The Economic Impact of Emirates in the United States

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Alexandria, Virginia
July 2017

EXECUTIVE SUMMARY
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About Emirates

Emirates Airline (Emirates), based in Dubai, United Arab Emirates (U.A.E.), was established in 1985 and since then has grown to become one of the world’s largest and most successful carriers. Emirates operates the world’s largest fleets of Boeing 777 and Airbus A380 aircraft, one of the most modern and efficient fleets in worldwide commercial aviation. As of April 2017, Emirates had a combined total of 259 aircraft in service and another 219 on order for fleet replacement and future expansion, operating over 4,000 weekly flights across an expanding network of 155 destinations in 83 countries across six continents.

In fiscal year 2016/17, Emirates was the largest international airline in the world in terms of revenue passenger miles, and carried 56.1 million passengers and 2.6 million tonnes of cargo.

Operations to the United States (U.S.) form a relatively small, but significant part of Emirates’ growing route network. As of April 2017, Emirates operated 126 passenger flights per week to 12 airports in the U.S. Emirates’ passenger operations to the U.S. started in June 2004 with New York and since then has expanded to Houston, Los Angeles, San Francisco, Dallas-Fort Worth, Seattle, Washington, D.C., Boston, Chicago, Orlando, Fort Lauderdale and Newark. Emirates SkyCargo’s freighter network in the U.S. included 11 weekly services to Atlanta, Chicago, Columbus, Houston and Los Angeles; as well as five weekly code-shared services with TNT Airways to New York.

Emirates currently has partnership agreements with JetBlue Airways and Alaska Airlines, and also has interline agreements with Virgin America and Hawaiian Airlines.

Background and Context

With a presence in the U.S. spanning 13 years, Emirates plays an important role in connecting the U.S. with markets in other regions, thereby facilitating business and trade activity for the U.S. economy – one of the hallmark objectives of the U.S. Open Skies policy.

This impact on the U.S. economy can be measured in a number of ways. In addition to improved access to the U.A.E. and other Middle Eastern markets, Emirates’ passenger flights provide efficient connections via its Dubai hub to many Asian and African markets with few or no direct flights from the U.S. This expanded and improved connectivity has reduced travel times and thereby “stimulated” new travel to and from the U.S. Emirates’ operations in the U.S. also create employment and other associated economic impacts, while the “stimulated” visitors from overseas create new spending for the U.S. travel and tourism sector.

Emirates’ worldwide operations also rely on U.S. goods and services which “stimulate” new export trade for U.S. businesses. In aerospace, the airline is The Boeing Company’s largest customer for its 777 wide-body aircraft with 163 in service and 171 on order, and a major customer for parts and other supplies and services purchased for fleet maintenance. These aircraft are largely powered and serviced by GE Aviation, for which Emirates is also a leading customer. Emirates’ Airbus A380 fleet is also largely fitted with U.S.-manufactured Engine Alliance engines and other parts manufactured in the U.S. In addition to fleet-related purchases, Emirates is a major customer for U.S. technology companies and their overseas affiliates.
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The presence of Emirates in the U.S. also provides new opportunities for merchandise and service trade. Emirates’ cargo capacity to and from the U.S. facilitates export sales by U.S. manufacturers and creates new U.S.-based service revenues resulting from “stimulated” commodity imports. In addition to the travel benefits, Emirates’ expanding network for passenger connectivity “stimulates” the export of U.S. services to other regions, and expands consumer choice and worldwide economic and other relationships.

Methodology

Emirates commissioned Campbell-Hill Aviation Group, LLC to measure the economic and employment impacts in the U.S. of its worldwide commercial activities. The economic impacts measured in this study are based on Emirates’ U.S.-related activities for calendar year (CY) 2015.

The quantified impacts of Emirates in the U.S. economy include:

- Direct Impacts:
  - Impacts of Emirates’ U.S. passenger and cargo operations
  - Impacts of U.S. merchandise and services purchased in support of Emirates’ worldwide operations

- Indirect Impacts:
  - Impacts of U.S. spending by “stimulated” passenger traffic
  - Impacts of “stimulated” merchandise and service trade

- Induced Impacts:
  - Impacts of the direct and indirect activities through secondary (“multiplier”) spending.

In addition to the measure of monetary and job impacts, Emirates’ expansion and enhancement of its U.S. connections and its worldwide network have produced catalytic impacts in terms of the quality and level of consumer choice and the non-monetary benefits of creating new linkages between the U.S. and foreign countries (e.g., political and cultural).

The measures estimated for all of the impact categories include the net effect on total revenues and its components U.S. GDP (Gross Domestic Product, or “value added”), and labor income, as well as employment and tax revenue impacts. All impacts are based on CY 2015 data and activity levels; all values are stated in 2016 U.S. dollars. The impacts were calculated using the national version of the IMPLAN model.

