



## 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. IATA Seeks New Partnership Agenda With Governments.**

A new partnership agenda with governments was proposed by Tony Tyler, Director General and CEO of International Air Transport Association (IATA), at IATA's Annual General Meeting (AGM). We need "tax regimes that do not kill growth, regulation that facilitates growth, and infrastructure that can efficiently accommodate growth," said Tyler. "Aviation is expected to grow about 5% annually to 2030. If that growth is held back by even one percentage point, the global economy will forfeit over a trillion dollars and 14 million jobs." Among decisions announced at the AGM: IATA is revising corporate governance to reflect demands for greater transparency and a shift in membership representation. One Board of Governors seat from North America will be filled by a representative of the Asia-Pacific region. Middle East/Africa will get a newly created seat. Board membership will be limited to three terms. IATA will consolidate operations to reduce costs. The IATA settlement system will consolidate into five hubs—Miami, Amman, Beijing, Madrid and Singapore. A stronger focus will be placed on longer term goals and strategies, said Tyler. Qantas CEO Alan Joyce was named Chairman of the IATA Board of Governors; he succeeds KLM CEO Peter Hartman, whose one-year term has expired. Delta CEO Richard Anderson will serve as Chairman from June 2013. Air China Chairman Wang Changshun presided over the AGM, which was held in Beijing and had record attendance of 750 delegates.

### **2. IATA: \$1.4 Billion Profit Forecast for North American Carriers.**

Global industry profits for 2012 are expected to be \$3 billion, unchanged from the March update released by IATA, with a net profit margin of 0.5%. Profits peaked in 2010 at \$15.8 billion (net profit margin 2.9%), and fell to \$7.9 billion in 2011 (1.3%). . . . The traffic forecast was revised to 4.8% from 4.2%, due to demand strength in first part of year. Passenger numbers are expected to reach 2.966 billion, up from 2.835 billion in 2011. . . . Passenger load factors reached record levels in second quarter due to slowing capacity, and freight load factors began to recover. Growth in available tonnes kilometers (combined passenger and cargo capacity) is forecast at 3.3%. . . . Limited capacity growth, high asset utilization and lower oil prices will help contain cost increases in 2012 to 7.3%, down from 10.6% in 2011. However, revenue growth is expected to slow from 9.3% last year to 5.7% this year. . . . Operating revenues are expected to reach \$631 billion, while operating costs grow to \$623 billion. . . . Regionally, the revised 2012 profit forecast for North American carriers is \$1.4 billion (2011: \$1.3 billion); Latin America \$0.4 billion

(2011: \$0.3 billion); Asia-Pacific \$2 billion (2011: \$4.9 billion); Middle East \$0.4 billion (2011: \$1 billion). Losses are expected to be \$1.1 billion for European carriers and \$0.1 billion for African carriers.

**3. Virgin America Applies for Virgin Australia Code Share.**

Virgin America requested approval from the U.S. Department of Transportation (DOT) to place the Virgin Australia code on services from Los Angeles to Boston, Chicago, Dallas, Fort Lauderdale, Philadelphia, Portland, Seattle and Washington D.C, building on a 2009 interline agreement. This would be the first code share agreement for California-based Virgin America, which has reciprocal frequent flyer rights with all Virgin carriers.

**4. American Seeks DOT Approval for Air Tahiti Nui Code Share.**

American Airlines is seeking DOT approval for an agreement in which it would place its code on Air Tahiti Nui flights between Los Angeles International and Papeete Faa'a International. Air Tahiti Nui seeks to place its code on American flights from Los Angeles to more than 15 U.S. cities, including New York, San Francisco, Las Vegas, Chicago, Boston, Dallas-Fort Worth, Miami and Washington D.C.

**5. FAA Sets 37-Months to Install Oxygen Systems in Lavs.**

The Federal Aviation Administration (FAA) extended to 37 months a proposed 24-month deadline for installation of new oxygen systems in aircraft lavatories. FAA said 24 months is not feasible, based on the number of affected airplanes and lack of an approved design solution. Airlines and manufacturers had sought up to five years. The new airworthiness directive, effective August 10, affects 5,500 airplanes of U.S. registry at an estimated installation cost of \$44.2 million, plus up to \$935,000 for removing or disabling current systems.

**6. Boeing, Cargo Carriers Oppose FAA Fuel Tank Retrofit.**

FAA extended comment period for a proposal that would require operators of Boeing 757 cargo planes to install a wiring modification in center fuel tanks. The retrofit is needed, said FAA, to prevent potential fuel-tank explosions and consequent loss of airplane. FAA projects the modification, to be installed on 352 aircraft operating in the U.S., would cost \$100,000 to \$200,000 per airplane. Cargo operators would have five years to comply. Boeing has joined UPS and FedEx in opposing the modification, reports the *Seattle Times*. Calling the risk of an explosion 'extremely improbable,' Boeing refused to design the modification and said it would supply nitrogen-gas flammability-suppression systems (NGS), which are being installed on passenger planes per a 2008 requirement and are standard on all new Boeing airplanes.

