



## 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. US Airways, American To Divest Slots in DOJ Settlement.**

American Airlines parent AMR Corp. and US Airways settled litigation to block their proposed merger brought by the Department of Justice (DOJ) and attorneys general of Arizona, Florida, Pennsylvania, Michigan, Tennessee, Virginia and the District of Columbia. The settlement requires slot and gate divestitures, including 104 slots not reserved for use by commuter planes at Washington Reagan National; 34 slots and associated ground facilities at New York LaGuardia; and rights and interests to two gates and associated ground facilities at each of Boston Logan, Chicago O'Hare, Dallas Love Field, Los Angeles International and Miami International. JetBlue at National and Southwest at LaGuardia may acquire slots they currently lease from American which are included in the total slots to be divested. Acquirers of the divestitures require DOJ approval, with preference given to airlines at each airport that do not currently operate a large share of slots or gates. The settlement prohibits the merged company from reacquiring the divested slots or gates during the 10 year term of the settlement, and requires advance notice of any future slot acquisition at National. . . . American and US Airways entered into a separate agreement with the Department of Transportation (DOT), under which the merged airline will use all of its Reagan National commuter slots for service to small- and medium-sized markets. In an agreement with the six state attorneys general, they agreed to maintain numerous hubs "consistent with historical operations for a period of three years." . . . The judge overseeing AMR bankruptcy proceedings ruled in favor of the settlement with DOJ and said the merger could proceed; AMR's emergence from Chapter 11 and the merger with US Airways are expected to close on December 9. (See also Section X, item 1.)

### **2. US Airways Fined \$1.2 Million for Disability Violations.**

DOT fined US Airways \$1.2 million for failing to provide adequate wheelchair assistance to passengers in Philadelphia and Charlotte during 2011 and 2012. Use of a combination of electric carts and wheelchairs between gates required frequent transfers and led to long delays; some passengers missed connections or were left unattended for long periods of time. US Airways may use up to \$500,000 of the fine to improve service to passengers with disabilities, including hiring managers to ensure quality of disability services in Philadelphia and Charlotte and providing compensation to passengers with disability-related complaints. . . . DOT fined Brazilian airline GOL \$250,000 for violating consumer protection rules, the largest ever penalty assessed for

violations of the rules adopted in April 2011. GOL's U.S. website initially failed to include a contingency plan for handling lengthy tarmac delays or a link from the homepage to fees for baggage and other optional services. GOL also violated the full-fare advertising requirement and failed to post its contract of carriage in an easily accessible form and to include required information on how consumers can file a complaint with the airline. . . . A \$30,000 civil consent fine was lodged against Alaska Airlines for violations and failure to adhere to terms of its contingency plan covering extended tarmac delays on a May flight from Philadelphia. During the delay, the carrier served snacks and beverages to passengers seated in first class, but failed to serve snacks and water to all passengers seated in the coach cabin.

**3. New DOT Rules for Passengers With Disabilities.**

DOT issued final rules requiring airline websites and automated airport kiosks to be accessible to passengers with disabilities. Airlines have two years to make website pages that contain core travel information and services accessible to persons with disabilities; all web pages must be accessible within three years. The requirement applies to U.S. and foreign airlines with websites marketing to U.S. consumers for travel within, to or from the United States. The rule also requires ticket agents to disclose and offer web-based discount fares to customers unable to use their sites due to a disability. At least 25% of kiosks installed at U.S. airports for services such as printing boarding passes and baggage tags must be accessible to passengers with disabilities. Airlines now have the option to stow wheelchairs in a cabin compartment on new aircraft or strap them to seats.

**4. FAA Issues Final Rule on Pilot Training.**

The Federal Aviation Administration (FAA) issued a final rule that requires: ground and flight training enabling pilots to prevent and recover from aircraft stalls and upsets; use of data by air carriers to track remedial training for pilots with performance deficiencies, such as failing a proficiency check or unsatisfactory performance during flight training; training for more effective pilot monitoring; enhanced runway safety procedures; and expanded crosswind training, including training for wind gusts. Carriers have five years to comply with the new provisions, which will allow time for necessary software updates in flight simulation technology. "The cost of the rule to the aviation industry is estimated to be \$274.1 to \$353.7 million," said FAA.

**5. FAA Issues AD for GE-Powered Boeing 747s and 787s.**

FAA issued an immediately effective Airworthiness Directive requiring operators of certain GE-powered Boeing 747s and 787s to avoid flying in moderate or severe high-altitude ice crystal icing conditions. Such conditions

can lead to engine damage and thrust loss events; unrecoverable thrust loss on multiple engines can lead to a forced landing.

