



WASHINGTON AVIATION SUMMARY

December 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. **FAA Responds to Review of Chicago Center Fire.**

Following an internal review of the September fire set by a contractor's employee at the Chicago Air Route Traffic Control Center, the Federal Aviation Administration (FAA) announced it will modify its risk assessment approach for facility and personnel security. It will revise strategy and policies to support recovery in such situations within hours, instead of days, by creating more air traffic technology flexibility. A three-stage plan, with rate of execution dependent upon available resources, includes making radar, voice radios, flight planning data, and weather and aeronautical information more rapidly available to support operations in a new configuration; reducing or eliminating the manual nature of operations; and enhancing NextGen capabilities to make services available more quickly if a facility has a catastrophic loss.

2. **Commercial Airlines Report Near-Miss Incidents With Drones.**

Numerous commercial airlines have reported near-misses with unmanned aircraft systems (drones). After several incidents near New York-area airports in November, Senator Charles Schumer (D-NY) called on FAA and the Office of Management and Budget "to immediately move forward with and release much-needed rules." FAA has approved drone use for recreational purposes, if they are flown under 400 feet and five miles away from airports, and is developing a rule covering commercial drone use. Schumer also urged the Commerce Department's National Telecommunications and Information Administration to issue privacy guidelines for drone use as soon as possible. The National Transportation Safety Board (NTSB) affirmed FAA's position that unmanned aircraft systems meet the legal definition of "aircraft," and that FAA may take enforcement action against anyone who operates a drone or model aircraft in a careless or reckless manner.

3. **JetBlue, Southwest Seek Mexico Routes.**

JetBlue is seeking exemption authority for Airbus A320 services to Mexico City from Fort Lauderdale and Orlando beginning June 2015. . . . Southwest filed an application with DOT to provide daily nonstops between Orange County and Puerto Vallarta; and plans Saturday service from Baltimore/Washington to Los Cabos, both beginning June 2015.

4. **FAA Eases Pairing Requirement for Older Pilots.**

FAA released a notice of policy to initiate harmonization with the International Civil Aviation Organization (ICAO) Pilot Age Limit Crew Pairing Requirement.

The change relaxes existing crew pairing limitations and allows pilots on international commercial operations with more than one pilot to fly until age 65, without being paired with a pilot under 60. FAA expects a final rule in spring 2015, and meanwhile no longer will enforce former crew pairing requirements.

5. FAA Issues Final Rule Updating Aircraft Icing Standards.

FAA issued a final rule that updates icing certification standards. Based on recommendations from the Aviation Rulemaking Advisory Committee and NTSB, the rule requires U.S. manufacturers to show that transport airplanes can operate safely in freezing drizzle or freezing rain conditions that constitute the icing environment known as “supercooled large drops” (SLD). The standard also includes ice crystal weather conditions. SLD can form ice on the airplane that exceeds current ice protection systems’ capability and can severely impact airplane performance and handling characteristics. Pilots usually encounter ice crystals, which can clog external air data sensors or lead to ice buildup in an engine, while flying around thunderstorms. FAA is also mandating changes to icing certification requirements for engines, engine installations and some airplane systems on all transport airplanes. Estimated cost of the rule is \$61.3 million (\$42.3 million 2012 present value), with benefits an estimated \$582.9 million (\$126.9 million 2012 present value); cost is spread over 45-47 years.

6. FAA Announces NextGen Upgrade for Washington DC Airspace.

Washington now has three parallel Optimized Profile Descents (OPD), enabling aircraft serving the capital area’s three major airports from the northwest to descend from cruising altitude to the runway in a smooth, continuous arc instead of the traditional staircase descent. This saves time for passengers, said FAA, and reduces fuel and carbon dioxide emissions. In addition, voice communications between air traffic controllers and pilots are greatly reduced since clearances required during each step of a staircase descent are eliminated. The three airports are Baltimore/Washington, Dulles and Reagan National. The D.C. Metroplex initiative, a collaborative effort involving American, Southwest, United and labor unions, also enhances the safety and efficiency of flights serving Richmond, Andrews Joint Base Airport and at least nine smaller airports, said FAA.

