



WASHINGTON AVIATION SUMMARY

February 2015 EDITION

CONTENTS

I.	REGULATORY NEWS	1
II.	AIRPORTS	4
III.	SECURITY AND DATA PRIVACY	6
IV.	E-COMMERCE AND TECHNOLOGY	7
V.	ENERGY AND ENVIRONMENT	8
VI.	U.S. CONGRESS	9
VII.	BILATERAL AND STATE DEPARTMENT NEWS	11
VIII.	EUROPE/AFRICA	13
IX.	ASIA/PACIFIC/MIDDLE EAST	15
X.	AMERICAS	18

For further information, including documents referenced, contact:

Joanne W. Young
Kirstein & Young PLLC
1750 K Street NW
Suite 200
Washington, D.C. 20006
Telephone: (202) 331-3348
Fax: (202) 331-3933
Email: jyoung@yklaw.com

<http://www.yklaw.com>

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.

©2013 Kirstein & Young PLLC.

I. REGULATORY NEWS

1. FAA Proposes \$1.3 Million Fine for Alleged Hazmat Violations by United.

The Federal Aviation Administration (FAA) proposed a \$1.3 million civil penalty against United Airlines, for allegedly violating Hazardous Materials Regulations on domestic and international flights. During inspections in Boston, San Francisco, Denver and Chicago, FAA discovered at least 120 instances in which the carrier failed to comply with the regulations; almost all involved failing to provide the pilot in command with accurate information about hazardous materials aboard the aircraft. FAA also alleges that United improperly accepted hazardous materials for air transportation twice, and failed to retain copies of shipping papers. The hazardous materials included lithium metal batteries, dry ice, corrosive liquids, radioactive materials, detonating fuses, compressed oxygen, engines, isopropanol, non-flammable aerosols, phosphoric acid, sodium hydroxide and ethanol solutions, air bag modules and printing ink. . . . FAA proposed a \$450,000 civil penalty against SkyWest, for allegedly operating 15 flights when they were not in an airworthy condition. SkyWest failed to perform proper maintenance on air conditioning units in three Bombardier CL-600s and on the auxiliary generator in an Embraer EMB-120 following pilot reports of problems with those systems. . . . A \$390,000 civil penalty against Horizon was proposed for alleged operation of six Bombardier DHC-8s, on more than 2,600 flights in 2012 and 2013, with transponders that Horizon had not tested and inspected every 24 months.

2. FAA Final Rule Requires Safety Management Systems for Airlines.

FAA issued a final rule that requires most U.S. commercial airlines to have Safety Management Systems (SMS) in place by 2018. The rule builds on programs many airlines already use to identify and reduce risk. It requires airlines to submit implementation plans to FAA within six months and appoint a single accountable executive to oversee SMS. The rule responds to the Airline Safety and Federal Aviation Administration Extension Act of 2010 and National Transportation Safety Board (NTSB) recommendations, and is consistent with International Civil Aviation Organization (ICAO) standards. FAA estimates the rule will cost airlines \$224.3 million over 10 years, with benefits of \$205 million to \$472 million. FAA is offering a federally developed and funded software system to help airlines implement SMS. Airlines for America supports the program.

3. Airlines Warned of Fire Risk of E-Cigarettes in Checked Bags.

FAA recommended that operators require passengers to carry e-cigarettes and related devices solely in the aircraft cabin, where overheating or fire can be observed and handled more quickly, and to communicate the new policy to

passengers through websites, press releases, at ticket purchase, during check-in and by other established means to inform passengers about hazmat regulations and policies. In December, ICAO recommended a ban on the devices in checked baggage. Among several incidents, in August 2014 an e-cigarette caused a fire in checked baggage that forced evacuation of the aircraft; and in January 2015 a checked bag containing an overheated e-cigarette was found on fire in an airport baggage area. Danger may be increased when users modify and rebuild reusable e-cigarettes and interchange original and aftermarket batteries, heating elements and vaporizing components.