**6. FAA, Industry To Develop Voluntary Training Guidelines.**

FAA Administrator Michael Huerta called on the airline industry to work together to assess voluntary actions to improve pilot, flight attendant and dispatcher training through an Air Carrier Training Steering Group, to be established early next year. The Steering Group, to be composed of safety experts from airlines, crew-member unions, government and the aviation community, will prioritize outstanding recommendations from earlier committees and the National Transportation Safety Board.

**7. DOT Air Travel Consumer Report for September.**

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

	Sept.	Aug.	Full Year				
	'13 / '12	'13	2012	2011	2010	2009	2008
On-time arrivals %	83.8 / 83.3	78.8	81.85	79.6	79.8	79.5	76
Cancellations %	0.9 / 0.8	1.0	1.29	1.91	1.76	1.39	1.96
Mishandled baggage*	2.7 / 2.7	3.12	3.83	3.35	3.51	3.91	5.26
Consumer complaints:							
Airline service	1,008 / 1,081	1,318	15,335	11,546	10,988	8,821	10,648
Disability-related	49 / 75	87	743	628	572	519	477
Discrimination**	5 / 7	7	99	128	143	131	115

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

\* Reports per 1,000 passengers.

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

## **II. AIRPORTS**

### **1. Delta Plans Expansion at Dallas Love Field.**

Delta plans to add 18 daily nonstops from Dallas Love Field in October, following changes to the Wright Amendment, which currently restricts Love Field service to Texas, adjacent states and Missouri, Alabama, Kansas and Mississippi. Delta asked the Justice Department to allow it to bid on Love Field gates as part of the airport asset divestiture in the settlement with American Airlines and US Airways. Currently at Love Field, 16 of the 20 gates and more than 95% of available seats are controlled by Southwest. Delta hopes to offer new nonstops from Love Field to New York LaGuardia, Los Angeles, Detroit, and Minneapolis-St. Paul, and two additional daily flights to Atlanta.

### **2. Atlantic City Wins United Service From Chicago and Houston.**

United will inaugurate daily nonstops to Atlantic City International from Chicago O'Hare and Houston Bush Intercontinental, on April 1, with 50-seat Embraer ERJ-145s. New Jersey Governor Chris Christie and United Chairman, President and CEO Jeff Smisek announced the service, which Smisek said "will drive business, tourism and economic development throughout the southern part of the state." The Port Authority of New York and New Jersey recently reached an agreement with the South Jersey Transportation Authority (SJTA) to perform certain general management services and functions for Atlantic City International, which is located in Egg Harbor Township, New Jersey. Currently, only Spirit Airlines serves the Airport.

### **3. Boston Logan First U.S. Airport To Use FOD Detection System.**

Boston Logan, under a pilot program with FAA, is the first U.S. airport to implement a runway sensor system that locates foreign object debris (FOD). Developed by Israeli company Xsight Systems, FODetect uses hybrid optical-radar remote-sensing technology and strategic positioning of sensors alongside the runway, co-located with runway edge lights. FODetect is installed on Logan's busiest runway and is fully operational. FOD caused the Air France Concorde crash near Paris, in 2000, that killed 113 people.

### **4. New Charlotte Airport Commission Convenes.**

The newly formed Charlotte Douglas International Airport Commission held its first meeting, amid a continuing legal battle with the city. The 13 members were sworn in and Robert Stolz was named Chairman. The Executive Director is Jerry Orr, who was the city's aviation director. Meanwhile, the airport

remains an independently funded city department, run by interim Aviation Director Brent Cagle.

**5. Brazil Privatizes Rio, Belo Airports.**

The Brazilian government auctioned 51% stakes in the Rio de Janeiro and Belo Horizonte international airports. The Aeroportos do Futuro consortium, formed by Brazilian construction company Odebrecht and Changi Airport Group, paid \$8.3 billion for a 25-year concession at Rio's Antonio Carlos Jobim Airport. The Aerobrasil group, formed by Brazilian construction company CCR and the operators of Zurich and Munich airports, paid \$840 million for a 30-year concession at Belo Horizonte's Confins Airport. State-run Infraero retains a 49% stake in Brazil's privatized airports, which include Brasilia and Sao Paulo Guarulhos.

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

#### 1. **Security Officer Murdered at LAX.**

One Transportation Security Officer (TSO) was killed and two others injured at Los Angeles International Airport by a gunman who said he acted alone. The FBI is leading the investigation, which U.S. Attorney General Eric Holder said would include a review of security at airports around the country. TSOs are not armed, and do not have oversight for general criminal activity at airports. The union for Transportation Security Administration (TSA) employees, the American Federation of Government Employees (AFGE), called for “a larger and more consistent armed presence in screening areas [and] a new class of TSA officers with law enforcement status.” AFGE noted that “A patchwork of inconsistent procedures, standards, and deployment of local law enforcement makes it hard to measure just how secure our screening areas truly are. The results of these inconsistencies are clear: thousands of TSOs are verbally assaulted and many others are physically attacked each year. In the face of such attacks, TSOs are left powerless to respond.” . . . In remarks at the AVSEC World Conference in Istanbul, Tony Tyler, Director General and CEO of the International Air Transport Association (IATA), said the shooting “is a reminder that aviation security is always going to be tested. It is a sad reality of modern life that evil and disturbed individuals often target public spaces, including airports, to commit atrocities. Regulators have the difficult task of balancing security with the needs of modern society for mobility.”

