



WASHINGTON AVIATION SUMMARY

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The Kirstein & Young law firm specializes in representing U.S. and foreign airlines, airports, leasing companies, financial institutions and aviation-related companies before U.S. Government agencies, Congress, the courts and in commercial and financing matters.

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I. **REGULATORY NEWS**

1. **Security Line Wait Times Cause Thousands to Miss Flights.**

As extremely long security lines at major U.S. airports caused thousands of passengers to miss flights in May, the Department of Homeland Security reallocated resources, and Congress, airlines, and airports stepped up to help solve the problem. An unexplained Egyptair crash over the Mediterranean on May 19 and the March bombing of an unsecured area of Brussels Airport, intensified pressure to act quickly, and by Memorial Day travelers were moving through airports quickly. (See also Section III, item 1, and Section VI, item 1.)

2. **IATA: Brussels Airport Attack Affects April Traffic Figures.**

The disruptive impact of the Brussels Airport attack weighed on April passenger traffic figures, reports the International Air Transport Association (IATA). Global demand rose by 4.6%, the slowest pace since January 2015. Absent the impact of the attacks, demand growth would have been around 5%. European carriers saw demand rise just 1.8% in April, compared to 6% in March. The Brussels attack closed the airport for nearly two weeks.

3. **Hawaiian Awarded Nighttime Haneda-Kona Route.**

The U.S. Department of Transportation approved Hawaiian Airlines' application to serve Tokyo Haneda from Honolulu (four days a week) and Kona (three days a week). Hawaiian was the only airline that requested the nighttime slot pair, and has until January 29, 2017, to begin the service. Still pending are applications by American, Delta, Hawaiian and United for daytime slots at Haneda that were opened in a February agreement between the U.S. and Japan; the amended agreement takes effect October 30.

4. **FAA, NATCA Reach Tentative Contract Agreement**

The Federal Aviation Administration (FAA) and National Air Traffic Controllers Association, AFL-CIO (NATCA) reached tentative agreement on a collective bargaining agreement. A ratification vote is expected to conclude by mid-July. . . . Separately, writing in *The Hill*, NATCA President Paul Rinaldi warned Congress against “stop-and-go funding,” noting that since the 2013 sequestration-caused hiring freeze, FAA has fallen behind in recruitment and training, even as a quarter of certified controllers are currently eligible to retire. At many critical facilities, controllers work mandatory six-day weeks to make up for shortages, leading to significant fatigue. In addition, the ATC system is “running on dated radar technology and data recorded on paper strips that are

passed around by hand.” If we don’t take action to fix these problems soon, we will have human capital and infrastructure crises on our hands, wrote Rinaldi.

5. DOT Urged to Prevent Profiling of Airline Passengers.

Muslim Advocates and the NAACP Legal Defense and Educational Fund petitioned DOT to address profiling of Muslims, people of color, and persons perceived to be either by U.S. airlines, and take immediate action to enforce federal anti-discrimination prohibitions, citing 11 incidents in the past six months, including five since April 1. In a widely reported incident in May, an Italian passenger “with dark, curly hair, olive skin and an exotic foreign accent” was removed from an American Airlines flight after a passenger found the math equation he was working on suspicious.

6. DOT Bans E-Cigarettes from Checked Baggage.

DOT’s Pipeline and Hazardous Materials Safety Administration issued a final rule which prohibits carrying battery-powered portable electronic smoking devices in checked baggage and charging them on an aircraft. Recent incidents show that e-cigarettes in checked bags can catch fire during transport. Passengers may continue to carry e-cigarettes for personal use in carry-on baggage or on their person, but may not use them on flights. The final rule is consistent with International Civil Aviation Organization (ICAO) rules.

7. FAA Proposes Change to PFC Funding for Airport Rail Projects.

FAA is seeking public comment on proposed changes in the Passenger Facility Charge (PFC) program. Currently, PFC funds may support rail projects that are on airport property only if they are for exclusive use of airport patrons and employees. The proposed change would expand funding eligibility to include selected additional elements of airport rail projects, even if they are not solely for the exclusive use of airport patrons and employees.

8. Airline Employment Continues to Climb.

U.S. scheduled passenger airlines employed 3.9% more workers in March 2016 than in March 2015, reports DOT, the highest monthly total (406,113) since August 2008. Employment increased by 2.9% at the four network airlines in March, 9.6% at the six low-cost carriers and 0.4% at the 12 regional carriers.

9. FAA Creates UAS Advisory Committee.

FAA is establishing a UAS Advisory Committee to identify and propose actions on issues affecting efficiency and safety of integrating unmanned aircraft systems (UAS), or drones, into the national airspace system. The Committee will be led by Intel CEO Brian Krzanich. . . . FAA signed agreements with

Gryphon Sensors, Liteye Systems, and Sensofusion to utilize technologies that detect, track and gain control over errant or hostile UAS near airports and in sensitive areas. . . . FAA and partners conducted evaluations at New York Kennedy on the effectiveness of an FBI UAS detection system in a commercial airport environment. Five different rotorcraft and fixed wing UAS participated, and 40 separate tests took place. . . . European Aviation Safety Agency created a task force to assess risk of collision between drones and aircraft. The task force will review occurrences, analyze studies on the impact between drones and aircraft, study vulnerabilities of aircraft (windshields, engines, airframe), and consider further research and actual tests. Results to be published in July.

