



WASHINGTON AVIATION SUMMARY

May 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. Malaysia Airlines Flight 370 Update.

The fate of Malaysia Airlines Flight 370 remained unknown after a multinational search of 4.5 million square kilometers in the southern Indian Ocean near Perth. Australian Prime Minister Tony Abbott said a widened search will use specialized sonar equipment towed behind ships to scan a probable impact zone of 700 by 80 kilometers. Australia, in consultation with Malaysia, is considering commercial contractors to undertake this work. Meanwhile, a team of vessels from Australia, Malaysia, and China as well as a Bluefin-21 submersible sent by the United States continue “to maintain continuity and momentum.” . . . “MH370 has highlighted the need to improve our tracking of aircraft in flight,” said the International Air Transport Association (IATA). “In a world where our every move seems to be tracked, there is disbelief both that an aircraft could simply disappear and that the flight data and cockpit voice recorders are so difficult to recover. Air France 447 brought similar issues to light a few years ago and some progress was made. But that must be accelerated. We cannot let another aircraft simply vanish.” . . . The International Civil Aviation Organization (ICAO) will convene a special meeting in May on aircraft and satellite-based capabilities needed for global implementation of worldwide flight tracking.

2. ICAO Protocol Addresses Disruptive Passengers.

A new ICAO Protocol addresses the “troubling escalation in the frequency of incidents involving disruptive and unruly passengers on scheduled commercial flights.” The amendment to the 1963 Tokyo Convention expands jurisdiction over such offenses to include both the country of aircraft registration and the flight destination country. IATA says the amendment will close “a loophole that allowed many serious offences to escape legal action, and gives greater clarity to the definition of unruly behavior, such as threat of or actual physical assault or refusal to follow safety-related instructions.” New provisions also address recovery of significant costs arising from unruly behavior. Citing some 300 incidents reported each week, IATA urged governments to ratify the new Protocol; the changes come into force when ratified by 22 states.

3. FAA Grants Category 1 Safety Rating to Philippines.

The Federal Aviation Administration (FAA) has granted the Republic of the Philippines a Category 1 rating. The designation indicates the Philippines now complies with international safety standards set by ICAO so Philippine carriers

can add flights to the United States and code share with U.S. carriers. The country had been downgraded to Category 2 in January 2008.

4. **DOT Denies ATI for Air Tahiti in Air France-Delta JV.**

The U.S. Department of Transportation (DOT) issued a tentative show cause order denying the antitrust immunity (ATI) application by Air France-KLM, Delta and Alitalia for Air Tahiti Nui to be part of their joint venture on routes from Tahiti to Los Angeles and Paris. Air Tahiti Nui and Air France already code share. DOT ruled the planned agreement provided insufficient public benefits and is concerned about the effect on competition.

5. **FAA Proposes Civil Penalties.**

FAA proposed a \$547,500 civil penalty against Hawaiian Airlines for operating a Boeing 767-300 more than 5,000 times between July 2004 and July 2012 when the aircraft was not in compliance with a July 2000 Airworthiness Directive requiring inspections of engine thrust reverser components. . . . FAA also proposed civil penalties for hazardous material air shipment violations against Alfa Chemistry of Stony Brook, New York (\$325,000) and Unilever BestFoods (\$77,000). . . . Amazon.com paid in full a \$91,000 fine for making improper HazMat shipments in September 2013. Amazon shipped by air on FedEx a package containing flammable liquid adhesive without requisite shipping papers or emergency response information, and did not mark, label, or properly package the shipment. Amazon also failed to properly train its employees in preparing HazMat packages for shipment by air.

6. **NTSB's Hersman: Protecting Against Unlikely Risks.**

In a farewell speech at the National Press Club in Washington, outgoing National Transportation Safety Board (NTSB) Chair Deborah Hersman stressed the need for regulations to prohibit passengers from holding children under two on their laps. "Some people say the risk is small. I tell them no, a baby is small. We secure laptops and coffee pots. Yet we do not secure our most precious cargo, our children," said Hersman.

7. **FAA Proposes Rule to Facilitate Use of Child Safety Seats.**

FAA proposed a rule that would require carriers to post maximum dimensions of a child safety seat that can be used on each aircraft it operates to their websites for passenger convenience. The rule is mandated by the FAA Modernization and Reform Act of 2012. Carriers must post the width of the widest passenger seat in each class of service for each airplane make, model and series.