#### 2. **Senate Committee Approves DHS Secretary Nominee.**

The Senate Homeland Security and Government Affairs Committee approved President Barack Obama's choice to be Secretary of the Department of Homeland Security (DHS). Former Pentagon general counsel Jeh Johnson will succeed Janet Napolitano if approved by the full Senate.

#### 3. **TSA PreCheck Expands To Include Southwest, JetBlue.**

TSA PreCheck was expanded to include Southwest customers and customers of JetBlue who utilize the airline's mobile app boarding pass. JetBlue will expand participation to include paper boarding passes by 2014. The expedited screening program, available at 100 airports nationwide, also includes Alaska Airlines, American, Delta, Hawaiian, United, US Airways and Virgin America. . . . TSA PreCheck benefits will be expanded for members of the U.S. armed services on December 20, to all participating airports.

4. **Miami Receives TSA Grant for Baggage-Screening System.**

TSA granted the Miami-Dade Aviation Department \$101 million to help fund 12 new CTX 9800 DSi explosive-detection systems at Miami International. Similar to hospital CT scanners, the technology allows agents to virtually turn the contents of a bag, looking underneath or at slices of specific objects, and uses algorithms to compare the contents with known threats. The TSA grant also will fund construction of post-security corridors for connecting passengers between Concourses G and H.

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

### **1. FCC Reviewing Inflight Mobile Phone Calls.**

The Federal Communications Commission (FCC) is considering a proposal that would allow inflight passenger phone calls. “Modern technologies can deliver mobile services in the air safely and reliably, and the time is right to review our outdated and restrictive rules,” said new FCC Chairman Tom Wheeler. The Association of Flight Attendants-CWA (AFA) immediately urged FCC not to proceed, expressing concern that “in emergencies, cell phone use would drown out announcements and distract from life-saving instructions from the crew.” AFA stressed “the importance of maintaining a calm cabin environment . . . passengers making phone calls could extend beyond a mere nuisance, creating negative effects on aviation safety and security that are great and far too risky.” Following additional wide opposition to the proposal, Wheeler issued a clarification: “There is nothing in the proposal that prohibits airlines from developing whatever inflight phone usage policy they may wish . . . our proposal does not impose any requirement that airlines should provide voice connectivity [and] would make clear that there is no right to operate cellphones on planes as a default.”

### **2. U.S. Airlines Now Allow Gate-to-Gate Use of PEDs.**

JetBlue received approval from FAA for gate-to-gate personal electronic device (PED) use and became the first U.S. airline to implement the relaxed restrictions, which were announced on October 31. All major U.S. carriers now allow use on mainline domestic flights and are working with regional partners to extend the benefit.

### **3. EASA To Allow Use of Electronic Devices On Board.**

The European Aviation Safety Agency (EASA) issued guidance for use of PEDs on all phases of flight, for aircraft operated by European airlines, as long as devices are in ‘flight’ or ‘airplane’ mode. EASA is “looking at new ways to certify use of mobile phones on board aircraft to make phone calls.”

### **4. UATP, Alipay Partner.**

Washington-based UATP (Universal Air Travel Plan), which is owned by airlines worldwide, and Alipay International, which is China’s leading third-party online payment solution, have entered into a strategic partnership. Airlines and other travel enterprises can now connect to Chinese account holders on the Alipay platform via the UATP Network.

5. **Gogo Text & Talk Unveiled.**

Gogo unveiled Text & Talk, which allows passengers to send text messages and make phone calls from their own smartphone using an app from the Apple App Store or Google Play. The new technology leverages Gogo's Wi-Fi system used on commercial and business aircraft.

6. **Airport IT Investment Set To Reach \$6 Billion.**

Information technology (IT) investment at the world's airports will reach \$6 billion in 2013, according to a SITA survey, produced with Airports Council International (ACI) and Airline Business. By 2016, 95% of airports plan to invest in mobile apps to provide status information and help passengers navigate the airport; 75% will offer passenger services via social media, up from 56% today; and 80% will provide bag tag printing and assisted bag drop.