**7. Volaris Fined for Failing to Disclose Baggage Fees**

DOT assessed a civil penalty of \$130,000 against Volaris. The Mexican airline displayed itineraries that listed fares, but failed to inform consumers that additional baggage fees might apply. This is the first penalty assessed for a violation of provisions in the aviation consumer rule that took effect in January.

**8. FAA Proposes Civil Penalty Against Martinaire.**

FAA proposed a \$206,550 civil penalty against Texas-based Martinaire for violating hazardous materials regulations. The scheduled air cargo and cargo charter company routinely failed to complete documents properly or notify pilots in command about hazardous materials transported as cargo. Allegations involve 17 shipments on 12 flights from April 1 to June 22, 2011.

**9. DOT Air Travel Consumer Report for April.**

Based on data filed by U.S. airlines.

	April '12/'11	March '12	Full Year				
			2011	2010	2009	2008	2007
On-time arrivals %	86.3 / 75.5	82.2	79.6	79.8	79.5	76	73.4
Cancellations %	1 / 2	1	1.91	1.76	1.39	1.96	2.16
Mishandled baggage*	2.63 / 3.3	3.09	3.39	3.51	3.91	5.26	7.05
<i>Consumer complaints:</i>							
Airline service	1,068 / 880	1,117	11,545	10,988	8,821	10,648	13,180
Disability-related	65 / 48	48	630	572	519	477	488
Discrimination**	14 / 10	4	127	143	131	115	99

Note: Airlines reported no tarmac delays of more than three hours on domestic flights or more than four hours on international flights in April.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. JetBlue to Construct International Arrivals Facility at Kennedy.

JetBlue's plan to construct a new international arrivals facility (T5i) at New York Kennedy was approved by Port Authority of New York and New Jersey. The expansion of JetBlue's existing Terminal 5 will include dedicated gates able to handle widebodies operated by partner airlines, and customs and immigration stations. The airline aims to complete construction in early 2015. JetBlue international destinations from Kennedy include Barbados, Dominican Republic, Costa Rica, Jamaica, Mexico, Saint Lucia, St. Maarten and Turks and Caicos.

### 2. Philadelphia Moves Forward With \$6.5 Billion Expansion.

A joint venture was selected to manage the \$6.5 billion expansion of city-owned Philadelphia International. Denver-based CH2M HILL will partner with minority-owned companies Delon Hampton of Washington DC and CMTS of Dallas. The city agreed to pay the team \$25 million for the first four-year term of the project, which is expected to take 12 to 15 years to complete, and will include a new runway, two runway extensions, terminal complex expansion, a passenger-mover train, relocation of the existing UPS freight-handling facility, new rental-car facilities and public parking. Officials continue to negotiate with airlines, led by US Airways, which estimate their costs for the project at \$10.5 billion, and contend congestion is due to crowded skies over northeastern United States and not on the ground in Philadelphia.

### 3. Las Vegas Opens \$2.4 Billion Terminal 3.

Las Vegas McCarran International opened its \$2.4 billion Terminal 3, which includes additional check-in, baggage claim, security checkpoints and parking to complement existing infrastructure and relieve peak period Terminal 1 congestion. The 1.9 million-sq.-ft. facility replaces shuttered Terminal 2. In addition to its seven domestic and seven international gates, T3 will support passenger traffic at 26 gates in D Concourse, accessible by tram.

### 4. Phoenix-Mesa Gateway Plans 20-Year, \$1.4 Billion Expansion.

Phoenix-Mesa Gateway Airport has planned a 20-year, \$1.4 billion expansion, to be executed in four phases as demand warrants. Phase One includes a single-level terminal and concourse with 14 gates designed to accommodate 3 million passengers/year; completion expected in 2017. Phase Two expands annual terminal capacity to 4.4 million passengers with four additional gates and includes a 1,000-ft. runway extension. Phase Three increases terminal

capacity to 10 million passengers annually and expands the terminal facilities to two levels and 30 gates. Phase Four would enable handling of 20 million passengers annually, with a total 60 gates, 21,000 vehicle parking spaces, and dual landside terminal arrival and departure curbs on two levels. Potential funding sources include FAA, the state of Arizona, passenger facility charges and bonds; \$385 million in private development is expected to be spent on 2.5 million sq. ft. of office/retail space and two hotels. Gateway handled 957 million passengers in 2011 and forecasts 1.3 million in 2012; Allegiant and Spirit offer flights to over 60 cities.

