



WASHINGTON AVIATION SUMMARY

October 2013 EDITION

CONTENTS

I.	REGULATORY NEWS	1
II.	AIRPORTS	5
III.	SECURITY AND DATA PRIVACY	8
IV.	E-COMMERCE AND TECHNOLOGY	10
V.	ENERGY AND ENVIRONMENT	12
VI.	U.S. CONGRESS	15
VII.	BILATERAL AND STATE DEPARTMENT NEWS	16
VIII.	EUROPE/AFRICA	17
IX.	ASIA/PACIFIC/MIDDLE EAST	19
X.	AMERICAS	21

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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, TSA Furloughs Planned Due to Funding Stalemate.

As a Congressional budget stalemate threatened to shut down the U.S. government on October 1, the start of the 2014 fiscal year, agencies prepared for widespread furloughs. Of 46,070 positions within the Federal Aviation Administration (FAA), 15,514 would be furloughed. Continuing operations include air traffic control services; flight standards field inspections; and on-call accident investigations; activities that will not be affected include national aviation research, engineering, and development funded by multi-year appropriations; airport inspections; existing airport development grants; Passenger Facility Charge approvals; and airport planning and environmental services funded by Airport Improvement Plan contract authority. . . . Of 59,282 Transportation Security Administration (TSA) employees, 55,211 are exempt during a federal funding hiatus. This number does not include law enforcement officers serving in the Federal Air Marshal Service, who are exempt.

2. ICAO Convenes 38th Triennial Assembly.

The International Civil Aviation Organization (ICAO) convened its 38th triennial Assembly, with 191 Member States and major international and industry organizations in attendance. The Assembly runs from September 24 through October 4. “Expanding our capacity from 100,000 to 200,000 flights daily in barely two decades poses significant challenges to aviation planners, from the standpoints of system safety, efficiency, security, economic viability and environmental stewardship,” said ICAO Council President Roberto Kobeh González. “Businesses and travelers all over the world are looking to ICAO to help manage this process with little adverse impact on current service levels and this is precisely what our States are here to accomplish.” He said event priorities would include endorsement of revised global safety and air navigation plans; security of aircraft, passengers and cargo without creating obstructions to traveler convenience and trade flows; and environmental initiatives. . . . The International Air Transport Association (IATA) called for climate change to be at the top of the Assembly’s agenda (see Section V, item 2), and submitted a passenger rights working paper calling on governments to set core principles on consumer protection. In a related working paper, IATA encouraged States to adopt the Montreal Convention 1999 (MC99), a regime to govern liability to passengers and shippers on international flights. Other working papers submitted by industry cover: Enhanced IATA Operational Safety Audit; Global Navigation Satellite Systems; and Operations, i.e.,

standardized content and format for issuance of Air Operators' Certificates and associated operations specifications.

3. IATA: Upward Trend for Industry Profits to Continue in 2014.

Airlines should see 2014 profits rise to \$16.4 billion on revenues totaling \$743 billion, reports IATA, as business and consumer confidence levels increase and oil prices fall amid reduced geopolitical tensions and an improved U.S. energy outlook. Passenger growth of 5.8% and cargo growth to 3.7% are expected, though yields are expected to continue to fall by 0.5% and 2.1% respectively. All regions will see improved profitability, with North American carriers leading (\$6.3 billion net profit), followed by Asia-Pacific (\$3.6 billion), Europe (\$3.1 billion), Middle East (\$2.1 billion), Latin America (\$1.1 billion) and Africa (\$100 million). The balance between profit and loss remains delicate, said IATA; "even a small change in the operating environment—a new tax or other cost increase for example—could change the outlook quite significantly." . . . IATA revised its 2013 global industry outlook downwards to \$11.7 billion on revenues of \$708 billion. This compares to \$7.4 billion net profit of 2012.

4. DOT Clears United's Proposed San Francisco-Chengdu Service.

The U.S. Department of Transportation (DOT) approved an application by United to begin new nonstops between San Francisco and Chengdu, the first San Francisco service by a U.S. carrier to mainland China beyond Beijing or Shanghai. If approved by the Chinese government, the three weekly Boeing 787 flights to China's fourth-largest city will begin June 9, 2014.