7. **Ancillary Revenue To Reach \$42.6 Billion Worldwide in 2013.**

Airline ancillary revenue will reach \$42.6 billion worldwide in 2013, compared to a 2010 estimate of \$22.6 billion, according to IdeaWorksCompany and CarTrawler. Revenue from à la carte services—onboard food and beverage sales, checked baggage, premium seats, and early boarding—represent \$23.7 billion of the total, while non-fee activity, such as sales of frequent flier miles to program partners and commissions on hotel accommodations and car rentals, generates \$18.9 billion.

8. **Corporate Travel Spending To Increase by 10% in 2014.**

According to the Corporate Travel Intentions 2014 Survey, released at the CAPA Corporate Travel Innovation Summit in Amsterdam, 21% of respondents believe their air travel spending will increase by 10% or more in 2014, while 33% believe spending will rise by up to 10% and 6% believe it will decrease; 56% believe transatlantic joint ventures result in less choice for travelers and less leverage for corporates; 37% expect use of low-cost carriers in their travel programs to increase in 2014, with 2% expecting a decline; 46% expect spending on High Speed Rail to increase in 2014.

## V. ENERGY AND ENVIRONMENT

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

Average price of aviation jet fuel, as of November 8, was \$119.8/barrel, down 3.3% on the month and down 4.3% year-on-year, reports the International Air Transport Association. Fuel price average for 2013 was \$124.3/barrel.

### 2. GE Seeks Alternative Fuel Sources for Jet Engine Testing.

GE Aviation agreed to purchase cellulosic synthetic biofuel from The D'Arcinoff Group, based in Washington, D.C., to be used for production and development testing of GE jet engines. The 10-year agreement calls for a baseline commitment of 500,000 gallons annually, with options to order up to 10 million gallons annually. The fuel will be produced at a facility in Hudspeth County, Texas, to be operational by early 2016, which will integrate synthetic fuel, power generation and distribution. GE Aviation consumes 10 million gallons of jet fuel annually at its engine testing centers.

### 3. European Parliament Backs New EU Infrastructure Policy.

The European Parliament gave final approval to the European Commission's new infrastructure policy, which includes nine transport corridors connecting key European economic centers, supported by a network of routes, feeding into the core network at regional and national levels. The Trans-European Transport Network (TEN-T) will connect key airports, seaports, roads and railways; 38 airports will be integrated into the network with fast rail links to major cities and intermodal freight connections. TEN-T will improve sustainability by ensuring that travelers and shippers can use the most efficient blend of transport modes to reach their destinations and reducing congestion will optimize fuel economy, said the EU. The core transport network, built on two North-South, three East-West, and four diagonal corridors, will be completed by 2030, with a goal to ensure that progressively, and by 2050, most of Europe's citizens and businesses will be no more than 30 minutes' travel time from this comprehensive network.

## VI. U.S. CONGRESS

### 1. Airport Security Act Introduced.

Following the murder of a TSA agent at LAX, House Democrats introduced the Airport Security Act of 2013, which would prohibit anyone other than local law enforcement and Homeland Security employees from carrying guns in U.S. airports and outside in pickup and drop-off areas. An individual who possesses a firearm at a covered airport shall be fined, imprisoned up to 10 years, or both. An exception is made for unloaded guns in locked, hard-sided cases carried or to be shipped by ticketed passengers. H.R. 3484 was referred to the House Homeland Security and Judiciary Committees.

### 2. Lawmakers Question DOJ Proposed Airline Merger Settlement.

In a letter to Attorney General Eric Holder, House and Senate Transportation Committee leaders expressed concern over the proposed settlement agreement with US Airways and American, saying service to small communities and rural states will suffer if DOJ limits the allocation of divested slots and gates to only low cost airlines. "We just believe the process should be open to all carriers," wrote Chairman Jay Rockefeller (D-WV) and Ranking Member John Thune (R-SD) of the Senate Commerce, Science, and Transportation Committee; and Chairman Bill Shuster (R-Penn) and Ranking Member Nick Rahall (D-WV) of the House Transportation and Infrastructure Committee. A copy was sent to Transportation Secretary Anthony Foxx.

### 3. Budget Negotiators Urged To Reject TSA Fee Increase.

An industry coalition led by Airlines for America wrote to House and Senate Budget Committee Chairmen Paul Ryan and Patty Murray urging rejection of any increase in the TSA passenger security fee, as negotiators try to reach an agreement that would prevent another federal government shutdown. Doubling the TSA passenger security fee from \$2.50 to \$5 would cost passengers more than \$730 million annually and drive up the cost of air travel, said A4A President and CEO Nicholas Calio. "Congress should instead focus on improving the efficiency of TSA, which collected \$2.3 billion in security taxes from airlines and their customers last year, more than double the amount collected in 2002."