**5. Abu Dhabi Begins \$2.9 Billion Airport Expansion.**

A consortium that includes Dubai's Arabtec and Greek and Turkish firms won a \$2.94 billion contract to build a mid-field terminal at Abu Dhabi Airport. Construction begins in third quarter and is expected to be completed in 2017. The terminal will be the home of Etihad Airways and will have capacity to handle 30 million passengers/year.

### III. **SECURITY AND DATA PRIVACY**

#### 1. **TSA Precheck Expands.**

The Transportation Security Administration (TSA) announced that Precheck operations have begun at Boston Logan for select Delta frequent flyers and members of U.S. Customs and Border Protection (CBP) Trusted Traveler programs when traveling domestically. TSA also announced that American now is participating in Precheck at New York LaGuardia, United at Chicago O'Hare, and US Airways at Reagan Washington National. To date, Precheck is available in 16 airports for select frequent flyers of United, US Airways, American, Alaska and Delta.

#### 2. **TSA to Approve Private Screeners for Orlando Sanford.**

Orlando Sanford International received tentative approval from TSA to use private security screeners. Montana's Bozeman Yellowstone International Airport announced it will apply for permission to use private screeners. Sixteen U.S. airports currently use private screeners under TSA's Screening Partnership Program.

#### 3. **TSA Postpones Document Verification Technology Purchase.**

TSA reportedly will delay until next year its purchase of Credential Authentication Technology/Boarding Pass Scanning Systems (CAT/BPSS), due to concerns with effectiveness. CAT/BPSS is expected to replace current manual procedures to detect fraudulent or altered documents. The Government Accountability Office (GAO) completed initial testing of the technology and has begun operational testing at three airports.

#### 4. **CLEAR Lanes Open at Dallas/ Ft. Worth.**

CLEAR began operations at Dallas/Fort Worth Terminal E, which serves Alaska, Delta, Frontier, JetBlue, Spirit, United, US Airways and Virgin America. The biometric secure ID program is also operating at Denver, Orlando and San Francisco, where members-only lanes allow passengers to transit security "in five minutes or less," says the company; "travelers simply confirm their identity with the touch of a finger."

#### 5. **Senator Introduces Bills to "Rein In" TSA.**

See Section VI, item 4.

## **IV. E-COMMERCE AND TECHNOLOGY**

### **1. Delta to Sell Premium Seating through Travelport.**

Delta reached agreement to sell its Economy Comfort product through Travelport's global distribution system (GDS), with booking access available later this year for travel agents who use Galileo, Worldspan or Apollo. Currently, customers purchase Economy Comfort directly from Delta. This is Delta's largest ancillary service partnership to date and "demonstrates Delta's ongoing commitment to work with distribution partners in broadening access to popular ancillary products," said Travelport.

### **2. Survey: Airlines Say Mobile Is Top IT Investment.**

Mobile services for passengers will be airlines' top investment priority over the next three years, with 58% investing in major programs, according to the 14th annual SITA/Airline Business IT Trends Survey. Responses by more than half of the world's top 100 carriers indicate a focus on improving passenger service. Half already offer mobile services for flight search and check-in, with close to half also providing boarding passes, ticket purchase and flight status notifications; by 2015, almost all plan to have these services available, as well as ancillary services, customer complaint handling and missing baggage management. Four out of ten respondents promote flights via social media, and almost 90% plan to do so by 2015. Additionally, 78% have, or plan to, personalize sales offerings via their direct channels. This is the second year that mobile services for passengers tops the list of investment programs.

### **3. airBaltic Testing SeatBuddy.**

A social seating tool that pairs passengers according to interests or mood is being tested by Latvian national airline airBaltic. SeatBuddy allows passengers to indicate "Work," "Business Talk," or "Relax," among other choices, on social media. The information is collected in a secure database, and the closest match is identified without disclosing passenger identity or personal data. The airline said it is launching the service free-of-charge, while exploring future commercial potential. airBaltic SeatBuddy is powered by Satisfly. KLM and Malaysia Airlines offer similar schemes.

### **4. Gogo to Offer Transatlantic Internet Access.**

Gogo signed a strategic memorandum of understanding with global satellite operator SES with the goal of bringing high-speed, satellite-delivered Internet access to passengers on transatlantic routes, as well as within Europe and the United States. Gogo plans to utilize high-throughput Ku-band capacity on



current and future SES multi-beam satellites serving the continental United States, the Atlantic Ocean Region and Europe. SES operates a worldwide fleet of 50 geostationary satellites. In another recently announced agreement, AeroSat will deliver the satellite antenna, radome, antenna control and modem unit and high power transceiver to Gogo, which currently enables connectivity on domestic flights.