7. DOT Air Travel Consumer Report for September.

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

	Sept. '14 / '13	Aug. '14	Full Year				
			2013	2012	2011	2010	2009

Washington Aviation Summary

On-time arrivals %	81.1 / 83.8	77.7	78.34	81.85	79.6	79.8	79.5
Cancellations %	1.4 / 0.9	1.2	1.51	1.29	1.91	1.76	1.39
Mishandled baggage*	2.98 / 2.71	3.69	3.22	3.09	3.35	3.51	3.91
Consumer complaints:							
Airline service	1,157 / 1,013	1,602	13,168	15,338	11,546	10,988	8,821
Disability-related	59 / 53	83	679	741	628	572	519
Discrimination**	6 / 5	7	79	99	128	143	131

Note 1: Airlines reported one tarmac delay of more than three hours on a domestic flight and none of more than four hours on an international flight in September.

Note 2: The fire at the FAA Chicago En Route Center caused approximately 6,600 flight cancellations (Sept. 26-Oct. 13) including 4,500 flights in September.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. \$1 Billion Construction Program for Reagan National Approved.

The Board of Metropolitan Washington Airports Authority approved a \$1 billion capital construction program for Reagan Washington National. It includes a new commuter concourse with enclosed facilities for 14 outdoor boarding positions, which currently are accessed by bus, and a new parking garage. Passenger numbers at National are expected to surpass 22 million next year, as those at Dulles decline. To address this, the two airports will implement revenue sharing—with National shifting as much as \$300 million to help offset operating costs for Dulles over 10 years. The building program is part of a use and lease agreement that the airline tenants are expected to approve.

2. Tampa Begins \$1 Billion Expansion.

Tampa broke ground on its first major revamp since it opened in 1971. The \$943 million project, to be completed by 2017, will widen a highway overpass, expand the main terminal, move rental car operations and create a new 1.4-mile people mover. The airport currently serves 17 million passengers a year.

3. JetBlue Opens International Arrivals Concourse at Kennedy.

JetBlue opened an international arrivals hall extension to Terminal 5 at New York Kennedy, which can accommodate 1,400 customers per hour, with 40 automated passport control machines and 10 Global Entry kiosks. In spring 2015, a post-security outdoor park and dog walk will open.

4. \$120 Million Upgrade for United's Newark Hub.

United will make 6,000 iPads available for frequent flyers who want to use award miles to purchase food, beverage and other items at Newark Liberty's Terminal C, as part of a \$120 million project funded by OTG. When customers scan a boarding pass or enter a MileagePlus number, the iPad will display flight information, dining or beverage options in 20 languages, and costs in dollars and miles. Nearly 60 gate areas will be updated with custom seating and tables and 10,000 outlets and USB interfaces; 55 new dining venues will include four with Michelin stars. The project is being phased in over the next 18 months.

5. A4A Sues Port of Seattle, LAWA.

Airlines for America (A4A) sued Port of Seattle for proposing to raise the minimum wage for security-related airport employees at Seattle-Tacoma International. A4A contends the decision conflicts with federal and state laws

and mutually negotiated labor agreements. Any law affecting wages should appropriately cover all three million workers in the state and not just a small subgroup of employees at Sea-Tac, said A4A. The Airline Service Providers Association and A4A filed a lawsuit against Los Angeles World Airports and City of Los Angeles to stop requiring companies providing fueling, cleaning, baggage handling and other services to contract with unions, even if workers have chosen not to unionize. A4A said the mandatory agreements improperly intrude on federal labor and aviation laws.

6. United Ends Service to Atlantic City.

United will end its ExpressJet service from Atlantic City to Chicago O'Hare and Houston Bush in December after only seven months, due to low demand. Spirit will be the remaining carrier at the airport, and New Jersey Governor Chris Christie said the state hopes to attract new carriers.

7. Paulding Northwest Atlanta Plans Move Forward.

FAA added Paulding County Airport Authority as a co-sponsor for airport improvement grants, clearing the way for an environmental study that could lead to commercial airline service for Paulding Northwest Atlanta Airport. Also known as Silver Comet Field, the single-runway facility is about 40 miles from Atlanta and is strongly opposed by Delta and the surrounding community. Propeller Airports, which operates Silver Comet, said Allegiant has filed a letter of intent to provide service and other airlines have expressed interest.