### 4. Bill Would Block Abu Dhabi Customs Facility.

Legislation introduced in the House would block the opening of a U.S. Customs and Border Patrol (CBP) pre-clearance facility at Abu Dhabi International Airport. The proposed facility would allow U.S.-bound travelers to

clear customs before arrival. However, state-run Etihad is the only airline with regular service from Abu Dhabi to the U.S., a situation that could “give Etihad a competitive advantage as travelers choose to route themselves through Abu Dhabi to undergo pre-clearance,” said sponsors Pat Meehan (R-PA) and Peter DeFazio (D-OR). Airlines for America applauded the legislation, which prohibits CBP from opening facilities at locations primarily served by foreign, state-owned carriers. “We believe CBP should focus its resources on fixing long lines in the U.S. to the benefit of passengers, jobs and our economy,” said A4A, whose “Draw the Line Here” campaign called on the Administration to drop its plan to provide pre-clearance services at Abu Dhabi.

**5. Companion Bills Address Rest Rules for Cargo Pilots.**

Bills to ensure that U.S. cargo pilots fly under the same standard as pilots of passenger planes were introduced in the Senate by Barbara Boxer (D-CA), Maria Cantwell (D-WA) and Amy Klobuchar (D-MN) and in the House by Michael Grimm (R-NY) and Timothy Bishop (D-NY). Under requirements that take effect in January, pilots of passenger planes will be limited to flying either eight or nine hours, depending on the start time. Airlines will be required to provide pilots with a minimum of 10 rest hours, with the opportunity for at least eight hours of uninterrupted sleep. The Safe Skies Act would extend those regulations to cargo pilots and is supported by Airline Pilots Association, Independent Pilots Association, Coalition of Airline Pilots Associations and the Teamsters Union.

**6. Hearing on TSA Behavioral Detection Program.**

TSA Administrator John Pistole testified at a House Homeland Security Committee hearing on the agency's behavioral detection program. He defended the Screening of Passengers by Observation Techniques (SPOT) Program, though a new Government Accountability Office audit concluded that under the program TSA cannot: “ensure that passengers are screened objectively, show that the program is cost-effective, or reasonably justify the program’s expansion.” Pistole said the Behavior Detection and Analysis (BDA) Program is an effective means of identifying people engaged in deceptive and/or illegal activity, and those who harbor a fear of discovery, all consistent with behaviors that might appear in individuals planning to do harm on board an aircraft. In 2012 there were 2,116 BDA screening referrals to law enforcement, which resulted in 30 boarding denials, 79 investigations by law enforcement, and 183 arrests. Without behavior detection, TSA would have had to randomly subject over 50,000 more travelers to additional invasive screening to achieve the same results as did BDA screening during a two-year 2011 independent study.

**7. Hearing on DHS Financial Management.**

The Department of Homeland Security made significant improvements in financial reporting in FY 2012; implemented tools to help organize, store and analyze data more efficiently; and was developing a tool to compile program cost information and provide key indicators, such as cost, funding, and schedule, to assess and track the health of acquisitions, said the DHS Assistant Inspector General for Audits, at a House Oversight and Management Efficiency hearing on DHS financial management. DHS “has demonstrated its commitment to improving its practices and operations [but needs to] address some concerns to avoid losing momentum and to achieve the reachable goal of a clean opinion in FY 2013,” said the auditor. Subcommittee Chairman Jeff Duncan (R-SC) referred to a new Government Accountability Office report that says improved DHS financial management is a result of “complex manual workarounds that make up for a lack of effective controls.” Another report, from the U.S. Office of Special Counsel, documents “blatant and sustained abuse” of overtime by six separate offices at DHS, said Duncan.

**8. Infrastructure Legislation Introduced in Senate.**

A bipartisan coalition of 10 Senators introduced legislation to establish an infrastructure financing authority to help states and localities better leverage private funds to build and maintain outdated U.S. infrastructure. Among key provisions of the Building and Renewing Infrastructure for Development and Growth in Employment Act (BRIDGE Act), projects would be at least \$50 million in size, and of national or regional significance to qualify. The authority would operate independently of existing federal agencies, led by a Board of Directors with seven voting members and a CEO, all of whom would be required to demonstrate proven expertise in financial management and be confirmed by a vote of the Senate. Initial seed funding of up to \$10 billion “could incentivize private sector investment and make possible up to \$300 billion in total project investment.”