**5. HP Introduces Converged Cloud Services for Airlines.**

HP announced its vision of an “Intelligent Airline Cloud,” delivering integrated Software-as-a-Service (SaaS) and Infrastructure-as-a-Service (IaaS) platforms that meet airline-specific requirements. HP Converged Cloud Services for Airlines includes HP Passenger Service Solution, which combines HP’s core travel and transportation industry solutions into a single integrated airline reservation and travel SaaS platform. HP Airline Service Oriented Architecture Platform provides an application-development Platform as a Service (PaaS) to drive rapid development of new products. HP Enterprise Cloud Services—Virtual Private Cloud, an IaaS platform, is delivered from secure data centers equipped with HP Converged Infrastructure technology.

## V. ENERGY AND ENVIRONMENT

### 1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel, as of June 15, was \$114/.4barrel, down 8.9% on the month and down 12.4% year-on-year, reports the International Air Transport Association. Fuel price average for 2012 was \$131/barrel.

### 2. IATA Urges ICAO Solution on Economic Measures for Climate Change.

“Sustainability should unite the world with common purpose, not divide it with affronts to sovereignty that risk a trade war, a war that nobody wants and from which no winner can emerge. Certainly no airline—European or otherwise—should be a target for retaliation because European governments are acting extra-territorially,” said IATA chief Tony Tyler, at the AGM in Beijing. “The onus is now on Europe to seize the moment [and] take a credible action to defuse the situation.” Tyler reiterated the call for a comprehensive global solution on aviation emissions to be negotiated through the International Civil Aviation Organization (ICAO). He also called for governments to adopt policies to help support commercialization of biofuels to bring up the volume and bring down the price. Airlines have flown some 1,500 commercial flights using fuel made from plants.

### 3. Biofuel Test Flight News.

ICAO Secretary General Raymond Benjamin traveled from Montreal to Rio de Janeiro for the United Nations Conference on Sustainable Development (Rio+20) on connecting flights powered by sustainable alternative fuels, to launch ICAO’s “Flightpath to a Sustainable Future” initiative. A Porter Airlines Bombardier Q400 turboprop using fuel derived in part from camelina carried Benjamin from Montreal to Toronto. An Air Canada Airbus A319 revenue flight operated from Toronto to Mexico City using fuel derived from used cooking oil; An Aeromexico Boeing 777-200 flight from Mexico City to Sao Paulo used cooking oil, jatropha and camelina,; and a GOL Boeing 737-800 flight from Sao Paulo to Rio Santos Dumont used fuel derived from inedible corn oil and used cooking oil. . . . In other news, renewable jet fuel from Amyris, sourced from Brazilian sugar cane, passed all required testing and was used on an Azul Embraer 195 demonstration flight powered by GE CF34-10E engines during Rio+20. The fuel is compliant with Jet A/A-1 fuel specifications and, says Amyris, provides “equivalent performance versus conventional petroleum-derived fuel in a range of metrics, including fit-for-purpose properties and greenhouse gas emission reduction potential.” . . . The longest biofuel flight ever was operated by KLM to Rio+20, using a Boeing 777-200

partially powered by fuel made from used cooking oil. KLM unit SkyNRG, founded in 2009 with North Sea Group and Spring Associates, supplied the fuel. . . . Boeing, in cooperation with Air China and PetroChina, will conduct a second test flight partially powered by plant oil in third quarter this year. The trans-Pacific flight will use biofuel produced by PetroChina from locally grown jatropha. A one-hour test flight was conducted in China last October.

**4. First Manned Solar Intercontinental Flight.**

The first manned solar intercontinental flight flew across the Gibraltar strait, from Madrid to Rabat, with Bertrand Piccard, one of the aircraft's two designers, in the cockpit. The nearly 19-hour, 830-kilometer Solar Impulse flight was the second part of a two-stage trip from the plane's base in Switzerland. The plane had been holding at Madrid for more than a week waiting for calm weather, after originally taking off from Payerne, Switzerland, and flying 17 hours into Spain with co-designer André Borschberg as pilot. Solar Impulse plans a round-the-world flight in 2014. Piccard told reporters the flights do not suggest that solar power will be used for normal airplanes, but demonstrate the wide potential of solar energy.

**5. Senate Commerce Hearing on EU ETS.**

See Section VI, item 5.