8. Boeing, Asiana Submissions Conflict in NTSB Probe of SFO Crash.

In the ongoing NTSB investigation of the Asiana Boeing 777-200ER crash, on July 6, 2013, at San Francisco International, which resulted in deaths of three passengers, the airline reported “significant contributing factors.” These included: (i.) inadequate warning systems to alert the flight crew that the autothrottle had ceased to maintain set airspeed and provide stall protection support; (ii.) a low speed alerting system that did not provide adequate time for recovery in an approach-to-landing configuration; (iii.) failure of the flight crew to execute a timely go-around; and (iv.) air traffic control instructions and procedures that led to excessive pilot workload during a high-energy final approach. Asiana recommended to Boeing and FAA several modifications to related systems, training, and manuals, and “an improved means of customer reporting to provide feedback on positive and negative automation features from in-service use that the company can use to improve the ‘human-centered’ quality of its automated systems.” The airline asked ICAO to develop accident guidance to determine that surviving crew have received appropriate medical attention before being interviewed. And also to ensure those interviews are conducted in the native language of surviving crew members. NTSB was asked to require its investigators to preserve all audio recordings of investigative interviews until at least the conclusion of the fact-finding phase of the investigation. . . . In its submission, Boeing maintains the accident occurred due to flight crew failure to monitor and control airspeed, thrust level, and glide path. Boeing said the pilot always has final authority over any automation system.

9. FAA Completes Nationwide ADS-B Installation for NextGen.

FAA completed nationwide installation of the Automatic Dependent Surveillance-Broadcast (ADS-B) radio network, a key improvement in the Next Generation Air Transportation System (NextGen). ADS-B enables air traffic controllers to track aircraft with greater accuracy, while giving pilots more information in the cockpit. Installation clears the way for air traffic controllers to begin using ADS-B to separate equipped aircraft nationwide, said FAA Administrator Michael Huerta. “It will also provide pilots flying aircraft equipped with the proper avionics with traffic information, weather data and other flight information.” Of the 230 U.S. air traffic facilities, 100 currently use this system to separate traffic; all are expected to be connected and operating by 2019. All aircraft operating in controlled airspace must be equipped with ADS-B Out avionics that broadcast the plane’s location by January 1, 2020.

10. Reduced Competition Increases Flight Delays, Cancellations.

An audit by the DOT Inspector General concludes that industry consolidation and subsequent reduced competition coincide with more flight delays and

cancellations. The IG found when service options shrank from three equal-sized airlines to two, the average minutes of delay in the market increased by over 25%, and the flight cancellation rate increased by nearly 7%. Following a reduction in competition, markets that started out fairly competitive experienced the greatest increase in delay length. And those that started out with fairly limited service options experienced the greatest cancellation-rate increases. The audit was required by the FAA Modernization and Reform Act of 2012.

11. **DOT Air Travel Consumer Report for February.**

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

	Feb.	Jan.	Full Year				
	'14 / '13	'14	2013	2012	2011	2010	2009
On-time arrivals %	70.7/ 79.6	67.7	78.34	81.85	79.6	79.8	79.5
Cancellations %	5.5 / 2.4	6.5	1.51	1.29	1.91	1.76	1.39
Mishandled baggage*	4.21 / 2.99	5.54	3.22	3.09	3.35	3.51	3.91
Consumer complaints:							
Airline service	1,171 / 901	1,713	13,168	15,338	11,546	10,988	8,821
Disability-related	33 / 42	76	679	741	628	572	519
Discrimination**	5/5	8	79	99	128	143	131

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

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Virgin America Lands Love Field.

Virgin America expects to be awarded the two Dallas Love Field gates being divested in the American-US Airways merger settlement with the Department of Justice. It says flights from Love to New York LaGuardia, Washington National, Los Angeles International, and San Francisco will begin in October, when the Wright Amendment expires. Virgin America also will move its current Dallas-Fort Worth operations to Love; two new daily nonstops from Love to Chicago O'Hare will begin in 2015. Delta and Southwest also contended for the Love slots. The Dallas City Council disagrees with the decision.

2. O'Hare International Terminal 5 Renovation Completed.

A \$26 million renovation at Chicago O'Hare's International Terminal 5 has been completed. Included are a redesigned TSA checkpoint and 24 new retail and dining vendors.

3. Atlanta Approves Program To Stimulate International Growth.

The Atlanta City Council approved a program to stimulate international growth at Hartsfield-Jackson Atlanta, at a cost of up to \$2 million annually over the next five years. . . . In other news, permit-carrying gun owners can bring guns into public places, including airports, under a newly enacted Georgia law, although they may not carry them through security to gates.

4. Boston Logan Terminal B Renovation Completed.

United and Massport completed a \$170 million, 10-gate concourse at Boston Logan's Terminal B, which features a new ticketing lobby, improved security checkpoints, self-tagging baggage kiosks, automated self-boarding gates and a United Club lounge for premium customers. All United operations will relocate to Terminal B from Terminals A and C.

5. Raleigh-Durham Completes \$68 Million Modernization Project.

Raleigh-Durham completed its \$68 million modernization project with the opening of a renovated Terminal 1, occupied by AirTran and Southwest.

6. Cleveland Hopkins Plans \$20 Million Terminal Renovation.

Cleveland Hopkins is involving the local community in a redesign of its terminal. The \$20 million renovation will include modernizing the passenger terminal façade and ticketing lobby, new terrazzo flooring, and improvements to lighting and signage. The project, expected to be completed in 2017, will be

funded through unspent general airport revenue bonds and has been approved by airline tenants.