8. International Service Begins for Reno-Tahoe.

Twice-weekly nonstops between Reno-Tahoe and Guadalajara on Volaris Airlines will begin December 16, the first scheduled international service at the airport since 1999. The flights, which will be operated with 144-seat Airbus 319s and 174-seat A-320s, could bring \$20 million in economic impact to the region each year, according to airport partners including Nevada Commission on Tourism; Reno-Sparks Convention and Visitors Authority; local hotels, casinos and ski resorts; and the Hispanic Chamber. Thomas Cook will begin twice-weekly nonstops between Reno-Tahoe and London Gatwick next year, the first ever scheduled nonstops from Reno to Europe. The airport partnered with Ski Lake Tahoe and the gaming community to offer the Airbus 330 service from December 19, 2015 through April 9, 2016. U.S. Customs and Border Protection approval is pending.

9. Fraport Consortium Wins Tender for Greek Airports.

Fraport and Copelouzos Group won a 40-year operating concession for 14 regional airports in Greece—Aktio, Chania (Crete), Kavala, Kefalonia, Kerkyra (Corfu), Kos, Mitilini, Mykonos, Rhodes, Samos, Santorini, Skiathos,

Thessaloniki and Zakyntos—which collectively handled 19 million passengers in 2013. Total purchase price of €1,234 million is due by closing, expected in autumn 2015. Fraport will hold a majority share in the Fraport-Copelouzos consortium, which will be responsible for maintaining, operating, managing, upgrading and developing the airports.

10. Malaysia Airports Gains Control of Istanbul's Second Airport.

Malaysia Airports Holdings exercised right of first refusal to buy the remaining 40% share in Sabiha Gökçen International from Turkish conglomerate Limak Group, and now owns 100% of Istanbul's second largest airport. TAV Holdings owns the majority stake in Ataturk International, which will close when construction of a new airport is completed.

11. JALUX, Mitsubishi to Operate Mandalay.

JALUX, Mitsubishi, and Myanmar's YOMA signed an agreement with Myanmar's Department of Civil Aviation for the concession to operate Mandalay International Airport for 30 years, starting in March 2015. The three companies established MC-Jalux Airport Services in Myanmar to undertake operation, rehabilitation and maintenance of airport facilities, including terminal buildings and runway (excluding air traffic control). Mandalay International connects 11 domestic and four international destinations. Since 2010, domestic passenger traffic increased 20% annually, reaching 60% annual growth for international flights. With capacity for three million passengers a year, the airport only serviced 750,000 in 2013—190,000 domestic and 560,000 international. The new venture aims to generate further expansion.

III. **SECURITY AND DATA PRIVACY**

1. **Ebola: Enhanced Airport Entry Screening for Travelers From Mali.**

The Centers for Disease Control and Prevention (CDC) and the Department of Homeland Security (DHS) added Mali to the list of Ebola-affected nations for which it will take enhanced screening and monitoring measures. While there are no direct flights from Mali to the United States, 15-20 travelers a day transit through other countries. Most are U.S. citizens or permanent residents returning home. In addition to the enhanced entry screening, health and Ebola exposure assessment, and symptoms monitoring, travelers entering the U.S. from Mali will be subject to 21-day monitoring and movement protocols already in effect for travelers from Liberia, Sierra Leone and Guinea, with twice daily temperature and symptom checks in coordination with state or local public health authorities. CDC is working with airlines to ensure re-routing for travelers from Mali not already scheduled to land at one of the five airports in the United States (New York Kennedy and Newark, Washington Dulles, Chicago O'Hare and Atlanta) that perform screening on passengers from the other affected West African nations.

2. **DHS to Expand Pre-Clearance Program at Foreign Airports.**

Homeland Security Secretary Jeh Johnson said DHS has initiated a process for foreign airports and governments to express interest in preclearance operations, particularly in Europe and Asia. Currently, there are 15 facilities in Ireland, Aruba, the Bahamas, Bermuda, Canada and Abu Dhabi where travelers undergo immigration, customs and agriculture inspection by U.S. Customs and Border Protection (CBP) before boarding a direct flight to the United States. The operations at foreign airports are a security imperative, said Johnson, allowing us to detect and intercept threats before they actually reach the homeland. They also "facilitate lawful travel by reducing the number of passengers who need to clear customs at the largest U.S. airports, which reduces wait times"; 16 million passengers passed through the preclearance sites last year. At the controversial Abu Dhabi site, CBP this year has processed 290,000 passengers and crew, and refused boarding to 450 persons, including individuals on the Terrorism Screening Database.

