UAE/SAUDI ARABIA* AVIATION PROFILE

Understanding how UAE/Saudi Arabian tourists travel to Australia

This briefing has been prepared by the Tourism Australia Aviation & Economics Team, but was significantly assisted by the research of the Centre for Asia Pacific Aviation and data Air Transport Intelligence, Bureau of Infrastructure, Transport and Regional Economics and Department of Immigration and Citizenship.

At a Glance

Arrivals Growth	Direct Seats	Load Factors	Major Carriers	Seasonal Peaks	Aus. Ports Serviced	Origin Traffic
2008 +26% 2009(F) +8% 2010(F) +15%	2008 0.94 mil % ch +3% Rank 5th	2007 69% 2008 73% Nat. Av. 77%	Emirates 56% Etihad 17%	June/July/August	4 / 8	5-10% The gulf is a major hub for through traffic

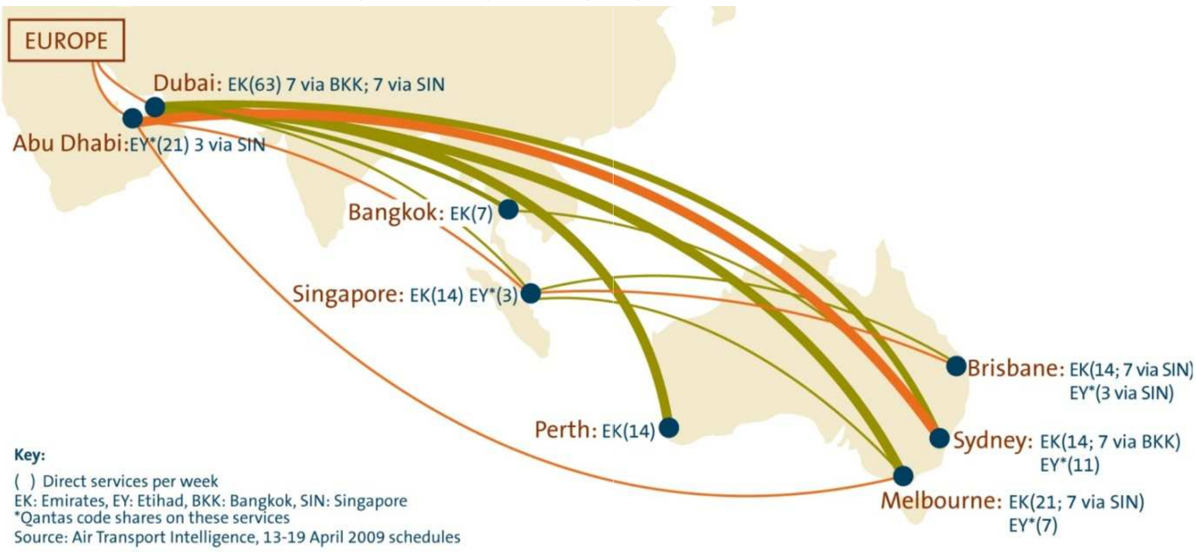
(F) Forecast. Source: Tourism Forecasting Committee, 2008 Issue 2. Forecasts aren't provided for UAE/Saudi Arabia so 'Middle East plus North Africa' is used as a proxy.

*United Arab Emirates (UAE) represents almost 80% of all travel by UAE/Saudi Arabian tourists to Australia

Aviation capacity between United Arab Emirates (UAE) and Australia has undergone major changes in recent years. Emirates and Etihad continue to aggressively add capacity to Australia following the significantly expanded bilateral agreement between the two countries in early 2007. Capacity in 2009 is expected to increase strongly, following modest increases in 2008. Load factors have also increased in recent years suggesting strong demand for these services. However, demand for these services is largely thru traffic between Australia and Europe. There is uplift available in the Gulf for residents but the market is quite seasonal. There have never been direct services between Saudi Arabia and Australia; to date the outbound market has been quite small.

Coming into Australia

Dubai-Melbourne is the busiest route closely followed by Dubai-Sydney and Dubai-Brisbane.