7. Atlantic City Offers Incentive Programs to Airlines.

United signed a one-year incentive agreement with Atlantic City International, which includes reduced landing, fuel, and service fees along with \$60,000 in marketing support for new flights from Chicago and Houston. A separate \$5 million incentive program approved by Casino Reinvestment Development Authority would purchase some unfilled airline seats on new service to Atlantic City. Currently, air travelers represent just 1% of Atlantic City's 27 million annual visitors.

8. Heathrow Terminal 2 To Open June 23.

On June 23, Queen Elizabeth and Prince Philip will officially open London Heathrow's Terminal 2, to be known as "The Queen's Terminal." The £2.5 billion facility is the latest phase of Heathrow's £11 billion transformation. Designed by Spanish architect Luis Vidal, it will be a gateway for 23 Star Alliance airlines, as well as Aer Lingus, Virgin Atlantic Little Red and Germanwings. The terminal features an undulating steel framed roof that floods the building with natural light. A 77-ton sculpture, "Slipstream," by British artist Richard Wilson, is "inspired by the world of aviation and captures the imagined flight path of a small stunt plane."

9. Qatar Opens Hamad International.

Qatar opened Doha Hamad International, which ultimately will be able to handle 50 million passengers annually. The much-delayed project includes a 590,000 square meter passenger terminal complex and two runways; one at 4,850 meters. Ten airlines initially are moving to Hamad, while Qatar Airways and others will move from May 27, when first- and business-class lounges are completed. Qatar will host the 2022 World Cup.

10. Second Airport Planned for Western Sydney.

Construction of a secondary Sydney airport will begin in 2016, with an expected \$2.5 billion in private-sector funding. The site will be Badgerys Creek in Western Sydney. Sydney's Kingsford-Smith operator, Southern Cross Airports, was given right of first refusal to build the new airport. Opposition from environmentalists is underway.

III. SECURITY AND DATA PRIVACY

1. New Members Named to Aviation Security Advisory Committee.

Department of Homeland Security (DHS) Secretary Jeh Johnson appointed 24 new members to the Aviation Security Advisory Committee (ASAC), which recommends improvements on methods, equipment, and procedures to the Transportation Security Administration (TSA). Members serve two-year terms and represent passenger and cargo airlines, airports, labor, manufacturers, and other industry stakeholders. ASAC was established in 1989 after the crash of Pan Am 103 over Lockerbie, Scotland.

2. TSA PreCheck Expands to Include Air Canada.

Air Canada is the first international carrier to participate in PreCheck, TSA's expedited screening program. TSA PreCheck operations are available at more than 115 U.S. airports, via 10 carriers.

3. California Cross-Border Airport Construction Begins in May.

Construction of the cross-border airport terminal connecting Otay, San Diego and Tijuana is already underway on the Mexican side. Construction will begin on the U.S. side in May, with completion expected in 15 months. Otay Tijuana Venture, a partnership that includes Grupo Aeroportuario del Pacifico, has agreed to pay salaries of U.S. border inspectors and costs of inspection facilities on a pedestrian bridge from Tijuana's existing airport into the United States, reports Associated Press. Officials anticipate 1.5 million passengers the first year. The design of the 65,000 square foot building was inspired by the wings of a paper airplane, said developers. An open central courtyard acts as an articulator node dividing flows and functions.

IV. E-COMMERCE AND TECHNOLOGY

1. AT&T Plans Inflight Wireless Internet.

AT&T will offer inflight connectivity services in the U.S., with Honeywell Aerospace as the exclusive hardware provider. The new 4G LTE service is anticipated to become available at the end of 2015; 4G LTE is a standard for wireless communication of high-speed data for mobile phones and data terminals.

2. Gogo To Install Wi-Fi on Air Canada North American Fleet.

Gogo will begin installations of inflight Wi-Fi connectivity in May on the Air Canada North American fleet of Airbus A319s, A320s, and A321s and Embraer 190s and Air Canada Express CRJ-705s and Embraer 175s; targeted completion date is December 2015. The Gogo agreement also provides for 2Ku and Global Xpress satellite trials on select international aircraft in 2015. In other news, Boeing will evaluate Gogo's technology solutions for potential installation on new aircraft orders.

3. Global Travel To Rise 5.4% Annually.

Global travel will grow by 5.4% per annum over the next decade, outpacing global GDP by some 2%, according to an Amadeus-commissioned study by Oxford Economics. Large emerging markets will drive growth, with China's share of global outbound travel reaching as much as 20% by 2023. China will surpass the U.S. to become the world's largest outbound travel market this year and the largest domestic market by 2017. Other large emerging markets, such as Russia, Brazil, India, Indonesia, and Turkey will each also average more than 5% annual growth over the next 10 years. Western short-haul business travel will not reach pre-2008 levels until 2018. Asia will account for 55% of global business travel growth in the next 10 years.