3. **DHS Adds Security Enhancements to Visa Waiver Program.**

Persons seeking to travel to the United States from countries in the U.S Visa Waiver Program (VWP) now must disclose whether they hold passports from multiple countries and alternate names or aliases, to enable better screening against U.S. terrorist watch lists. DHS imposed the new steps amid concern

about Islamist militants who hold Western passports. DHS Secretary Johnson said the changes are needed “to learn more about travelers from countries from whom we do not require a visa.” . . . A bill introduced in the Senate in September requires improved border security and entry procedures, in response to homeland threats from the Islamic State in Iraq and Syria (ISIS), and growing participation by U.S. and European nationals as foreign fighters in Syria and Iraq and in terrorist activity. The Counterterrorism Border Security Enhancement Act expands pre-travel VWP clearance procedures and increases information-sharing requirements, suspends countries not fully cooperating with such requirements, among other provisions.

4. UK Counter-Terrorism Bill Forces Passenger Data Exchange.

The Counter-Terrorism and Security Bill was introduced in the UK amid concern about citizens traveling abroad to fight for extremist organizations. Among provisions, the fast-track legislation would provide border officials with temporary power to seize passports from individuals of concern; create a temporary exclusion order to control the return to the UK of a suspect British citizen; and toughen transport security arrangements around passenger data, no fly lists and screening measures. Use of these powers will be subject to stringent safeguards, including creation of a Privacy and Civil Liberties Board.

IV. E-COMMERCE AND TECHNOLOGY

1. United, Orbitz Sue Skiplagged.

United and Orbitz sued to prevent travel website Skiplagged from enabling travelers to buy hidden city tickets, a “booking ploy” in which the passenger’s intended final destination is not the final arrival city on the itinerary, but rather an intermediate or connecting city. The practice is prohibited by most commercial airlines and online travel agencies “because of logistical and public-safety concerns.”

2. Expedia Licenses Routehappy ‘Scores & Happiness Factors API.’

In a new partnership, Expedia has full access to Routehappy’s proprietary Score & Happiness Factors API, which will allow customers to filter flight search results by seat, amenities and other attributes. Scores are built from Routehappy systems, Flightpad and Flightmatch.

3. Sabre Plans Google Glass Flight Search App.

Sabre demonstrated uses and applications for wearable devices in travel at this year’s World Travel Market, including its own prototype Google Glass Flight Search app, which can find flights based on a user’s simple voice command: “Ok Glass, find a flight from London Heathrow to the beach in December.” Other notable apps included Hitlist, a site that allows users who are flexible on dates and destinations to build a shortlist of places they’d like to visit and be alerted “when there are cheap flights to get there [and] see where your friends want to go and get tips from the people you trust.”

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

Average price of aviation jet fuel, as of November 14, was \$97.2/barrel, down 3.5% on the month and down 20.2% compared to a year ago, reports the International Air Transport Association.

2. SAS, Norwegian Fly First Bio-Flights in Norway.

SAS and Norwegian flew the first bio-flights in Norway on scheduled service from Trondheim and Bergen airports, respectively, to Oslo, in an initiative backed by Avinor and environmental foundation ZERO. They used a blend of 48% sustainable biofuel based on used cooking oil and 52% conventional jet paraffin. The aim is to produce biofuel for Norwegian aviation from biomass from forests in Norway. . . . In related news, Statoil Aviation entered into agreements with Lufthansa Group, SAS and KLM to supply 2.5 million liters of biofuel to the refueling facility at Oslo Airport from March 2015. With a 50% biofuel mix, this will fuel around 3,000 flights between Oslo and Bergen and make Oslo the first major airport in the world to offer a regular supply of biofuel as part of daily operations.

3. Environmental Permit Issued for Hong Kong Three-Runway System.

An environmental permit for the proposed expansion of Hong Kong International into a three-runway system was issued. Mitigation measures will include a management plan for a 2,400-hectare marine park for conservation of marine life, particularly the Chinese White Dolphins within Hong Kong and Pearl River Estuary waters. Airport Authority Hong Kong will devise plans for high-speed ferries to minimize disturbance in western waters.

VI. U.S. CONGRESS

1. Shuster to Return as Transportation Committee Chairman.

Bill Shuster (R-PA) will again serve as Chairman of the House Committee on Transportation and Infrastructure in the new Congress; Ranking Member will be Peter DeFazio (D-OR). Shuster said an FAA funding bill will be hammered out in the open, with all stakeholders at the table. Congress passed current authorization, scheduled to expire next September, in 2012 after 23 temporary extensions and a two-week partial shutdown of FAA in 2011.

