicants seek interim authorisation to make and give effect to the Proposed Cooperation so that the Applicants can implement the Proposed Cooperation by the end of April 2012 in order to begin marketing an integrated offering and to ensure that the Applicants can realise the various commercial opportunities and public benefits that have been outlined above.

One of the primary drivers for the Proposed Cooperation is the opportunity to capitalise on flydubai's destinations which are not serviced by Emirates in order to offer consumers the most comprehensive and efficient range of services, including the behind and beyond routes that service Emirates' inbound/outbound Australian routes, such as destinations in Serbia and Armenia. The Applicants seek interim authorisation to facilitate the introduction of these services.

8.2 Factors in assessing interim authorisation applications

The ACCC has indicated that in assessing whether interim authorisation should be granted it will consider the following key factors:[79]

- the degree to which the arrangements appear to be anti-competitive;
- the extent to which interim authorisation will impact the relevant market;
- the level of urgency of the request;

[79] ACCC, *Guide to Authorisation*, March 2007, p 44

- the possible harm to the applicant if the request for interim authorisation is denied;
- the possible harm to other parties (such as customers or competitors) if the request for interim authorisation is granted or denied; and
- any other possible benefits or detriments to the public.

The Applicants consider that, for the reasons that follow, the Applicants' application for interim authorisation of the Proposed Cooperation satisfies the ACCC's criteria and accordingly interim authorisation should be granted.

(a) **The Proposed Cooperation has no anticompetitive effects**

As flydubai does not operate any direct inbound or outbound Australian flights (including for the provision of air cargo services) other than through interlining under the existing SPA, and that any overlap of the Applicants' routes 'behind and beyond' Dubai routes is very limited, the Applicants submit there would be no lessening of competition in any relevant market nor any detriment to the Australian public or other parties as a result of implementation of the Proposed Cooperation on an interim basis.

(b) **The granting of interim authorisation will have a negligible adverse effect on competitive dynamics of the market**

As outlined above, the Proposed Cooperation will not lessen competition in any relevant market and will not identifiably alter the existing competitive landscape in Australia for the provision of international air passenger and air cargo transportation services.

Further, unwinding the Proposed Cooperation would not be difficult given that the majority of the Applicants' routes do not overlap, and the Applicants do not compete on any direct inbound or outbound Australian routes. Moreover, as the Applicants are both ultimately wholly owned by the Dubai Government (Emirates is owned by ICD, which is ultimately owned by the Government of Dubai) and are in substance related bodies corporate, many of the arrangements to implement the Proposed Cooperation would occur internally and would be therefore easier to unwind in the event that substantive authorisation of the Proposed Cooperation was not granted.

(c) **Interim authorisation is needed to accommodate significant lead times**

There are significant lead times associated with implementing the arrangements contemplated in the Proposed Cooperation, including lead times of several months in negotiating route scheduling slots and obtaining local regulatory approvals thereof in various destinations across the Applicants' combined network; rolling out IATA's air e-freight system across flydubai's air cargo network; implementing and mobilising streamlined ground handling services for both airlines at Dubai International Airport, including obtaining UAE government approvals for dispensing with requirements for UAE transit visas for through-checked passengers and reconfiguration of terminal setup to this purpose; transitioning flydubai to Emirates' established IT systems; implementing joint marketing campaign and co-branding; and developing joint systems for inventory, ticketing and revenue management.

In light of the long lead times associated with implementing such arrangements for the provision of air passenger and air cargo transport services, the Applicants need to immediately be able to coordinate schedules and commence joint marketing and selling of these routes. Furthermore, the Applicants need to immediately be able to facilitate and negotiate with third party service providers in relation to the use of electronic air waybills so that the Applicants can realise efficiencies and reduced costs can be passed on to air cargo consumers. An interim authorisation will also allow the Applicants to discuss other possible cost savings and efficiencies, which will allow the Parties to make a better assessment of how to maximise the benefits of the Proposed Cooperation.

The Proposed Cooperation will result in considerable public benefits in terms of new services and lower fares to the destinations across the Applicants' combined network, including flydubai's destinations in Armenia and Serbia.

(d) **Possible harm to Applicants if the request for interim authorisation is denied**

The Applicants would suffer detriment if interim authorisation were not granted through delayed implementation. If the Applicants are unable to cooperate with each other in the lead up to the sales and operational launch:

- the launch will be less effective and more risky because flydubai would not be able to take advantage of Emirates' established marketing/distribution channels in the lead up to the launch;
- flydubai will forego revenue which it could potentially capture under the Proposed Cooperation on routes between flydubai destinations (such as Armenia, Georgia, Serbia and Ukraine) and Sydney as it is currently unable to transfer cargo to Emirates cargo services to Sydney. Any delay in obtaining authorisation is compounding the revenue opportunities foregone by flydubai;
- the services offered would be less attractive, as the Applicants would be delayed in coordinating schedules to provide better flight interconnectivity or to provide competitively priced multi-destination itineraries;
- there will be a substantial time lag following receipt of the authorisation before benefits such as passenger through check-in and electronic air waybills for cargo, as well as many others, could be implemented;
- flydubai will miss out on benefits from favourable rates with vendors that flydubai could negotiate on a disclosed basis in conjunction with Emirates' procurement operations, thereby reducing the costs savings that could be passed through to consumers; and
- delays in achieving efficiencies, sharing of industry expertise and transitioning to shared IT and inventory systems and mutual operating procedures, will delay the lowering of overall fares and air cargo prices and will deprive Australian consumers, the Australian tourism and export industries, Australian corporations operating overseas and the broader Australian economy, of benefits which they would otherwise have obtained.

(e) **The possible harm to other parties (customers or competitors) will be minimal**

In the event substantive authorisation was not ultimately granted any adverse impact on Australian consumers would be minimal as both Applicants would be able to honour any offers sold to passengers and air cargo customers during the interim period. Furthermore, the Applicants intend to offer services in a manner that will be accommodated within the time period between the granting of interim authorisation and the ACCC's final determination of the substantive authorisation application, to help ensure that customers are not inconvenienced if final authorisation of the Proposed Cooperation is not ultimately granted.

(f) **Any other possible benefits or detriments to the public**

The Applicants consider that there are clear benefits and no detriments associated with the Proposed Cooperation. Interim authorisation of the Proposed Cooperation will not have a significant impact on or permanently alter any relevant market structure or dynamics and there would be no long term implications of such a decision. For all these reasons the Proposed Cooperation is an appropriate matter in which interim authorisation should be granted.

