Emirates' Growing

By **Capt. Scott Stratton** (FedEx Express), Master Executive Council Chairman

The explosive passenger growth of Emirates and the other Persian Gulf carriers regularly hits the headlines, but less well known is that these airlines are also carrying more weight in cargo. The new Dubai World Central – Al Maktoum International Airport states that by the mid-2020s it will have the capacity to handle a staggering 12 million tons of cargo annually. To serve as perspective, the Airports Council International reports that Memphis International, FedEx's main hub, currently the world's busiest cargo airport, handled 3.91 million tons of cargo in 2011.

Dubai's ambitious plan for Emirates Airline and its potential to move the world's cargo reflect a commitment from all corners of the emirate. A survey of the state-of-play shows the resounding support that the aviation sector enjoys in Dubai—and across the United Arab Emirates—and the direction in which the region is headed when it comes to air cargo.

"Today, oil makes up just 5 percent of Dubai's gross domestic product, while aviation makes up 28 percent or $22 billion, as well as directly and indirectly supporting more than 250,000 jobs," Tim Clark, president of Emirates Airline, told the International Aviation Club of Washington, D.C., in September 2012. "This is a direct result of Dubai's pro-aviation policy and vision of the leadership."

Investing in air cargo infrastructure

One of the seven states that make up the United Arab Emirates, Dubai has fewer oil reserves than other nearby states such as Abu Dhabi and countries such as Saudi Arabia and Qatar. As a result, Dubai's leaders for decades have used the Emirates' policies and pocketbook to drive economic diversification in trade, financial services, and tourism.

In describing the vision for Dubai World Central (DWC), Dubai's plan for a global center for logistics, tourism, and commerce, the emirate's leaders see it as a gateway—some say a "new Silk Road"—to emerging markets in Africa, Australasia, Europe, and the Middle East. "From the creation of Port Rashid to the Dubai Metro, the Emirate has a tradition of investing in its future and developing the infrastructure necessary to spark future growth and further diversification of its economy. Dubai World Central is a continuation of this legacy," declares the Dubai World Central website.

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Dubai's commitment to this vision is borne out in the investment numbers. Costs for the entire DWC project, of which Al Maktoum International Airport is an integral part, have been estimated by the emirate to exceed US$32 billion. Examples abound of Dubai's commitment to turning its pro-aviation policy into airplanes and pavement.

For example, in 2007, DWC reported that it completed the first runway at Al Maktoum International Airport on time and in the projected 600 days, which the airport says is an aviation record for the fastest A380-enabled, 4.5-kilometer CAT III runway construction. While myriad factors influence runway construction, the project's rapid time line is a noteworthy demonstration of the Emirates' concentration on aviation. Eventually, DWC will have a 92-meter air traffic control tower and a total of five parallel runways, each 4.5 km long.

In 2008, DWC opened its cargo megaterminal, which was built at a cost of more than US$200 million, to link airlines, customs, and freight-forwarding agencies and to create more than 1.2 million additional tons in cargo capacity.

Emirates' fleet

The Dubai government – owned Emirates Airline has a total fleet of 186 widebody airplanes that serve 126 destinations in 74 countries. While the airline flies

Hold on Air Cargo

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belly cargo in its passenger airliners, its fleet also includes eight freighters: one B-747-400F, two B-747-400ERFs, and five B-777Fs. Emirates Airline reports it is the first to provide nonstop freight service to six continents. Emirates says it operates more B-777s and more Airbus A380s than any other airline. Through the end of the decade, Emirates says it will receive an average of one new airplane per month, including adding more B-777Fs to its SkyCargo fleet.

In 2012, Emirates SkyCargo began operations at Dallas/Fort Worth, Seattle, and Washington, D.C., and now has a total of seven trade lanes in the United States, which also include Houston, Los Angeles, New York, and San Francisco. "With the creation of these three new trade lanes, this has been a landmark year for Emirates SkyCargo in the U.S. Our operation has grown significantly in the eight years since we launched our JFK passenger service, and 2012 marks the start of an exciting new chapter in our partnership," said Ram Menen, Emirates' divisional senior vice president of cargo, in a statement released on Oct. 2, 2012, during the International Air Cargo Association's Air Cargo Forum in Atlanta.

TOP: Emirates SkyCargo B-747F. It also operates two B-747-400ERFs and five B-777Fs. ABOVE: The cargo mega-terminal opened at Al Maktoum International Airport in 2008.

Given Dubai's geographic location at the crossroads—or flight paths in this case—of Africa, Asia, and Europe, Emirates' leaders estimate the airline has the ability to reach 1.5 billion customers within an eight-hour period. To capitalize on this advantage, the Gulf carrier has custom-designed its special handling capabilities for a wide range of cargo needs. Emirates' website says the airline looks to enhance its services in the areas of transporting live animals, temperature-sensitive consignments, high-value goods, priority items, and door-to-door delivery.