10. DOT Air Travel Consumer Report for March.

Based on data filed by largest reporting carriers; tarmac data filed by all carriers.

	March '16 / '15	Feb. '16	Full Year				
			2015	2014	2013	2012	2011
On-time arrivals %	81.5 / 78.7	83.6	79.9	76.2	78.34	81.85	79.6
Cancellations %	1.0 / 2.2	1.6	1.5	2.2	1.51	1.29	1.91
Mishandled baggage*	2.49 / 3.20	2.64	3.24	3.61	3.22	3.09	3.35
Consumer complaints:							
Airline service	1,429 / 1,736	1,504	20,170	15,539	13,176	15,338	11,546
Disability-related	77 / 52	71	939	784	683	741	628
Discrimination**	6 / 3	7	65	68	79	99	128

Notes: Airlines reported six tarmac delays of more than three hours on domestic flights in March and one of more than four hours on an international flight; most occurred in Denver during a snowstorm.

* Reports per 1,000 passengers.

**I.e., race, religion, national origin, or sex.

II. AIRPORTS

1. New GM for Hartsfield-Jackson Atlanta.

“Miguel Southwell’s service as Aviation General Manager at Hartsfield-Jackson Atlanta International Airport has ended,” announced Mayor Kasim Reed, adding, “I am committed to achieving maximum operational efficiencies and the highest level of customer service possible.” Roosevelt Council was named Interim Aviation General Manager. A \$6 billion capital expansion program underway at the world’s busiest passenger airport includes a sixth runway.

2. Bob Hope Airport Rebranded Hollywood Burbank.

The Burbank-Glendale-Pasadena Airport Authority selected Hollywood Burbank as the new marketing brand identity for Bob Hope Airport. The legal name will remain Bob Hope Airport.

3. City of Cleveland to Pay \$200,000 and Enhance Compliance Systems.

Under a comprehensive settlement agreement with FAA, the City of Cleveland will pay a \$200,000 fine and will build upon and maintain improvements to its airfield snow and ice removal plan at Cleveland Hopkins International Airport. FAA will waive the remaining balance of a \$735,000 proposed civil penalty if the city meets numerous conditions, including maintenance of appropriate staffing numbers and procurement of new and replacement snow removal equipment. FAA alleged that over a 15-month period ending in March 2015, airport managers failed on numerous occasions to keep runways and taxiways safe and clear of snow and ice. This agreement settles four cases that were opened last year.

4. Ohio Airport to be Named in Honor of Astronaut John Glenn.

Port Columbus will be renamed John Glenn Columbus International Airport, in honor of the first American to orbit the earth. The last surviving member of the Mercury Seven crew, 94-year-old Glenn represented Ohio in the U.S. Senate from 1974 to 1999.

5. Rio’s Tom Jobim Completes New South Pier.

The new South Pier at Rio de Janeiro’s Tom Jobim International Airport was completed in time for the 2016 Summer Olympics set to take place in Rio in August, when 1.5 million visitors are expected. The structure adds 26 new air bridges, including three that can accommodate the Airbus A380.

III. SECURITY AND DATA PRIVACY

1. Security Line Wait Times Cause Thousands to Miss Flights.

As long security lines at major U.S. airports caused airlines to hold planes at gates and thousands of passengers to miss flights, Congress approved a request from Department of Homeland Security (DHS) Secretary Jeh Johnson to reprogram \$34 million, which enabled the hiring of 768 new Transportation Security Administration officers (TSOs) and pay additional overtime to the existing TSO workforce. Johnson said the new TSOs will be on board by mid-June. Another request, for \$28 million, was approved to fund immediate conversion of 2,784 part-time TSOs to full-time at the 20 busiest U.S. airports. . . . “Nationwide, 90% of the traveling public is waiting 30 minutes or less,” said Johnson at month’s end, pointing to steps taken with airlines and airports and a spike in enrollments in TSA’s Pre-Check expedited screening program, which were at 3,500 daily a year ago and now exceed 16,000 daily. DHS formed Optimization Teams with airlines, airport authorities and industry to deliver innovative screening procedures, and support non-security screening operations, such as returning bins to the front of lines. An Incident Command Center tracks daily screening operations and reallocates resources at critical airports as needed. . . . American Federation of Government Employees (AFGE), which represents TSOs, asked Congress to pass emergency legislation funding the hiring of 6,000 additional full-time screeners. TSA currently has 42,000 TSOs, down from 47,000 in 2013. Among AFGE comments: New York Kennedy has 21 security lanes, but rarely uses more than seven. TSOs are forced to miss breaks, are denied permission to use the restroom because of long security lines, are subject to mandatory overtime, and in the last eight years “haven’t really had a serious raise.” . . . TSA Administrator Peter Neffenger ordered 58 new security officers and four additional bomb-sniffing canine teams for Chicago O’Hare, which recorded some of the longest wait times, with passengers sleeping on cots in the terminal. For some airports, TSA is releasing real-time data on wait times for passengers. . . . Airlines for America (A4A) urged Congress “to return \$13 billion in TSA fees that have been diverted since 2013 to offset the federal deficit and use those resources to pay for security screening as intended.” In response to requests by members of Congress to waive checked bag fees for the busy summer season, A4A denied any relation, citing wait times in excess of 90 minutes at Chicago Midway, an airport dominated by Southwest, which does not charge bag fees. A4A called for rapid expansion of Pre-Check, suggesting a temporary waiver of or reduction in the \$85 enrollment fee. Some airlines are allowing frequent flyer points to be used to pay for Pre-Check