2. ATC Reform Discussed at First FAA Reauthorization Hearing.

The full House Transportation Committee held a hearing to discuss issues to be addressed in the next FAA reauthorization bill, particularly air traffic control (ATC) system reform. Chairman Shuster said the Committee “must ensure that the infrastructure, rules, processes and laws are up-to-date and able to withstand the test of time [and] that the FAA is properly structured to carry out modernization efforts and operate as efficiently as absolutely possible.” He cited reports by the DOT Inspector General (IG) and the Government Accountability Office that have long identified problems with FAA’s management of ATC modernization programs. In his testimony, the IG noted that “of 15 major acquisitions that were ongoing as of September 30, 2013—which currently total \$16 billion—eight included acquisition baseline cost increases amounting to \$4.9 billion, and eight experienced baseline delays.” Airlines for America President and CEO Nicholas Calio said in his testimony that FAA’s organizational structure and funding model hinder its efforts to modernize the ATC system and implement NextGen. “Airlines have already invested hundreds of millions of dollars to utilize NextGen technologies,” said Calio, “yet their opportunities to use that investment in the airspace have so far been spotty.”

3. Ebola Visa Ban Introduced.

Republican Senators introduced legislation that would ban temporary visas for people who have resided in a country with “widespread transmission of Ebola,” as designated by Centers for Disease Control (CDC). Aid workers and foreign military who must travel to the United States would be exempted. The “Keeping America Safe from Ebola Act of 2014” requires the President to report to Congress every 30 days as to the status of Ebola in each designated country and the progress made since last reporting period, a description of U.S. assistance to each designated country, and reasons that a complete travel ban is not in the interest of U.S. national security. The Act terminates 60

days after CDC certifies there is no longer an Ebola outbreak. “According to U.S. State Department officials, between March 1 and September 27, a total of 6,398 U.S. visas were issued to nationals of Liberia, Sierra Leone and Guinea,” said Senate Judiciary Committee Ranking Member Chuck Grassley (R-Iowa).

4. **DHS Private Sector Office Engagement Act Introduced.**

The “DHS Private Sector Office Engagement Act” was introduced in the House by Curt Clawson (R-FL) and co-sponsored by House Homeland Security Committee Chair Michael McCaul (R-TX). Among provisions, H.R. 5712 would require the Department of Homeland Security to determine actions needed to reduce burdens on the private sector including unnecessary barriers to private sector job creation; and require DHS to promote existing and develop new public-private partnerships to address homeland security challenges.

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **United States, Mexico Reach Updated Aviation Agreement.**

The United States and Mexico reached a modernized agreement that will remove limitations on the number of airlines that may provide passenger service in all U.S.-Mexico city pairs. As a result, said DOT, some city-pair markets might see entrance of new carriers for the first time in many years, and airlines can consider offering new service in destinations they could not have considered previously. Cargo airlines will have expanded opportunities to provide service to destinations that were not available under the current agreement, and to offer services from the United States to Mexico and beyond to other countries. The agreement will not enter into force until January 1, 2016, after both parties have completed necessary internal processes.

2. **State, DOT Meeting With EU Addresses Norwegian Application.**

Officials from the U.S. Department of State and DOT met with European Union representatives to discuss the long-pending foreign air carrier permit application for Norwegian Air International (NAI), the Ireland-based subsidiary of Norwegian Air Shuttle. Competing airlines and unions oppose the application, stating NAI's "flag of convenience scheme" would allow it to avoid hiring experienced crew and evade robust government oversight in violation of the EU-U.S. open skies agreement. Numerous members of Congress have also urged DOT to deny NAI's application, contending the service would put domestic airlines at a disadvantage. In a speech to the International Aviation Club Luncheon in Washington, Norwegian CEO Bjørn Kjos said NAI meets all statutory and regulatory requirements to serve the United States and is entitled to DOT approval under EU-U.S. open skies. "The transatlantic market has far too long been dominated by alliances that have been allowed to rule the market with high prices and limited choice," said Kjos.

3. **U.S., China Visa Validity Extended.**

The United States and the People's Republic of China agreed to increase the validity of short-term tourist and business visas to ten years—the longest possible under U.S. law—and of student and exchange visas to five years. The visas previously were available for only one year.