4. DOT Fines Southwest \$1.6 Million for Tarmac Delay Violations.

The U.S. Department of Transportation (DOT) fined Southwest Airlines \$1.6 million for violating tarmac delay rules. In January 2014, 16 Southwest flights experienced tarmac delays at Chicago Midway (MDW) in excess of three hours. Southwest experienced a malfunctioning of its crew scheduling system and an unexpected shortage of staff, particularly ramp-crew, which inhibited the carrier's ability to clear aircraft from gates in a timely manner to accommodate arriving flights. DOT required Southwest to pay \$600,000 of the assessed penalty. It credited \$269,000 for payments to passengers on the flights and \$431,000 towards acquiring and operating surface management and surveillance system. It deferred \$300,000 if Southwest has no further violations at MDW. A severe winter weather event contributed to the delays.

5. FAA to Issue New Guidance on Sleep Apnea.

FAA is revising the screening approach the Aviation Medical Examiners (AMEs) uses to find undiagnosed and untreated Obstructive Sleep Apnea (OSA). It will issue the new guidance, which does not rely on body mass index (BMI) and allows a pilot to keep flying during evaluation and treatment, on March 2. FAA noted it "is not changing its medical standards related to OSA, which inhibits restorative sleep. Untreated OSA always has been a disqualifying medical condition and will continue to be disqualifying."

6. NTSB Issues New Recommendations to FAA.

The NTSB issued recommendations to FAA that include equipping commercial airplanes with a tamper-resistant method to broadcast to a ground station sufficient information to establish the location where an aircraft terminates flight as a result of an accident within six nautical miles of the point of impact. Also, all newly manufactured transport category aircraft should incorporate adequate protections against disabling flight recorder systems. NTSB re-

emphasized the need for a crash-protected image recording system that would record the cockpit environment during the last two hours of a flight.

7. U.S.-International Air Passenger Traffic a Record 197.3 Million in 2014.

International nonstop air traffic to/from the U.S. totaled 197.3 million passengers in 2014, a 7% increase over 2013, reports the National Travel & Tourism Office. U.S. citizen travel (86.4 million) rose almost 7% and comprised 44% of all air traffic. Non-U.S. citizen air travelers (110.4 million) increased by 6% with their market share at 56%, relatively unchanged from 2013. U.S. airlines carried 102.1 million passengers, up 4%, with their share at 52%, down from 2013. Foreign flags carried 95.2 million passengers, up 10% from 2013.

8. DOT Air Travel Consumer Report for November.

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

	Nov. '14 / '13	Oct. '14	Full Year				
			2013	2012	2011	2010	2009
On-time arrivals %	80.6 / 83.5	80	78.34	81.85	79.6	79.8	79.5
Cancellations %	0.9 / 1	1.1	1.51	1.29	1.91	1.76	1.39
Mishandled baggage*	2.92 / 2.63	2.87	3.22	3.09	3.35	3.51	3.91
Consumer complaints:							
Airline service	910 / 757	1,213	13,168	15,338	11,546	10,988	8,821
Disability-related	43 / 52	65	679	741	628	572	519
Discrimination**	2 / 5	9	79	99	128	143	131

Note: Airlines reported four tarmac delays of more than three hours on domestic flights in November, three of which involved flights departing Detroit Metro during an ice storm. No tarmac delays of more than four hours were reported on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. ACI: Global Passenger Traffic Rose 5% in 2014.

Global passenger traffic grew 5% from January to November 2014, on a year-to-date basis, reports Airports Council International (ACI). International passenger traffic increased 5.6%, while domestic was up 5.4%. Global air freight traffic rose 4.7%; international by 5.6%.

2. FAA Proposes New Slot Rules for New York-Area Airports.

FAA proposed new rules for New York LaGuardia, Kennedy and Newark to establish hourly slot limits at current levels for assigned carriers between 6 a.m. and 10:59 p.m., and add daily limits between 6 a.m. and 9:59 p.m. The Notice of Proposed Rulemaking (NPRM) also provides a system to ensure that carriers use allocated slots at least 80% of the time or relinquish them; encourages airline competition by proposing five secondary market alternatives to allow selling, buying, trading or leasing assigned slots; and outlines procedures to review slot transactions that involve potentially anti-competitive practices. The NPRM does not propose to review slot transactions resulting from air carrier mergers or acquisitions. FAA estimates cost of proposed rule at \$53.1 million, with estimated benefits of \$74.7 million. The new rules would replace temporary orders limiting scheduled operations at the three airports.