## **VII. BILATERAL AND STATE DEPARTMENT NEWS**

### **1. China-Japan Island Dispute Intensifies.**

China ordered airlines to comply with its newly imposed air defense zone over the Senkaku/Diaoyu islands in the East China Sea, which requires aircraft entering the air space to report a flight plan, maintain two-way radio communications, and respond in a timely and accurate manner to identification inquiries, or risk military action. Long a source of tension, the uninhabited islands are administered by Japan but claimed by China and Taiwan. Japanese Prime Minister Shinzo Abe called China's East China Sea air defense identification zone "unenforceable and dangerous," and ANA and Japan Airlines, at their government's request, halted compliance with China's demands. U.S. Secretary of State John Kerry and Defense Secretary Chuck Hagel also criticized China's unilateral move. Hagel said China's announcement "will not in any way change how the United States conducts military operations in the region," reaffirmed America's treaty obligation to aid Japan if it were attacked, and dispatched unarmed aircraft in the airspace. The United States recognizes Japan as the administrator of the islands, but takes no position on claims to the islands and has urged all claimants to peacefully resolve their disputes.

### **2. State Department Travel Warnings.**

The U.S. State Department issued new Travel Warnings for Venezuela, Iran, North Korea, Eritrea, Central African Republic and Egypt, due to "long-term, protracted conditions that make a country dangerous or unstable." Travel Alerts were issued for U.S. citizens traveling to or living in Mali during legislative elections scheduled for November and December; in Mozambique during municipal elections in November and December, and in Nepal during Constituent Assembly elections in November until December 19.

## **VIII. EUROPE AND AFRICA**

### **1. Delta, Virgin Atlantic Align Summer Schedule.**

As part of their new joint venture, Delta and Virgin Atlantic are aligning summer schedule services and combining London Heathrow slots. Delta's arrivals and departures for London to New York Kennedy, Boston and new Seattle services will move to join Virgin Atlantic in Heathrow Terminal 3 beginning April 2; the two carriers already "co-locate" at Kennedy.

### **2. US Airways To Offer Seasonal Philadelphia-Edinburgh Nonstops.**

US Airways will offer daily Boeing 757 Philadelphia-Edinburgh nonstops between May 23 and October 1, 2014.

### **3. Lufthansa Sells NATS Holding for €45 Million.**

Lufthansa Group agreed to sell 86% of its holding in the Airline Group, which is a 41.9% shareholder in the UK's National Air Traffic Services (NATS), to British pension fund Universities Superannuation Scheme (USS), for €45 million. The transaction, which drops Lufthansa's stake from 14.5% to 2%, is subject to EC approval. Thomas Cook Group, TUI Travel and Virgin Atlantic also agreed to sell the majority of their stakes in Airline Group; the combined shareholding being sold to USS represents a non-controlling stake of 49.9%, with each seller retaining a small proportion of their holding. British Airways, easyJet and the Monarch Airlines retirement plan will retain all of their interests in Airline Group.

### **4. Alitalia Business Plan Approved.**

The Alitalia board approved a revised business plan, which includes severe job and salary cuts and fewer medium-range and more long-haul flights. Air France-KLM, with a 25% stake in the Italian carrier, voted against the plan, saying the industrial component is a step in the right direction, but necessary financial restructuring measures were not met, and did not participate in a cash injection. But Air France-KLM intends to maintain the partnership that allows both carriers to share costs and revenues on Alitalia's Rome and Milan operations. Amid reports that Aeroflot was considering an investment in Alitalia, the Russian airline said it does not plan to buy Alitalia, nor will it participate in any way in its financing. A Ryanair offer "to feed Alitalia's international hub at Fiumicino [and] assist Alitalia in its turnaround" was turned down by Alitalia, which stated it "has its own strategy, an industrial plan, a fleet and its own crew that allow it to have the necessary passenger traffic to feed its international and intercontinental connections leaving from the hub at

Fiumicino . . . At hub airports in all developed countries, cooperation is avoided between hub carriers and low-cost airlines. It is not by chance that low-cost airlines find space and operate in small airports dozens of kilometers from the cities.”

**5. Aegean-Olympic Combined Network To Expand.**

Synergies following acquisition of Olympic Air will lead to cost savings of up to €35 million annually, said Aegean Airlines. Aegean will add 15 new destinations in Europe and the Middle East from Athens in 2014, bringing the combined network to 250 routes.

**6. Aeroflot Subsidiary To Serve Far East.**

Aeroflot launched Aurora Airlines to serve Russia’s Far East region. Aurora was formed by merging Aeroflot subsidiaries, Vladivostok Air and SAT Airlines. Aeroflot will hold a 51% stake in the new airline; the remaining 49% will gradually be transferred to the Far Eastern Federal District governments. Konstantin Sukhorebrik is Aurora Director General. . . . In other news from Russia, a Tatarstan Airlines Boeing 737 en route from Moscow crashed in Kazan, killing all 50 people on board including the son of the Tatarstan President and the head of the regional Federal Security Service. Boeing is providing technical assistance to the investigation at the request and under the direction of Russia’s Interstate Aviation Committee, which believes pilot error caused the crash.

**7. EI AI To Add Budget European Flights.**

See Section IX, item 10.