## **VI. U.S. CONGRESS**

### **1. Confirmation Hearing for FAA Administrator.**

The Senate Commerce Committee held a confirmation hearing on the nomination of Michael Huerta as FAA Administrator, a five-year term. Huerta has been Acting Administrator since Randy Babbitt's December resignation. Committee Chairman Jay Rockefeller (D-WV) credited Huerta with progress on some key NextGen components when he was Deputy Administrator, and noted his "first-hand knowledge of the challenges confronting the FAA and its operations." Huerta fielded questions from Senators about delayed safety and other rules, the highest rate of whistle-blower complaints of any federal agency, and other issues.

### **2. House Appropriations Increases EAS Funding.**

A bill approved by the House Appropriations Committee includes an 11% increase, to \$214 million, for the Essential Air Service (EAS) program, which recently was reformed. The House approved an amendment to the fiscal year 2013 Transportation, Housing and Urban Development Appropriations bill that would prevent DOT and FAA from using funds to impose the European Union Emissions Trading Scheme (EU ETS) on U.S. airlines. The House approved legislation last fall that would require the Secretary of Transportation to prohibit U.S. airlines from participating in EU ETS and a similar bill also has been introduced in the Senate..

### **3. House Passes \$46 Billion Homeland Security Spending Bill.**

The House passed a \$46 billion FY 2013 funding bill for the Department of Homeland Security, which includes \$3.97 billion for aviation passenger and baggage screening operations and currently planned acquisitions, including 1,250 Advanced Imaging Technology (AIT) systems for passenger screening and Advanced Technology x-ray systems. The bill recommends a funding level of \$100 million for procurement and installation of Explosive Detection System (EDS), rather than the \$117.3 million requested by the Administration. An amendment to increase current funding for the Federal Flight Deck Officer (FFDO) program by \$10 million to \$35.5 million was accepted; the Administration had proposed a reduction to \$12.5 million. H.R. 5855 denies the Administration's request to increase TSA security fees in airline fares; a Senate Appropriations Committee bill has approved increasing the fees.

**4. Senator Introduces Bills to “Rein In” TSA.**

Senator Rand Paul introduced two bills “to streamline and rein in the Transportation Security Administration's screening processes and treatment of passengers.” S.3302 establishes a Bill of Rights for air travelers and guidelines for screening procedures, and requires reforms to the air security bureaucracy. It also requires 90% of unclaimed change left at screening points to be returned to the U.S. Treasury through an incentive program to airports. S.3303 ends the TSA screening program and requires screening of passengers at airports to be conducted by private screeners only.

**5. Senate Commerce Hearing on EU ETS.**

The Senate Commerce Committee held a hearing on EU ETS and its potential impact on U.S. air carrier operations. In his testimony, Transportation Secretary Ray LaHood said ICAO should increase efforts to negotiate a resolution before April 2013, when Europe will bill airlines for 2012 emissions. He called Europe ‘The Lone Ranger’ for unilaterally imposing the measure, but he said the Administration has not decided if it would file a formal complaint at ICAO, or support Congressional action that would prohibit U.S. airlines from participating in EU ETS. . . . “Urgent, concrete action by the United States is needed to overturn the EU ETS and bring the EU back to the negotiating table in support of a global framework,” said Nancy Young, an Airlines for America official. She charged that EU ETS is not about the environment, but is a source of revenue for Europe. . . . The EU acted because it believes it needed to make a bold effort to reduce greenhouse gas emissions, said Chairman Jay Rockefeller (D-W.V.), but their unilateral action is likely not sustainable by international law. Kay Bailey Hutchison (R-Tx.) agreed and said the EU needs to step back. . . . Senator John Kerry (D-Mass.) said Europeans are right to question whether the United States is serious with respect to global emissions.

## VII. BILATERAL AND STATE DEPARTMENT NEWS

### 1. U.S.- Canada Cargo Initiative Signed.

Under a mutual recognition initiative between the United States and Canada, cargo shipped on passenger aircraft will be screened at point of origin and will not need to be rescreened at the border or prior to upload in the other country. The initiative is a result of the 2011 Perimeter Security and Economic Competitiveness Action Plan, which is meant to manage security risks in both countries, while reducing the burden on business. Binational Port Operations Committees have been established at eight Canadian airports that provide a U.S. preclearance service.

### 2. U.S. Reaches Air Cargo Screening Agreement With EU.

The U.S. Transportation Security Administration announced a partnership with the European Union and Switzerland that allows private industry to move cargo through the 27 EU Member States, the U.S. and Switzerland, while following a single set of security rules. Through TSA's National Cargo Security Program recognition process, the agency analyzes air cargo programs of international counterparts and determines if they are comparable to what is required in the United States. Harmonized air cargo screening allows industry to follow a single program when transporting cargo between nations.