4. U.S. Agency Ticket Sales Rise 4.55% in First Quarter.

First quarter consolidated dollar value of airline tickets sold by U.S.-based travel agencies was \$24 billion, up 4.55% over Q1 2013, reports Airlines Reporting Corporation (ARC). March ticket transactions increased 2.57% over same period 2013 to 39.5 million. Results are based on monthly sales data ending March 31 from 13,446 U.S. retail and corporate travel agent locations, satellite ticket printing offices and online agencies. Estimates do not include sales of tickets purchased directly from airlines. Total sales equal total amount paid for ticket, including taxes and fees.

5. **United Signs New Global Agreement with Amadeus.**

United signed a new multi-year agreement with Amadeus for worldwide distribution services of its full range of content, including access and booking of ancillary offerings.

6. **Customers Reveal Low Satisfaction With Airlines.**

Airlines remain among the lowest-scoring categories in the American Customer Satisfaction Index (ACSI), beating only subscription TV service, social media, and the IRS. Poor inflight service and lack of seat comfort are major complaints, while check-in process and ease of booking were rated higher. JetBlue remains the highest-scoring airline; United scored lowest. ACSI concludes that mergers have a negative impact on customer satisfaction; "Southwest led the industry for 17 years until it merged with AirTran in 2011 and Delta is just now recovering from its 2008 merger with Northwest." Online travel agencies lead in user satisfaction among travel industries, but site visitors prefer booking directly with airlines.

7. **Emirates Unit Sells Mercator to Warburg Pincus.**

Private equity firm Warburg Pincus acquired a majority stake in Mercator, an information technology provider owned by Emirates unit dnata, which will retain a minority stake. Dubai-based Mercator provides services to help airlines manage cargo operations, passenger reservations, loyalty programs, safety protocols, and finances. The products are used by 125 airlines. Former Executive Chairman of Warburg's WNS Global Services David Tibble will serve as Mercator's Executive Chairman.

8. **Panasonic Launches AdConnect for Airlines.**

Inflight entertainment supplier Panasonic Avionics has partnered with digital ad firm MediaShift to build a platform that targets ads to travelers on personal devices and devices offered by airlines. AdConnect allows airlines to generate ad revenue for the entire inflight Wi-Fi session. The service adheres to Internet Advertising Bureau standards and guidelines, says Panasonic, and will be available to airlines that select Panasonic Global Communications Services in North America, with other regions to come.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

As of April 14 average price of aviation jet fuel, was \$120.9/barrel, up 0.2% on the month and up 0.9% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2014 is \$123.3/barrel.

2. EU Parliament Approves ETS Exemption for Foreign Flights.

The European Parliament voted to stay the application of the EU Emissions Trading Scheme (ETS) to flights to and from the EU through 2016. The decision overturned an earlier vote by the Environment Committee and requires endorsement by the Council. Association of European Airlines welcomed the “realistic approach which provides clarity for airlines for the next three years.” but said it would have preferred legal certainty and planning stability until 2020 when the global market-based mechanism is due to come into force.” Airlines for America noted that Parliament’s “stop the clock” extension is consistent with the historic agreement reached at the ICAO Assembly last fall, which rejected unilateral approaches while cementing the global commitment by airlines and governments to continue to work together to address climate change and achieve carbon neutral growth from 2020.” The U.S. and other countries had strongly opposed EU efforts to include foreign airlines in its ETS scheme.

3. EU Adopts New Airport Noise Regulation.

The European Parliament adopted new rules and procedures for introducing noise-related restrictions at European airports, aligning EU noise policy with that of ICAO. A comprehensive noise assessment will precede new measures; restrictions will continue to be set by regional and national authorities; potential economic effects and impact on capacity will be taken into account; residents near airports will be better informed of restrictions; and noise-related health problems will be given more consideration.

4. GreenSky London Site Selected; Will Fuel British Airways.

GreenSky London, the world’s first facility to convert landfill waste into jet fuel, will be built at Thames Enterprise Park by Solena Fuels, in partnership with British Airways. Some 575,000 tons of post-recycled waste, normally destined for landfill or incineration, will instead be converted into 120,000 tons of clean burning liquid fuels using Solena’s integrated technology. British Airways has made a long term commitment to purchase 50,000 tons per annum of the jet fuel produced at market-competitive rates. “The sustainable jet fuel produced

each year will be enough to power our flights from London City Airport twice over with carbon savings the equivalent of taking 150,000 cars off the road,” said Willie Walsh, CEO of British Airways parent IAG. Thames Enterprise Park is situated on an industrial site on the estuary of the River Thames.

