



WASHINGTON AVIATION SUMMARY

August 2014 EDITION

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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. Boeing 777 Shot Down Over Ukraine; 298 Killed.

A Malaysian Airlines Boeing 777-200 (MH17) was shot down over eastern Ukraine on July 17 by what was believed to be a surface-to-air missile operated by Russian-backed separatists. Ukraine had closed airspace in the area at 32,000 feet, after the July 14 downing of a Ukrainian military aircraft. MH17 was flying above the prohibited zone, at 33,000 feet, from Amsterdam to Kuala Lumpur. It did not make a distress call. The crash killed all 298 people aboard, including 193 Dutch citizens. . . . The U.S. Federal Aviation Administration (FAA) immediately prohibited U.S. flight operations in airspace over eastern Ukraine, expanding an April prohibition for flights over Crimea and adjacent areas. EUROCONTROL and other entities issued similar prohibitions. . . . An international investigative team, led by the Dutch Safety Board at the request of its Ukrainian counterpart (NBAAI), includes Boeing and the U.S. National Transportation Safety Board (NTSB). The on-site probe is hindered by unsafe battle conditions. Evidence and traces have been damaged or lost, but victims' remains are being shipped to the Netherlands. Investigators have retrieved the flight data and cockpit voice recorders from separatists and they have sent them to the UK for analysis. . . . Dutch prosecutors have opened criminal proceedings and the UN Security Council called for an international investigation; the UN High Commissioner for Human Rights said the event may amount to a war crime. . . . Airlines need clear and accurate information to base operational decisions on where and when it is safe to fly, said a spokesman for the International Air Transport Association (IATA), at a meeting convened by the International Civil Aviation Organization (ICAO). ICAO reminded states of their responsibility to address risks to civil aviation in their airspace, and, with IATA, Airports Council International and Civil Air Navigation Services Organization, planned to establish a task force to address how essential threat information can be collected and disseminated. Industry urged ICAO to also address “the need to incorporate into international law, through appropriate UN frameworks, measures to govern the design, manufacture and deployment of modern anti-aircraft weaponry”; and “to find ways through international law that will oblige governments better to control weapons which have the capability to pose a danger to civil aviation.”

2. U.S. Ambassador to ICAO Confirmed.

The Senate confirmed Michael Anderson Lawson as U.S. Ambassador to the ICAO Council. Lawson is the immediate past President of the Los Angeles World Airports' Board of Airport Commissioners.

3. FAA Proposes \$12 Million Civil Penalty Against Southwest.

FAA is proposing a \$12 million civil penalty against Southwest for failing to comply with Federal Aviation regulations in three separate enforcement cases related to Boeing 737 repairs. . . . A \$295,750 civil penalty was proposed against Utah-based SkyWest for allegedly violating DOT drug and alcohol testing regulations.

4. NTSB Denies Petition on 1996 TWA Flight 800 Crash.

NTSB declined to reconsider its findings in the investigation of the crash of TWA Flight 800, “because the evidence and analysis presented did not show the original findings were incorrect.” The TWA 800 Project petitioned the Board in June 2013, claiming a “detonation or high-velocity explosion” caused the crash. The Boeing 747-100 exploded over the Atlantic Ocean on July 17, 1996, after takeoff from New York Kennedy; all 230 people onboard died. After a lengthy investigation, NTSB concluded that a wiring short circuit sparked a fuel tank explosion.

5. DOT Air Travel Consumer Report for May.

Based on data filed by largest U.S. airlines.

| | May '14 / '13 | April '14 | Full Year | | | | |
|----------------------|------------------|--------------|-----------|--------|--------|--------|-------|
| | | | 2013 | 2012 | 2011 | 2010 | 2009 |
| On-time arrivals % | 76.9/79.4 | 79.6 | 78.34 | 81.85 | 79.6 | 79.8 | 79.5 |
| Cancellations % | 1.9 / 1.1 | 1.1 | 1.51 | 1.29 | 1.91 | 1.76 | 1.39 |
| Mishandled baggage* | 3.34/2.96 | 2.92 | 3.22 | 3.09 | 3.35 | 3.51 | 3.91 |
| Consumer complaints: | | | | | | | |
| Airline service | 1,280/975 | 1,259 | 13,168 | 15,338 | 11,546 | 10,988 | 8,821 |
| Disability-related | 64 / 53 | 68 | 679 | 741 | 628 | 572 | 519 |
| Discrimination** | 4/6 | 6 | 79 | 99 | 128 | 143 | 131 |

Note: Airlines reported four tarmac delays of more than three hours on domestic flights in May and one of more than four hours on an international flight.

* Reports per 1,000 passengers.