3. AirTrain To Connect LaGuardia to Subway, Long Island Rail Road.

New York Governor Andrew Cuomo announced plans to create a \$450 million AirTrain that directly connects LaGuardia to the New York City subway and Long Island Rail Road. He reiterated plans to modernize New York airports, which, he said, “are consistently rated among the worst airports in the country in terms of design and overall passenger experience,” and formed an expert panel to advise him and the Port Authority of New York & New Jersey on top airport redesigns. He has also directed the Port Authority and Empire State Development (ESD), the State's chief economic development agency, to grow cargo capacity at Stewart Airport, making it a regional cargo distribution hub. DOT is also working with ESD to identify a new operator for Republic Airport on Long Island.

4. Miami Opens 2015 With Daily Passenger Records.

Miami International started the year with two single-day passenger records, 145,891 on January 3 and 146,257 on January 4, and has handled more than 2.1 million passengers since the December 21 start of the holiday travel season. The airport is preparing for American Airlines service to four new domestic destinations in March, new Thomas Cook service to Manchester in

May, and charter service by the new Eastern Air Lines to begin in second quarter.

5. Post-Wright Dallas Love Field Passenger Traffic Nearly Doubles.

Dallas Love Field handled more than 1 million passengers in December, a 46.5% year-over-year increase, due largely to the October expiration of the Wright amendment. Located seven miles from downtown Dallas, Southwest, Virgin America, United, Delta and Portland, Oregon-based SeaPort Airlines serve the airport.

6. Porter Sells Billy Bishop Toronto Terminal.

Porter Aviation Holdings completed the sale of its passenger terminal at Billy Bishop Toronto City Airport (BBTCA) to Nieuport Aviation Infrastructure Partners, a consortium of Canadian and international infrastructure equity investors. Porter operated terminal facilities at BBTCA through its subsidiary, City Centre Terminal, and “will maintain and enhance its service at the airport in coming years.” BBTCA is the ninth busiest airport in Canada, serving 2.4 million passengers in 2014. The terminal was constructed in 2010.

7. Chengdu To Build Second Airport.

Chengdu, the capital of Sichuan province, received regulatory approval to build a new airport with three runways, capable of handling 40 million passengers upon its 2025 completion. Construction costs reportedly will range from \$11 to \$15 billion. Chengdu's existing Shuangliu Airport, built in 1938, is the fifth busiest in China and serves as a hub for inland destinations.

8. Urgent Projects Approved for Bangkok Suvarnabhumi.

Airports of Thailand approved an additional \$1.47 billion investment in two Bangkok Suvarnabhumi projects. A reserve runway is slated for completion in 2017 and a new terminal for 2019. Both projects are deemed urgent and are not part of a planned second phase of development. Further government approvals are needed. . . . Thailand's Transport Ministry is accelerating other projects, including renovating a second terminal at Bangkok Don Mueang to enable handling of up to 30 million passengers a year, from a current 18 million; and work on aprons and terminals at Phuket. And plans are underway to build an aviation industrial site to serve as a hub for repairs, aircraft parts manufacturing and aviation research.

III. **SECURITY AND DATA PRIVACY**

1. **TSA Tightens Airport Screenings After Attacks in France.**

Following attacks in Paris by Islamic extremists in which 17 people died, U.S. Homeland Security Secretary Jeh Johnson directed the Transportation Security Administration (TSA) to conduct more random screenings of passengers and carry-on bags. . . . DHS, the FBI and the National Counterterrorism Center are issuing joint intelligence bulletins on events and threats to state and local law enforcement. The measures are precautionary, said Jeh, given public calls by terrorist organizations for attacks on Western objectives, including aircraft, military personnel, and government installations and civilian personnel.

2. **Employee Screening Tightened After Gun-Running Scheme Revealed.**

U.S. Senator Charles Schumer urged TSA to immediately implement a national requirement that all airports physically screen airline and airport employees each day before they enter secured areas of airports, after revelations that Delta employees smuggled guns into a secure area of Atlanta Hartsfield-Jackson and carried them on 17 New York-bound flights in 2014. “Currently, pilots and flight crew pass through metal detectors and other physical screening measures, but amazingly, most employees that repair and clean planes, load luggage, and work in the terminal post-security checkpoints are exempt from this physical screening,” said Schumer. DHS has ordered TSA to review policies related to worker access to sterile areas of airports, increase patrols in secure areas, and screen airport workers for contraband. TSA is implementing or considering these measures.