5. Avianca Flight Testing Byogy ATJ Renewable Jet Fuel.

Avianca Brasil is testing Byogy's alcohol-to-jet (ATJ) fuel on a CFM-56 powered Airbus A319. Byogy's proprietary catalytic platform converts ethanol, butanol, mixed alcohols, or related olefins into full replacement biofuels including jet fuel. Among testing goals, the initiative will determine environmental impact “by leveraging existing, and abundant sugar cane feedstock, as opposed to waiting for years before other agriculture feedstock industries are proven cost effective,” said California-based Byogy, which has a Brazilian subsidiary.

6. Lufthansa to Evaluate Gevo's Renewable Jet Fuel.

Lufthansa agreed to evaluate renewable ATJ fuel from Gevo, with the goal of approval for commercial aviation use; testing is supported by the European Commission (EC). Gevo has executed initial commercial-scale production runs at its isobutanol facility in Luverne, Minn.

VI. U.S. CONGRESS

1. House Committee Approves Transparent Airfares Act.

The House Transportation and Infrastructure Committee approved the Transparent Airfares Act of 2014, which would allow carriers to advertise base fares and separately disclose taxes, fees and other costs. H.R. 4156 reverses DOT's 2012 full-fare advertising rule that requires inclusion of taxes and fees in quoted fares. Spirit, Allegiant and Southwest with the support of Airlines for America and IATA, challenged the rule in court. Full-fare advertising seems to protect the consumer, but actually protects the government, said A4A, noting that "on a typical \$300 roundtrip domestic ticket, customers pay \$61 in federal taxes [to] increase to \$63 in July when the TSA passenger security tax more than doubles." Business Travel Coalition noted the new bill did not receive formal input from groups other than airlines and said it would "undermine DOT authority to police unfair and deceptive airline practices." U.S. Travel Association said the new bill "would permit advertisers and other sellers of air transportation to hide the bottom-line cost of airfare in separate links or in pop-up windows, making it more difficult for consumers to quickly understand and easily compare 'all-in' prices among carriers." And ASTA rallied its travel agent members to urge Congress to oppose the bill. An amendment to H.R. 4156 requiring FAA to collect and maintain data on sexual assaults that occur on commercial domestic and international flights was withdrawn, but sponsor Eleanor Holmes Norton (D-DC) said the Committee plans to find another way to address the issue. The Protecting Airline Passengers from Sexual Assaults Act, originally a standalone measure, would "improve complicated onboard sexual assault investigations by the Federal Bureau of Investigation," said Holmes.

2. Bill Would Reauthorize, Extend Terrorism Risk Insurance Program.

A bill to reauthorize and extend the Terrorism Risk Insurance Act (TRIA) program for another seven years was introduced in the Senate. Created post-9/11, in 2002, Congress reauthorized the TRIA program in 2005 and 2007. It is set to expire at the end of 2014. The proposed legislation includes copay and recoupment changes that would be phased in over five years.

3. Congress Addresses Passport Fraud.

The House Subcommittee on Border and Maritime Security held a hearing on "Passport Fraud: An International Vulnerability," after it was learned that two passengers on Malaysia Airlines Flight 370 had used stolen passports. Interpol said airline passengers' passports are rarely checked against its

Stolen/Lost Travel Document (SLTD) database, except in the United States, UK and United Arab Emirates. The database contains 40 million names, passport numbers, and other identifiers. Subcommittee Chairman Candice Miller (R-MI) plans to introduce legislation “that will incentivize our allied nations to improve their screening procedures by utilizing the Interpol database and routinely reporting lost and stolen travel documents.” . . . U.S. Sen. Mark Kirk (R-Ill.) asked the Department of State to publish a list of countries and airports that do not regularly check travelers' documentation against the SLTD database. Kirk requested the information in a letter to Secretary of State John Kerry, Homeland Security Secretary Jeh Johnson, and Attorney General Eric Holder.

4. Proposed Bills Would Enhance Tourism to U.S.

The Subnational Visa Waiver Program Act was introduced in the Senate, as a means to increase tourism and create jobs. The legislation would allow territories, such as Hong Kong (China), Macau (China), Bermuda (UK), the Cayman Islands (UK), the British Virgin Islands (UK) and the Turks and Caicos Islands (UK), to participate in the U.S. visa waiver program for stays of 90 days or less. Of 86.8 million estimated departures made by Hong Kong residents this year, just 132,400 will be U.S.-bound, said the Commerce Department; Hong Kong and Macau passport holders already have visa-free access to over 100 countries. . . . The Travel Promotion, Enhancement, and Modernization Act, introduced in the Senate, would reauthorize Brand USA through 2020. A companion bill was introduced in the House. The public-private partnership promotes international travel to the United States in Fiscal Year 2013, said Senators. The program generated 1.1 million additional international visitors who spent an estimated \$32 million.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. FAA Prohibits Certain U.S. Airline Flights in Crimea.