enrollment. . . . American and Delta each said they would spend \$4 million to supplement TSA staffing. Delta is partnering with CLEAR to provide complimentary enrollment to some mileage program members for expedited document check-in and biometric verification for priority queuing at hubs this year. Delta is supporting a TSA test at Atlanta Hartsfield-Jackson of an automated system that uses RFID (radio frequency identification) technology to move carry-on bags along conveyor belts, freeing TSA screeners from manually recirculating bins and allowing multiple passengers to fill bins at the same time. Similar systems used at London Heathrow and Amsterdam Schiphol have demonstrated 25% to 30% increases in throughput. . . . “Passengers should blame obstructionists in Congress, not TSA for the long lines” said the Association of Flight Attendants (AFA). As airports considered using private security companies, AFA said 6,000 more TSOs at checkpoints are needed, “not privatization with no accountability and minimal oversight. Private security at airports failed us 15 years ago and we cannot go back. We will Never Forget.” . . . In a survey of 2,500 people, U.S. Travel Association found that 21.8% who planned plane trips between Memorial Day and Labor Day will travel by other means or delay or cancel trips because of saturation coverage of hours-long waits at airport checkpoints; 17.9% will not change their travel behavior. The lost travel spending of \$4.3 billion for the three-month summer peak season “would have directly supported 37,500 additional domestic jobs.”

2. Senior TSA Official Placed on Leave.

TSA’s Neffenger removed Kelly Hoggan from the position of Assistant Administrator for the Office of Security Operations, after House Oversight Committee testimony revealed that Hoggan received \$90,000 in bonuses during a period in which auditors slipped fake weapons and explosives past security screeners in 95% of 70 covert tests, and that he punished employees who filed whistle-blower complaints. Deputy Assistant Administrator Darby LaJoye holds the position on an interim basis.

IV. E-COMMERCE AND TECHNOLOGY

1. Delta Tests Routehappy for Product Content Distribution.

Delta will conduct a 90-day test with Routehappy, “with the intended result being improved upsell rates across Delta’s Branded Fares, improved conversion rates and increased channel share to delta.com.” Routehappy delivers highly targeted product descriptions, icons, photos, videos and 360° virtual tours, all matched to specific flights and products across an airline’s worldwide network. The test will be implemented in select domestic and international routes starting this summer. Delta seeks “distributors who are able to effectively display Delta’s unique attributes to customers at the point of purchase.”

2. Sabre Collaborates with Amazon Web Services.

Sabre announced it will help carriers increase booking rates and deliver faster responses using solutions built on the Amazon Web Services (AWS) Cloud. By relying on a single-source delivery of a cloud-based system, airlines can manage availability for different channels through one source. Working with Sabre, carriers will house their availability data in the AWS Cloud which can then be accessed via multiple shopping channels, whether carrier website, online or offline travel agency, or other source. The new cloud-based solution will be available to Sabre’s customers later this year.

3. IAG Partners with Gogo.

International Airlines Group (IAG) reached agreement with Gogo to provide high-speed inflight connectivity on longhaul flights using next generation satellite-based systems. IAG will be the first European airline group to use Gogo’s latest technology, 2Ku. In total, 118 British Airways, four Aer Lingus and up to 15 Iberia longhaul aircraft will be fitted with 2Ku. This is in addition to the existing Iberia and Aer Lingus Airbus A330 fleets which have Panasonic GCS connectivity. By early 2019, 90% of IAG airlines’ longhaul fleet will be fitted with high quality connectivity.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel on May 13 was \$55/barrel, up 8.6% on the month and down 32.3% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2016 was \$46.1/barrel. Impact on 2016 fuel bill was -\$33.6 billion.