### 3. U.S.- Republic of Korea Global Entry Agreement.

The United States and the Republic of Korea announced a reciprocal agreement for their trusted traveler programs—the U.S. Global Entry program and Korea Smart Entry Service. The Netherlands and Canada also have fully reciprocal trusted traveler programs with the United States. The biometric Global Entry screening process, available at 25 U.S. international airports, reduces average wait times by 70%, said the Department of Homeland Security, with more than 75% of users processed in under five minutes.

## VIII. EUROPE AND AFRICA

### 1. New Leadership for European Airline Associations.

Ulrich Schulte-Strathaus ended his term as Secretary General of Association of European Airlines (AEA) after 10 years. Deputy Secretary General Athar Husain Khan was named Acting Secretary General. The term of Chairman was extended from one year to two; Bernard Gustin will retain that position until the end of next year during this time of transition. . . . Mike Ambrose will retire as Director General of European Regions Airline Association (ERA) at the end of 2012 , after 25 years. Deputy Director General Simon McNamara will assume the post from the beginning of 2013.

### 2. Air France to Cut 10% of Work Force.

Air France plans “to increase economic efficiency” by 20% by the end of 2014, “by limiting changes to the payroll and by increasing the efficiency of time worked, by not replacing staff who leave and by improving processes.” The company will eliminate 5,122 jobs, 10% of its total work force. All departures will be voluntary, providing new agreements are signed with unions; forced departures will result if agreements are not signed. The company announced earlier it will restructure short- and medium-haul and reposition long-haul operations, among other steps in its strategic plan.

### 3. Ryanair Bids to Acquire Aer Lingus.

Ryanair made a €694 million all-cash offer for Aer Lingus, calling it “a significant opportunity to form one strong Irish airline group capable of competing with Europe’s other major airline groups led by Air France, British Airways and Lufthansa.” Aer Lingus would remain a separate airline, said Ryanair CEO Michael O’Leary; “Ireland will have two separate airlines . . . with combined traffic of almost 90 million passengers annually” (Ryanair carried 77 million passengers last year, Aer Lingus 9.5 million). Aer Lingus rejected the bid as too low and, referring to a probe by UK competition authorities into Ryanair’s current 29.82% holding, said there is “significant uncertainty that the offer would be capable of completion.” The European Commission ruled a merger would create a monopoly in Dublin in earlier takeover attempts by Ryanair. Prime Minister Enda Kenny said the government will consider the bid, but will not be “shoved into a fire sale” because of economic worries. Etihad recently bought a 3% stake in Aer Lingus and reportedly is interested in acquiring the Irish government’s 25% stake.

**4. IAG Completes Sale of bmi Regional.**

A UK consortium of investors, Sector Aviation Holdings, has acquired bmi Regional from International Airlines Group. Plans include creation of up to 40 jobs in sales, customer service and finance at East Midlands and maintaining the Scotland operating center. The existing route network will continue, said bmi Regional Chairman Ian Woodley. British Airways will provide support during the transition. Woodley and colleague Graeme Ross founded Business Air, which was sold to British Midland in 1996. Industry veteran Robert Sturman is bmi Regional CEO.

**5. Stelios Forms African Discount Airline.**

EasyJet founder Stelios Haji-loannou is launching an African discount airline, Fastjet, using licenses held by theFly540 unit of industrial group Lonrho Aviation. Fastjet holding company, Rubicon Diversified Investments, anticipates flights in Ghana, Kenya, Tanzania and Angola using Airbus A319s or Embraer E- 190s. Stelios' EasyGroup has a 5% stake in Rubicon and will provide consultancy services for the 10-year brand license term. Fastjet CEO Ed Winter, a former executive of easyJet and Go, said the airline will operate to European standards of safety security and quality. "This is another small but significant step in bringing the dream of low cost air travel to millions of people in Africa, the aviation industry's last frontier," said Stelios.

**6. Air Nigeria Flights Suspended.**

Air Nigeria was grounded for safety checks following a strike by pilots and engineers, and again a week later for a financial audit by the Nigerian Civil Aviation Authority (NCAA). Air Nigeria Managing Director Kinfe Kayssaye was arrested for non-payment of taxes by the airline; and, reports All Africa news, Chairman Jimoh Ibrahim alleged that Air Nigeria has been harassed since it started Lagos to London service, and that the strike was influenced by external factors. These events followed the early June crash of a Dana Air flight in Lagos, which killed all 153 people on board and others on the ground.

**7. AviancaTACA and Copa Join Star Alliance.**

See Section X, item 5.



## **IX. ASIA/PACIFIC AND MIDDLE EAST**

### **1. Luxon to Replace Fyfe at Air New Zealand.**

Christopher Luxon was named CEO of Air New Zealand, effective at the end of December. He will replace Rob Fyfe, who in January announced his departure. Luxon was President and CEO of Unilever's Canadian business before joining ANZ in May 2011.