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

6. Farnborough Air Show Recap.

Announcements at the Farnborough Air Show included Boeing orders and commitments for 201 airplanes valued at more than \$40.2 billion. Included are 50 B-777-9Xs and 4 B-777 Freighters worth \$20.1 billion, from Qatar Airways, and a Hainan Airlines order for 50 B-737 MAX 8s worth \$5.1 billion. In its

annual Current Market Outlook, Boeing projected demand for 36,770 new airplanes over next 20 years, up 4.2% from last year's forecast, with total value at \$5.2 trillion; single-aisle market will need 70% of total units (25,680), mostly due to continued emergence of low-cost carriers. . . . Airbus signed Memoranda of Understanding (MOUs) for 138 aircraft worth \$36.9 billion and purchase orders for 358 worth \$38.4 billion. The A330neo launched with 121 orders, including 50 for AirAsia X worth \$13.8 billion. . . . Embraer signed a Letter of Intent with Azul Brazilian Airlines for 30 firm orders and 20 purchase rights for the E195-E2, with a total value of \$3.1 billion; Azul is the launch operator for this aircraft. JetBlue founder David Neeleman is founder and CEO of Azul, which previously announced it would begin daily Airbus A330-200 service to Fort Lauderdale by first quarter 2015. Embraer's Market Outlook 2014-2033 forecasts need for 6,250 jets in 70 to 130-seat category. . . . Bombardier announced 74 orders and commitments valued at more than \$4.25 billion. . . . Mitsubishi signed an MOU for 20 firm MRJ90s with purchase rights to an additional 20, for Miami-based startup Eastern Air Lines Group; deliveries scheduled to begin in 2019. Eastern plans to start as a charter serving the Caribbean and Central and Latin America, and begin scheduled service by the end of 2015; Edward Wegel is President and CEO.

II. AIRPORTS

1. ACI: Global Passenger Traffic Up 4.7% in May.

Global passenger traffic grew by 4.7% in May, compared to May 2013, reports Airports Council International, with international up 5.9% and domestic 3.7%. Growth leaders were Middle East (7.5%) and Latin America-Caribbean (6.7%) airports. North American airports posted gains of 3.3%. Passenger traffic was up 4.4% at EU airports and 6.4% at non-EU airports. Air freight markets grew by 4.2% in May, with Europe (6.6%) and Asia-Pacific (5.6%) showing the strongest gains.

2. Ray LaHood Leads Search for Chicago Aviation Commissioner.

Chicago Mayor Rahm Emanuel named Former Secretary of Transportation Ray LaHood to lead the search for an aviation commissioner to replace Rosemarie Andolino, who is stepping down in October after 11 years. The position oversees O'Hare and Midway.

3. \$1.8 Billion Project for Salt Lake City.

Salt Lake City International started construction on a \$1.8 billion, 700,000-square-foot terminal, which will replace the existing two terminals and International Arrivals building.

4. Ontario Raises Aviation Fuel Tax.

Despite industry opposition, Ontario's new budget nearly triples its aviation-fuel tax. The Conference Board of Canada examined the tax's economic costs and found that a significant portion of new tax's projected revenue could be lost if traffic decreases at Ontario airports. As many as five million passengers could defect to lower-priced U.S. border airports. Another report projects a \$67-97 million cut to provincial gross domestic product from the measure, with a negative impact on 2,000-3,000 jobs, said Canadian Airports Council.

5. EC Decisions on Airport State Aid.

The European Commission ordered Ryanair to repay France about €10 million it received as rebates and marketing support for operating at the Nimes, Pau Pyrenees and Angouleme airports, saying the illegal state aid gave Ryanair an unfair advantage. The Commission also ordered Air France's low-cost subsidiary Transavia to repay €400,000 in illegal state aid at Pau Pyrenees, and broadened its investigation into financial assistance that may be favorable to Ryanair at Austria's Klagenfurt Airport. The Commission referred Italy to the European Court of Justice for failing to follow a 2012 order to recover state aid

of €360 million in a case involving Milan airport operator SEA and its ground-handling unit. State aid granted to Germany's Dortmund, Leipzig-Halle and Niederrhein-Weeze airports was cleared.

6. Authorities Briefly Restrict Flights to Tel Aviv.

FAA on July 22 issued a Notice to Airmen (NOTAM) prohibiting U.S. airlines from flying to or from Tel Aviv Ben Gurion International for up to 24 hours, when it learned a rocket from Gaza had struck about a mile from the airport. European Aviation Safety Agency (EASA) issued a “strong recommendation to avoid Tel Aviv” to European airlines. Thousands of travelers were stranded as airlines suspended flights, with El Al struggling to pick up the slack and Israel opening Ovda Airport, near Eilat, to more international flights. FAA lifted restrictions on July 23, having “carefully reviewed both significant new information and measures the Government of Israel is taking to mitigate potential risks to civil aviation.” EASA then recommended that European national authorities decide flight operations to and from Tel Aviv “on thorough risk assessments, in particular using risk analysis made by operators.”