In his comments before the International Aviation Club of Washington, Clark elaborated on Emirates' air cargo strategy. "In America, we provide critical uplift to a host of firms across many industries—totaling nearly 800 tons of capacity per week out of the U.S. We carry auto parts from JFK, apples and cherries from Seattle, and oil and gas equipment from Houston. Our new service to Dulles opens up vast new options for U.S. passengers and exporters. Not only will we introduce competition into the nonstop market to Dubai, but we will be highly competitive for connections to points beyond."

Pro-cargo aviation policy—an unfair playing field

While it may appear that Emirates is simply engaging in free enterprise, capitalism, and the free market system, in fact the airline and others like it are not doing business on a fair playing field, which puts U.S. all-cargo airlines, including FedEx, at a severe competitive disadvantage.

Sheikh Ahmed Bin Saeed Al Maktoum, a member of the ruling family of Dubai and Dubai Airports chairman, attributes the emirate's success in aviation to a "model that features a liberal regulatory climate, a tax-free business environment, and a consumer-centric focus that provides value for money and close coordination and collaboration within the sector." As evidence of the emirate's pro-aviation governance, the chairman also serves as president of the Dubai

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Civil Aviation Authority, Dubai's version of the FAA.

In addition to doing business in a country that levies no corporate taxes, Emirates Airline has benefited from U.S. Export–Import Bank financing for its airplanes at below-market rates unavailable to U.S. and many European airlines. Since 2007, when the bank gave Emirates its first loan guarantee for seven GE airplane engines used to power B-777 extended-range airplanes, U.S. Ex–Im Bank financing has helped to provide Emirates with more capacity for cargo and passengers. In May 2012, thanks in part to ALPA's unflagging advocacy, the U.S. Congress's reauthorization for the U.S. Ex–Im Bank contained critical reforms to shed needed light on the bank's use of U.S. taxpayers' money to subsidize state-backed airlines and end worldwide subsidies of widebody airplanes. There is little doubt that this is indeed an unfair playing field, a battle that ALPA continues to engage in, and an advantage that airlines in the region are maximizing.

Cargo capacity growth across the Middle East

Etihad Airways, the national airline of the United Arab Emirates, operates out of its hub at Abu Dhabi International Airport. The airline began cargo operations in 2004, and Etihad currently has a fleet of seven dedicated cargo airplanes: one B-777F, two MD-11Fs, two Airbus A330-200Fs, and two Airbus A300-600Fs.

Qatar Airways' cargo division in October 2012 began scheduled B-777F service to three North American destinations—Atlanta, Houston, and Toronto. Based in Qatar's capital of Doha, Qatar Airways currently flies dedicated freighters to Chicago in North America. It has a fleet of three Airbus A300-600Fs and two B-777Fs.

"With the recent completion of our 35 percent stake in Cargolux, Europe's largest cargo airline, we have increased our focus on freighter operations, which ties seamlessly into the airline's strategy to have as many connecting points across the globe from our Doha hub," said Qatar Airways Group Chief Executive Officer Akbar Al Baker in October 2011. "We have identified tremendous route expansion opportunities around the globe, including North America, where the freighter market is huge." And recently, Qatar has expressed its interest in acquiring Cargolux entirely.

Strong long-term forecast

Today, many air cargo markets are struggling, but in the Middle East, cargo appears to be maintaining strength and even growing. In its recent market analysis, the International Air Transport Association (IATA) indicated that international air freight markets contracted by 0.8 percent in August 2012 compared to a year ago. According to IATA, total demand for air freight carried by Asia/Pacific airlines was 5.5 percent lower and 3.9 percent lower in Latin America during the same time frame. In dramatic contrast, air freight carried by Middle Eastern airlines continued to "expand strongly," according to IATA analysts, with airlines in that region experiencing an 11.3 percent increase in air freight traffic compared to a year ago.

Long-term industry forecasts set air cargo to expand. In its recent Air Cargo World Forecast, Boeing predicts that the global air cargo market will expand an average of 5.2 percent per year over the next 20 years. The U.S. airplane manufacturer expects trade to increase based on liberalization of markets, more efficient airplanes, and infrastructure improvements that will reduce the cost of air cargo.

Gaining hold on air cargo

Given Emirates and other Middle Eastern airlines' long-term vision, their government leaders' commitment to collaboration in advancing their aviation and air cargo sector, and the state investment in airports and cargo infrastructure, these airlines have become significant air cargo competitors and will continue to be so based on their growth plans.

The real question is whether foreign-government backing of their airlines with billions of dollars and pro-aviation policies will challenge the U.S. government to do the same. For our country to maintain a world-class airline industry, our government needs to start competing—competing with its foreign counterparts, just as our cargo and passenger airlines do. And so, we need a government-sponsored airline industry policy that includes cargo. If this does not happen, the growth of companies like Emirates, made possible by an extremely unfair playing field, will continue to slowly strangle U.S. cargo airlines and take the jobs of U.S. pilots.

Scan the QR code to read about ALPA's work to level the playing field for U.S. airlines.

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