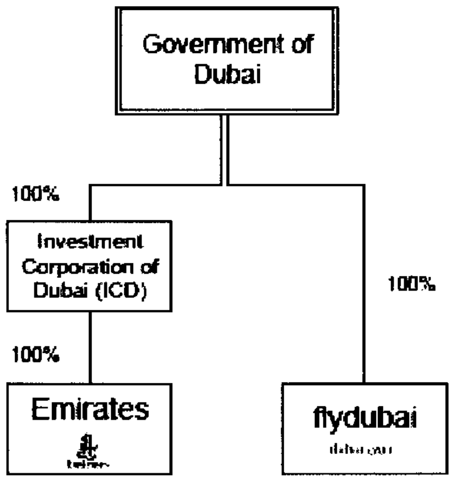
9. CONCLUSION – PUBLIC BENEFITS OUTWEIGH ANY LIKELY PUBLIC DETRIMENTS AND FAVOUR GRANTING OF INTERIM AUTHORISATION

The Proposed Cooperation will result in a range of substantial public benefits and any detriments which may arise are likely to be minimal and to be outweighed by the public benefits the Proposed Cooperation will provide, however no likely public detriments have been identified.

The vigorously competitive and dynamic nature of air passenger and cargo transportation industries have led to a recent trend in the formation of bilateral and multilateral airline alliances, the Proposed Cooperation will enable Emirates and flydubai to become more competitive and offer more services that will benefit Australian consumers.

There are significant lead times associated with implementing the full range of conduct envisaged under the Proposed Cooperation, and substantial commercial opportunities which may be otherwise foregone if the Proposed Cooperation is not imminently implemented, which weigh in favour of grating an interim authorisation, while the Proposed Cooperation is unlikely to have any adverse or lasting impact on competition in any relevant market or to lead to any public detriments. The Proposed Cooperation could also be unwound with relative ease if final authorisation was not granted. Balancing the pressing need for interim authorisation against the minimal regulatory risk of the need to unwind the Proposed Cooperation arrangements in Australia, the Applicants submit that the Proposed Cooperation is a suitable matter in which interim authorisation should be granted.

APPENDIX 1 – APPLICANTS' OWNERSHIP STRUCTURE



APPENDIX 2 – CONFIDENTIAL

[Confidential – Restriction of Publication Claimed]

APPENDIX 3 – ROUTE INFORMATION

1. Emirates' current route map

2. Emirates' current destinations

AIRPORT	REGION
CAIRO	Africa
MALE	Africa
JOHANNESBURG	Africa
NAIROBI	Africa
DAR ES SALAAM	Africa
ENTEBBE	Africa
TRIPOLI	Africa
CASABLANCA	Africa
KHARTOUM	Africa
MAURITIUS	Africa
LAGOS	Africa
ACCRA	Africa
SEYCHELLES	Africa
ABIDJAN	Africa
ADDIS ABABA	Africa
TUNIS	Africa
CAPE TOWN	Africa
DURBAN	Africa
LUANDA	Africa
DAKAR	Africa
LUSAKA	Africa
HARARE	Africa
LILONGWE	Africa
ELDORET	Africa

AIRPORT	REGION
LOME	Africa
NEW YORK	Americas
SAO PAULO	Americas
TORONTO	Americas
HOUSTON	Americas
LOS ANGELES	Americas
SAN FRANCISCO	Americas
RIO DE JANEIRO	Americas
BUENOS AIRES	Americas
DALLAS FORT WORTH	Americas
SEATTLE	Americas
VIRACOPOS	Americas
MELBOURNE	Australasia
SYDNEY	Australasia
PERTH	Australasia
AUCKLAND	Australasia
BRISBANE	Australasia
CHRISTCHURCH	Australasia
SINGAPORE	East Asia
BANGKOK	East Asia
MANILA	East Asia
HONG KONG	East Asia
JAKARTA	East Asia
KUALA LUMPUR	East Asia
OSAKA	East Asia
SHANGHAI	East Asia

AIRPORT	REGION
SEOUL	East Asia
BEIJING	East Asia
GUANGZHOU	East Asia
TOKYO	East Asia
TAIPEI	East Asia
ISTANBUL	Europe
FRANKFURT	Europe
MANCHESTER	Europe
LONDON-LHR	Europe
PARIS	Europe
ROME	Europe
ZURICH	Europe
LONDON-LGW	Europe
NICE	Europe
LARNACA	Europe
ATHENS	Europe
MALTA	Europe
MUNICH	Europe
MILAN	Europe
BIRMINGHAM	Europe
DUSSELDORF	Europe
MOSCOW	Europe
GLASGOW	Europe
VIENNA	Europe
HAMBURG	Europe
VENICE	Europe

AIRPORT	REGION
NEWCASTLE	Europe
AMSTERDAM	Europe
PRAGUE	Europe
MADRID	Europe
GENEVA	Europe
COPENHAGEN	Europe
ST. PETERSBURG	Europe
DUBLIN	Europe
GOTHENBURG	Europe
ZARAGOZA	Europe
ALMATY	Europe
AMMAN	Middle East
DAMASCUS	Middle East
JEDDAH	Middle East
KUWAIT	Middle East
RIYADH	Middle East
TEHRAN	Middle East
BEIRUT	Middle East
DAMMAM	Middle East
MUSCAT	Middle East
DOHA	Middle East
SANA'A	Middle East
BAHRAIN	Middle East
MEDINA	Middle East
BASRA	Middle East
BAGHDAD	Middle East

AIRPORT	REGION
ERBIL	Middle East
KARACHI	West Asia
MUMBAI	West Asia
DELHI	West Asia
COLOMBO	West Asia
DHAKA	West Asia
PESHAWAR	West Asia
ISLAMABAD	West Asia
LAHORE	West Asia
CHENNAI	West Asia
HYDERABAD	West Asia
KOCHI	West Asia
THIRUVANANTHAPURAM	West Asia
KOLKATA	West Asia
BENGALURU	West Asia
AHMEDABAD	West Asia
KOZHIKODE	West Asia
KABUL	West Asia
BAGRAM	West Asia
DUBAI	Middle East

3. flydubai's current route map

4. flydubai's current destinations

AIRPORT	COUNTRY
Dubai	UAE
Beirut	Lebanon
Amman	Jordan
Damascus	Syria
Alexandria	Egypt
Aleppo	Syria
Djibouti	Djibouti
Doha	Qatar