5. DOT Grants Antitrust Immunity to Delta-Virgin Atlantic Joint Venture.

DOT approved the Delta-Virgin Atlantic joint venture, granting antitrust immunity on routes between North America and the UK. Noting in their filing to DOT that nearly 60% of London Heathrow slots currently are controlled by British Airways and its joint venture partners, Delta and Virgin Atlantic said their "joint venture will offer significant competition in the market and benefit consumers on both sides of the Atlantic." Effective March 30, 2014, Delta and Virgin Atlantic will operate a harmonized schedule between New York Kennedy and Heathrow and "coordinate other schedule and network opportunities." Combined, the airlines will operate 32 peak daily nonstops between North America and the UK, 24 of which will operate between Heathrow and U.S. destinations such as Los Angeles, San Francisco, Atlanta and Washington. They already code share across 104 routes.

6. DOT Fines Virgin America.

DOT fined Virgin America \$150,000 for failing to make its inflight safety video accessible to passengers with hearing impairments. The airline used its inflight

entertainment system to present the pre-flight safety briefing, but failed to ensure it was accompanied by open captioning or an inset for a sign language interpreter, in violation of DOT regulations.

7. FAA Upgrades Ukraine's Aviation Safety Rating.

Based on results of its July review of Ukraine's civil aviation authority, FAA said Ukraine complies with safety standards set by ICAO, and upgraded Ukraine to Category 1 from the Category 2 rating imposed in 2005. Ukraine's carriers now can add flights and service to the United States and carry the code of U.S. carriers. With the Category 2 rating, a country's airlines may maintain existing service to the United States, but cannot establish new services. Ukraine currently does not provide service to the United States.

8. Panel Makes Recommendations on Inflight Use of Devices.

FAA has received recommendations from its Portable Electronic Devices Advisory and Rulemaking Committee regarding passenger device usage during flight. Reportedly, the panel recommends some easing of current rules, which, due to potential interference with flight equipment, prohibit use of most devices below an altitude of 10,000 feet and voice or data cellular connections throughout the flight.

9. NTSB Determines Cause of Southwest B-737 Fuselage Tear.

The National Transportation Safety Board (NTSB) determined probable cause of a 2011 accident, in which a Boeing 737 sustained substantial damage, was improper installation of a fuselage crown skin panel during manufacturing. As a result of fatigue cracking, a section of fuselage skin about 60 inches long by 8 inches wide fractured and flapped open on the upper left side above the wing. As Southwest Flight 812 experienced rapid decompression, the flight crew conducted an emergency descent and diverted to Yuma International Airport, landing without further incident. Of five crewmembers and 117 passengers on board, one crewmember and one passenger sustained minor injuries. Contributing to the injuries was a flight attendant's incorrect assessment of his time of useful consciousness, which led to his failure to follow procedures requiring immediate donning of an oxygen mask when cabin pressure is lost.

10. Ancillary Fees Reach \$27.1 Billion Worldwide in 2012.

Airlines collected \$27.1 billion last year in ancillary fees, according to an IdeaWorks study of 53 carriers worldwide. United led with \$5.4 billion, followed by Delta with \$2.6 billion and American with \$2 billion. The first IdeaWorks ancillary revenue report in 2008 identified \$2.45 billion from the then-new area of sales.

11. July 2013 Passenger Airline Employment Down 2.6%.

U.S. scheduled passenger airlines employed 381,070 workers in July, reports DOT, 10,216 fewer than in July 2012. The 2.6% decline may be due, in part, to two factors. First, bankrupt American, the industry's third largest employer, reduced employment by 8% year-to-year. Second, regional airline employment is down 6.3%, as network carriers reduce contracts with regionals that operate less fuel-efficient aircraft.

DOT Air Travel Consumer Report for July.