2. ICAO Convenes Climate Meeting.

ICAO continued negotiations aimed at finalizing a proposal for a global market-based measure (GMBM) for international flight emissions. A 2013 resolution included a fuel efficiency improvement target of 2% per year, a medium-term goal of carbon-neutral growth from 2020, and a further commitment to explore longer-term environmental protection goals. IATA Director General and CEO Tony Tyler expressed optimism that governments will achieve an agreement at ICAO's 39th Assembly, in September. A recent concrete proposal for a global carbon-offsetting scheme is a significant step forward," said Tyler "and not just because we can now swap one slightly unclear acronym—GMBM—for one that is a little more precise: COSIA—the Carbon Offset Scheme for International Aviation." ICAO is suggesting a two-phase implementation to address concerns of less wealthy nations with small air transport sectors; Tyler said "airlines would prefer COSIA to apply as equally as possible to carriers across the world, to minimize market distortions," but added that "international aviation is fully committed to reaching the challenging goals that we have agreed with governments. We are leaving no stone unturned in this effort. COSIA is one of four pillars in a strategy that also includes achieving better environmental performance with improved technology, operations and infrastructure."

VI. U.S. CONGRESS

1. Senate Appropriations Advances DHS FY17 Funding Bill.

The Senate Appropriations Committee advanced a spending measure for the Department of Homeland Security that provides \$48.07 billion for FY2017, \$245 million above FY2016 enacted level and \$740 million above the President's budget request. TSA funding at \$5.08 billion is a \$215 million increase over FY2016 level and \$959 million above request. The bill includes funding for an additional 1,344 TSA personnel to staff checkpoints; an additional 50 canine teams; and investments in future checkpoint technology and innovative solutions. The legislation also fully funds other critical layers of security, from passenger pre-screening and intelligence functions, to the Federal Air Marshal Service and the Federal Flight Deck Officer program.

2. Bills Address TSA Needs.

House and Senate hearings were held on airport security issues. At one, an American Airlines executive said more than 70,000 passengers missed their flights this year due to excessive wait times, and 40,000 checked bags delayed by screening did not travel on their scheduled flight. Among several bills introduced, the Checkpoint Optimization and Efficiency Act of 2016 would require TSA to reassign behavior detection officers to checkpoint positions, give local TSA directors flexibility to make staffing decisions, require TSA to review security officers and canine team allocations at each airport, and order TSA to expand PreCheck participation by using private companies and offering online and mobile enrollment options. It aims to require TSA to ensure screening officers are doing security-related tasks, such as passenger and baggage checks, while other workers handle jobs like restocking checkpoint bins and instructing waiting travelers. . . . The Funding for Aviation Screeners and Threat Elimination Restoration (FASTER) Act would end the practice of diverting a portion of the 9/11 Passenger Security Fee away from its intended purpose of strengthening security. "To provide TSA with additional resources, Congress should immediately end the practice of diverting \$1.25 billion this year and \$15 billion over the course of the decade away from TSA's core mission," said bill sponsors. . . . The Safe Convenient Reliable Efficient Effective Next-Generation Functional and Secure TSA (SCREEN FAST) Act creates two pilot programs focused on increasing airport efficiency and security and establishing prototypes for innovative screening techniques.

3. No Progress on FAA Reauthorization.

With current FAA authority set to expire July 15, another short-term extension is possible. The Senate passed legislation in April that extends legal authority for FAA programs through fiscal 2017 and includes language that would enhance airport security. Earlier, a House Commerce Committee reauthorization bill stalled over a provision to create an independent non-profit organization to run the air traffic control system. In May, no action ensued before the Memorial Day recess.

4. Appropriators Fully Fund ATC in DOT FY2017 Bills.

The Senate approved a spending package, which includes the Fiscal Year 2017 Transportation, Housing and Urban Development and Related Agencies (THUD) Appropriations Act. The bill funds FAA's air traffic control (ATC) organization and includes \$3.35 billion for airport infrastructure projects. An amendment provides \$1.1 billion to address the Zika virus. . . . The FY2017 THUD bill released by the House Appropriations Committee includes \$16.3 billion in total budgetary resources for FAA—\$69 million above FY2016 enacted level and \$450 million above request. The draft measure includes \$3.35 billion for airport projects and provides full funding for all ATC personnel. It provides \$1 billion for the Next Generation Air Transportation System (NextGen), and funds Contract Towers at \$159 million. It rejects Administration proposals for new passenger facility and general aviation fees. No funding is provided for high-speed rail.

5. Hearing Questions Security Risks of U.S.-Cuba Air Service.

The House Transportation Security Subcommittee held a hearing — Flying Blind: What Are the Security Risks of Resuming U.S. Commercial Air Service to Cuba? — related to resumption of commercial air service to Cuba. A U.S.-Cuban accord signed in February will allow up to 110 daily flights. “The deal was signed with minimal consultation or input from Congress,” said Subcommittee Chairman John Katko (R-NY). And, he added, after a 54-year freeze in diplomatic relations, the Administration is attempting to designate 10 or more Cuban airports as last points of departure (LPDs) to the United States. “The picture officials from TSA paint of the security situation at Cuba’s airports is bleak,” he said, noting that Cuba possesses no explosive trace detection equipment, and the continued U.S. embargo prohibits supplying any security equipment or offering training to the Cuban government. He quoted from a *Washington Post* article stating that “travel agents in Kabul have been surprised by Afghans showing up at their offices with Cuban visas, which are suspected of having been issued in Iran or acquired on the black market.” Homeland Security Committee Chairman Michael McCaul (R-TX) said the plan to open direct commercial air service to Cuba is unnecessarily rushed, and