4. **NATO: Russian Military Exercises Threaten Commercial Flights.**

Jens Stoltenberg, Secretary General of the North Atlantic Treaty Organization (NATO), urged Russia to show more transparency and predictability with its fighter jet exercises near NATO airspace, which threaten commercial air

traffic. They are not turning on transponders, they are not filing flight plans and they are not communicating with civilian air traffic control, Stoltenberg told reporters. . . . Recovery of Malaysia Airlines MH17's wreckage has been completed, said the Dutch Safety Board, which will reconstruct a section of the aircraft in the Netherlands as part of the international investigation of the July 17 disaster that killed all 298 passengers and crew. The Boeing 777 went down in the eastern Ukraine war zone after being hit by what is believed to be a surface-to-air missile. Human remains and personal possessions have been recovered, as well.

VIII. EUROPE AND AFRICA

1. American Adds Service to Germany, England.

American Airlines will launch daily Boeing 767-300 flights between Miami and Frankfurt on May 14. Daily B-757 service begins May 7 for New York Kennedy to Birmingham, and March 29 for Philadelphia to London Heathrow.

2. United Adds Transatlantic Routes for Summer 2015.

United announced new daily seasonal service between New York Newark and Venice (Boeing 767-400ER) and between Chicago and Dublin (B-757-200), both subject to government approval. A second daily nonstop between Washington Dulles and Paris will be added.

3. Delta, Virgin Atlantic Expand Transatlantic Network.

Delta and Virgin Atlantic will expand their transatlantic partnership by introducing daily Boeing 757-200 London-Philadelphia nonstops on April 8. By next summer, the partnership will offer 39 daily flights to 16 destinations across North America from the UK. In October, Delta took over operation of one of Virgin Atlantic's two daily Heathrow-Los Angeles flights, and Virgin Atlantic began operating one of Delta's three flights between Heathrow and Atlanta. . . . Separately, Delta will add summer season service with joint venture partners Air France-KLM and Alitalia, including New York Kennedy to Prague, Istanbul and Shannon, and Atlanta to Barcelona.

4. Lufthansa Launches Tampa Service.

Lufthansa will begin nonstop service from Frankfurt to Tampa in September. The Airbus A340-300 flights will operate five times weekly in summer and four weekly in winter.

5. HOP! Air France to Comprise Group Short-Haul Activity.

Air France will combine short-haul, point-to-point operations in a new entity, HOP! Air France, in 2015. HOP! Chairman and CEO Lionel Guérin is tasked with implementing HOP!AF operations. "There will be no modification, transfer of employment contracts, or transfer of the teams based at Roissy or elsewhere in France."

6. Etihad-Alitalia Merger Cleared.

Alitalia and Etihad received clearance from the European Commission to proceed with their proposed strategic partnership, conditional upon release of slots to a new entrant on the Rome-Belgrade route; interline agreements and

frequent flyer program access will also be offered to new entrants. Alitalia has a new Board, appointed for a period of three years, effective immediately. Luca Cordero di Montezemolo is non-executive Chairman and Etihad CEO James Hogan is non-executive Deputy Chair. Silvano Cassano is CEO, replacing Gabriele Del Torchio as planned. Alitalia will triple frequency to Abu Dhabi for 2015 summer schedule with 42 daily flights from Milan Malpensa and Venice, code shared with Etihad and subject to government approvals.

7. Air Berlin Names New CEO.

Stefan Pichler was named CEO of Air Berlin, effective February 1, replacing Wolfgang Prock-Schauer, who will remain on the Board. Pichler is CEO of Fiji Airways and has held senior positions at Thomas Cook, Jazeera Airways, Lufthansa and Virgin Australia. Air Berlin is 29%-owned by Etihad.

8. Swiss Authorities Question Etihad Stake in Darwin.

The Swiss Federal Office of Civil Aviation gave Darwin Airline (a/k/a Etihad Regional) until the end of January to respond to additional questions about the proposed sale of a 33% stake to Etihad.

9. South African Names Nico Bezuidenhout Acting CEO.

South African Airways (SAA) named Nico Bezuidenhout Acting CEO, saying Monwabisi Kalawe has taken special leave for personal and professional reasons. Bezuidenhout is CEO of SAA's low-cost unit Mango. The government is reorganizing the failing airline and plans to seek investors.

10. UK Counter-Terrorism Bill Forces Passenger Data Exchange.

See Section III, item 4.