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

	July	June	Full Year				
	'13 / '12	'13	2012	2011	2010	2009	2008
On-time arrivals %	73.1 / 76	71.9	81.85	79.6	79.8	79.5	76
Cancellations %	1.7 / 1.4	1.8	1.29	1.91	1.76	1.39	1.96
Mishandled baggage*	3.68 / 3.52	3.83	3.83	3.35	3.51	3.91	5.26
Consumer complaints:							
Airline service	1,607 / 2,466	1,228	15,335	11,546	10,988	8,821	10,648
Disability-related	88 / 101	53	743	628	572	519	477
Discrimination**	12 / 16	5	99	128	143	131	115

Note: Airlines reported 13 tarmac delays of more than three hours on domestic flights in July, 12 of which resulted from closure of New York LaGuardia after a Southwest incident on July 22. Three tarmac delays of more than four hours on international flights were reported.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Denver to Add Five Gates for Southwest.

A 39,000 sq.-ft. extension of C Concourse at Denver International will add five new gates to enable Southwest to relocate existing gates from A Concourse. Construction is expected to be completed in November 2014. Southwest business at the airport grew from 13 daily flights to three destinations in January 2006, to a current 160 daily flights to 60 nonstop destinations. Airport Capital Improvement Project funds will pay for the \$46 million expansion.

2. DOT Announces \$10 Million in Funding for O'Hare Taxiway

DOT awarded a \$10 million grant to Chicago O'Hare for construction of a new taxiway, part of the O'Hare Modernization Program; the federal government has invested a total of \$747 million to expand and modernize O'Hare. Design of the new taxiway will begin this fall, with construction starting in 2014 and completion in 2016.

3. Midway Privatization Halted.

Plans to lease Midway Airport to private investors were halted by Chicago Mayor Rahm Emanuel, after one of two finalists dropped out of the bidding. The remaining bidder was Great Lakes Airport Alliance, a partnership of Macquarie Infrastructure and Real Assets and Ferrovial. The consortium that backed out included Industry Funds Management and Manchester Airport Group. Announced in December 2012, the plan called for a lease of up to 40 years with revenue-sharing for the city.

4. Flight Ops Begin From South Concourse of LAX New TBIT Project.

Flight operations began from the South Concourse of the New Tom Bradley International Terminal (TBIT) at Los Angeles International, completing Phase I of the \$1.9-billion project. The New TBIT Project includes nine gates that accommodate larger, new-generation aircraft; an expanded U.S. Customs and Border Protection inspection area; and an Integrated Environmental Media System that, in addition to streaming flight departure and arrival information, will "serve as a source of non-aeronautical revenues through corporate sponsorships." The modernized facility will be able to accommodate 4,500 passengers per hour, up from current 2,800.

5. FAA Neutral on Control of Charlotte Douglas.

FAA said it cannot determine who should hold the operating certificate of Charlotte Douglas International until clarification is received on whether a

newly created Airport Commission is part of the city or a separate entity. Control of the airport remains with the city in the ongoing dispute. In July, the state General Assembly approved transferring the airport to a regional authority; the city sued and a judge issued a temporary order blocking the move. New legislation then created a Commission. Under the new plan, the city would own the airport, but the Commission would control operations. Former city aviation director Jerry Orr was named to head the Commission; nine Board members have been appointed.

6. Southwest Florida Airport Secures Funding for New Tower.

The Lee County Port Authority (LCPA) secured \$45 million in funding to begin design and construction of a new air traffic control tower and Terminal Radar Approach Control (TRACON) project at Southwest Florida International. LCPA was awarded \$22.8 million from Florida DOT and received FAA authorization to use \$22 million in Passenger Facility Charges for the new tower, as part of the airport's Parallel Runway project. The airport served 7.3 million passengers in 2012.

7. MAG, Ryanair Sign Ten-Year London Stansted Agreement.

Ryanair and Manchester Airport Group concluded a 10-year agreement, in which the carrier will increase the number of passengers it serves annually at the airport from a current 13 million to 18 million by 2018 and 21 million by 2023. Ryanair, Stansted's largest airline with 140 destinations during the past 12 months, said it will receive in return "a package of lower costs and more efficient facilities." In June, easyJet agreed to increase passenger numbers at Stansted from a current 2.8 million to six million a year over the next five years. With the Ryanair and easyJet plans, "more than 90% of Stansted business would be covered by long-term agreements that set airport charges," said the UK Civil Aviation Authority, which will defer making final proposals on future regulation for Stansted from October 3, 2012, to April 1, 2014.