that he and Katko and other members will visit Cuba to evaluate the airport security situation. . . . In joint testimony, TSA Assistant Administrator Paul Fujimura and TSA Representative Larry Mizell described a Memorandum of Understanding with Cuba's Ministry of the Interior and Customs Office for cooperation in exchanging risk information for travelers, cargo or conveyances in international transit; assessments of air, sea and port security; coordination of screening of cargo, travelers and baggage; and the design of secure, efficient inspection facilities at ports and airports, among other things. They noted that DHS is required to assess security at all foreign airports served by U.S. aircraft operators, and at foreign airports serving as LPD locations for foreign air carriers, using ICAO security standards. They said TSA currently assesses Cuban airports in Cienfuegos, Camaguey, Havana, Holguin, Manzanillo, Santiago and Santa Clara. Also, TSA is working to finalize an arrangement with Cuba on deployment of Federal Air Marshals (FAMs) on flights between the United States and Cuba. The initial arrangement will apply only to public charter flights. Once scheduled flights begin later this year, a new FAMs arrangement will be necessary to cover those flights. Because Cuba's national air carrier, Cubana de Aviacion, overflies the United States en route to Canada, it is required to establish a TSA security program and provide passenger information to TSA for vetting against the Terrorist Screening Database via Secure Flight. In April, Secure Flight received the first successful submissions in the live production system for Cubana.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. Delta-Aeromexico JV Approved by COFECE.

Delta and Aeromexico accepted conditions imposed by the Mexican Federal Economic Competition Commission (COFECE) for approval of their Joint Cooperation Agreement, including ceding Mexico City airport slots. The carriers await U.S. government approval for the joint venture. Mexico's Senate approved an open skies agreement with the United States in April.

2. DOT Prepares for Final Decision on NAI Application.

DOT closed the public docket in preparation for a final decision on the Norwegian Air International (NAI) application to operate transatlantic service from European Union (EU) cities to the United States. Tentative approval was issued on April 15 after DOT and the Departments of Justice and State determined no legal basis to deny approval. . . . In a joint filing submitted before the docket closed, several unions asserted that DOT was wrong to tentatively grant NAI a foreign air carrier permit, citing “the U.S. government’s failure to examine whether approving it would be consistent with the public interest and with the terms of the U.S.–EU Air Transport Agreement (ATA).” Members of Congress called for the Administration to deny NAI’s application. And a bipartisan bill, H.R. 5090, was introduced in the House that would prohibit the Secretary of Transportation from allowing an airline to fly between the U.S. and Europe unless the Secretary specifically finds that the airline’s business practices are consistent with ATA labor protections. . . . “The opponents of NAI have offered no new arguments,” said Business Travel Coalition, urging DOT “to stay the course and promptly issue a final order confirming the grant of a foreign air carrier permit to NAI. . . .The desperate fulminations, factual distortions and bizarre legal assertions of the opponents of NAI need to be dismissed as utter rubbish.”

3. State Department Issues Europe Travel Alert.

The State Department alerted U.S. citizens to the risk of terrorist attacks in Europe this summer; the Travel Alert expires August 31. France extended its state of emergency through July 26, as it hosts the European Soccer Championship and Tour de France. Poland will impose border controls, as Catholic Church’s World Youth Day could draw 2.5 million visitors to Krakow.

VIII. EUROPE AND AFRICA

1. United Adds Service to Europe, Cancels Nigeria Route.

United launched seasonal daily nonstops from Washington Dulles to Barcelona and Lisbon, and New York Newark to Athens. . . . United will end daily Houston-Lagos flights in June, because of weakness in the energy sector and difficulty in repatriating revenue. As of March 31, Nigeria owed airlines about \$575 million in air fares, according to IATA.

2. Delta Adds European Service.

Delta and Virgin Atlantic announced numerous changes on their joint network for Summer season 2017, including four new weekly nonstops between Portland, Oregon and London Heathrow. Beginning March 26, 2017, the joint summer schedule includes 42 peak daily nonstops between the U.S. and the UK. . . . In other news, Delta is adding daily Boeing 767-400ER service to Munich from Detroit; it already serves Munich from Atlanta. . . . And, through a new code share agreement with KLM subsidiary Transavia, Delta's network expanded to include destinations in Morocco, Spain and Greece. Customers flying on Delta flights from the U.S. to Amsterdam Schiphol, or Delta/KLM joint venture flights, can connect to 10 Transavia destinations.

3. Lufthansa Relaunches Munich to Denver Route.

Lufthansa re-started flights to Denver from Munich after a suspension in 2008. The five weekly Airbus A330-300 flights complement daily Frankfurt service.