FAA issued a final rule ordering U.S. airlines to cease flying in the Simferopol Flight Information Region (FIR), effective April 25, 2014 through April 27, 2015. The agency is concerned about the potential for civil aircraft to receive confusing and conflicting instructions from Ukrainian and Russian air traffic services (ATS) providers thereby presenting a potential hazard to civil flight operations in the disputed airspace. The European Aviation Safety Agency issued a similar warning. Both agencies were responding to an ICAO notice to civil aviation authorities that consideration should be given to implementing measures to avoid the airspace and to circumnavigate the Simferopol FIR with alternative routings. On March 28, Russia unilaterally established a new FIR in sovereign Ukrainian airspace over Crimea and associated Ukrainian territorial sea, and international airspace managed by Ukraine over the Black Sea and the Sea of Azov. Ukraine rejected Russia's FIR and continues to provide ATS in those areas, and has established a prohibited area over Crimea for flight operations and closed route segments. The FAA rule also notes that "political and military tension between Ukraine and the Russian Federation remains high, and compliance with air traffic control instructions issued by the authorities of one country could result in a civil aircraft being misidentified as a threat and intercepted or otherwise engaged by air defense forces of the other country." . . . The U.S. State Department warned U.S. citizens to defer all non-essential travel to Ukraine, and to defer all travel to regions of Ukraine, including the Crimean Peninsula and eastern regions of Kharkiv, Donetsk, and Lugansk.

2. NATO Re-Opens Upper Airspace Over Kosovo to Civil Overflights.

Upper airspace over Kosovo was re-opened for civilian traffic overflights, with Hungary providing air navigation service (Hungarocontrol). The airspace will remain under NATO/ KFOR (Kosovo Force) authority. Some 180,000 flights annually will fly 370,000 fewer nautical miles, resulting in reduced operating costs of €18 million, 24,000 tons less fuel burned and CO2 emissions reduced by 75,000 tons, said Eurocontrol.

VIII. EUROPE AND AFRICA

1. AEA Airlines Add 10 Million Summer Seats.

Association of European Airlines members will offer 5.5 million more seats on intra-European flights and 4.5 million more seats on intercontinental services, for the summer timetable from April through October. The largest expansion areas are Eastern Europe and Central/South America, bolstered by the FIFA World Cup in Brazil (June 12-July 13).

2. Air France Pilots Plan Daily Strikes in May.

Air France-KLM pilots planned to strike for several hours a day, May 3 to May 30, to protest a law requiring 48 hours notice before a walk-out. Air France said it would cancel most flights threatened by the action and warned its recovery could be threatened. Air France-KLM Chairman Alexandre de Juniac said first quarter results were on track, with revenues stable at €5.55 billion.

3. Lufthansa CEO Christoph Franz Makes Way for Carsten Spohr.

Lufthansa Chairman and CEO Christoph Franz stepped down noting an operating profit of €697 for 2013 or €1 billion when adjusted for non-recurring effects. Carsten Spohr replaces him on May 1. In his parting statement, Franz said, “a highly fragmented European aviation sector with mostly privatized airlines is facing highly integrated, state-controlled aviation conglomerates which control airports, airlines, air traffic control and ground handling from one source.” He urged Germany to abolish the aviation tax introduced in 2011 “in view of distortions like these.” Separately, Lufthansa said the 40.69% stake in the company held by non-German shareholders presents no immediate danger of excessive foreign control, and currently does not intend to exercise its right to buy back shares. The German legal limit for foreign ownership is 40%; the EU cap is 49%.

4. SAS Increases U.S. Services.

SAS is increasing U.S. services, with additional flights to Chicago, San Francisco, and New York, and new service between Stavanger and Houston.

5. EC Probing Non-EU Investment in Airlines.

The EC is investigating non-European Union (EU) investments in EU airlines to determine if they comply with rules limiting ownership and control. Of interest are Etihad’s stake in Air Berlin Plc and its expected stake in Alitalia, Delta’s stake in Virgin Atlantic, China investment company HNCA’s stake in Cargolux, and Korean Air’s stake in Czech Airlines.

6. **Italian Court Rules Against Emirates Milan-New York Route.**

An Italian court ruled that the Italian Civil Aviation Authority improperly granted permission to Emirates Airlines to operate nonstops between Milan Malpensa and New York Kennedy, upholding a legal challenge brought by Italian carrier association Assaereo, which includes Alitalia. Assaereo said the right to use Milan as a stopover between Dubai and New York cannot be granted to a non-EU operator or a carrier from a country which is neither the port of departure nor destination. The route was launched in October.

7. **Etihad Extends Talks for Alitalia Investment.**

Abu Dhabi-based Etihad extended talks on an investment in Alitalia, and reportedly asked the Italian government for stronger guarantees on job cuts and restructuring of debt. At least one Alitalia union, UIL, said it is prepared to enter negotiations to help meet conditions set by Etihad . . . In other news, Etihad's investment in Darwin (now doing business as Etihad Regional) is still being probed by the Swiss Federal Office of Civil Aviation, to ensure that Etihad, with a 33% minority stake, does not control the Swiss carrier. . . . Etihad bought €300 million in Air Berlin convertible bonds; Etihad's stake in the German airline remains unchanged at 29.21%.