### **2. JAL to Begin Tokyo-San Diego Service.**

Japan Airlines (JAL) will begin four weekly nonstops between Tokyo Narita and San Diego on December 2, with oneworld partner American Airlines.

### **3. Virgin America–JAL Interline Agreement.**

Virgin America and JAL announced a new interline agreement across their respective North American and Asian routes.

### **4. JetBlue, Air China to Partner.**

Under a newly announced partnership, Air China and JetBlue initially will offer interline connections between their networks at New York Kennedy and Los Angeles International, followed by a code share on JetBlue-operated flights, subject to government approval. Star Alliance member Air China offers one daily flight from New York and two from Los Angeles to Beijing Capital.

### **5. Turkish to Offer Houston Service.**

Turkish Airlines will offer four weekly Boeing 777 nonstops to Bush Intercontinental from Istanbul, beginning April 1. The Star partner currently offers nonstops to Chicago, Los Angeles, New York and Washington D.C.

### **6. China to Boost Air Transport Capacity.**

China will have over 240 civil aviation airports by 2020, up from 180 in 2011, while 100 existing airports will be renovated or expanded in the 2011-2015 period, said Li Jiaxiang, head of the Civil Aviation Administration of China (CAAC), in remarks at the IATA AGM. Air travel is expected to double by 2020. The number of passenger planes will reach 2,700 by the end of 2015, up from 1,764 at the end of 2011. China's civil aviation industry had \$79 billion in revenues in 2011, up 21.2% from 2010, though profits since have dropped as passenger flow slowed and jet fuel costs increased.

**7. Etihad Acquires Stake in Virgin Australia.**

Etihad acquired a 4.99% equity stake in in Virgin Australia's domestic operations and plans to increase its holdings, subject to regulatory approvals. The carriers signed a 10-year strategic partnership in August 2010. Together they operate 24 weekly flights between Abu Dhabi and Australia (Etihad 21, V Australia 3), and Etihad has leased a Virgin Australia Boeing 777-300ER for use on its Abu Dhabi–Kuala Lumpur route. Etihad recently bought stakes in Air Berlin (30%), Air Seychelles (40%) and Aer Lingus (3%).

**8. SriLankan to Join oneworld.**

SriLankan Airlines became a oneworld designate, with sponsorship by Cathay Pacific and implementation expected late next year. SriLankan code shares with oneworld member designate Malaysia Airlines and has code share agreements with oneworld partners Royal Jordanian and S7 Airlines. SriLankan carried 3.5 million passengers last year between its Colombo base and 34 destinations in 22 countries. Chairman is Nishantha Wickremasinghe; CEO is Kapila Chandrasena.

**9. China Cargo to join SkyTeam Cargo.**

China Cargo Airlines is expected to join SkyTeam Cargo by the end of June 2013. China's first and largest all-cargo airline is a joint venture of China Eastern and China Ocean Shipping, operating 19 aircraft on 16 cargo routes to 20 cities, including Chicago, Atlanta, Dallas, Los Angeles, Paris and Milan. SkyTeam Cargo has nine members including China Southern.

**10. Hawaiian Code Shares With JetBlue, Adds Brisbane Nonstops.**

See Section X, item 3.

**11. AviancaTACA and Copa Join Star Alliance.**

See Section X, item 5.

## **X. AMERICAS**

### **1. LAN, TAM Complete Merger.**

LAN and TAM completed their merger to create Latam Airlines Group. LAN's headquarters will remain in Santiago, TAM's in Sao Paulo, and both airlines will continue to operate under existing brands. Latam initially will offer passenger flights to 150 destinations in 22 countries. LAN Cargo and its affiliates, ABSA in Brazil, MAS AIR in Mexico and Linea Aerea Carguera in Colombia, combined with TAM Cargo in the Brazilian domestic market, will reach 169 destinations in 27 countries. Latam Chairman Mauricio Rolim Amaro was TAM Vice Chairman; CEO Enrique Cueto was LAN CEO. New LAN CEO is Ignacio Cueto, former LAN President. Marco Antonio Bologna remains CEO of TAM. Maria Claudia Amaro remains TAM Chairman of the Board and is a member of the Latam Board.