7. Attacks on Kabul, Tripoli Airports.

Kabul Airport, used for both commercial and military operations, was closed and flights were diverted to other cities, after an attack by militants armed with rocket-propelled grenades and automatic rifles. . . . Damage and destruction of aircraft operated by Libyan Airlines and Afriqiyah Airways during shelling at Tripoli Airport is estimated at \$2 billion. A rocket hit a fuel storage tank in a battle for the airport, curtailing international flights to Libya.

III. **SECURITY AND DATA PRIVACY**

1. **U.S. Introduces New Security Measures at Overseas Airports.**

Jeh Johnson, Secretary of the Department of Homeland Security (DHS), directed the Transportation Security Administration (TSA) to implement enhanced security measures at 15 airports in Europe, Africa, and the Middle East with direct flights to the United States. Travelers were warned to charge cell phones and other electronic devices prior to going through security checkpoints, as powerless devices would not be permitted onboard the aircraft. In remarks at the Aspen Security Forum on aviation security, TSA Administrator John Pistole said there was no timeframe for lifting the new measures, citing insufficient perimeter fencing at some overseas airports to safeguard against shoulder-fired missiles, and increasing bomb-making sophistication of groups like Al Qaeda in the Arabian Peninsula, which, since 2009, has unsuccessfully planned at least three attacks on airliners.

2. **September 11 Security Fee Increased.**

A restructured September 11th Security Fee took effect on July 21. Passengers now pay \$5.60 per one-way trip. The fee formerly was assessed on a per-enplanement basis and capped at \$5 per one-way trip (maximum two enplanements) or \$10 per roundtrip (maximum four enplanements) itinerary. Airlines for America had urged Congress and the Administration to reinstitute the cap “and protect passengers, particularly those from small or rural communities, who often fly multiple segments for one-way trips, from an unjustified and unauthorized fee increase,” and now, with IATA, has petitioned the U.S. Court of Appeals for the D.C. Circuit for review of the fees.

3. **CBP Adds Overtime Staffing at Some Airports.**

U.S. Customs and Border Protection (CBP) will improve processing and inspection times for incoming commercial and cargo traffic at 16 U.S. entry points, including airports in Los Angeles, San Francisco, Orlando, Las Vegas, and Denver. The additional overtime costs are reimbursable by approved private sector and state and local government entities.

4. **Rules Leaked for No-Fly List Inclusion.**

A National Counterterrorism Center document that contains rules for adding someone to the U.S. government’s terrorist watchlist was leaked by *The Intercept*, an online magazine created by Glenn Greenwald and others who reported on documents provided by National Security Agency (NSA) whistleblower Edward Snowden. The “Watchlisting Guidance” states that

officials should have “reasonable suspicion” of a connection to terrorist activity for inclusion on watchlists such as the “no-fly” list. But, cites *The Intercept*, “the secret process requires neither ‘concrete facts’ nor ‘irrefutable evidence’ to designate an American or foreigner as a terrorist.”

5. **House Passes Airport Security Bills.**

See Section VI, item 2.

6. **Hearing on TSA Management of Private Sector Screening Program.**

See Section VI, item 3.

IV. E-COMMERCE AND TECHNOLOGY

1. U.S. Travel Agency Ticket Sales Rise 5.14% in First Half.

Consolidated dollar value of airline tickets sold by U.S.-based travel agencies rose 5.14% in first-half 2014, compared to same period 2013, to \$48.5 billion versus \$46.1 billion, said Airlines Reporting Corporation (ARC). Sales for June 2014 were up 7.4% at \$7.6 billion. Ticket transactions through June 2014 increased 2.41% to 77.5 million. Year-to-date passenger segments increased 2.6% to 186.5 million, compared to 181.7 million in 2013. Results based on monthly sales data ending June 30, 2014, from 13,387 U.S. retail and corporate travel agent locations, satellite ticket printing offices and online travel agencies. The numbers do not include sales of tickets purchased directly from airlines. Total sales are equal to total amount paid for ticket, which includes taxes and fees.

2. CheapOair Enables Spirit Customers to Book Bags.

CheapOair is Spirit Airlines' first distribution partner for its paid baggage options, enabling customers to save up to 50% by paying fees for checked or carry-on bags at time of booking instead of at the gate. CheapOair, owned by Fareportal, also sells ancillaries for American and Air Canada.