8. **EC Proposes More Flexible Visa Rules.**

The EC proposed simplified visa rules, saying 6.6 million potential travelers from six countries were "lost" in 2012, due to cumbersome visa procedures. Among provisions, the deadline would be reduced to 10 days for processing; multiple entry visas valid for three years would be issued to regular travelers to the EU; a simplified application form and online applications would be available; and a Touring Visa would allow non-EU nationals to circulate for up to a year. Changes would apply to EU Member States and Iceland, Liechtenstein, Norway, and Switzerland. Bulgaria, Croatia, Ireland, Cyprus, Romania, and the UK do not take part in the EU visa policy.

9. **SriLankan Airlines Joins oneworld.**

See Section IX, item 2.

10. **Furor Over Norwegian Air Low-Fare U.S. Flights Intensifies.**

See Section X, item 3.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Hawaiian Begins Beijing Flights, Code Share With Air China.

Hawaiian Airlines began three weekly Airbus A330-200 nonstops to Beijing, its first mainland China destination. Under a new multi-phase agreement with Air China, initially Hawaiian will place its code on Air China-operated flights from Beijing to Shanghai, Hangzhou, Guangzhou and Shenyang. Air China will place its code on Hawaiian-operated flights from Honolulu to Kahului, Lihue, Kona and Hilo.

2. SriLankan Airlines Joins oneworld.

SriLankan Airlines is a member of oneworld, effective May 1. The carrier operates a fleet of more than 20 aircraft, including Airbus A320s, A330s, and A340s, with average age of nine years. The airline also has orders for 10 new aircraft, including four A350-900s. SriLankan code shares with oneworld partners Malaysia Airlines and S7 Airlines. In related news, oneworld launched a "Visit South Asian Sub-Continent" pass.

3. Proposed Singapore-ANZ Alliance Progresses.

The proposed Air New Zealand-Singapore Airlines alliance was cleared by the Competition Commission of Singapore, which said any concerns would be offset by net economic benefits to Singapore. The alliance must also be approved by the New Zealand Minister of Transport.

4. Qatar Begins Philadelphia Service.

Qatar Airways began daily Boeing 777-300ER flights to Philadelphia, the first new international carrier to launch service to that city in more than 10 years and the airline's fifth U.S. gateway. Qatar CEO Akbar Al Baker met with Mayor Michael Nutter to discuss new trade, business and investment opportunities for Qatar and Philadelphia.

5. Emirates, Alaska Airlines Offer Double Miles.

Emirates and Alaska Airlines are offering customers double miles on all Emirates routes from April 21 through November 30. . . . Emirates begins the first Airbus A380 service at Dallas/Fort Worth on October 1, replacing the Boeing 777-200LR due to heavy demand; the service was launched in 2012.

6. Etihad Signs Pacts With Philippine, Fiji Airlines.

Etihad and Philippine Airlines signed a Memorandum of Understanding for code sharing, frequent flyer reciprocity, airport lounge access, air pass

agreements, and cargo cooperation. Etihad currently offers twice-daily Boeing 777-300ER Abu Dhabi-Manila flights, and employs 1,000 Filipinos worldwide, including cabin crew and pilots. . . . An Etihad-Fiji Airways interline agreement will allow reciprocal sales on numerous routes worldwide; it is the starting point of further negotiations, said Etihad CEO James Hogan.

7. **U.S. Permits Temporary Export of Airplane Parts to Iran.**

Boeing and General Electric received licenses from the U.S. Treasury Department to export certain spare parts for commercial aircraft to Iran. GE engines were sold to Iran before the 1979 revolution.

8. **Italian Court Rules Against Emirates Milan-New York Route.**

See Section VIII, item 6.

9. **Etihad Extends Talks for Alitalia Investment.**

See Section VIII, item 7.

X. AMERICAS

1. American-US Airways Merger Update.

US Airways joined the transatlantic joint venture of American, British Airways, Iberia and Finnair, bringing number of destinations served to 29 in North America and 25 in Europe. US Airways will be an affiliate member until it fully integrates operations with American, and is implementing extensive codeshare agreements with the other carriers. . . . American's merger settlement with the Justice Department was formally approved by a federal judge in Washington. . . . The Supreme Court declined to hear a dispute on whether AMR Corp. owes bondholders a penalty fee in connection with prepayment of \$1.3 billion in debt. . . . Bankruptcy Judge Sean Lane rejected AMR's request for the right to immediately eliminate retiree benefits for union workers. Lane said relevant documents contain language susceptible to interpretation as a promise to vest benefits and lack language reserving plaintiffs' right to terminate contributions to the retiree benefits. Lane granted AMR's request for a group of nonunion workers. . . . The name of American subsidiary American Eagle was changed to Envoy to distinguish it from other carriers that operate regional service for American. All carriers currently providing regional service for the legacy American and US Airways eventually will fly under the American Eagle brand. Dion Flannery was appointed President of American subsidiary PSA, effective August 31, succeeding retiring Keith Houk. Flannery most recently was President of the US Airways Express network, which included eight regional carriers. Flight attendants at American subsidiary Piedmont voted to ratify a new five-year collective bargaining agreement reached in March.