3. **House Passes Controversial DHS Funding Bill.**

See Section VI, item 2.

4. **Terrorism Risk Insurance Program Reauthorized Through 2020.**

See Section VI, item 3.

5. **Legislators Seek To Tighten Visa Waiver Program.**

See Section VI, item 5.

IV. E-COMMERCE AND TECHNOLOGY

1. Expedia Acquires Travelocity.

Expedia has acquired Travelocity from Sabre Corporation for \$280 million in cash. The acquisition follows the 2013 strategic marketing agreement under which Expedia has powered technology platforms for Travelocity's U.S. and Canadian websites.

2. Travelport Invests in German Company Travel-IT.

Travelport acquired a majority stake in travel-IT, a German company specializing in developing and merchandising software solutions for the leisure travel market. Travelport provides distribution, technology, payment and other solutions for the global travel industry.

3. Airline Websites Compromised.

Hackers accessed American and United systems with stolen usernames and passwords in December and booked trips and upgrades, but the airlines said information such as complete credit-card numbers, was protected. Hackers also redirected Malaysia Airlines' website to messages like "Hacked by Cyber Caliphate," and "Lizard Squad-Official Cyber Caliphate." Lizard Squad claimed responsibility for hack attacks last year. MAS said the temporary glitch did not affect bookings and user data remained secure.

4. FCC Approves Gogo for 2Ku Inflight Connectivity Technology.

The Federal Communications Commission approved Gogo to operate its next generation inflight connectivity technology, 2Ku, on 1,000 aircraft. The new antenna technology is expected to deliver peak speeds to the aircraft of more than 70 Mbps and, at only 4.5 inches tall, produces little incremental drag on the aircraft. "2Ku's performance benefits will be even more dramatic in tropical regions where other satellite solutions degrade significantly due to restrictions associated with operating at high skew angles," said Gogo, which expects to offer the new service to the commercial aviation market in second half 2015.

V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel, as of January 23, was \$64.9/barrel, down 13.4% on the month and down 47.8% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2014 was \$66.8/barrel. Impact on 2014 fuel bill was -\$90.1 billion.

2. **Lufthansa Group Aircraft Fly From Oslo on Biokerosene.**

For one year beginning March 2015, Lufthansa Group will fuel aircraft at Oslo airport with a biokerosene mixture supplied by Norwegian oil company Statoil Aviation. Oslo is the world's first large commercial airport to offer continuous provision of biofuel over a long period and to fuel aircraft with biokerosene directly from its hydrant system. About 2.5 million gallons will service 5,000 flights by Group airlines Lufthansa, Swiss, Austrian, Germanwings and Brussels.

3. **Boeing, Embraer Open Joint Biofuel Research Center in Brazil.**

Boeing and Embraer opened a joint sustainable aviation biofuel research center in the São José dos Campos Technology Park in Brazil. They will coordinate and co-fund research with Brazilian universities and other institutions, focusing on feedstock production, techno-economic analysis, economic viability studies and processing technologies.

VI. U.S. CONGRESS

1. 114th Congress Convenes With New Aviation Leaders.

The 114th Congress convened with Republicans controlling both houses and new leaders on aviation-related Committees. John Thune (R-S.D.) is the new Chairman of the Senate Commerce, Science and Transportation Committee, replacing Jay Rockefeller (D-W. Va.), who has retired. In the House, Peter DeFazio (D-Ore.) is new Ranking Member of the Transportation and Infrastructure Committee; Bill Shuster (R-PA) remains Committee Chair; Frank LoBiondo (R-N.J.) is Chairman of the House Aviation Subcommittee, and Rick Larsen (D-WA) is Ranking Member.