4. British Airways Adds Americas Service.

British Airways began daily Boeing 787-9 Dreamliner flights between Mineta San Jose and Heathrow, the first nonstops to Silicon Valley from London. The carrier also began Airbus A380 service between Heathrow and Vancouver. In January, British Airways will begin four weekly Dreamliner flights to Chile, the only direct flight between London and Santiago and the airline's lengthiest route (14 hours, 40 minutes). British Airways is a unit of International Airlines Group, along with Aer Lingus, Iberia and Vueling.

5. Aer Lingus Begins Los Angeles Service.

Aer Lingus began direct flights from Dublin to Los Angeles four times weekly. The year-round Airbus A330-200 service complements its Dublin-San Francisco service which began in 2014. U.S. Customs and Immigration pre-clearance is offered at Dublin Airport. In September, Aer Lingus will begin

service to Newark and Hartford, Conn., CEO Stephen Kavanagh told the Washington International Aviation Club, and expects to join oneworld.

6. **TAP Portugal to Begin Service to JFK, Boston.**

TAP Portugal begins daily Airbus A330 flights from Lisbon to Boston on June 11 and to New York Kennedy on July 1, and services to Miami and Newark become daily this summer; a stopover in Lisbon of up to three nights and a free domestic flight to Porto is offered on the routes. TAP also flies twice weekly to Newark from Oporto. In other news, Embraer 190 operations were launched by TAP Express, which replaces former PGA for regional operations. Routes include Lisbon to Nice and Barcelona.

7. **Qatar Raises Ownership Stake in IAG.**

See Section IX, item 8.

8. **FedEx Completes Acquisition of TNT Express.**

See Section X, item 1.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. EgyptAir Flight MS804 Crashes in Mediterranean Sea.

An EgyptAir Airbus A320 carrying 66 passengers and crew, on a flight from Paris to Cairo, crashed in the Mediterranean Sea on May 19. The French aviation safety agency said messages from the plane's Aircraft Communications Addressing and Reporting System (ACARS) indicated smoke on the aircraft before Flight MS804 disappeared from radar in Egyptian air space. EgyptAir said the pilot had 6,275 hours of flying experience, including 2,101 hours on the A320, while the first officer had 2,766 hours. The weather was clear at the time, and there was no claim of responsibility by any terror group. Egypt is leading the investigation assisted by France and other countries.

2. China Plans \$12 Billion Civil Aviation Investment.

Civil Aviation Administration of China announced an \$11.9 billion aviation infrastructure investment for this year, with a focus on airports. China also intends to further relax restrictions on low-altitude air space to accommodate general aviation growth. . . . China replaced Spain as number two in 2015 World Tourism Organization (UNWTO) rankings; preliminary data show the United States (\$178 billion), China (\$114 billion), Spain (\$57 billion) and France (\$46 billion) continue to lead in international tourism receipts and arrivals. Spending by Chinese travelers increased 25% in 2015 to reach \$292 billion, as total outbound travelers rose 10% to 128 million.

3. HNA to Take 13% Stake in Virgin Australia.

In a new alliance, HNA Aviation Group will acquire a 13% stake in Virgin Australia Group for A\$159 million and intends to increase its shareholding over time up to 19.99%. The companies plan to introduce direct flights between Australia and China and cooperate in code sharing, frequent flyer programs, lounge access and promotion of tourism and business travel. HNA Group is the largest private operator of airlines in China.

4. Malaysia Restructures.

In a restructuring, the new Malaysia Aviation Group (MAG) comprises subsidiaries and equity investments in four business segments: Air Transportation Services, Ground Services, Aircraft Leasing and Talent Development. MAG CEO is Christoph Mueller, who earlier announced a September departure. The Air Transportation Services division, which includes

Malaysia Airlines Berhad, Firefly, MASwings and MAB Kargo, will apply for its own Airline Operating Certificate and operate as a separate company.

5. **Alaska Airlines, Japan Airlines to Code Share.**

A new code share agreement announced by Alaska Airlines and Japan Airlines (JAL) takes effect June 29, pending government approval, on Alaska's network from JAL's California gateways, plus Vancouver. JAL flies nonstop between Tokyo and Los Angeles, San Francisco, San Diego, and Vancouver, and between Los Angeles and Osaka, and within Japan and throughout Asia. Alaska's frequent flier plan members can earn miles on JAL.

6. **United Adds Asian, Israel Services.**

United began three weekly seasonal Boeing 787 nonstops between San Francisco and Xi'an. Other United services launching this summer from San Francisco include Hangzhou, Auckland, and Singapore; United will terminate service between Singapore and Tokyo Narita. . . . United and Star Alliance partner Singapore Airlines filed an application with DOT to code share on United-operated flights from Houston to Atlanta, Austin, Dallas, Fort Lauderdale, Orlando, Miami, Tampa, and New Orleans, initially, with eventual blanket authorization to code share on routes within the U.S., between the U.S. and Singapore, and beyond. . . . United became the first U.S. airline to serve Israel from the West Coast in March and is increasing San Francisco-Tel Aviv frequency to daily in October.