### **2. American Airlines Bankruptcy Update.**

After Allied Pilots Association (APA) leaders agreed to hold balloting on a contract offer from American Airlines, U.S. Bankruptcy Judge Sean Lane delayed until August 8 his ruling on whether the airline can void existing contracts and impose new terms to help cut annual labor spending by \$1.25 billion. The judge approved new pacts with five Transport Workers Union (TWU) groups. Negotiations with unions for flight attendants and mechanics were set to reopen. American won a court ruling preventing a union representation election among passenger service employees, until they meet a higher threshold for proceeding with a vote (50% rather than 35%). The National Mediation Board used the wrong standard when it authorized the election and acted in excess of its delegated authority, ruled the judge. Communications Workers of America, which seeks to represent the employees, said it would appeal the decision. . . . The U.S. Department of the Treasury proposed a regulation that could allow companies to remove lump sum benefit payouts in some circumstances, making a freeze possible for American, which said it has been "diligently working toward that goal," along with APA, Pension Benefit Guaranty Corporation and Unsecured Creditors Committee. "The lump sum benefit could drive pilot retirements that could pose significant operational risk," said the airline. Following a 60-day comment period, Treasury could issue a final regulation. American has already agreed to freeze its other pension plans. . . . US Airways reportedly will file with U.S. antitrust regulators as early as July for a proposed merger with American, but does not plan a unilateral filing. American has agreed to a general framework for exploring consolidation scenarios, but prefers to exit bankruptcy as an independent entity. . . . American won approval from bankruptcy court to

terminate leases on nine aircraft, in order to buy them, and plans to do the same with another 10 planes. The judge also approved AMR's bid to assume leases of certain storage space, ticket kiosks, hangar space and other areas at several U.S. airports.

**3. Hawaiian Code Shares With JetBlue, Adds Brisbane Nonstops.**

Hawaiian launched its first daily nonstop Airbus A330-200 service to JetBlue's Terminal 5 at New York Kennedy. Under a new code sharing agreement, Hawaiian is placing its code on select JetBlue-operated East Coast flights. . . . Hawaiian will become the only U.S. carrier to operate service to Brisbane when it starts three weekly Boeing 767-300ER nonstops from Honolulu on November 27. The flights will be timed to connect with services throughout Queensland and to other states via an interline partnership with Virgin Australia. Hawaiian operates daily service to Sydney.

**4. Spirit Continues Dallas/Fort Worth Expansion.**

Spirit expanded Dallas/Fort Worth service with daily flights to Toluca/Mexico City, Detroit, San Diego and Portland, Oregon, bringing to 15 the total number of nonstop destinations from the airport.

**5. AviancaTACA and Copa Join Star Alliance.**

AviancaTACA and Copa are the newest members of Star Alliance. Star partner United announced it would place its code on Avianca-operated flights to cities in Colombia, and Avianca on certain United-operated flights within the U.S.; United already code shares with Copa and has had a relationship with TACA since 2006. Copa has hubs in Panama City and Bogota. Avianca and TACA, which merged in 2009, have hubs are in Bogota, El Salvador, Lima and Costa Rica. Brazil's TAM is leaving Star, a regulatory requirement in the merger with Chile's LAN, a oneworld member, and the new airline, Latam, is expected to join oneworld.

**6. Delta Invests in Grupo Aeromexico.**

Delta's purchase of a 4% stake in AeroMexico was approved by Mexico's competition authority. The \$65 million stock purchase gives Delta a seat on the Board of Mexico's flagship. Both companies will share best practices in sales, operations, equipment maintenance and staff training. They already "offer 93 codeshare destinations that represent 733 daily flights in eight countries," and are working on "destinations such as New York, Los Angeles, Houston, Chicago and Miami, new daily service to Washington, DC from Mexico City and new flights to Atlanta." Consolidation also includes joint investment in new maintenance, repair and overhaul (MRO) facilities to open in Mexico in 2013. In related news, the U.S. Export-Import Bank approved final

commitments aggregating \$171 million to support export of Boeing 737 passenger aircraft to Aeromexico and goods and services from U.S. exporters, including certain MRO operations.

**7. Kakinoff Named CEO of GOL.**

Paulo Sergio Kakinoff was named CEO of Brazilian low-cost carrier GOL, replacing Constantino de Oliveira, who will become Chairman. Automotive veteran Kakinoff has served on the GOL Board since 2010.

**8. Uruguay Government Takes Control of Pluna.**

Uruguay took control of Pluna, after Leadgate transferred its 75% stake in the flag carrier to the Uruguayan Stock Exchange. Canadian investment group Chorus Aviation, formerly Jazz Air Income Fund, owns a stake in Leadgate as well as Jazz. Pluna CEO Matias Campiani resigned and CFO Sebastian Hirsch was named interim CEO. Pluna has about \$300 million in debt and up to \$35 million in recapitalization needs.

**9. JAL to Begin Tokyo-San Diego Service.**

See Section IX, item 2.

**10. Virgin America–JAL Interline Agreement.**

See Section IX, item 3.

**11. JetBlue, Air China to Partner.**

See Section IX, item 4.

**12. Turkish to Offer Houston Service.**

See Section IX, item 5.