11. NATO: Russian Military Exercises Threaten Commercial Flights.

See Section VII, item 4

IX. ASIA/PACIFIC AND MIDDLE EAST

1. ANA Files for Antitrust Immunity in JV with United.

All Nippon Airways (ANA) filed an application with Japan's Ministry of Land, Infrastructure, Transport and Tourism for antitrust immunity for its trans-Pacific cargo joint venture with Star Alliance partner United Airlines. Upon completion of Japanese and U.S. regulatory processes, United and ANA will jointly manage trans-Pacific air cargo business activities including scheduling, pricing and sales.

2. JetBlue, EL AL Sign Code Share Agreement.

JetBlue and EL AL signed a code share agreement, allowing connections to 38 U.S. cities for travelers on EL AL nonstops from Israel to New York Kennedy and Newark. EL AL offers 32 weekly nonstops between the U.S and Israel. El Al starts three weekly Boeing 767-300ER nonstops between Boston and Tel Aviv next summer; JetBlue will provide onward connections to 54 destinations in the U.S. and Caribbean.

3. Qantas, American Expand Partnership.

Qantas is code sharing on an additional nine American Airlines services including new destinations in Hawaii from Los Angeles, and from Dallas/Fort Worth to Richmond, Tucson and Albuquerque.

4. Suspension Ordered for Asiana San Francisco Route.

South Korea's Transport Ministry ordered Asiana to suspend its daily San Francisco flights for 45 days, as a penalty for the July 2013 crash in which a Boeing 777 flown by the Seoul-based carrier struck a sea wall short of the runway at San Francisco International. Three passengers were killed and more than 180 were injured. The penalty will take effect within six months unless Asiana appeals the decision. In June, the National Transportation Safety Board said the crash was due to pilot error, inadequate training and confusion about the plane's automated systems.

5. Air China-Air Canada Joint Venture Planned.

Star Alliance members Air Canada and Air China concluded a memorandum of understanding for a comprehensive revenue sharing joint venture on routes between the two countries. The joint venture will generate additional service and pricing benefits, and provide for enhanced cooperation in sales, marketing and airport operations. The announcement was made in Beijing during an official visit to China by Canadian Prime Minister Stephen Harper, prior to a

meeting of Asia-Pacific Economic Co-operation (APEC) member nations. Subject to necessary filings, competition and other regulatory approvals and finalizing documentation, the joint venture is expected to come into effect by the end of 2015. Currently, Air China code shares on Air Canada-operated flights between Vancouver and six Canadian cities, and Air Canada code shares on Air China-operated flights between Beijing and six cities in China. The Canada-China air travel market has grown on average by 11% annually over the past five years.

6. **Air China, Air New Zealand Plan Strategic Alliance.**

Air China and Air New Zealand will form a strategic alliance on services between China and New Zealand, subject to regulatory approval. Air China would operate new direct Beijing-Auckland service in addition to Air New Zealand's existing Shanghai-Auckland service.

7. **Etihad-Alitalia Merger Cleared.**

See Section VIII, item 6.

8. **Swiss Authorities Question Etihad Stake in Darwin.**

See Section VIII, item 8.

X. AMERICAS

1. Delta Continues Expansion of Seattle Hub.

Delta will add five daily flights to Denver from Seattle next spring, four each to Sacramento and Boise, and one seasonal daily each to Ketchikan and Sitka, all operated by regional affiliates. Daily flights to Anchorage, Atlanta, Calgary, Detroit, Los Angeles, San Francisco and Salt Lake City Delta will increase. Delta's current 80 peak-day departures to 25 destinations from Seattle will increase to 93 to 32 destinations in December, and 120 to 35 destinations by next summer. . . . Delta will replace older generation Boeing 747s and 767s with 25 Airbus A350-900s and 25 A330-900neos starting in 2017 and 2019, respectively.

2. American Joint Labor Agreements Stall.

American's flight attendants narrowly rejected a tentative agreement and go to arbitration in December. Meanwhile, each legacy workgroup continues to work under its current contract, said Association of Professional Flight Attendants, which represents both American and US Airways workers. American said the agreement would have provided more economic value and better work rules than a contract determined by arbitration. . . . Allied Pilots Association rejected proposals in joint collective bargaining agreement negotiations with American, saying they do not address "quality-of-life-related negotiating priorities," but added "an agreement reached in bargaining is preferable to an arbitrated outcome." American said the proposal would give pilots the highest pay among network peers; it would not cover pilots who fly for regional subsidiaries. The carrier excluded an earlier proposal that would add five seats to 76-seat regional jets "in an effort to build much needed trust into our labor-management relations at the new American." . . . American finalized an agreement with Trans States Airlines to operate at least 15 Embraer E145s under the American Eagle brand, with deliveries to begin in April; the aircraft will be transferred from American subsidiary Envoy Air. Trans States provided American Connection service from 2001 to 2009 and has provided regional service for US Airways since 1993. It currently operates 29 Embraer 145s and will operate an additional 36 for United starting in February. Trans States Holdings also owns Compass and GoJet Airlines.