3. CheapAir Bitcoin Sales Top \$1.5 Million.

CheapAir, which in November 2013 became the first U.S. online travel agency to accept bitcoin, now says it has processed over \$1.5 million in bitcoin payments for flights, hotels, and Amtrak fares, using San Francisco-based Coinbase's two-click payment process. . . . Riga-based airBaltic announced it is the world's first airline to accept bitcoin for ticket payments; airBaltic teamed with Bitpay, a third-party payment processor that converts bitcoins into euros.

4. Expedia To Acquire Wotif Group.

Expedia agreed to acquire Australian-based online travel company Wotif, for A\$703 million. Wotif "is well positioned in the Asia-Pacific region with a portfolio of leading travel brands," said Expedia President and CEO Dara Khosrowshahi, including Wotif.com, lastminute.com.au, travel.com.au, Asia Web Direct, GoDo.com.au, and Arnold Travel Technology. Expedia brands include Hotels.com, Hotwire, Egencia, and CarRentals.com.

5. Etihad Partners With Google Flight Search.

Etihad customers in the US, Canada, the UK, the Netherlands, Spain, France, Italy, Germany, Poland, and Ireland can now use Google Flight Search to view

the carrier's schedules and fares. Once users select their flights they click "Book" to proceed to the Etihad website to purchase tickets, without having to fill in flight choices again. Flight Search can be accessed on tablets, smartphones, and desktop computers.

6. Emirates Offers Inflight Entertainment for Visually Impaired.

Emirates said it is the first airline to introduce Audio Description on movies for the visually impaired on its inflight entertainment system, ice (information, communication and entertainment). Audio Description is a recorded narration explaining the scene during gaps in dialogue, while the film soundtrack continues at its normal pace.

V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel, as of July 4, was \$121.5/barrel, up 2.4% on the month and up 0.7% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2014 is \$123.1/barrel.

2. **FAA Awards Environmental Grant to Portland.**

Portland International Airport won a \$331,653 VALE grant to reduce emissions and improve air quality by using alternative-fuel vehicles. Six compressed natural gas buses will transport airport passengers and employees from the terminal to parking and rental car facilities. Through FAA's Voluntary Airport Low Emission (VALE) program, airports have reduced ozone emissions by approximately 466 tons per year. Since 2005, FAA has funded 67 VALE projects at 34 airports, a total investment of \$167 million in clean airport technology. That amount includes \$133 million in federal grants and \$34 million in local airport matching funds.

3. **GOL Florida-Sao Paulo Flights Using Sugarcane-Derived Fuel.**

The first commercial flights using a farnesane blend will be operated by Brazilian airline GOL on its Boeing 737 flights from Florida to Sao Paulo. The recently approved renewable jet fuel, made in Brazil from sugarcane, was developed by Amyris and Total. Boeing, the Inter-American Development Bank and other partners support the project. In June, the ASTM for jet fuel standard was revised (D7566), paving the way for airlines to use Synthesized Iso-Paraffin (SIP) farnesane as a jet fuel component in commercial airlines globally. When produced sustainably, farnesane can reduce greenhouse-gas emissions by up to 80% on a lifecycle basis compared to traditional petroleum fuels; and studies show that farnesane reduces particulate-matter emissions by 3%, reducing pollution near airports and major metropolitan areas.

4. **Australia Repeals Carbon Tax.**

Australia repealed its carbon tax, termed "useless" and "destructive" by Prime Minister Tony Abbott. Sydney-based Climate Institute called the repeal "an historic act of irresponsibility and recklessness." "What we are left with as potential replacement policy rests on three wobbly legs—a Government fund subject to an annual budgetary arm wrestle, uncertain non-binding limits on some company emissions, and a renewable energy target under assault," said Climate Institute CEO John Connor. EU Climate Action Commissioner Connie Hedegaard said with the repeal of Australia's carbon-pricing mechanism,

“discussions to link the Australian system and Europe's carbon market will evidently be discontinued.”

5. Airlines Have Flown 600,000 Miles Using Biofuels.

More than 40 commercial airlines around the world have flown an estimated 600,000 miles powered at least in part by biofuels in the last five years, finds Navigant Research in its “Aviation and Marine Biofuels” report. By 2024 biofuels will make up 6.1% of the aviation and marine fuel market in the U.S. according to the same report.

6. Heathrow Vows Less Noise With Third Runway.

A UK Civil Aviation Authority analysis shows that “Heathrow can reduce aircraft noise while delivering long-haul flights that Britain needs to prosper in a global economy,” said airport officials. The noise reductions would result from a combination of a new runway location, steeper landing approaches and new aircraft technology. . . . British Airways, Airbus and air navigation service provider Nats will partner with Heathrow to study and develop procedures to reduce the number of people affected by noise near the airport. The three-stage ‘Quieter Flight’ project will use a British Airways Airbus A380.