Emirates’ Operations in the U.S.

Emirates provides scheduled passenger and cargo services to and from the U.S. By 2015 year-end, Emirates was providing 15 daily passenger services between Dubai and 10 U.S. destinations including New York, Houston, Los Angeles, San Francisco, Dallas-Fort Worth, Seattle, Washington, D.C., Boston, Chicago and Orlando.

Emirates carried 1.4 million round-trip passengers between the U.S. and the Middle East, Indian Subcontinent, ASEAN and Africa in CY 2015. Over 191,000 passengers connected via Emirates’ 10 U.S. destination airports to over 300 other U.S. airports. These passengers connected to domestic flights between U.S. airports and thereby generated revenues for U.S. airlines.
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Emirates also provided a large and growing amount of cargo capacity between the U.S. and world markets through a combination of belly-hold capacity on its passenger flights and 1,108 freighter flights in CY 2015. At the end of 2015, Emirates operated a fleet of 248 aircraft, including 233 passenger and 15 freighter aircraft, with another 258 aircraft on order. As of September 2015, Emirates employed 353 staff located in the U.S to support its passenger and cargo operations.

The Economic Impact of Emirates in the U.S.

Emirates Creates $21.3 Billion in Economic Benefit and 104,112 Jobs Across the U.S.

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<thead>
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<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
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<tr>
<td></td>
<td>$3.5 Billion</td>
<td>$4.6 Billion</td>
<td>$13.2 Billion</td>
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<tr>
<td></td>
<td>7,518 Jobs</td>
<td>28,963 Jobs</td>
<td>67,631 Jobs</td>
</tr>
</tbody>
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- Direct employment of U.S. residents and purchases from U.S. companies in support of aviation activities by Emirates created 7,518 jobs and $3.5 billion of new revenues within the U.S. including $1.2 billion of GDP and $726 million of labor income.
- Indirect spending within the U.S. by newly “stimulated” passengers combined with new merchandise and service trade created 28,963 jobs and $4.6 billion of new revenues for U.S. businesses including $2.5 billion of GDP and $1.7 billion of labor income.
- Induced spending within the U.S. resulting from the direct and indirect impacts created 67,631 jobs and $13.2 billion of new revenues for U.S. businesses including $6.8 billion of GDP and $4.0 billion of labor income, $6.8 billion of GDP.
- In total, the newly “stimulated” transportation, trade and supporting activities are responsible for 104,112 jobs and $21.3 billion of U.S. business revenues including $10.5 billion of GDP and $6.4 billion of labor income.
- Combined, all of this economic activity generated $2.5 billion of tax revenues for the government including $1.6 billion of Federal tax revenues and $0.9 billion of state and local tax revenues.
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Direct Impacts

The direct impacts include new U.S. revenues (and associated GDP, labor income, employment and tax revenues) directly generated by:

1. the processing of flights and traffic at U.S. airports along with supporting corporate activities located within the U.S. ("Emirates’ U.S. Operations"); and
2. the direct purchase by Emirates of goods and services from U.S. companies in support of its worldwide network ("Emirates’ Purchases of U.S. Exports").

The combined direct trade and U.S.-based activities of Emirates generated $3.5 billion of new revenues including $1.2 billion of GDP and $726 million of labor income supporting 7,518 jobs in CY 2015.

Indirect Impacts

The indirect impacts of Emirates’ U.S. operations were measured in terms of:

1. spending within the U.S. by newly “stimulated” passengers (U.S. and foreign origin); and
2. “stimulated” merchandise and service trade.

The efficiency and connectivity of Emirates’ U.S. network positively affects the ability of air travelers to visit the U.S. from destinations throughout the Middle East, Asia and Africa, many of which have little or no direct service to the U.S. Emirates’ services also provide U.S. travelers with new options for reaching those markets for leisure, business or governmental purposes. The “stimulation” of new two-way travel between the U.S. and emerging markets creates new opportunities for merchandise and service trade, as does the expanded ability to move air cargo economically in both directions.

Combined, Emirates supports $4.6 billion of indirect revenues for U.S. companies. This level of domestic and foreign trade was responsible for $2.5 billion of GDP, $1.7 billion of labor income and 28,963 jobs in CY 2015.
Induced Impacts

Induced impacts occur as income by companies, employees and proprietors is re-spent within the economy (also known as multiplier impacts). The induced impacts for CY 2015 were estimated to be 67,631 jobs and $13.2 billion in U.S. revenues including $6.8 billion in GDP and $4.0 billion in labor income.

Total Impacts

The combined direct, indirect and induced impacts supported 104,112 jobs and $21.3 billion of U.S. revenues including $10.5 billion of GDP and $6.4 billion of labor income in CY 2015.