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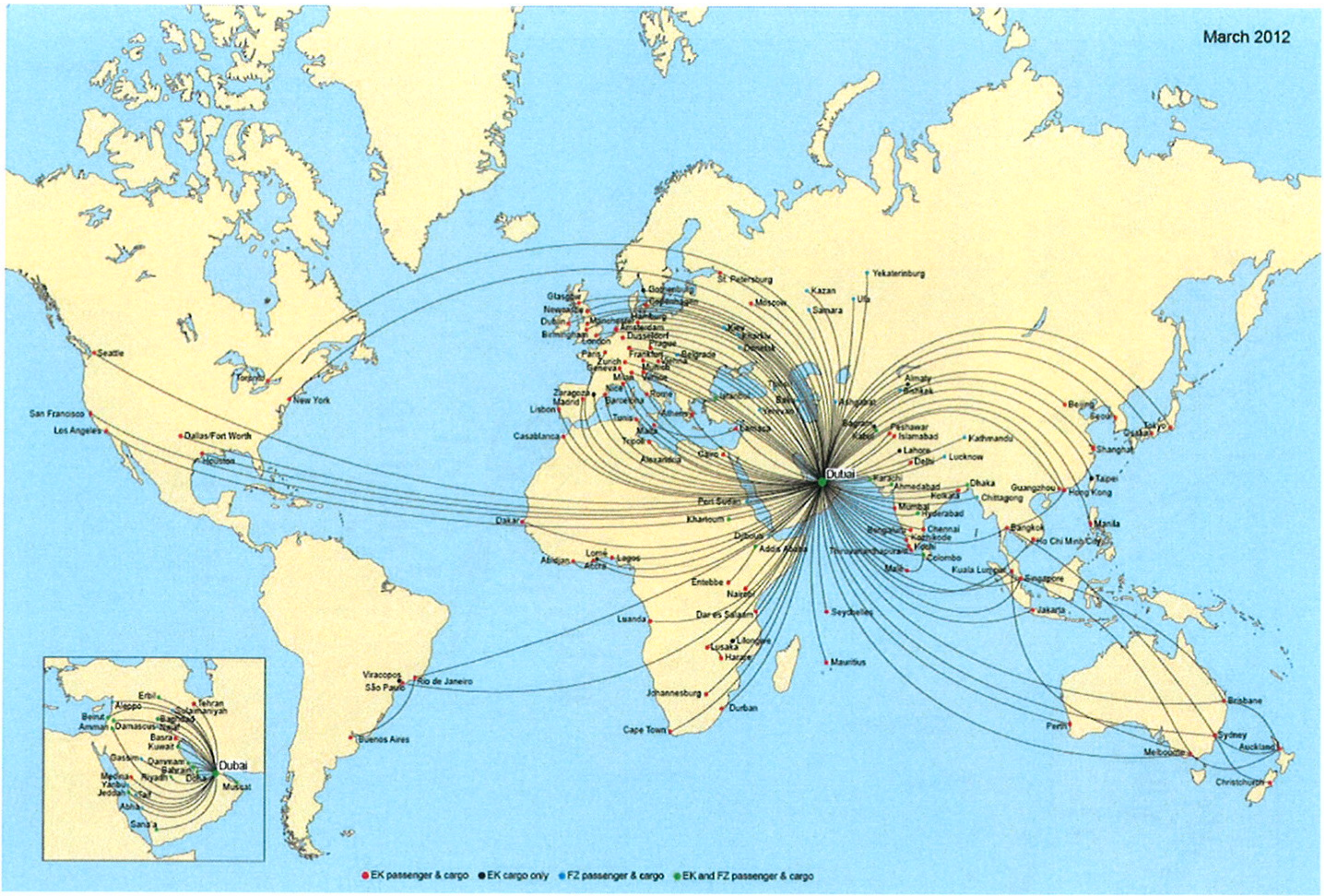
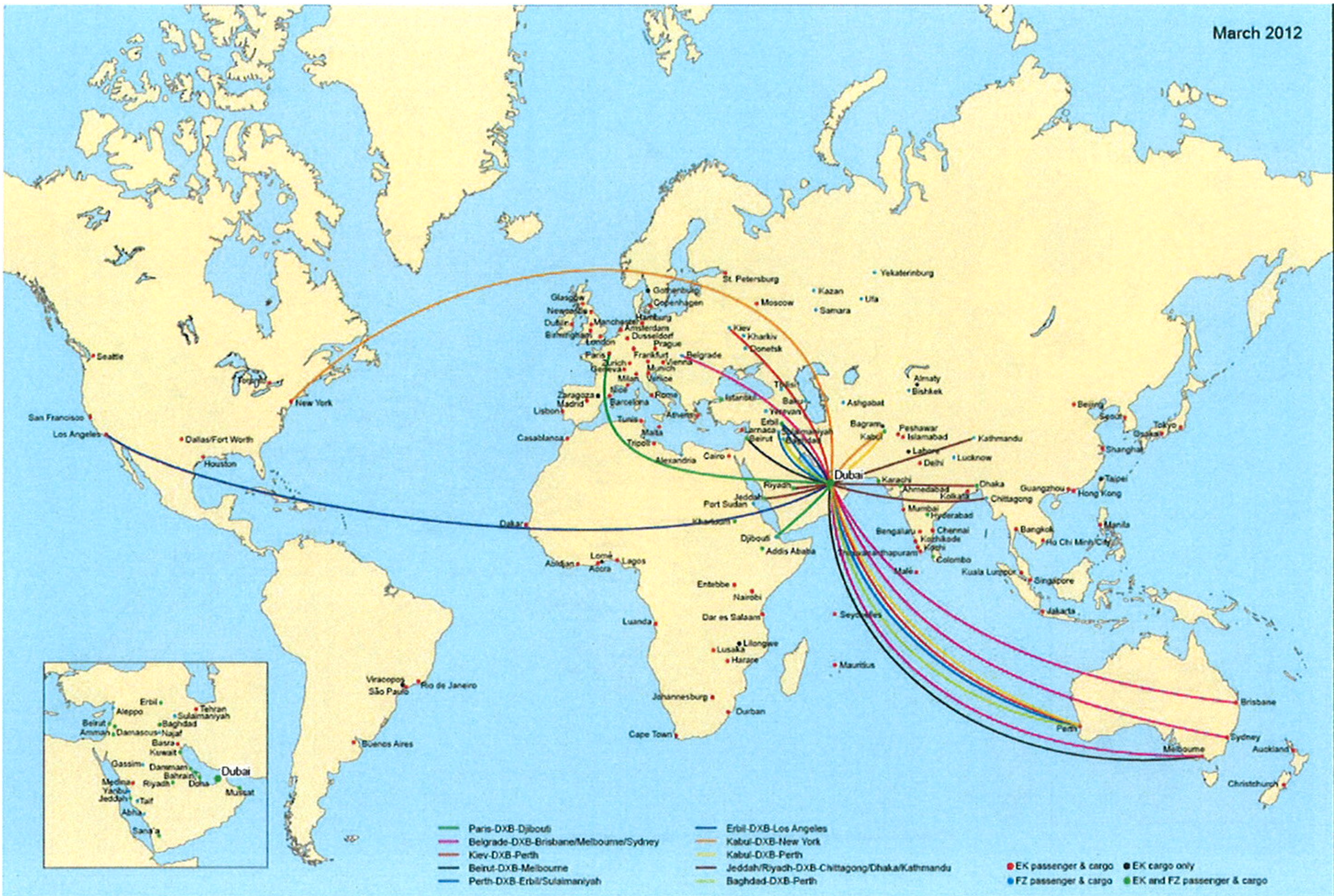
AIRPORT	COUNTRY
Khartoum	Sudan
Baku	Azerbaijan
Bahrain	Bahrain
Kathmandu	Nepal
Muscat	Oman
Kuwait City	Kuwait
Kabul	Afghanistan
Luxor	Egypt
Assiut	Egypt
Lucknow	India
Istanbul	Turkey
Karachi	Pakistan
Colombo	Sri Lanka
Erbil	Iraq
Latakia	Egypt
Samara	Russia
Yekaterinburg	Russia
Yerevan	Armenia
Abha	Saudi Arabia
Sulaimaniyah	Iraq
Ashgabat	Turkmenistan
Yanbu	Saudi Arabia
Chittagong	Bangladesh
Gassim	Saudi Arabia
Dhaka	Bangladesh
Port Sudan	Sudan