VI. U.S. CONGRESS

1. House Approves Transparent Airfares Act.

The House of Representatives passed the Transparent Airfares Act of 2014, which would allow airlines to state base airfare and separately disclose government-imposed taxes and fees and total cost of travel in advertisements and on websites. If H.R. 4156 is passed by the Senate and signed by President Obama, it would reverse the 2012 DOT full price rule that requires airlines to include taxes and fees in advertised ticket prices. DOT would be required to issue final rules within 120 days of enactment. Proponents said the bill will allow passengers to better understand how much they are paying in base airfare, and in government-related costs. “Nearly \$63, or 21%, of a typical \$300 domestic round-trip ticket is actually federal taxes and fees in disguise,” said Airlines for America, noting that fliers “pay up to 17 different aviation taxes and fees, totaling more than \$19 billion in FY 2013.” The legislation was supported by labor, tax reform groups, and airlines, and followed an effort by Spirit, Southwest, and Allegiant Air to have the 2012 DOT rule overturned. Opponents included Business Travel Coalition, American Society of Travel Agents and consumer groups.

2. House Passes Airport Security Bills.

The House passed the Gerardo Hernandez Airport Security Act of 2014, which requires DHS to work with airports on emergency plans to deal with active shooters, terrorists, and incidents targeting security checkpoints; H.R. 4802 responds to the shooting at Los Angeles International last November, which killed TSA Officer Gerardo Hernandez and wounded three others. . . . The House approved the TSA Office of Inspection Accountability Act of 2014, which ensures employee workload matches position and pay within the Office of Inspection; H.R. 4803 responds to findings by the DHS Inspector General The Honor Flight Act (H.R. 4812) was passed to ensure “expedited and dignified screening” for veterans traveling to visit war memorials.

3. Hearing on TSA Management of Private Sector Screening Program.

The House Subcommittee on Transportation Security held a hearing on TSA’s Management of the Screening Partnership Program (SPP) to examine problems within the program and encourage TSA to take steps to enable more airports to choose private sector screening; 18 domestic airports currently participate in SPP. “To be clear, this does not mean airports that participate in SPP are opting-out of robust federal oversight and regulations,” said Subcommittee Chairman Richard Hudson (R-NC), who suggested TSA is

blocking efforts to privatize airport security checkpoints. He called for TSA to include federal retirement benefits in its methodology for calculating Federal Cost Estimates (FCEs) for each new SPP contract and to increase outreach to airports, among other needed changes to the program.

4. House Bill Reauthorizes Brand USA.

The House passed the Travel Promotion, Enhancement, and Modernization Act of 2014, which reauthorizes Brand USA, a public-private organization that promotes travel to the United States. Passage of H.R. 4450 “has paved the way for us to build on our record 70 million inbound international visitors last year,” said U.S. Travel Association; “overseas visitors to the U.S. spend nearly \$4,500 on average per trip—dollars that support jobs that cannot be exported.” A companion bill has been introduced in the Senate.

5. Senate Extends Terrorism Insurance Program.

The Terrorism Risk Insurance Program Reauthorization Act of 2014 was passed in the Senate, extending the termination date of the 2002 Terrorism Risk Insurance Act through 2021. S. 2244 would decrease the federal share of compensation for insured losses of an insurer during each program year by 1%, until that share equals 80%; and increases the insurance marketplace aggregate retention amount (currently \$27.5 billion) by \$2 billion per calendar year, until such amount equals \$37.5 billion.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. State Department Travel Warnings and Alerts in July.

The U.S. State Department advised U.S. citizens to consider deferral of non-essential travel to Israel and the West Bank, and reaffirmed a longstanding strong warning against travel to the Gaza Strip, due to ongoing hostilities. U.S. government employees may not conduct official or personal travel to the Gaza Strip, which is under the control of Hamas, a foreign terrorist organization. Long-range rockets launched from Gaza since July 8 have reached many locations in Israel, including Tel Aviv and Jerusalem, and FAA briefly prohibited U.S. flights to Tel Aviv. The U.S. Embassy in Tel Aviv is operating at reduced staffing; the U.S. Consulate General in Jerusalem is maintaining normal operations. . . . The security threat level in Yemen is extremely high, due to terrorist activities and civil unrest. The State Department urges U.S. citizens to defer travel to Yemen and if living there to depart. The U.S. Embassy in Sana'a remains a restricted staffing post. In May, the Embassy closed for almost five weeks because of heightened security threats. . . . On July 26, the State Department suspended all embassy operations in Libya, due to ongoing violence between Libyan militias in the immediate vicinity of the Embassy. U.S. citizens are warned against travel to Libya and if in Libya to depart immediately. Armed clashes have occurred in areas near Tripoli International Airport, and closures of international airports occur regularly, whether for maintenance, labor, or security-related incidents. Flight cancellations occur frequently. . . . The State Department alerts U.S. citizens in Russia to ongoing tensions along the border with Ukraine and the potential for increased clashes between pro-Russian groups and Ukrainian forces, specifically districts immediately bordering Ukraine in parts of Bryansk, Kursk, Belgorod, Voronezh, and Rostov Oblasts, and Krasnodar Krai. A state of emergency, declared by the Russian government, is in effect in the Rostov Oblast bordering Ukraine. U.S. citizens are strongly advised against traveling by land from Russia to Ukraine through this region. Following the downing of Malaysian Airlines Flight 17, FAA prohibited flight operations by U.S. operators within the Simferopol and Dnepropetrovsk flight information regions managed by Ukraine. ICAO also advised air operators of a potentially unsafe situation in the Simferopol region. U.S. citizens in Russia should be alert to the potential for disruptions to commercial air traffic throughout the region.