2. House Passes Controversial DHS Funding Bill.

The House passed the Fiscal Year 2015 Department of Homeland Security Appropriations Act, which provides \$39.7 billion through September 30, 2015. An increase of \$400 million over the FY 2014 enacted level, H.R. 240 prioritizes all operational, counterterrorism and threat-targeting activities, and essential tactical equipment. It reduces overhead costs and cuts funds for lower-priority programs. Controversial amendments that would limit recent Presidential actions on immigration likely will stall the bill in the Senate. DHS Secretary Jeh Johnson warned that he would advise the President to veto the bill in this form, should it reach his desk. DHS is operating on a continuing resolution due to expire on February 27 “Recent world events—the terrorist attacks in Paris, Ottawa, Sydney, and elsewhere, along with the public calls by terrorist organizations for attacks on Western objectives—call for increased vigilance in homeland security,” said Johnson. “In these times, the budget of the Department of Homeland Security cannot become a political volleyball.”

3. Terrorism Risk Insurance Program Reauthorized Through 2020.

The Terrorism Risk Insurance Program Reauthorization Act of 2015 was passed by both Houses and signed into law by President Obama. H.R. 26 extends authorization of the program through December 31, 2020 and establishes a National Association of Registered Agents and Brokers, among its provisions.

4. Hearing on FAA Technology Certification.

In preparation for the next FAA reauthorization, the House Transportation Committee held a hearing to discuss certification processes, progress made by FAA to streamline processes since the last reauthorization, and areas needing additional reform. Committee Chairman Bill Shuster said much of FAA’s process is simply for the sake of process, and products and technology often are caught in a bureaucratic maze which could lead to a disadvantage

with foreign competition. Among witness comments, Boeing Commercial Airplanes President and CEO Ray Conner urged FAA to apply a risk-based approach and focus on flight-critical elements of the airplane.

5. Legislators Seek To Tighten Visa Waiver Program.

Democrat Dianne Feinstein and Republican Michael McCaul are among top ranking legislators seeking to tighten restrictions on the Visa Waiver Program. The program is “a weak link in our efforts to keep violent extremists out of our country and needs to be tightened up,” Senator Feinstein told *The Washington Post*. She will introduce legislation to strengthen the program’s security features. House Homeland Security Committee Chairman McCaul has co-sponsored legislation that would require intensified airport screening.

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **U.S.-Cuba Scheduled Air Services Talks Ahead.**

President Barak Obama reestablished diplomatic relations with Cuba, and DOT said the two governments will engage “to assess our aviation relations and establish a bilateral basis for further expansion of air services.” U.S. flights to Cuba have been limited to authorized charter operations, but scheduled operations are no longer precluded. DOT noted that “any carrier holding long-dormant U.S.-Cuba authority would enjoy no advantage.” Activation of existing unused scheduled authority to serve Cuba and new applications to serve Cuba are deferred until further order by DOT. . . . The U.S. Treasury and Commerce Departments amended sanctions to enable travel agents and airlines to sell authorized travel services to Cuba, and to facilitate authorized banking and credit card transactions. . . . The Office of Foreign Assets Control (OFAC) added a general license under which travelers who meet requirements in the 12 authorized travel categories will not require specific, case-by-case OFAC approval to engage in travel-related transactions involving Cuba. The categories are: family visits; official business of U.S. and foreign governments and certain intergovernmental organizations; journalistic activity; professional research and meetings; educational activities; religious activities; public performances, clinics, workshops, athletic and other competitions and exhibitions; support for the Cuban people; humanitarian projects; activities of private foundations or research or educational institutes; exportation, importation, or transmission of information; and certain export transactions.

2. **U.S., India Reaffirm Commitment to Safety, Security of Civil Aviation.**

In talks in New Delhi, President Obama and Prime Minister Modi reaffirmed that consultations between FAA and the India Directorate General of Civil Aviation will continue to ensure international safety standards set by ICAO, with the aim of restoring Category I status for India at the earliest possible time.

3. **Group Promotes “Open Skies Policies And Robust Aviation.”**

Business Travel Coalition (BTC) launched openskies.travel to encourage, among other things, “timely approval of airline applications for services in accordance with open skies agreements,” as the committee that oversees the U.S.-EU pact held new talks on Norwegian Air International’s long-delayed petition. “Open skies agreements entered into between governments around the world are under attack by some U.S. and EU airlines that seek to block new competition,” said BTC. The group intends to “educate the U.S. Congress, the EU Parliament and other legislatures on benefits of open skies

agreements and emerging threats and opportunities with respect to airline competition, the airline consumer and local and regional economies.” “New airline entry is among the very few remedies available to offset airline industry consolidation and protect consumers,” said BTC chief Kevin Mitchell. The bloc includes corporate, university and government travel managers; travel management companies and distributors; travel industry suppliers; consumer groups; and travel organizations.