AIRPORT	COUNTRY
Sohag	Egypt
Addis Ababa	Ethiopia
Jeddah	Saudi Arabia
Riyadh	Saudi Arabia
Hyderabad	India
Kandahar	Afghanistan
Dammam	Saudi Arabia
Ahmedabad	India
Kazan	Russia
Kharkiv	Ukraine
Kiev	Ukraine
Donetsk	Ukraine
Ufa	Russia
Camp Bastion	Afghanistan
Tbilisi	Georgia
Belgrade	Serbia
Baghdad	Iraq
Najaf	Iraq
Ta'if	Saudi Arabia
Bishkek	Kyrgyzstan
Sana'a	Yemen

5. Combined Emirates and flydubai routes



6. Sample routes likely to benefit from Proposed Cooperation



APPENDIX 4 – OVERLAPPING ROUTES MARKET SHARE DATA

Due to the difficulty in obtaining consistent data for carriers on the overlapping routes the market share data below is based on known total capacity for carriers on direct routes. The data in this Appendix is sourced from IATA's SRS Analyser and is based on published schedules for the month of April 2012. Market shares will vary depending on the system used to extract the data. For example, using data obtained from the OAG MAX system will yield slightly different shares.

As data is unknown for some carriers on the direct flights, this tends to exaggerate the respective market shares of carriers whose capacity is known. The market share data is therefore likely to overstate the respective market share compared to MIDT data, however MIDT data is even more limited as many carriers on the overlapping routes do not currently subscribe to MIDT data (including flydubai).

No market share data is estimated for carriers that operate indirect flights on the overlapping routes as such data is not readily available and is subject to substantial variation depending on the particular itinerary configuration that is used for an indirect/stopover flight on an overlapping route. The column headed "indirect flights" therefore only identifies some of the carriers that provide indirect services in the overlapping routes, and this list is not exhaustive.

Table 1 - Estimated capacity market share information and competitor airlines on the 19 overlapping routes

					Direct flights				Indirect flights
No.	**Region**	**Country**	**City**	**Airport**	**Flights per week**	**Weekly Seats**	**Market share**	**Airlines operating to DXB**	**Airlines operating to DXB (stopover)**
1.	Africa	Ethiopia	Addis Ababa	Bole International Airport	7	1,799	26%	Emirates	Gulf Air
					3	567	8%	Flydubai	Yemenia Yemen Airways
					14	4,494	66%	Ethiopian Airlines	Kenya Airways
									Saudi Arabian Airlines
2.	Africa	Sudan	Khartoum	Khartoum International Airport	7	1,799	35%	Emirates	Qatar Airways
					14	2,646	52%	Flydubai	Ethiopian Airlines
					3	675	13%	Sudan Airways	Gulf Air
								Haninan Airline China	Egyptair
								Georgian Airway	Northern Air Cargo

No.	Region	Country	City	Airport	Direct flights: Flights per week	Weekly Seats	Market share	Airlines operating to DXB	Indirect flights: Airlines operating to DXB (stopover)
									Yemenia Yemen Airways
3.	Asia	Bangladesh	Dhaka	Hazrat Shahjalal International Airport	17	5,988	69%	Emirates	Kuwait Airways
					7	1,323	15%	Flydubai	Pakistan International Airlines
					1	153	2%	United Airways Bangladesh	Att
					6	1170	14%	Biman Bangladesh Airlines	Qatar Airways
								GMG Airlines	Gulf Air
								China Eastern Airlines	Jet Airways India
								Eastern Skyjets	Mihin Lanka
								Nouvelair Tunise	
4.	Asia	India	Ahmedabad	Sardar Vallabhbhai Patel International Airport	10	2,570	87%	Emirates	Air India
					2	378	13%	Flydubai	Jet Airways India
									Qatar Airways
									Kingfisher Airlines
									Indian Airlines
5.	Asia	India	Hyderabad	Hyderabad International Airport	21	5,721	65%	Emirates	Kingfisher Airlines
					4	756	9%	Flydubai	Oman Air
					7	1,092	12%	Jet Airways (India) Ltd	
					7	1,204	14%	Air India	
								Indian Airlines	
6.	Asia	Pakistan	Karachi	Jinnah International Airport	28	8,861	58%	Emirates	Oman Air
					11	2,079	14%	Flydubai	Saudi Arabian Airlines
					7	1,057	7%	Air Blue	Gulf Air