VIII. EUROPE AND AFRICA

1. Air Algeria Crash Kills 118.

Air Algeria Flight 5017 crashed in Mali, en route from Burkina Faso to Algiers, in severe weather conditions. All 112 passengers and six crew members were killed, among them 54 French and 28 Burkina Faso nationals. The Boeing MD-83 was owned by Spanish company Swiftair. Mali will lead the investigation, according to protocol, with the aid of the French Bureau of Investigation and Analysis (BEA) which has the flight data and cockpit voice recorders. French President François Hollande said passenger remains will be repatriated to France for the inquiry.

2. Nigeria Starts Airport Screening For Ebola.

Nigerian Civil Aviation Authority began Ebola virus screening and monitoring at international airports, using a hand-held machine to check passenger's temperatures; and suspended all inbound flights of pan-African airline ASky, which had transported a Liberian national with Ebola into Lagos, where he died. Arik Air suspended flight operations to Liberia and Sierra Leone following that death and advised that the government immediately suspend all flights into Nigeria from Ebola-affected countries. The Gambian government earlier suspended inbound operations from Monrovia, Conakry, Guinea, and Freetown. Sierra Leone has declared a state of emergency and called in troops to quarantine Ebola epicenters. Ebola has been blamed for 729 deaths in Liberia, Guinea, Sierra Leone and Nigeria, according to the World Health Organization (WHO), which at press time was not recommending any travel restrictions or border closures due to the outbreak. IATA stated it "will continue to monitor developments closely in the Ebola outbreak in close coordination with the WHO and ICAO, with respect to potential implications for air connectivity."

3. JetBlue, South African Expand Code Share Routes.

JetBlue began code sharing on South African Airways daily nonstop Airbus A340 flights between Washington Dulles and Dakar, Senegal. The carriers code share on flights to Johannesburg, Cape Town, Durban, Port Elizabeth, and East London in South Africa.

4. Norwegian Begins U.S. Flights from London Gatwick.

Norwegian began Boeing 787 service between London Gatwick and the U.S., with two weekly flights to Los Angeles International, three weekly to New York Kennedy, and two weekly to Fort Lauderdale. Introductory fares were as low

as £149 one-way. “The travelling public deserves affordable fares and flexible tickets across the Atlantic,” said CEO Bjørn Kjos; “the transatlantic market has for too long been dominated by a few large airlines offering unreasonably high fares and restricted ticket flexibility.” The carrier offers nonstops between Scandinavia and New York, Fort Lauderdale, Los Angeles, Oakland, and Orlando. An application to DOT for authority to operate long-haul flights on an Irish Air Operating Certificate is pending amid opposition from labor groups and other airlines; the U.S. House of Representatives recently passed an amendment stating that such application shall not be granted if it violates provisions of the U.S.- EU Open Skies agreement or U.S. public-interest law.

5. Commission Approves Restructuring Aid for LOT Polish Airlines.

The European Commission approved restructuring aid for state-owned LOT Polish Airlines, concluding that €200 million Poland plans to grant is in line with EU state aid rules, and that LOT's restructuring plan “will allow the company to become viable in the long-term without unduly distorting competition in the Single Market.” The Star Alliance member will give up some profitable routes and slots at several congested airports, to “limit the distortions of competition brought about by the aid,” said the Commission, and its “contribution to costs of restructuring, provided in the form of a finance lease obtained on market terms, covers more than 50% of these costs, and thus even exceeds the level required in the guidelines.”