4. Canada, Israel Sign Air Transport Agreement.

Canada and Israel signed an Air Transport Agreement that will increase the number of permitted flights for passenger and cargo services and enable airlines to introduce new prices more quickly, among other advantages. They also signed a Declaration of Intent on Aviation Security, formalizing cooperation on aviation security issues of mutual concern and providing the basis for an ongoing exchange of information on these issues. Air Canada and El Al operate direct scheduled air services between Toronto and Tel Aviv.

VIII. EUROPE AND AFRICA

1. Qatar Airways Acquires 9.99% IAG Shareholding.

Qatar Airways acquired a 9.99% stake in International Airlines Group (IAG), worth about \$1.7 billion. Both are members of the oneworld alliance; IAG is the parent of British Airways, Iberia and Vueling. Among numerous UK investments, Qatar holds a 20% stake in Heathrow Airport.

2. IAG Offer for Aer Lingus Considered.

IAG made an improved offer of €1.3 billion for Aer Lingus and received access to perform a limited period of confirmatory due diligence. IAG said Aer Lingus would operate as a separate business with its own brand, management and operations, and join oneworld and the joint business that IAG operates over the North Atlantic with American Airlines. Ireland's largest trade union, SIPTU, urged the government not to sell its 25.1% share of the airline without job guarantees. Ryanair, which holds a 29.8% share of Aer Lingus, said it would consider any offer; Ryanair fell short in numerous Aer Lingus takeover attempts and must cut its stake to 5% due to competition concerns. . . . Aer Lingus CEO Christoph Mueller will step down on February 28, rather than in May as previously announced, to become CEO of Malaysia Airlines.

3. Alitalia Investors Demand Profitability by 2017.

The new Alitalia began operations on January 1, following Etihad (49%) and Alitalia shareholders completing equity investments. Luca di Montezemolo is Chairman, Etihad President and CEO James Hogan is Vice Chairman and Silvano Cassano is CEO. A new three-hub strategy in Italy includes increased long-haul services from Milan Malpensa; increased connectivity with partner airline hubs from Milan Linate; and increased long-haul services from Rome Fiumicino, with continued expansion of short- and medium-haul flying "to maintain relevance to the Italian market." San Francisco, New York and Chicago are among new routes from Rome. Code sharing with existing and new partners will be expanded. Daily services to Etihad's Abu Dhabi hub from Venice, Milan, Bologna and Catania are planned, and additional flights from Rome, with onward connections to the Middle East, Africa, Southeast Asia, China and Australia. Opportunities to deepen relationships with Skyteam members are being explored, "in particular Air France/KLM and Delta." It will partner with airberlin-NIKI and increase connectivity with other Etihad equity partners. "Alitalia's future will rely on major change throughout the organization," said Hogan. "In a market still beset by the continuing Eurozone crisis, anything other than rapid, decisive change is simply not an option . . . there should be no doubts at all: we have made a commercial investment that

must deliver a commercial return . . . major investors have set a clear deadline for the airline to deliver profitability by 2017.”

4. **Air France Plans Another 800 Personnel Cuts.**

Air France announced additional measures “to contend with the weaker unit revenue trend that has developed since the summer of 2014,” including reduced fleet and capacity growth, new initiatives to drive revenues and “further adaptation of headcount . . . Voluntary Departure Plans will relate to ground staff and cabin crew and aim at the departure of approximately 800 people.”

5. **Cyprus Airways Ceases Operations.**

Cyprus Airways suspended all operations and is liquidating, following a European Commission order that the 68-year-old flag carrier repay over €65 million plus interest in state aid. The Commission “found that Cyprus Airways had no realistic perspective of becoming viable without continued state subsidies.”

6. **Group Promotes “Open Skies Policies And Robust Aviation.”**

See Section VII, item 3.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Flight QZ8501 Voice, Data Recorders Recovered.