Prepared: May 2009

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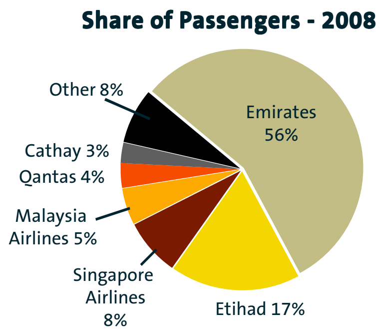
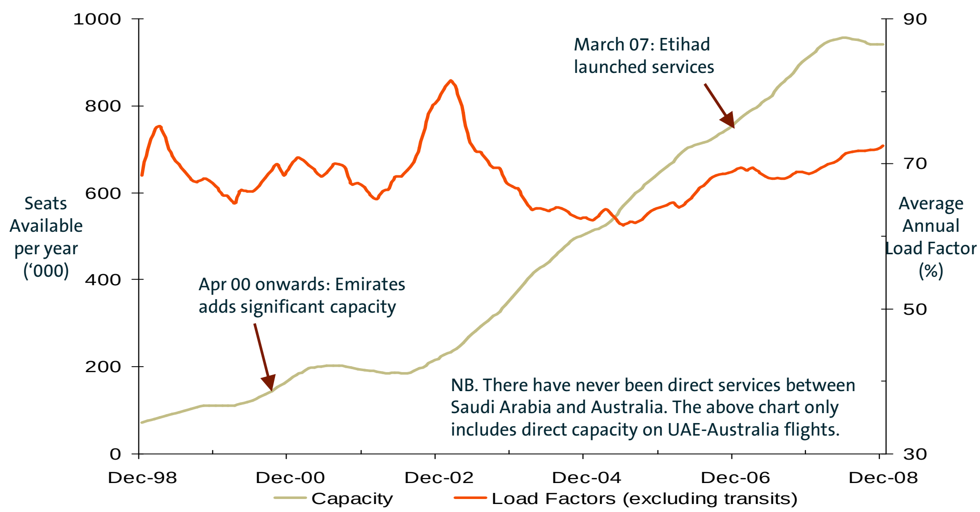
Airlines on the Route

Emirates is the dominant airline on the route with over half (56% in 2008) of all UAE/Saudi Arabian tourists entering Australia on this airline. In 2007 and 2008 Etihad gained significant market share and is likely to gain share in years to come.



Airline	2004	2005	2006	2007	2008
Emirates	55%	61%	65%	62%	56%
Etihad	0%	0%	0%	10%	17%
Singapore Airlines	8%	7%	8%	5%	8%
Malaysia Airlines	11%	9%	8%	6%	5%
Qantas	8%	6%	4%	5%	4%
Cathay Pacific	2%	4%	3%	3%	3%
Other	17%	14%	12%	9%	8%

Direct Capacity: UAE/Saudi Arabia to Australia



In 2008 direct capacity on the UAE-Australia route increased 3% year-on-year. Etihad added significant capacity (+116%) during this period while Emirates reduced capacity (related to aircraft changes). Load factors increased four percentage points reflecting strong demand.

This route is seasonal with peaks in June/July/August. The remaining months are relatively consistent given a range of markets using these services (European, Australian and Gulf residents).

Bilateral Capacity Restrictions: Overall there are currently no binding capacity constraints on direct flights from the Gulf region to Australia. Under the current United Arab Emirates/Australia air services agreements, there is approval for 91 services per week (70 from Dubai; 21 points other than Dubai) with Emirates using 90 per cent of their available frequencies, Etihad using 100 per cent and Australian carriers using none. This agreement was expanded in March 2007, allowing capacity allocations to increase in increments every March to a total of 112 services per week in March 2011. There are no bilateral talks scheduled for the remainder of 2009.

Looking Ahead

- The 2009 outlook for inbound capacity from the UAE/Saudi Arabian region to Australia is very positive for inbound tourism. The UAE/Saudi Arabian region is Australia's fastest growing inbound aviation route, with capacity expected to increase 35 per cent in 2009 compared with 2008. On 1 February 2009, Emirates added daily services to both Melbourne and Brisbane and began to increase capacity to Sydney and Melbourne through the introduction of its A380s. Etihad also added four weekly Sydney services on 31 October 2008 and daily Melbourne services on 1 March 2009. Qatar is also expected to launch services to Sydney and Melbourne in late 2009. In addition, Emirates recently increased capacity to Saudi Arabia (i.e. added a weekly service from Dubai to both Jeddah and Riyadh on 1 February 2009 and two weekly services to Damman on 1 May 2009), effectively improving access for Saudi Arabians visiting Australia (via Dubai). In addition to 2009 growth, 2010 is also expected to be strong due to part year capacity introductions.
- UAE/Saudi Arabian tourists are expected to be presented with increasing opportunities to travel beyond Australia's key gateways as a result of the recent Etihad/Qantas code share agreement signed in March 2009. This agreement allows tourists flying on Etihad's services to Australia to connect to destinations such as Cairns and Adelaide on Qantas flights.
- While the current economic crisis is forcing many airlines to cut services, Emirates and Etihad continue to expand services and report impressive financial results (e.g. Emirates reported a net profit of USD268 million in 2008/09). Emirates and Etihad are not immune from the decline in global demand but are relatively well positioned, with more resilient traffic (particularly premium traffic), strong financial support and more fuel efficient aircraft. This means the carriers are unlikely to cancel their aircraft deliveries, as significant as they are, (e.g. Emirates has 161 aircraft on order, including options, with 18 to be delivered in 2009) or routes (Australian routes are still performing well, with average load factors above 80%) and could even acquire aircraft from loss-making Asian/European carriers. Saudi Arabian Airlines is also considering purchasing long haul aircraft in the near future.

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