6. Lufthansa Unveils New Platforms, Products.

Lufthansa will introduce lower-priced, no-frills services to attract leisure travelers. A “Wings” family will bundle Lufthansa’s European point-to-point brands, and include Germanwings which will take over routes not serving Frankfurt or Munich by next spring; the Germanwings fleet will grow to up to 60 aircraft. Short-haul unit Eurowings will offer a competitive product for continental travel; the Bombardier CRJ fleet will be replaced with Airbus A320s, with launch set for spring 2015. A competitive new long-haul platform under the Wings banner is being studied, possibly with a partner; talks are at an advanced stage with Turkish Airlines. Closer collaboration with Star Alliance partner Air China could lead to a joint-venture arrangement. “In the dynamic and highly price-sensitive market segments, our current platforms only enable us to exploit the growth potential to a limited extent, in view of their sometimes over-rigid cost structures,” said new CEO Carsten Spohr. Lufthansa Technik and LSG Sky Chefs are “benefiting from the expansions of numerous Lufthansa competitors, especially the Gulf-based carriers,” said Spohr, and will be expanded with a focus on Asia and the Americas. Lufthansa intends to invest €500 million in innovations group-wide between now and 2020. Lufthansa Passenger Airlines will reduce 2014 available-seat-kilometer

capacity growth by over 50% compared to original plans, and will withdraw five aircraft from its European network and three from intercontinental in the 2014/15 winter period. Lufthansa Cargo capacity will also be reduced this winter through withdrawal of two Boeing MD-11s.

7. CEO Christoph Mueller Leaves Aer Lingus Next May.

Aer Lingus Executive Director and CEO Christoph Mueller will step down in May 2015. Since his arrival in 2009, the former TUI executive cut costs, achieved profitability and resisted takeover attempts by Ryanair. A search to replace him is underway.

8. EU Decisions on Airport State Aid.

See Section II, item 5.

9. Service Reductions to Venezuela Continue.

See Section IX, item 7.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. TransAsia Crash in Taiwan Kills 48.

TransAsia Flight GE222 en route from Kaohsiung crashed on the Taiwanese island of Penghu after a failed emergency landing, killing 48. Stormy weather and low visibility were factors in the crash of the ATR 72-500. The Aviation Safety Council of Taiwan is leading the investigation and has the flight data and voice recorders.

2. Etihad To Launch Daily San Francisco Service.

Etihad will begin daily San Francisco service on November 18, using a three-class Boeing 777-300ER leased from strategic partner Jet Airways (India) and operated by Etihad crew. In December, Etihad will begin Dallas/Fort Worth service, its sixth U.S. route. . . . Etihad announced code share agreements with Brazilian airline Gol and Philippine Airlines, which told the *Wall Street Journal* that a foreign airline would soon acquire a stake in the Philippines flag carrier.

3. Military Exercises Cause Canceled Flights in China.

Chinese aviation authorities began a three-week reduction in flights, asking airlines to reduce flight traffic at Shanghai Hongqiao and Pudong airports, amid military exercises along the southeastern coast. Smaller airports in eastern and southern China are also affected. Stormy weather was responsible for additional flight cancellations in July.

4. SkyTeam Offers Pass for 26 Countries.

SkyTeam launched Go Round Asia and Southwest Pacific Pass, which includes 26 countries. Customers can choose from a minimum of three to a maximum of 11 flights for travel in Economy or Business Class. Fares are calculated within three mileage bands of 13,000, 17,000, and 21,000 miles and travel must begin and end in the same country. At least one stop must be in Australia or New Zealand.

5. ANA Formally Cancels Equity Investment in Asia Wings.

ANA Holdings formally announced the cancellation of its planned 49% stake in Asia Wings Airways, saying “competition between new and old airlines in Myanmar has intensified, bringing rapid changes in the external environment, and calling into question the assumptions made at the time of the original decision. Ultimately, negotiations for the capital participation with AWA were unable to reach an agreement, and the investment plan was canceled as a

result.” In other news, All Nippon confirmed orders for 40 Boeing widebodies worth \$13 billion at list prices, and 30 Airbus neo single-aisle jets worth \$3.49 billion.

6. Airbus Terminates Skymark Purchase Order for A380s.

Airbus notified Skymark Airlines that a purchase order for six A380s signed in 2011 has been terminated, and said it “is reserving all its rights and remedies.” Haneda-based Skymark said it had paid Airbus 26.5 billion yen for the rights, and if faced with a penalty there is “material uncertainty” as to whether it will continue to operate. Japan’s third-largest carrier also said it may cancel unprofitable flights.

7. Authorities Briefly Restrict Flights to Tel Aviv.

See Section II, item 6.

8. Attacks on Kabul, Tripoli Airports.

See Section II, item 7.

9. Service Reductions to Venezuela Continue.

See Section IX, item 7.