7. **ANA Announces New York, Chicago, Mexico City Routes.**

ANA was awarded three daytime slots at Tokyo Haneda and will use two for direct flights to New York Kennedy and Chicago O'Hare, beginning with 2016 winter timetable. Additionally, ANA will begin daily direct Boeing 787-8 flights from Tokyo Narita to Mexico City in February.

8. **Qatar Raises Ownership Stake in IAG.**

Qatar Airways raised its stake in International Airlines Group to 15.01% and may consider further increases. Qatar and IAG units British Airways and Iberia are oneworld members. . . . British Airways will operate daily direct flights from London Heathrow to Doha and Muscat from October 30.

9. **Qatar Airways Celebrates Start of Atlanta Service.**

With Qatar Airways daily Boeing 777 flights to Atlanta set to begin June 1, the carrier's 10th U.S. destination, CEO Akbar Al Baker hosted a launch party at Atlanta's venerable Fox Theater. Reportedly still smarting from Al Baker's earlier promise to start Atlanta service to rub salt in the wounds of Delta, the latter vowed to end its 20-year partnership with the theater. Amid the long-

running attempt by Delta, American, United and labor unions to halt competition from Gulf airlines, Business Travel Coalition stated: “Established and newly created labor organizations condemned the State of Qatar for human rights and labor policies, while looking the other way as many U.S. regional-jet pilots are being paid food-stamp wages and living in cramped trailer-park squalor.”

10. Turkish Airlines Begins Atlanta Service.

Turkish Airlines began service from Istanbul to Atlanta, its ninth U.S. gateway. In April, Delta suspended planned New York Kennedy-Istanbul service, set to start in May, “due to increased security concerns in Turkey, including a travel warning issued by the State Department and weaker demand for air travel to this market.” . . . In other news, the European Commission set the stage for visa-free travel for citizens of Turkey by end of June, or risk cessation of Turkish cooperation in the migrant crisis; Turkey must meet all 72 benchmarks of the Visa Roadmap.

11. Etihad Restructures Management.

James Hogan was named Etihad Aviation Group President and CEO in a management restructuring. CEOs reporting to Hogan are: Peter Baumgartner, Etihad Airways; Bruno Matheu, Airline Equity Partners; and Jeff Wilkinson, Etihad Airways Engineering. “The acquisition of minority stakes in Alitalia, airberlin, Air Serbia, Air Seychelles, Etihad Regional operated by Darwin, Jet Airways, and Virgin Australia necessitated the need for a dedicated team to manage our shareholding, and the delivery of wide-ranging synergies,” said Chairman Mohamed Mubarak Al Mazrouei.

12. Asian Budget Carriers Form Value Alliance.

Value Alliance was formed by low cost carriers Cebu Pacific, Jeju Air, Nok, NokScoot, Scoot, Tigerair Singapore, Tigerair Australia and Vanilla Air. Collectively, they reach 160 destinations from 17 hubs across Australia, North Asia and South East Asia. Travelers can book flights at competitive fares at any member website and select service options in a single transaction; Value Alliance “also provides a framework for further cooperation.”

13. Final Settlements in Air Cargo Antitrust Litigation.

Air India and Air New Zealand agreed to settlements of \$12.5 million and \$35 million, respectively, in a civil class action lawsuit filed in 2006 on behalf of freight forwarders. They were the last two of nearly three dozen air carriers charged with conspiracy involving cargo fuel and security surcharges between 2000 and 2006. In parallel criminal antitrust probes, 21 pleaded guilty and agreed to criminal fines of more than \$1.8 billion. “This is purely a question of

mitigating an unacceptable risk created by the U.S. class action system which creates enormous pressure to settle such matters commercially,” said Air New Zealand, which had been released from a U.S. Department of Justice criminal investigation in 2011.

14. Hawaiian Awarded Nighttime Haneda-Kona Route.

See Section I, item 3.

X. AMERICAS

1. FedEx Completes Acquisition of TNT Express.

FedEx Corp. completed its €4.4 billion acquisition of TNT Express. The Dutch company offers road and air delivery services in Europe, the Middle East and Africa, Asia-Pacific and the Americas, with €6.9 billion in revenue in 2015. Memphis-based FedEx has annual revenues of \$49 billion.

2. Southwest Applies for Service Between Los Angeles and Mexico.

Southwest filed an application with DOT for authority to offer new daily and year-round service later this year between Los Angeles International and three cities in Mexico: Cancun, Puerto Vallarta, and San Jose del Cabo/Los Cabos. A new U.S.-Mexico Aviation Agreement was finalized in April. . . . Southwest offered introductory one-way fares as low as \$49 for new year-round nonstops to begin November 6, including Washington Reagan to Providence, R.I.; Washington Dulles to Orlando; San Jose, Calif. to Salt Lake City and Baltimore/Washington; and Kansas City to San Antonio.