8. Incheon Breaks Ground on Terminal 2.

Incheon International broke ground on Terminal 2, a \$2.5 billion project to be constructed in two phases. When complete, the 72-gate, 7.4-million-sq.-ft. facility will double the airport's size and include a second control tower, a train station, parking facilities, and airside intra-airport transit that promises 13-minute, train-to-gate time. Terminal 2 will incorporate advanced sustainable technologies and feature expanses of indoor green space with natural daylight, waterfalls, koi ponds and streams. South Korea will host the 2018 Winter Olympics in Pyeongchang. Gensler is the lead design firm.

9. World's Highest Civilian Airport Opens.

Newly opened Yading, located in Daocheng county, Garzi Tibetan autonomous prefecture, is the world's highest-altitude civilian airport at an elevation of 4,411 meters. Construction of the \$255 million facility was approved in April 2011. The region is in Southwest China's Sichuan province. A daily route between Chengdu and Daocheng will cut travel time from two days by bus to 65 minutes by plane. Routes connecting Daocheng with Chongqing municipality, a southwest Chinese business hub, and Maerkang County, capital of Sichuan's Aba Tibetan-Qiang autonomous prefecture, were expected to open by October 1. The airport also plans to open routes to Guangzhou, Shanghai and Xi'an in 2014.

III. **SECURITY AND DATA PRIVACY**

1. **TSA PreCheck Adds 60 Airports.**

The Transportation Security Administration will add 60 new airports to PreCheck, its expedited screening program, by the end of the year, and is increasing number of lanes and availability at the current 40 airports. Participating airlines are Alaska, American, Delta, Hawaiian, United US Airways and Virgin America, with JetBlue and Southwest to come. . . . In other news, a report by the Department of Homeland Security Inspector General points to inadequate use of full-body scanners, because TSA “did not develop a comprehensive deployment strategy to ensure all AIT [advanced imaging technology] units were effectively deployed and fully used for screening passengers [and] did not have adequate internal controls to ensure accurate data on AIT utilization.” TSA continued to use walkthrough metal detectors, which do not identify non-metallic objects, said the report, and may have used resources inefficiently to purchase and deploy underused AIT units. The audit was requested by Congressman John Mica, Chairman of the House Subcommittee on Government Operations.

2. **Relaxed Restrictions on LAGs Urged.**

Australia, Canada and the United States jointly presented a proposal to ICAO for phased relaxation of restrictions on liquids, aerosols, and gels (LAGs), while deploying improved technology able to detect hazardous substances. The first phase would begin January 31, and allow screening of baby food, medications and liquids sealed in secure tamper-evident bags. The paper calls for international harmonization to avoid passenger inconvenience during transit through countries with differing restrictions. . . . In related news, TSA awarded a \$6.8 million contract to Smiths Detection to supply RespondeR Bottled Liquid Scanner units for use at U.S. airport checkpoints. The system uses Raman spectroscopy technology to identify hazardous liquids in sealed bottles; scan and analysis are completed in 20 seconds.

3. **ACI-NA, Airside Mobile Debut Passport Control App.**

A new smartphone app developed by Airports Council International-North America (ACI-NA) and Airside Mobile, in partnership with U.S. Customs and Border Protection (CBP), will be available by yearend for Android and iOS users. Passengers using the Mobile Passport Control (MPC) app will enter customs declarations and passport information and upload a photograph directly to CBP, which will then direct the user to a lane for expedited or regular clearance.

4. **Automated Passport Control Open to Canadians**

Automated Passport Control, an expedited customs entry process developed by Vancouver Airport Authority with U.S. Customs and Border Protection, is now available for Canadian passport holders traveling to the United States from Vancouver International. Announced in May, the program initially was open only to U.S. passport holders. Chicago O'Hare was the first U.S. airport to implement the self-service kiosk. Key improvements include: four times more passengers processed per CBP Officer, 89% faster than typical CBP primary inspection process, and 33% less time in line for all passengers.