X. AMERICAS

1. American Reports Record Quarterly Profit.

American Airlines Group reported a second quarter net profit of \$1.5 billion, a record for any quarter in American Airlines history, and initiated a quarterly dividend, the first cash dividend declared at American since 1980. Q2 consolidated passenger revenue per available seat mile (PRASM) was expected to be up 5.5% to 6.5% versus same period last year. . . . Maintenance training specialist, fleet service and mechanic, and related employees at US Airways, represented by the International Association of Machinists and Aerospace Workers (IAM), ratified three collective bargaining agreements, which will remain in effect until a joint collective-bargaining agreement covering employees of the new American Airlines is reached. The three-year accords include “significant wage hikes and industry-best job security while retaining affordable health insurance and preserving defined-benefit pension plans at the carrier,” said the IAM. Negotiations for joint flight attendant and pilot agreements are underway. . . . American and Island Air began interline e-ticket sales and airport through check-in. Owned by Oracle founder Larry Ellison, Island Air flies 64-seat ATR-72 turboprops between Oahu, Maui, Kauai, and Lanai; CEO is Paul Casey. . . . American-operated connecting flights between Los Angeles and New York were added to a code share agreement with oneworld partner Malaysia Airlines, which also code shares on American services to Dallas from Hong Kong and Seoul.

2. United Q2 Net Income Increased 51%.

United second-quarter net income increased 51% year-over-year to \$919 million, excluding \$130 million of special items. Profit of \$789 million offset a Q1 loss of \$609 million. The airline announced it will reconfigure flight operations at hubs for improved connections and profitability. United is reducing the number of regional flying partners and plans to remove more than 130 regional jets in the next year; 76-seat jets will replace 50-seat aircraft. In other news, United and the IAM came to an agreement regarding outsourcing of union jobs at Hawaiian airports; more than 200 ground workers will keep their positions.

3. FedEx Pleads Not Guilty to Drug Shipping Charges.

FedEx pleaded not guilty to charges brought by the U.S. Department of Justice related to the transportation of prescription medications for illegal Internet pharmacies, saying it has “repeatedly requested that the government provide a list of online pharmacies engaging in illegal activity. . . . So far the government has declined to provide such a list.” United Parcel Service (UPS)

agreed last year to forfeit \$40 million in payments from illicit online pharmacies under a non-prosecution agreement with the Justice Department.

4. **Virgin America Files for Proposed IPO.**

California-based Virgin America filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering (IPO) of its common stock. Employees will sell 1.75 million of shares in the offering; proceeds will fund growth and repay debt owed to stakeholders Cyrus Capital Partners and Virgin Group.

5. **David Campbell Named President of Horizon Air.**

David Campbell was named President and Chief Operating Officer of Horizon Air, an Alaska Air Group subsidiary. Campbell has held management positions at JetBlue and American. He replaces retiring Glenn Johnson.

6. **Spirit June Traffic Up 16.9%.**

Spirit June 2014 revenue passenger miles increased 16.9%, versus June 2013, on a capacity increase of 15.4%. Adjusted net income for second quarter 2014 increased 45.2% to \$66.5 million, compared to \$45.8 million for Q2 2013. . . . Spirit ramp agents at airports in Fort Lauderdale, Detroit, Atlantic City, and Myrtle Beach voted for representation by the IAM, in an election overseen by the National Mediation Board. . . . As part of an effort to “help customers learn about its different approach to air travel,” Spirit was giving away up to one billion FREE SPIRIT® miles in July. Those who shared frustrations with flying on the low-cost carrier could receive 8,000 miles, said CEO Ben Baldanza, as could those who told the airline “about a good time they had saving on Spirit.”

7. **Service Reductions to Venezuela Continue.**

LATAM agreed to a payment plan proposed by the Venezuelan government for repatriation of \$148 million, but other airlines continued to reduce service as the government fails to permit them to repatriate their revenue in full and at fair exchange rates. “While the government has permitted the repatriation of \$424 million shared among a number of airlines, continuing sales in the country have seen the total amount owed grow to a staggering \$4.1 billion,” said IATA, noting that “international capacity to and from Venezuela is down 49% from peak service levels offered last year and 36% lower year on year.” Delta requested to exchange more than \$188 million and will reduce daily service between Atlanta and Caracas to weekly, effective August 1. American said \$791 million of its unrestricted cash balance is held in Venezuelan bolivars and has reduced its 48 weekly flights to 10. Other recently announced flight reductions include United’s daily from Houston to four weekly and

Lufthansa's five weekly to three. Aerolineas Argentinas will reduce seats to Venezuela by 17%, and Spain's Air Europa by 57%. Air France-KLM is owed a reported \$290 million and cited "the challenging situation in Venezuela" as a factor in a lowered 2014 profit forecast.

8. **JetBlue, South African Expand Code Share Routes.**

See Section VIII, item 3.

9. **Norwegian Begins U.S. Flights from London Gatwick.**

See Section VIII, item 4.

10. **Etihad To Launch Daily San Francisco Service.**

See Section IX, item 2.