A multinational search operation recovered the cockpit voice and flight data recorders of AirAsia Indonesia Flight QZ8501 from the Java Sea. The Airbus A320-200 crashed on December 28 after losing contact with air traffic control in stormy weather en route to Singapore from Surabaya. Remains of about 73 of the 162 people onboard have been recovered; the fuselage was located but has not been retrieved due to strong underwater currents and poor weather conditions. Indonesia's National Transportation Safety Committee said QZ8501 made a steep climb to more than 37,000 feet, before rapidly losing altitude and plunging into the sea. The co-pilot was at the controls in the final radio transmission to ground control, with the captain in the left cockpit seat. ICAO received a preliminary report. . . . that AirAsia lacked authority to fly the Surabaya-Singapore route on the day of the crash. The Transport Ministry revealed that it suspended AirAsia from flying the route and levied sanctions against five other airlines, including Garuda and Lion Air, for flying routes without rights. The Transport Ministry blamed administrative negligence rather than corruption and an industry safety overhaul is underway. AirAsia Group CEO Tony Fernandes told reporters the Association of Southeast Nations (ASEAN) should regulate air traffic for the region.

2. Loss of Malaysia Airlines Flight 370 Declared an Accident.

The Malaysian government declared the loss of Malaysia Airlines Flight 370 an accident and the 239 passengers and crew aboard the Boeing 777 are officially presumed dead, enabling the issuance of death certificates and compensation to next of kin by the airline and insurers, in accordance with ICAO standards. Flight MH370 disappeared March 8, 2014, en route from Kuala Lumpur to Beijing, and is believed to be on the floor of the southern Indian Ocean. Neither the aircraft nor any debris has been located. An international search coordinated by the Australian government continues. Azharuddin Abdul Rahman, Director General of Malaysia's Department of Civil Aviation, said there is no evidence to substantiate any speculation as to the cause of the accident.

3. Skymark Files for Bankruptcy.

Skymark, Japan's third-largest carrier, filed for bankruptcy protection with more than \$600 million in liabilities. Skymark President Shinichi Nishikubo resigned and Chief Financial Officer Masakazu Arimori assumed that role.

4. **American To Begin Dallas-Beijing Service in May.**

American won rights to fly daily Boeing 777-200 service from Dallas/Fort Worth to Beijing Capital International beginning May 7. This will be the only nonstop connecting the two cities, and American's sixth daily flight to Asia from Dallas.

5. **Delta Plans Daily Los Angeles-Shanghai Service.**

Delta plans to begin daily, 291-seat Boeing 777-200LR nonstops between Los Angeles International and Shanghai Pudong on July 9, pending DOT and foreign government approval. The Los Angeles market makes up 25% of all U.S.-Asia demand, said the airline.

6. **Hainan Requests Boston, San Jose, Seattle Routes.**

Hainan Airlines requested rights to the Boston-Shanghai, Mineta San Jose-Beijing and Seattle-Shanghai routes. The five weekly Boeing 787 nonstops to San Jose would be the first direct U.S.-China service to Silicon Valley. In its DOT filing, the privately owned Chinese carrier asked to begin service on the routes in second quarter.

7. **China Update.**

China will lift controls on prices of 24 commodities and services, said the National Development and Reform Commission (NDRC), including domestic air cargo and passenger transport of some airlines; China Air Transport Association said the move will help activate the market, attract private investment and enhance competition. . . . Civil Aviation Administration of China (CAAC) certified the first domestically produced regional jet. The Advanced Regional Jet for the 21st Century (ARJ21) has 78 seats in dual-class configuration and 90 in full economy. Manufacturer Commercial Aircraft Corporation of China (COMAC) has 278 orders for the ARJ21. CAAC has encouraged China's airlines to use Chinese aircraft and accelerate development of routes in central and western areas and regional aviation. . . . Juneyao Airlines' launched its budget subsidiary 9 Air with service from Guangzhou to Zhanjiang. The third low-cost carrier to operate in China, after Spring Airlines and China West, 9 Air has ordered 50 Boeing 737s. . . . China is tracking unruly travelers, as incidents escalate. The National Tourism Administration will gather information from airlines, hotels and travel agencies, and promote civilized tourism to Chinese travelers, including respecting public order and local customs. In January, 25 angry passengers on a China Eastern Boeing 737-800 delayed by ice and fog in Kunming opened emergency exit doors and were arrested by local police, and a West Air passenger opened an emergency exit door as an Airbus A319 taxied to a Jiangbei Airport gate, deploying an inflatable emergency slide. Last year, incidents of unruly passenger behavior included hot water thrown at a flight attendant on an

AirAsia flight, causing the pilot to return to the airport. . . . China will erect more than 33,000 new toilets at tourist sites over the next three years and renovate another 25,000, amid plans to make tourist restrooms reach three-star standards.