5. **Biometric Exit System Bill Introduced.**

See Section VI, item 1.

IV. E-COMMERCE AND TECHNOLOGY

1. Travel Agencies Warned on “No Flights Available” Search Results.

Agencies were given notice by DOT that reporting “no flights available” to a search request could be considered an unfair and deceptive practice, when such flights are available from airlines not marketed by the website. Websites should respond with language such as: “no flights are available from the airlines we search” or “no nonstop flights are available from airlines covered by this website” to avoid enforcement action, advised DOT’s Aviation Enforcement Office. Agencies have until November 19 to bring websites into compliance with the notice.

2. JetBlue Installing Next-Generation Wi-Fi Technology.

JetBlue signed a contract with Aviation Technical Services for installation of next-generation Ka-band satellite Wi-Fi technology on up to 130 aircraft, after FAA approved the system for Airbus A320s. Additional installations will be done at JetBlue's LiveTV subsidiary, which designed the technology, with all expected to be completed by yearend 2014. The system, which JetBlue has branded Fly-Fi, will be the first Ka-band wireless system offered by a U.S. carrier.

3. Gogo Installs 2,000th Aircraft with Inflight Internet Service.

Passengers with Wi-Fi enabled devices can now get online on 2,000 Gogo equipped commercial aircraft. Gogo says its technology is up and running on nine airlines and 81% of Internet-enabled North American commercial aircraft. More than 300 aircraft are equipped with ATG-4, which increases peak bandwidth to aircraft by more than three times Gogo's original service, begun in 2008, and the company expects more than 500 upgrades by yearend. Next up is Gogo GTO (Ground to Orbit), which combines satellite with Gogo's ground based cellular network to produce peak speeds up to 60 Mbps, a 20-fold increase from Gogo's original technology; available for commercial aircraft flying in North America in second half 2014.

4. easyJet First to Adopt Amadeus LCC Bookings Enhancements.

Amadeus launched system enhancements that will allow travel agents worldwide, in a phased approach, to book low-cost carriers with the same flow used for traditional carriers, regardless of the airline’s distribution preferences. easyJet is the first carrier to adopt “light ticketing” in the Amadeus system. Light ticketing is an evolution of the ticketless access level offered to low-cost and hybrid carriers to help standardize agency work flow (availability, pricing,

booking, end-of-transaction, reporting) via introduction of a virtual ticket number. Traditional shopping, booking and back-office flows will be combined with real-time fares and a full ancillary offering provided through easyJet's XML connection with Amadeus.

5. Airlines Urged to Assume Customer-Centric Response to Irregular Ops.

Airlines should consider a customer-centric rather than flight-centric approach to managing delays, cancellations and missed connections, says an Amadeus-commissioned PhoCusWright study, in order to drive loyalty and reduce the impact of irregular operations on customers. The report urges airlines to use social media to understand the impact of comments made in relation to disruption. In a survey of 2,800 travelers from Australia, Brazil, China, the UK, and the U.S., nearly one in five (18%) could not fulfill the purpose of a trip booked in the past year (33% in China). Most common frustrations included insufficient and conflicting communication, no compensation and additional costs for alternative arrangements. U.S. airlines alone lost \$7.2 billion as a result of disruption in 2012; add to this the indirect loss of revenue when passengers post negative messages on social networking sites or decide not to book with a carrier again.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

Average price of aviation jet fuel, as of September 13, was \$127/barrel, up 1.1% on the month and down -7.8% year-on-year, reports the International Air Transport Association. Fuel price average for 2013 was \$124.5/barrel.