No.	Region	Country	City	Airport	Direct flights: Flights per week	Direct flights: Weekly Seats	Direct flights: Market share	Direct flights: Airlines operating to DXB	Indirect flights: Airlines operating to DXB (stopover)
					8	904	6%	Shaheen Air International	
					10	2,328	15%	Pakistan International Airlines	
								Malaysian Airlines	
								GMG Airlines	
								Vision Air	
7.	Asia	Sri Lanka	Colombo	Bandaranaike International Airport	21	7,502	68%	Emirates	Qatar Airways
					7	1,323	12%	Flydubai	Oman Air
					4	656	6%	Mihin Lanka	Gulf Air Company
					9	1,624	15%	Sri Lankan Airlines	
8.	Middle East	Bahrain	Bahrain	Bahrain International Airport	21	5,397	28%	Emirates	Jazeera Airways
					20	3,780	19%	Flydubai	Qatar Airways
					16	2,172	11%	Bahrain Air	Oman Air
					56	8,184	42%	Gulf Air	
								Yemenina Yemen Air	
								Condor Airlines	
								AVE.COM	
9.	Middle East	Jordan	Amman	Queen Alia International Airport	14	4,182	50%	Emirates	Gulf Air
					7	1,323	16%	Flydubai	Qatar Airways
					17	2,833	34%	Royal Jordanian Airlines	Middle East Airlines
								Jordan Aviation	Saudi Arabian Airlines
								Global Jet	
10.	Middle East	Kuwait	Kuwait	Kuwait International Airport	28	8,602	32%	Emirates	Gulf Air
					42	7,938	30%	Flydubai	Qatar Airways

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No.	Region	Country	City	Airport	Direct flights: Flights per week	Weekly Seats	Market share	Airlines operating to DXB	Indirect flights: Airlines operating to DXB (stopover)
					21	3,465	13%	Jazeera Airways	Oman Air
					16	3,166	12%	Kuwait Airways	
					7	1,422	5%	Mihin Lanka	
					7	2,090	8%	Srilankan Airlines	
								Kuwait National Wataniya Airways	
								Gryphon Airlines	
								Air Arabia	
								Biman Bangledesh Airlines	
								Saudi Airlines	
11.	Middle East	Lebanon	Beirut	Rafic Hariri International Airport	14	3,610	44%	Emirates	Qatar Airways
					14	2,646	32%	Flydubai	Gulf Air
					14	1,988	24%	Middle East Airlines	Royal Jordanian Airlines
								Malaysian Airlines	
								Tunis Air	
12.	Middle East	Oman	Muscat	Muscat International Airport	14	3,833	24%	Emirates	Gulf Air
					22	4,158	26%	Flydubai	
					7	1,652	11%	Swiss International Airlines	
					42	6,066	39%	Oman Air	
								Kuwait Airways	
								Pakistan International Airlines	
								Jet Airways (India)	
								Air India Express	
								Biman Bangledesh Airlines	

					Direct flights				Indirect flights
No.	**Region**	**Country**	**City**	**Airport**	**Flights per week**	**Weekly Seats**	**Market share**	**Airlines operating to DXB**	**Airlines operating to DXB (stopover)**
								Global Jet	
								Al-Naser Airlines	
								AVE.COM	
13.	Middle East	Qatar	Doha	Doha International Airport	35	10,733	31%	Emirates	Gulf Air
					56	10,584	31%	Flydubai	Oman Air
					77	12,404	36%	Qatar Airways	Saudi Arabian Airlines
					3	570	2%	Nepal Airlines Corporation	
								Somon Air (Tajikistan)	
								Biman Bangladesh Airlines	
14.	Middle East	Saudi Arabia	Dammam	King Fahad International Airport	7	2,034	34%	Emirates	Gulf Air
					14	2,646	44%	Flydubai	Qatar Airways
					13	1,356	22%	Saudi Arabian Airlines	
								Malaysian Airlines	Oman Air
15.	Middle East	Saudi Arabia	Jeddah	King Abdul Aziz International Airport	14	6,846	41%	Emirates	Kuwait Airways
					11	2,079	12%	Flydubai	Oman Air
					4	1,340	8%	China Southern Airlines	Kam Air
					2	420	2%	Ariana Airways	China Eastern
					21	4,489	27%	Saudi Arabian Airlines	Pamir Airways
					7	1,050	6%	Nas Air - National Air Services	
					3	630	4%	United Airways (Bangladesh)	
16.	Middle East	Saudi Arabia	Riyadh	King Khalid International Airport	14	4,262	21%	Emirates	Gulf Air
					21	3,969	21%	Flydubai	Qatar Airways
					29	6,717	39%	Saudi Arabian Airlines	Kuwait Airways

					Direct flights				Indirect flights
No.	**Region**	**Country**	**City**	**Airport**	**Flights per week**	**Weekly Seats**	**Market share**	**Airlines operating to DXB**	**Airlines operating to DXB (stopover)**
					14	2,114	11%	Nas Air - National Air Services	Oman Air
					4	1,140	6%	Singapore Airlines	GMG Airlines
					1	210	1%	Ariana Airlines	
17.	Middle East	Syria	Damascus	Damascus International Airport	13	3,702	66%	Emirates	Qatar Airways
					7	1,323	23%	Flydubai	Gulf Air
					4	608	11%	Syrian Arab Airlines	Kuwait Airways
									Egyptair
18.	Middle East	Iraq	Baghdad	Baghdad International Airport	7	1,799	44%	Emirates	
					7	1,323	33%	Flydubai	
					8	940	23%	Iraqi Airways	
19.	Middle East	Yemen	Sana'a	Sana'a International Airport	6	1,542		Emirates	
					5	1,164		Yemenia	
					4	756		Flydubai	

Although Emirates and flydubai both services between Dubai and Istanbul they fly to different airports and on this basis they have not been counted as one of the 19 overlapping routes in this submission. Table 3 below is included for completeness, in the event the ACCC wishes to consider the Dubai-Istanbul route as a 20th overlapping route notwithstanding that the Applicants fly to different airports.