8. **U.S., India Reaffirm Commitment to Safety, Security of Civil Aviation.**

See Section VII, item 2.

9. **Group Promotes “Open Skies Policies And Robust Aviation.”**

See Section VII, item 3.

10. **Canada, Israel Sign Air Transport Agreement.**

See Section VII, item 4.

11. **Qatar Airways Acquires 9.99% IAG Shareholding.**

See Section VIII, item 1.

12. **Alitalia Investors Demand Profitability by 2017.**

See Section VIII, item 3.

X. AMERICAS

1. American Receives Its First Dreamliner.

American took delivery of its first Boeing 787 and expects it to enter revenue service in second quarter, flying domestically first, then on international flights. American has placed firm orders for 42 Dreamliners, with the right to acquire an additional 58. . . . American and US Airways pilots voted for a joint collective bargaining agreement proposal with a new five-year contract which provides immediate pay raises of 23% and subsequent annual raises of 3% for the next five years. . . . A complaint filed in Chicago federal court by Local 591 of the Transport Workers Union states that American pressured technicians “to commit maintenance fraud, disregard maintenance discrepancies, deviate from federally mandated maintenance procedures, abstain from required lightning strike and bird strike inspections, and otherwise violate federal aviation standards,” and responded to union efforts in these matters with threats of discipline, termination, arrest, station closure and reduction of staff. Plaintiffs asked the Court to restrain the airline from engaging in such activity and are seeking punitive damages and other relief. They also petitioned the House Aviation Subcommittee to provide FAA investigators “with sufficient manpower and necessary funding” to complete a probe initiated last year. . . . American plans to add service to Barranquilla, Colombia, Belize City, Grand Cayman, Guadalajara, Managua, and Monterrey, Mexico, in June.

2. Delta Flight Attendants, IAM File for Election.

Nearly 12,000 of Delta’s 20,000 flight attendants formally requested that the National Mediation Board conduct a union representation election at the carrier, said the International Association of Machinists and Aerospace Workers (IAM). Delta flight attendants have rejected union representation several times. Separately, Association of Flight Attendants-CWA (AFA) filed suit to compel Delta Connection carrier Compass Airlines to arbitrate two contractual grievances.

3. United To Consider Outsourcing 2,000 Airport Jobs.

United is considering outsourcing up to 2,000 baggage handling and other airport jobs to help cut costs by \$2 billion annually. After meeting with the IAM, the airline said it would restore other jobs at nine large airports.

4. Frontier To Outsource 1,300 Jobs in Denver, Milwaukee.

Frontier will outsource ground-operations work at Denver to a Swissport International unit, affecting 1,300 employees. The work of 140 reservations workers in Milwaukee will be outsourced to Nashville-based contractor Sitel.

The airline said its employees would be given priority for interviews with the contractors.

5. **Allegiant Pilots Vote For Strike.**

Allegiant pilots voted to strike after two years of negotiations. Airline Professionals Association Teamsters said issues include salary and job protection measures that are standard in the industry. The airline said it will continue to be committed to negotiating a contract that is good for both pilots and the company. Allegiant reported its 48th consecutive profitable quarter, ending December 31.

6. **U.S.-Cuba Scheduled Air Services Talks Ahead.**

See Section VII, item 1.

7. **U.S., India Reaffirm Commitment to Safety, Security of Civil Aviation.**

See Section VII, item 2.

8. **Group Promotes “Open Skies Policies And Robust Aviation.”**

See Section VII, item 3.

9. **Canada, Israel Sign Air Transport Agreement.**

See Section VII, item 4.

10. **American To Begin Dallas-Beijing Service in May.**

See Section IX, item 4.

11. **Delta Plans Daily Los Angeles-Shanghai Service.**

See Section IX, item 5.

12. **Hainan Requests Boston, San Jose, Seattle Routes.**

See Section IX, item 6.