2. ICAO Delegates Work on Global Emissions Agreement.

A working paper presented to the ICAO Assembly by IATA, Airports Council International, Civil Air Navigation Services Organization, International Coordinating Committee of Aerospace Industry Associations and International Business Aviation Council urges agreement on a roadmap for development of global market based measures (MBMs) to achieve carbon-neutral growth by 2020 (CNG2020). Aviation emissions would be accounted for only once, and different circumstances of operators worldwide would be recognized. The paper asks ICAO to develop milestones to help build the foundation for a single global MBM, including an ICAO standard for monitoring, reporting and verifying emissions from aviation, and a mechanism to define the quality of verified offset types that could be used in a global MBM for aviation. "We need a global way forward," said Tony Tyler, IATA Director General and CEO. "National or regional schemes are politically charged distractions. We must not allow such discussions to get in the way of important progress that needs to be made." . . . Prior to the Assembly, the ICAO Council agreed on a compromise that would allow the European Union emissions trading system to continue until a global standard takes effect in 2020, but only in EU airspace. . . . European Commission Vice-President Siim Kallas and ICAO Secretary-General Raymond Benjamin signed a Declaration of Intent affirming collaboration on assistance and capacity building activities to support measures to mitigate CO2 emissions from international aviation. The EC intends to commit financial support of €6.5 million toward environmental action being undertaken by States in the African and Caribbean regions. . . . The Global Environment Facility earmarked \$2 million for a new United Nations Development Program (UNDP)/(ICAO); objectives include identification of implementation needs of States relating to reduction of international aviation emissions.

3. FAA Awards \$40 Million for Alternative Jet Fuels, Environment Research.

FAA selected universities to lead a new Air Transportation Center of Excellence (COE) for alternate jet fuels and the environment, and will provide \$4 million a year for each of 10 years of the program. Led by Washington

State University and the Massachusetts Institute of Technology, the COE will explore ways to meet environmental and energy goals of the Next Generation Air Transportation System (NextGen), with a focus on noise, air quality, climate change and energy. Areas of study will include new aircraft technologies and sustainable alternative aviation jet fuels. Core team partners include Boston University, Oregon State University, Purdue University, University of Dayton, University of Illinois at Urbana-Champaign, University of Pennsylvania, University of Washington, Missouri University of Science and Technology, Georgia Institute of Technology, Pennsylvania State University, Stanford University, University of Hawaii, University of North Carolina at Chapel Hill and University of Tennessee.

4. Airports Win FAA Grants for Environmental Initiatives.

FAA Airport Improvement Program (AIP) grants were made to 20 U.S. airports for environmental initiatives, such as reducing noise and water usage, improving air quality, and minimizing impacts to surrounding communities through actions such as reducing ground-based vehicle emissions. AIP provides \$3.35 billion in annual funding for projects vital to maintaining the safety, capacity, and environmental stewardship of U.S. airports. . . . Grants totaling \$17 million, awarded through FAA's Voluntary Airport Low Emission (VALE) program, were made to eight U.S. airports to enable them to purchase and install efficient electric air handling and other equipment to save fuel and reduce ground emissions in areas of poor air quality. FAA has funded 56 VALE projects at 33 airports since 2005; total investment of \$161 million includes \$129 million in federal grants and \$32 million in local airport matching funds.

5. Alaska Named Most Fuel-Efficient U.S. Carrier.

Alaska Airlines, with its regional partner Horizon Air, was the most fuel-efficient U.S. airline in 2010, according to International Council on Clean Transportation (ICCT), a Washington, D.C.-based nonprofit research organization. In the first study to quantify fuel performance for U.S. airlines, ICCT looked at fuel-consumption data reported annually by airlines to DOT, and evaluated fuel efficiency based on passenger miles between origin and destination, and airports served and/or flight frequency. Researchers looked at fuel burned and identified inefficiencies, such as use of older technology, circuitous routing and taxiing with two engines instead of one. In recent years, Alaska Airlines reduced carbon emissions by 30%. Other improvements included sustainable ware for inflight meals and beverages and recycling; solar-powered boarding ramps at Seattle and San Jose; new arrival routes at Seattle-Tacoma using satellite-based navigation rather than ground-based radar; and the first airport wind-turbine solar panel in Nome, Alaska. In August

2013, Alaska became the first airline to contract with Hawaii BioEnergy for sustainable biofuel for Hawaii flights; and the carrier operated 75 passenger flights powered by a 20% biofuel blend in November 2011, an outgrowth of involvement in Sustainable Aviation Fuels Northwest. . . . The ICCT study found: one-third variation in fuel efficiency attributable to aircraft technology, with remainder due to factors like seating density, percent occupancy, ground operations practices; weak correlation between fuel-efficiency and profitability; and difference between most- and least-efficient carriers on city-city routes ranging from 9% to 87%. Spirit Airlines and Hawaiian tied for second place in the study.