Table 2 – Estimated capacity market share information and competitor airlines on Dubai-Istanbul routes

					Direct flights				Indirect flights
No.	Region	Country	City	Airport	Flights per week	Weekly Seats	Market share (all Istanbul airports)	Airlines operating to DXB	Airlines operating to DXB (stopover)
20.	Middle East	Turkey	Istanbul	Ataturk Airport	11	4,012	49%	Emirates	Blue Dart
					14	3,577	44%	Turkish Airlines	Qatar Airways
								Onur Air	Gulf Air Company
								Free Bird Airlines	Middle East Airlines
								Air Algerie	
				Sabiha Gokcen Airport	3	567	7%	Flydubai	
								Pegasus Hava Tasimaciligi	
								Global Jet	

APPENDIX 5 – COMPETITOR OVERVIEW

Airline	Code	In-Service Fleet	Overview
Air Arabia	**G9**	**25**	Air Arabia is the Middle East's first low-cost carrier established in 2003 by the Ruler of Sharjah and the Supreme Council of the United Arab Emirates, and is now a publicly-listed company based in Sharjah with secondary hubs in Casablanca and Cairo. Air Arabia operates a number of common destinations in Middle East region from its Sharjah airport to which Emirates/flydubai operate from Dubai International Airport. As Sharjah is considered a catchment area for Dubai, it poses significant competition to both Applicants. Air Arabia's network includes services within the Middle East, the Indian Subcontinent and Europe. As part of its strategy to create the first pan-Arab airlines, Air Arabia has established JV subsidiary airlines in Morocco and Egypt with local investors in each country.
Airblue	**ED**	**5**	Based in Jinnah International Airport, Karachi, Airblue is the second largest airlines in Pakistan with over 20% of domestic market share. Airblue operates scheduled flights operating 30 daily services linking four domestic destinations and international services to Dubai, Abu Dhabi, Sharjah, Muscat and Manchester. It carried 1.4 million passengers on domestic flights in FY 2006–2007.
Air India	**AI**	**104**	Air India is the state-owned national carrier of India with its main hubs at Delhi and Mumbai airports. It established an international LCC subsidiary, Air India Express, in 2005 and merged with Indian Airlines in August 2007. Its network covers domestic and regional destinations, as well as international services to Asia, the Middle East, Europe, and North America. As the primary competitor for the Applicants, Air India operates direct services between Dubai and six Indian cities (Mumbai, Bangalore, Delhi, Chennai, Kozhikode, Goa and Vishakhapatnam). In 2011, Air India's invitation to Star Alliance was suspended due to failure to meet the minimum joining requirements.
Air India Express	**IX**	**21**	Air India Express, based in Mumbai, is a wholly-owned low cost subsidiary of Air India. Established in 2004, Air India Express operates both domestic and international destinations in Asia and the Middle East. It currently operates non-stop services from Dubai to nine destinations (Lucknow, Mumbai, Cochin, Trivandrum, Kozhikode, Pune, Jaipur, Mangalore, Thiruchirapally and Amritsar) in India. Air India Express handled a limited number of passengers between Dubai and Muscat during the annual period ending November 2011.
Al-Naser Airlines	**6N**	**3**	Al-Naser Airlines is a new airline founded in 2009, based in Baghdad, Iraq. It operates scheduled domestic and international flights to Europe, Asia and Middle East. Al-Naser airlines handled limited number of passengers between Dubai and Muscat during the annual period ending November 2011.

Airline	Code	In-Service Fleet	Overview
AVE.COM	**2E**	**6**	AVE.com was founded in 1996 and is a privately-owned airline based in Sharjah International Airport. The carrier operates charter services as well as providing aircraft lease services. AVE.com handled a limited number of passengers between Dubai and Muscat/Bahrain during the annual period ending November 2011.
Bahrain Air	**BN**	**5**	Bahrain Air is the first privately-owned carrier of Bahrain, founded in 2007. From its base at Bahrain International Airport, Bahrain Air operates services to destinations in the Middle East, Asia, Europe and Africa. It currently competes with the Applicants on direct services between Dubai and Bahrain.
Biman Bangladesh Airlines	**BG**	**12**	Biman Bangladesh Airlines is the national carrier of Bangladesh, established in 1972. From its main base at Shahjalal International Airport (DAC) in Dhaka, Biman operates domestic passenger and cargo services as well as international services to Asia and Europe. Biman Bangladesh Airlines is a primary competitor on the Dubai-Dhaka route with a 6-weekly direct service, however it also recorded passenger carriage to Kuwait, Muscat and Doha in the annual period ending November 2011. The airline also operates a 4-weekly direct service to Chittagong and a two-weekly service to Sylhet in Bangladesh from Dubai.
China Eastern Airlines	**MU**	**296**	Shanghai-based China Eastern Airlines is one of China's top three state-owned airlines, with hubs at Shanghai's Pudong and Hongqiao airports, as well as Kunming Airport in southwest China. The airline operates almost 300 aircraft that support an extensive network, serving over 350 domestic routes and 40 international destinations, including Australia, Europe, Korea, Japan, North America and Southeast Asia. China Eastern merged with Shanghai Airlines in 2010 and joined SkyTeam in June 2011. Currently, China Eastern Airlines operates 2-weekly direct services between Dubai and Shanghai and Kunming respectively. It also recorded limited passenger carriage between Dubai and Dhaka in year-ending November 2011. Most recently China Eastern Airlines announced that it will form a joint venture with Qantas Airways Limited for the establishment of a Hong Kong-based LCC, which is intended to commence operations from mid-2013.
China Southern Airlines	**CZ**	**368**	China Southern Airlines was established in 1988 and is the largest airline in China with hub operations from Guangzhou and Beijing. The carrier operates an extensive domestic network within China, as well as international services to the Middle East, Asia, Africa, Europe, North America and Australia. China Southern has been a member of the SkyTeam alliance since 2007. China Southern competes with the Applicants on the Dubai-Jeddah route, operating 4-weekly direct services, and also offers a daily direct service from Dubai to Guangzhou, and 4-weekly direct service from Dubai to Beijing.
Condor	**DE**	**36**	Condor is a German charter airline and subsidiary of the Thomas Cook Group. Condor operates from nine airports across Germany to over 70 destinations in Europe, Asia, Africa and North America. Currently it operates twice-weekly Frankfurt-Dubai-Colombo routes.
Eastern Skyjets	**EE**	**3**	Eastern Skyjets is a charter carrier based in Dubai, UAE, operating two B737s and one DC-9 aircraft.