3. Alaska Air-Virgin America Tie-Up Status.

Alaska Air Group and Virgin America each received a request for additional information from the Department of Justice Antitrust Division, in connection with Alaska's proposed acquisition of Virgin America. The airlines expect to complete the transaction by January 1. . . . Alaska promoted Ben Minicucci to President and COO; he was COO and Executive Vice President. CEO Brad Tilden said Minicucci will lead the integration process for the Virgin America acquisition. David Campbell was promoted to CEO and President of Alaska's Horizon Air unit; he was President and COO and has held executive positions with JetBlue and American. Horizon recently ordered 30 Embraer E175s, the largest order in its history. . . . And, Alaska will add California routes in March, with three daily San Diego-Sacramento and Burbank-San Jose E175 nonstops operated by SkyWest.

4. Delta Extends West Coast Shuttle to Seattle.

Delta extended West Coast Shuttle service to Seattle, with 10 peak-day flights to Los Angeles International and eight to San Francisco; the latter will be operated by Compass using two-class E175s. Delta's Los Angeles-San Francisco Shuttle service began in 2013. . . . "To address current fuel and revenue headwinds," Delta will slow system wide capacity growth to below 2% in second half 2016 and defer delivery of four of an order for 25 Airbus A350s from 2018 to 2019/20.

5. Republic Reaches New Accords with Delta, United.

U.S. Bankruptcy Court for Southern District of New York approved amended agreements between Delta and Republic Airways Holdings, including a wind-down of 50-seat aircraft, full settlement of litigation between the carriers, and the return of full flying of 30 E170 and E175 aircraft. The court's ruling also approved a Debtor-In-Possession (DIP) Credit Agreement with Delta which will provide \$75 million in liquidity to Republic in support of its restructuring plan. . . . An amended agreement with United would provide for the uninterrupted flying of 54 E170s and E175s and for future Ejet flying, effective upon issuance of the approval order by the bankruptcy court. Republic Chairman, President and CEO Bryan Bedford said the company is on schedule to achieve the goal of emerging from bankruptcy by yearend.

6. Virgin America Begins Los Angeles-Hawaii Flights.

Virgin America launched daily nonstops from Los Angeles International Airport to Honolulu, and on June 14 will begin daily nonstops from LAX to Maui. The airline also flies from San Francisco to Honolulu.

7. Frontier Charged with Discrimination Against Female Employees.

Frontier Airlines was charged with discrimination against women for failing to provide accommodations related to pregnancy and breast-feeding. A complaint filed with the Equal Employment Opportunity Commission says the four female pilots "assert that despite their dedication to their jobs, the airline's failure to accommodate their pumping needs made it extremely difficult for them to continue breast-feeding their babies once they returned to work." They also claim that they suffered from financial harm as a result of being forced to take unpaid leave during the end of their pregnancies, without the option to seek a temporary job reassignment that would have allowed them to earn a paycheck, said the American Civil Liberties Union. . . . Frontier pilots voted to join Air Line Pilots Association, Int'l (ALPA); they currently are represented by Frontier Airlines Pilots Association.

8. Atlas to Provide Air Transport Service to Amazon.

Atlas Air Worldwide (AAWW) will provide air cargo services to support Amazon's package deliveries. New agreements include operation of 20 Boeing B767-300 converted freighters for Amazon on a CMI (crew, maintenance and insurance) basis by subsidiary Atlas Air, and dry leasing by the AAWW Titan Aviation leasing unit. Dry leases will have a term of 10 years, while CMI operations will be for seven years. Operations are expected to begin in second half 2016 and ramp up to full service through 2018. Amazon was granted warrants to acquire up to 20% of AAWW common shares.

9. **Flight from Venezuela Routes Continues.**
Lufthansa and Latam Airlines Group are the latest airlines to halt flights to Venezuela, due to low demand and difficulty in repatriating income; Venezuela has blocked more than \$3.5 billion of airline profits.
10. **United Adds Service to Europe, Cancels Nigeria Route.**
See Section VIII, item 1.
11. **Delta Adds European Service.**
See Section VIII, item 2.
12. **Lufthansa Relaunches Munich to Denver Route.**
See Section VIII, item 3.
13. **British Airways Adds Americas Service.**
See Section VIII, item 4.
14. **Aer Lingus Begins Los Angeles Service.**
See Section VIII, item 5.
15. **TAP Portugal to Begin Service to JFK, Boston.**
See Section VIII, item 6.
16. **Alaska Airlines, Japan Airlines to Code Share.**
See Section IX, item 5.
17. **United Adds Asian, Israel Services.**
See Section IX, item 6.
18. **ANA Announces New York, Chicago, Mexico City Routes.**
See Section IX, item 7.
19. **Qatar Airways Celebrates Start of Atlanta Service.**
See Section IX, item 9.
20. **Turkish Airlines Begins Atlanta Service.**
See Section IX, item 10.