3. United Flight Attendants Accept Early-Out Offer.

All eligible bids for United's Enhanced Early Out Program were awarded to flight attendants, most of whom worked at United before the 2010 merger with Continental. The carrier said 2,500 workers accepted payments of up to

\$100,000 to leave. Departures began November 30. Fleet technical instructors and security officers, both represented by International Association of Machinists & Aerospace Workers (IAM), ratified new joint labor agreements.

4. Southwest Pilots File for NMB Mediation.

Southwest Airlines Pilots' Association (SWAPA), which represents Southwest and AirTran pilots, filed for mediation with the National Mediation Board after two-plus years of negotiations, citing concerns that include "the airline's flat fleet growth, stagnant career advancement and compensation." With the airline "on pace to enjoy \$2.5 billion in operating profit for 2014," pilots say it is reasonable to ask for "marginal improvements in their schedule, pay, and especially retirement—an area where Southwest pilots lag significantly compared to our peers at other airlines." SWAPA is the third Southwest labor group to request national mediation to finalize a new contract in current negotiations.

5. Alaska Expands Partnership With SkyWest.

Alaska Airlines is expanding its partnership with SkyWest with the addition of daily Embraer E175 nonstops starting July 1 between Seattle and Milwaukee and Oklahoma City, and Portland and St. Louis. SkyWest, which purchased seven 76-seat E175s to fly for Alaska under a capacity purchase agreement, currently flies 40 daily flights between 14 cities for Alaska, to increase to 52 daily to 17 cities by August 2016; other partners are United, Delta, US Airways and American.

6. JetBlue to Roll Out Checked-Bag Fees, Tighter Seating.

JetBlue will introduce three branded fare bundle options in first half 2015 for customers who do not check a bag or who check one or two bags. The company also announced deferral of 18 Airbus deliveries from 2016-2018 to 2022-2023, and in mid-2016 will begin to reconfigure the A320 fleet with increased seating.

7. Virgin America IPO Raises \$307 Million.

Virgin America priced its initial public offering of common stock at \$23.00 per share, raising \$307 million on Day 1. The low-cost airline launched in 2007

8. Spirit Announces 10 New Nonstop Destinations From Houston.

Spirit will expand nonstop service from Houston in spring 2015, including Tampa, Baltimore/Washington and Oakland, and, subject to foreign government approval, Latin America destinations including Mexico, Costa Rica, El Salvador, Honduras and Nicaragua. . . . The airline released results of its "Hug The Haters" campaign, which showed that people "have very little

trouble expressing their hate against airlines.” The report, called “The State Of Hate,” finds that air travel is a hassle and annoys people, no matter which airline is flown; 60% of responses were frustrations with other airlines.

9. **Azul Daily Nonstops to Florida Begin in December.**

Azul Brazilian Airlines will launch international service from Sao Paulo Campinas with daily nonstops to Fort Lauderdale on December 2, and to Orlando on December 15; starting fares at \$888 roundtrip include fees and taxes. “Azul transformed Sao Paulo Campinas into Brazil's largest hub serving 55 nonstop destinations with more than 175 daily flights,” said founder and CEO David Neeleman, who also founded JetBlue. Azul has a new \$1.5 billion terminal at Campinas, which is an hour from the city.

10. **American Adds Service to Germany, England.**

See Section VIII, item 1.

11. **United Adds Transatlantic Routes for Summer 2015.**

See Section VIII, item 2.

12. **Delta, Virgin Atlantic Expand Transatlantic Network.**

See Section VIII, item 3.

13. **Lufthansa Launches Tampa Service.**

See Section VIII, item 4.

14. **ANA Files for Antitrust Immunity in JV With United.**

See Section IX, item 1.

15. **JetBlue, EL AL Sign Code Share Agreement.**

See Section IX, item 2.

16. **Qantas, American Expand Partnership.**

See Section IX, item 3.

17. **Suspension Ordered for Asiana San Francisco Route.**

See Section IX, item 4.