Airline	Code	In-Service Fleet	Overview
Ethiopian Airlines	**ET**	**46**	Addis Ababa-based Ethiopian Airlines is the national airline of Ethiopia and it operates more than 60 international destinations across Africa, Asia, Europe, the Middle East, and North America, as well as extensive domestic and international cargo network. Ethiopian Airlines became a Star Alliance member in Dec-2011. Ethiopian Airline operates daily nonstop services between Dubai and Addis Ababa, using 767-300 aircraft.
Georgian Airways	**A9**	**7**	Tbilisi-based Georgian Airways is the national carrier of Georgia. Founded in 1993 under the name Airzena, since 2004 the airline has since been known as Georgian Airways and has replaced its Soviet-manufactured aircraft with Boeing 737, Bombardier CRJ200 and -900 aircraft. The carrier operates scheduled service to destinations in Germany, France, the Netherlands, Greece, Ukraine, UAE, Ukraine and Belarus. Georgian Airways operates 5-weekly services between Dubai and Tbilisi.
GMG Airlines	**Z5**	**9**	Established in 1997, GMG Airlines is a wholly-owned subsidiary of the GMG Group and is based at Shahjalal International Airport in Dhaka with a secondary hub at Shah Amanat International Airport in Chittagong. Currently it only serves three destinations to Chittagong (CGP), Coxs Bazar (CXB) and Kolkata (CCU) from its hub – Dhaka.
Gryphon Airlines	**6P**	**4**	Gryphon Airlines is an American-owned airline, headquartered in Virginia, USA. It started operation in 2007 and the majority of its services comprise operations to/from Baghdad targeting US military traffic.
Gulf Air	**GF**	**34**	Founded in 1950, Gulf Air is the national carrier of the Kingdom of Bahrain. It is one of the largest airlines in the Middle East region, serving over 40 destinations across Africa, Asia and Europe from its main base at Bahrain International Airport. It currently operates seven daily services between Dubai and Bahrain.
Hainan Airlines	**HU**	**115**	Hainan Airlines is the leading business enterprise in the air transportation division of the HNA Group. The carrier is one of the largest Chinese airlines behind the "big three". Since 1993, in additional to its main base at Haikou Meilan International Airport, Hainan Airlines has established hubs in Beijing, Xi'an, Taiyuan, Urumqi, Guangzhou, Lanzhou, Dalian and Shenzhen, as well as an extensive network across China, and connecting Asia, Europe, America and Africa. It has opened nearly 500 domestic and international routes flying to more than 90 cities. The carrier operates both scheduled and charter services. Hainan Airlines operates twice-weekly services between Beijing and Dubai with beyond service to Luanda.
Indian Airlines	**IC**	**5**	Indian Airlines is a major Indian airline based in Mumbai and focuses primarily on domestic routes, along with several international services to neighbouring countries in Asia. It is state-owned, and is administered by the Ministry of Civil Aviation.
Iraqi Airways	**IA**	**14**	Founded in 1945, Iraqi Airways is one of the oldest airlines in the Middle East. The carrier is the national airline of Iraq and wholly owned by the Iraqi Government. Based at Baghdad International Airport, Iraqi Airways operates domestic service as well as services to destinations in the Middle East and Europe.

Airline	Code	In-Service Fleet	Overview
Jazeera Airways	**J9**	**7**	Founded in 2005, Jazeera Airways is a publicly-owned LCC airline based at Kuwait International Airport. The carrier, which has grown to become the second national airline of Kuwait, operates scheduled service to destinations throughout the Middle East. Jazeera currently operates three daily nonstop services between Dubai and Kuwait.
Jet Airways	**9W**	**101**	Based in Mumbai, Jet Airways is one of the largest airlines in India with hubs at Mumbai, Delhi, Chennai and Brussels airports. The carrier operates an extensive domestic and regional network within the Indian Subcontinent as well as services to Europe, the Middle East, Southeast Asia and North America. Jet Airways operates combined six daily services to four destinations (Chennai, New Delhi, Hyderabad and Mumbai) in India from Dubai.
Jordan Aviation	**R5**	**15**	Jordan Aviation is an airline operating scheduled and worldwide charter services as well as providing wet lease services to major airlines. The airline is based in Amman, Jordan and its operations are focused predominantly in the Middle East, Europe and Africa. Jordan Aviation is also a significant provider of air transportation for UN peacekeeping forces.
Kuwait Airways	**KU**	**18**	Based in Kuwait City and wholly owned by the Kuwaiti Government, Kuwait Airways is the national carrier of Kuwait. From its base at Kuwait International Airport, the carrier operates an extensive network within the Middle East as well as scheduled international services to the Indian Subcontinent, Africa, Asia, Europe and North America.
Malaysia Airlines	**MH**	**108**	Malaysia Airlines is the flag carrier of Malaysia and serves over 100 destinations across 6 continents from its main base at Kuala Lumpur International Airport. It maintains a strong presence within East and Southeast Asia, and on the Kangaroo Route between Australia and the UK. The carrier announced in Jun-2011 its intention to join the oneworld alliance in late 2012. MASkargo is the cargo division Malaysia Airlines and operates scheduled and charter air cargo services. Currently Malaysia Airlines operates twice-weekly services from Kuala Lumpur to Dubai with beyond services to Amsterdam.
MEA-Middle East Airlines	**ME**	**15**	Beirut-based Middle East Airlines (MEA) is the national airline of Lebanon and is majority-owned by Banque du Liban. The carrier operates an extensive regional network within the Middle East as well as international scheduled services to Europe and Africa. Middle East Airlines announced plans to become a member of the SkyTeam Alliance in 2012. It currently operates two daily direct services between Dubai and its hub in Beirut International airport.
Mhin Lanka	**MJ**	**2**	Mihin Lanka is a Sri Lankan LCC fully owned by the Sri Lankan Government. It offers low fare services from Colombo to cities in the Indian subcontinent, the Gulf and Southeast Asia. It serves Dubai with three-weekly services from Colombo.
NAS Air – National Air Services	**XY**	**13**	Founded in 2007, NAS air is a Saudi Arabian low-cost carrier based in Riyadh. The airline, which is a subsidiary of the National Air Services, serves an extensive domestic network as well as regional and international services to destinations in the Middle East, Asia and Europe. It operates each daily services to Dubai from Riyadh and Jeddah.