Total Direct, Indirect and Induced Economic Impacts of Emirates in the U.S.
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Tax Impacts

All of this economic activity generated $2.5 billion of tax revenues for U.S. government entities including $1.6 billion of Federal tax revenues and $0.9 billion of state and local tax revenues in CY 2015.

Summary of Emirates’ Economic Impacts in the U.S.

<table>
<thead>
<tr>
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<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>7,518</td>
<td>28,963</td>
<td>67,631</td>
<td>104,112</td>
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<tr>
<td>Total Revenue (mil. $)</td>
<td>$3,526</td>
<td>$4,561</td>
<td>$13,231</td>
<td>$21,318</td>
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<tr>
<td>Total GDP (mil. $)</td>
<td>$1,221</td>
<td>$2,465</td>
<td>$6,794</td>
<td>$10,480</td>
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<td>Labor Income (mil. $)</td>
<td>$726</td>
<td>$1,685</td>
<td>$4,037</td>
<td>$6,448</td>
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<tr>
<td>Taxes (mil. $)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State/Local</td>
<td>$167</td>
<td>$170</td>
<td>$564</td>
<td>$902</td>
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<tr>
<td>Federal</td>
<td>$262</td>
<td>$391</td>
<td>$940</td>
<td>$1,593</td>
</tr>
<tr>
<td></td>
<td>$428</td>
<td>$562</td>
<td>$1,504</td>
<td>$2,495</td>
</tr>
</tbody>
</table>

Catalytic Impacts

In addition to the economic impacts that Emirates generates in terms of direct spending and associated impacts within the U.S. economy, the ability to connect to Emirates’ worldwide network with U.S.-based passenger and cargo flights produces catalytic impacts that go beyond the traditional transport and tourism impacts measured in aviation studies. The economic impacts based on travel and transport activities result from (1) Emirates’ long-standing U.S. presence and expansion of connectivity to worldwide markets, (2) the “stimulation” of new passenger travel and (3) the general effect on consumer choice and competition.

Emirates’ contribution to U.S. connectivity is indicated by the large share of origin and destination (O&D) markets between individual U.S. and foreign airports served by Emirates, where it provides either the only one-stop connecting service, the fastest available connecting service, or over half of the available direct or one-stop connecting flights. As of December 2015, Emirates provided one-stop connecting services for 353 O&D markets between the U.S. and the Middle East, Indian Subcontinent, Africa, ASEAN, Northeast Asia and Australasia, of which only 39 markets had direct services. Of the total O&D markets, Emirates provided the only one-stop connecting service for 69 markets and the fastest service for 30 more markets, so Emirates had the most convenient service to 28% of all markets served. Of the remaining markets, Emirates provided at least 50% of the weekly flights for 30 more markets. Emirates played a particularly significant role in terms of U.S. connectivity with the Indian Subcontinent where it provided the only service for 33 O&D markets, the fastest one-stop connecting service for 17 markets, and more that 50% of the weekly flights for 17 more markets.
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Emirates’ One-Stop Connecting O&D Markets With Most Convenient Service
(December 2015)

The expansion of Emirates’ passenger and cargo connectivity to growing Asian and African markets has enabled new travel and trade to and from the U.S. not just based on the increase in capacity but by creating new links to world markets. Emirates’ U.S. network has “stimulated” an estimated 580,000 new travelers to and from the U.S. (i.e., passengers who would otherwise not have traveled without Emirates’ services) and $3.2 billion of new trade-based revenues for U.S. businesses.

Emirates has also expanded the capacity and quality of air services between the U.S. and its connecting markets, providing air travelers and air shippers with new routing options while also injecting competitive discipline into markets that were previously poorly served or underserved.

Conclusions

The introduction and expansion of Emirates’ flights to and from the U.S. have greatly expanded the access of U.S. residents and businesses to foreign markets with the same benefits applying to foreign residents’ and businesses’ access to the U.S. The air transport activities associated with new aircraft purchases and traffic activity generated direct impacts within the U.S. economy, while Emirates’ direct purchases of U.S. goods and services to support its worldwide network created new export sales for U.S. companies and their foreign affiliates. The improved connectivity between the U.S. and developing markets in the Middle East, Indian Subcontinent, Africa, ASEAN, Northeast Asia and Australasia provided through Emirates’ U.S. flights has “stimulated” new merchandise and service trade (indirect impacts) for U.S. companies including new passenger spending for the travel, tourism and education sectors. In addition to the benefits of new traffic and trade, Emirates’ U.S. presence has expanded the travel options for U.S. passengers and traders, increased the efficiency of air transportation in hundreds of markets and broadened U.S. access to previously unserved or underserved world markets.