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

### **1. Asia Pacific World's Largest Travel Market in 2012.**

Asia Pacific became the world's largest regional travel market in 2012, with \$326 billion in gross bookings, according to PhoCusWright, which projects 8% growth for the market through 2015. China, the largest APAC travel market, will account for a third of the regional travel market by 2015. . . . Global Business Travel Association predicts China will be the world's top business travel market by 2016. China's total business travel spending is forecast to increase by 14.3% this year to \$224 billion, and by another 17.2% in 2014.

### **2. AAPA Holds 57th Assembly of Presidents.**

Asia Pacific airlines played a pivotal role in reshaping the industry over the past five years, said Andrew Herdman, Director General of the Association of Asia Pacific Airlines (AAPA), in remarks to the group's Assembly of Presidents in Hong Kong. Competition and high fuel costs continue to exert pressure on profitability, but regional economic growth and strong passenger demand create cause for overall optimism. "Achieving a broader recovery in the air freight business of Asian carriers is a more prolonged process, which will very much depend on world trade growth rates returning to more normal levels," Herdman said. The Assembly adopted resolutions to "directly tackle government interference and inefficiency in areas including environmental policy, cargo security, infrastructure planning, passenger facilitation, passenger rights and unfair taxes."

### **3. World's Longest Commercial Flight Canceled.**

Singapore Airlines canceled its unprofitable daily Airbus A340 Changi-Newark service, at 19 hours the world's longest commercial flight. The airline instead will offer A380 service to Newark via London or Frankfurt .

### **4. China Allows Airlines To Lower Ticket Prices.**

The Civil Aviation Administration of China relaxed fare restrictions, allowing airlines to reduce prices on 31 domestic routes.

### **5. China Airlines Names New President.**

Taiwan flag carrier China Airlines named as President Samuel Lin, former Managing Director of Taoyuan Airport. Lin succeeds Huang-Hsiang Sun, who will retain his post as Chairman.

**6. Government Sells 20% of Air New Zealand.**

The New Zealand government sold 20% of its share of Air New Zealand, reducing its stake to 53% and raising US\$300 million. Air New Zealand won regulatory approval in Australia to increase its 22.9% share of Virgin Australia to 25.99%, and “will take up its full pro rata entitlement under the rights issue and sub-underwrite the issue together with the other major shareholders, Singapore Airlines and Etihad Airways.” Qantas urged Australian federal and state governments to stop “three foreign government backed airlines from taking control of Virgin and ruining the Australian aviation industry.” Qantas said Virgin, which will be 80% foreign-owned, “can use its unlimited funds to weaken Qantas in the domestic market and cripple our international business. It means foreign airlines having control of an airline which accesses Australia's valuable air treaty rights.”

**7. Record Sales at Dubai Airshow.**

Orders in excess of \$200 billion were logged at the Dubai Airshow. Orders from Emirates, Etihad, Qatar Airways, and Flydubai exceeding \$162 billion. In related news, Air Line Pilots Association urged the U.S. government to eliminate low-interest U.S. Export-Import Bank financing for widebody aircraft that isn't available to U.S. airlines “but subsidizes state-owned foreign airlines and saves them millions in financing costs.” Airlines for America said the supportive environment some state-owned foreign competitors experience with their governments is “in direct contrast to the way the U.S. government treats its own carriers. Emirates already has more widebody aircraft than any U.S. carrier, and has more of these large aircraft on order than all four U.S. legacy carriers combined. That disparity fundamentally threatens the ability of U.S. airlines to compete.” . . . Boeing predicted Middle East airlines will require 2,000 new pilots and 2,600 new airline technicians annually over the next 20 years to support expanding demand; more than 60% of pilot demand will be driven by increased deliveries of widebodies.

**8. Etihad Acquires 24% of India's Jet Airways.**

Etihad received regulatory approval for a 24% stake in India's Jet Airways and closed the transaction; this is the first investment by a foreign airline in an Indian carrier. Etihad also holds stakes in airberlin, Air Seychelles, Aer Lingus, Virgin Australia and Air Serbia, and plans to acquire a 33.3% stake in Swiss carrier, Darwin, which will be the first operation under the new Etihad Regional badge and livery. Etihad said the 87 Airbus and 56 Boeing aircraft it ordered at the Dubai Air Show will permit allocation of capacity among members of its equity alliance, while improving fleet commonality and sharing cost synergies.

**9. Singapore Airlines-Tata JV Update.**

Singapore Airlines won approval from India's Foreign Investment Promotion Board to establish a joint venture airline in India with Tata Sons. Subject to approval from India's Directorate General of Civil Aviation, the new airline will be 51% owned by Tata and 49% by Singapore Airlines.