Airline	Code	In-Service Fleet	Overview
Nepal Airlines Corporation	**RA**	**7**	Established in 1958, Nepal Airlines (formerly known as Royal Nepal Airlines) is the flag carrier of Nepal. From its main base at Tribhuvan International Airport, Kathmandu, the carrier operates a domestic network as well as a number of routes to India. In 2004 the Nepal Government decided to sell off 49% of its stake in Nepal Airlines to the private sector. It currently operates one-stop services from Kathmandu to Doha via Dubai (three times a week).
Nouvelair Tunise	**BJ**	**14**	Nouvelair Tunisie is a Tunisian Airline operating from its bases at Monastir International Airport, Tunis-Carthage International Airport and Djerba-Zarzis Airport. The airline began operations in 1990 and provides tourist charter services from European cities to Tunisian holiday resorts
Oman Air	**XY**	**26**	Muscat-based Oman Air is the national airline of the Sultanate of Oman and majority owned by the Omani Government. The airline operates a network of services within the Middle East, the Indian Subcontinent, Asia and Europe. Oman Air had its beginnings as a regional carrier, and has evolved into one of the larger players in the rapidly growing Middle East region. All flights from its base in Muscat used to be operated by Gulf Air, but the Omani Government withdrew its ownership in that airline in 2007. Oman Air then re-evaluated its strategic direction and has since assumed a much more international outlook.
Pamir Airways	**PM**	**4**	Privately-owned Pamir Airways is an Afghan airline based at Kabul International Airport. Pamir offers scheduled and charter service to seven domestic destinations and two international destinations (Dubai and New Dehli).
PIA Pakistan International Airlines	**PK**	**39**	Pakistan International Airlines (PIA) is the flag carrier of Pakistan and wholly owned by the government of Pakistan. With hubs in Lahore, Karachi and Islamabad, PIA operates an extensive network of domestic and regional services within Pakistan and the Subcontinent as well as services to Asia, the Middle East, Europe and North America. Pakistan International serves nine destinations from Dubai, namely Karachi (KHI), Lahore (LHE), Islamabad (ISB), Peshawar (PEW), Multan (MUX), Quetta (UET), Faisalabad (LYP), Bahawalpur (BHV) and Dera Ghazi Khan (DEA).
Qatar Airways	**QR**	**100**	Founded in 1993 and based in Doha, Qatar Airways is the flag carrier of Qatar and is wholly owned by the Qatar government. The carrier operates an extensive network of regional services in Asia and the Middle East together with international services to Australia, Europe, Africa and North America. Constantly winning awards for its service offering, Qatar Airways is one of the Middle East's "big three" airlines, with aggressive fleet and route network expansion plans. As the second largest airlines in the Middle East region, after Emirates, Qatar is a major competitor to both Applicants.
Royal Jordanian Airlines	**RJ**	**33**	Founded in 1963, Royal Jordanian is the national airline of Jordan. The carrier is based at Queen Alia International Airport in Amman, Jordan and operates a network throughout the Middle East together with services to Asia, Europe, Africa and North America. Royal Jordanian is a member of the oneworld alliance.

Airline	Code	In-Service Fleet	Overview
Saudi Arabian Airlines	**SV**	**136**	Based in Jeddah, Saudi Arabian Airlines is the national airline of Saudi Arabia and is wholly owned by the Kingdom of Saudi Arabia. The airline operates a network of domestic and regional services within Saudi Arabia and the Middle East as well as Asia, Europe and North America from its main base at Jeddah-King Abdulaziz International Airport. The airline has its own cargo division, Saudi Arabian Cargo, which services over 20 destinations with a dedicated cargo fleet.
Shaheen Air international	**NL**	**13**	Shaheen Air International Limited (SAI) was established as a public limited company and commenced operations as the first Pakistani private airline in Dec-1993. It is based at Karachi. It currently serves four destinations from Dubai, namely: Islamabad, Karachi, Lahore and Peshawar.
Somon Air	**4J**	**5**	Somon Air is an airline based at Dushanbe, Tajikistan. With its fleet B737NG aircraft, Somon Air offers service to Germany, Russia, Turkey and the UAE. It operates three-weekly services from Dushanbe to Dubai with beyond services to Jeddah.
SriLankan Airlines	**UL**	**20**	Formerly known as Air Lanka, SriLankan Airlines is the national carrier of Sri Lanka based in Colombo. SriLankan Airlines operates a network of regional services within Asia and the Subcontinent, as well as services to the Middle East and Europe. It currently operates Colombo-Dubai routes with beyond services to Moscow and Kuwait City. The airline was partly privatized to the Emirates Group in 1998 with 10-year management contract but the extension was not agreed in 2008, thus resulting in sales of 43.63% of Emirates' shareholding to Sri Lankan government in 2010.
Sudan Airways	**UL**	**7**	Sudan Airways, the national airline of Sudan, is based at Khartoum International Airport. The carrier operates scheduled domestic services as well as flights to destinations in North Africa and the Middle East. It currently operates direct services between Dubai and Khartoum three times a week.
Swiss International	**LX**	**85**	Following the bankruptcy of Swissair in 2001, Swiss International Air Lines (SWISS) was formed from the expansion of Swissair subsidiary Crossair. Now the national airline of Switzerland, Swiss is a subsidiary of the Lufthansa Group with hubs in Zurich and Geneva. The carrier operates a domestic and regional network within Switzerland and Europe as well as international services to Asia, North America and Africa. Formerly a member of the oneworld alliance, Swiss is now a member of the Star Alliance. Swiss currently operates daily direct services from Zurich to Dubai, with beyond services to Muscat.
Syrian Arab Airlines	**RB**	**8**	Syrian Air is the flag carrier of Syria with hubs at Damascus International Airport and Aleppo International Airport. The carrier operated scheduled international service to over 40 destinations in Asia, Africa and Europe in addition to domestic service, but due to political instability in the country, most of its current operations are temporarily disrupted.
Tunisair	**TU**	**32**	Tunisair is the national carrier of Tunisia with its base at Tunis-Carthage International Airport. The carrier operates to over 40 destinations across northern and western Africa, the Middle East and Europe. Tunisair is majority-owned by the Tunisian government. Dubai is served by one-stop route via Kuwait from Tunis.

Airline	Code	In-Service Fleet	Overview
United Airways Bangladesh	**4H**	**9**	Established in 2005, United Airways is a private airline based in Dhaka, Bangladesh. From its base at Shahjalal International Airport, the carrier operates domestic service as well as international service to destinations in Asia, the Middle East and Europe. It currently operates weekly flights between Dhaka and Dubai.
Yemen Airways	**IY**	**10**	Founded in 1961, Yemen Airways is the national airline of the Republic of Yemen. From its base at Sana'a International Airport, the carrier operates scheduled domestic services as well as international services to more than 30 destinations in Africa, the Middle East, Europe, and Asia. It currently services international destinations in Jakarta (CGK) and Kuala Lumpur (KUL) from its base in Sana and domestic points from Riyan (RIY) and Aden (ADE).

Source: Various publicly available sources including CAPA Centre for Aviation and airline websites