2. U.S. Airline Earnings, Fares Rise.

Nine major U.S. airlines reported earnings of \$401 million for first quarter 2014, compared to combined loss of \$552 million in Q1 2013. "If United Continental Holdings hadn't been in the group, the other eight would have combined for \$1 billion in Q1 2014 earnings," reports the *Dallas Morning News*. . . . In other news, DOT reports average domestic air fare increased to \$381 in Q4 2013, from \$380 in Q4 2012. Huntsville had the highest average fare at \$528, and Long Beach the lowest at \$249.

3. Furor Over Norwegian Air Low-Fare U.S. Flights Intensifies.

Norwegian Air International (NAI) suspended talks with Boeing for purchase of 20 Dreamliners, as it waited for a DOT decision on its application to launch low-fare flights between U.S. and European cities. NAI wants to gain access to airports covered by U.S.-EU Open Skies by registering its planes in Ireland, a

member of the EU. Airlines and unions on both sides of the Atlantic have petitioned DOT to deny NAI approvals, as have more than 100 members of Congress. Association of Flight Attendants called for a full investigation of NAI labor standards and business practices. And International Federation of Air Line Pilots Association asked ICAO to review “safety implications of an airline business model that conducts all flight operations outside the borders of the state responsible for safety oversight.” Jim Oberstar, former Chairman of the House Transportation Committee, urged DOT Secretary Anthony Foxx to reject NAI’s application, saying it violates U.S.-EU Open Skies and threatens the U.S. airline industry and its workforce. But former DOT Secretary Norman Mineta urged DOT to promptly grant NAI approvals to which it is entitled under U.S.-EU Open Skies, saying the NAI petition meets all legal and regulatory requirements and will make transatlantic travel accessible to more travelers.

4. JetBlue Pilots Vote for Unionization.

JetBlue ended its status as the largest U.S. airline without a union, as 71% of its pilots voted to join the Air Line Pilots Association (ALPA). CEO Dave Barger stated that “the National Mediation Board will authorize ALPA as the representative body for JetBlue pilots, and then both JetBlue and ALPA will organize negotiating committees.” JetBlue flight attendants are being courted by Transport Workers Union of America.

5. Frontier Names Barry Biffle President.

Barry Biffle will become President of Frontier on July 16. Biffle most recently served as CEO of VivaColombia and Executive Vice President of Spirit. David Siegel is CEO of Frontier. Bill Franke is Frontier Chairman and Managing Partner of Indigo Partners, the airline’s controlling shareholder. Separately, Frontier simplified its fare structure to an unbundled Economy and Classic Plus, which includes refundable ticket, no change fees, extra leg room, a free-checked bag, and a free carry-on bag.

6. Spirit Announces New Service.

Spirit will bring new service to Chicago O’Hare, Dallas/Fort Worth, Houston Bush, Detroit Metro, Kansas City and Las Vegas in August. First quarter operating revenue was \$438 million, 18.2% over Q1 2013, driven mostly by flight volume growth. Average ticket revenue per passenger flight segment was \$77.79; total revenue per passenger flight segment was \$134.20.

7. GOL to Operate New Miami Service.

GOL received authorization to operate three weekly flights between Sao Paulo Campinas and Miami, via Santo Domingo, Dominican Republic, continuing to Orlando, beginning July 18. In other news, GOL and TAP will code share on

GOL flights to Brazilian destinations, subject to Portuguese and Brazilian approvals. TAP has 74 weekly flights from Portugal to Sao Paulo, Rio de Janeiro and other Brazilian cities. The companies will also offer reciprocal frequent flying.

8. Azul Will Offer Daily Sao Paulo-U.S. Service.

Azul intends to begin international flying by early 2015 from Sao Paulo Campinas, where it has constructed a \$1.5 billion terminal. U.S. routes, to be announced later this year, initially will be operated with six Airbus A330-200s; deliveries of five A350-900s begin in early 2017. JetBlue founder and CEO David Neeleman started Azul in December 2008. The airline currently operates 80 Embraer and 56 ATR aircraft on 880 daily flights, one-third of Brazil's daily departures.

9. SAS Increases U.S. Services.

See Section VIII, item 4.

10. Italian Court Rules Against Emirates Milan-New York Route.

See Section VIII, item 6.

11. Hawaiian Begins Beijing Flights, Code Share With Air China.

See Section IX, item 1.

12. SriLankan Airlines Joins oneworld.

See Section IX, item 2.

13. Qatar Begins Philadelphia Service.

See Section IX, item 4.

14. Emirates, Alaska Airlines Offer Double Miles.

See Section IX, item 5.