**10. El Al To Add Budget European Flights.**

El Al began new service to Venice and Larnaca and will introduce Boeing 737-800 seasonal service to five European destinations. Some low-cost routes will be initiated to compete with budget airlines that enter the market due to the phased-in open skies pact with the European Union, which began in June. Ben-Gurion International has opened a new hall in Terminal 1 for the expected 55 weekly low-cost overseas flights expected to depart this winter, compared to 33 during last winter. Amid concerns about competition, El Al CEO Elyezer Shkedy noted a dramatic increase in Turkish Airlines service to Israel, compared to "zero flights by all Israeli airlines to Turkey," and questioned the "incomprehensible support from Israel for the international expansion of Turkish Airlines at the expense of Israeli airlines." El Al has addressed the Prime Minister and the Minister of Transport on this issue, "asking that clear and unequivocal directives be issued to the relevant bodies to take immediate action to provide a fair chance to Israeli airlines to compete on equal terms."

## **X. AMERICAS**

### **1. AMR To Exit Bankruptcy, Merge With US Airways.**

The U.S. Bankruptcy Court for the Southern District of New York approved the settlement of the lawsuit reached with the Justice Department and certain states relating to the merger of American Airlines parent AMR Corp. and US Airways Group, and also ruled that the merger may be consummated despite the pendency of a private antitrust lawsuit. As a result, AMR will emerge from Chapter 11 and close its merger with US Airways on December 9. The combined company will be renamed American Airlines Group, with headquarters in Fort Worth. Common stock will be listed on the NASDAQ Global Select Market with ticker symbol AAL; US Airways Group and AMR common stock will be cancelled and shareholders will receive equity interests in American Airlines Group. Tom Horton, AMR Chairman, President and CEO, will be Chairman of the new American Airlines, and US Airways Chairman and CEO Doug Parker will be CEO.

### **2. United To Reduce Costs by \$2 Billion Annually.**

United plans to cut costs by \$2 billion annually by reducing fuel consumption, increasing productivity, improving maintenance processes and inventory procedures, and optimizing distribution methods. The company expects to generate \$3.5 billion in ancillary revenue by 2017 with new options, optimized pricing on existing products and expanded availability through additional distribution channels. United will begin a second daily Houston-Tokyo service, subject to government approval, and eliminate Seattle-Tokyo flying and Tokyo-Bangkok Boeing 747 service, and down-gauge Tokyo-Seoul flights, reallocating those long-haul aircraft to more profitable routes; trans-Pacific joint venture partner ANA will provide beyond-Tokyo connectivity. New services to Chengdu, China and Taipei are planned. New transatlantic service plans include Houston-Munich, and seasonal Washington-Madrid and Chicago-Edinburgh. All-widebody Newark-London Heathrow seasonal service will be introduced. Daily nonstops from Chicago O'Hare to San Juan, Puerto Rico began in November.

### **3. Brad Tilden Elected Alaska Air Group Chairman.**

Alaska Air Group CEO Brad Tilden will become Chairman when Bill Ayer retires on December 31.

4. **Delta Offers New Flights to Mexico, Puerto Rico.**

Delta will add seasonal flights to Puerto Vallarta, Cancun and San Jose del Cabo in Mexico, and a new daily frequency from New York Kennedy to San Juan, Puerto Rico.

5. **JetBlue Plans 200 Daily Seasonal Caribbean Flights.**

JetBlue will expand its Caribbean winter schedule to an average of 200 daily flights including new routes: Chicago-San Juan, Puerto Rico; Fort Lauderdale to Port-au-Prince, Haiti and Port of Spain, Trinidad and Tobago; and New York Kennedy to Port-au-Prince and Port of Spain. In addition to its own network growth, JetBlue signed interline agreements in the Caribbean, with LIAT and Seaborne, and expanded its partnership with Cape Air.

6. **Indigo Moves Forward With Frontier Acquisition.**

Indigo Partners, which in October agreed to acquire Republic unit Frontier subject to certain conditions, will proceed even though agreement has not been reached with Association of Flight Attendants. "We look forward to completing the transaction and continuing to extend Frontier's reach and service as a leading, nationwide ultra-low cost carrier," said Indigo Managing Partner William Franke. The private equity firm was a significant investor in Spirit and Tiger, and remains an investor in Wizz Air and Volaris.

7. **Aeromexico Increases New York Service.**

Aeromexico will increase New York-Cancun service on December 20 and provide new seasonal service from New York to Los Cabos and Puerto Vallarta as of January 2014.

8. **Delta, Virgin Atlantic Align Summer Schedule.**

See Section VIII, item 1.

9. **US Airways To Offer Seasonal Philadelphia-Edinburgh Nonstops.**

See Section VIII, item 2.

10. **World's Longest Commercial Flight Canceled.**

See Section IX, item 3.