6. Solectria Renewables to Power IND Solar Farm.

Solectria Renewables will power a Solar Farm at Indianapolis International, the largest planned airport solar farm in North America and a public-private partnership that includes Indianapolis Airport Authority, City of Indianapolis and businesses General Energy Solutions, Telamon, Johnson Melloh Solutions and Indianapolis Power & Light Company. Construction began in March at the airport entrance. The solar farm is expected to generate more than 12.5 million kilowatt hours of electric energy annually, enough to power more than 1,200 average American homes. U.S.-based Solectria Renewables is a grid-tied photovoltaic inverter manufacturer.

VI. U.S. CONGRESS

1. Biometric Exit System Bill Introduced.

A measure calling for creation and implementation of a system to track if and when a foreign visitor exits the country, a recommendation of the 9/11 Commission, was introduced by members of the House Committee on Homeland Security. The Biometric Exit Improvement Act of 2013 would allow the Department of Homeland Security to understand in real-time when a foreign national has left the country, and allow DHS to focus resources “on visa overstays, and potential national security risks, who remain in the United States.” Among key provisions, H.R. 3141 requires the DHS Secretary to submit within 180 days a plan to establish a biometric exit data system at all ports of entry, and to establish a biometric exit data system, not later than two years after enactment at the 10 U.S. airports and 10 U.S. seaports with the highest volume of international travelers. This measure would expand the biometric exit system to all air and sea ports not later than five years after the date of enactment. The U.S. Government Accountability Office reported in July that there currently are more than one million unmatched arrival records. A biometric entry system was established post-9/11.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. Travel Warnings Updated.

The Department of State issued an updated Worldwide Caution on the continuing threat of terrorist actions and violence against U.S. citizens and interests throughout the world. . . . A warning to U.S. citizens traveling in Kenya was reissued following an attack on a Nairobi shopping mall that continued for several days; al-Qaida affiliate al-Shabaab has taken credit for the attack. Five U.S. citizens were confirmed injured; scores of innocent people, both Kenyan and foreign, were killed and many others wounded. The U.S. government continues to receive information about potential terrorist threats aimed at U.S., Western, and Kenyan interests in Kenya, including in the Nairobi area and coastal city of Mombasa. . . . The State Department recommended that U.S. citizens defer non-essential travel to southeastern Turkey, after permitting the drawdown of U.S. government non-emergency personnel and family members from the U.S. Consulate General in Adana. There have been no direct attacks on U.S. citizens. . . . An updated warning urges U.S. citizens to avoid all travel to Lebanon because of current safety and security concerns. In September, the State Department drew down non-emergency personnel and family members from Embassy Beirut due to potential threats. . . . The State Department warned U.S. citizens to defer all non-essential travel to Pakistan, in an updated warning. Services at the U.S. Consulate General in Lahore remain unavailable after an August drawdown.

VIII. EUROPE AND AFRICA

1. Lufthansa CEO Resigns.

Lufthansa CEO Christoph Franz will not renew his contract when it expires next May 3. After 15 years with Lufthansa Group, Franz will become Chairman of Swiss research firm Roche

2. Air France Announces New Capacity, Job Cuts.

Air France announced additional measures to offset weak demand, including capacity reductions on the French point-to-point Orly-based network and in regional bases, while Transavia will be developed. The full freighter fleet will be reduced, with a refocus on two Boeing 777Fs. Resulting over-staffing is estimated at 2,800 jobs. . . . Air France unveiled new features of its Premium Economy and Economy cabins, “the first stage of the move upmarket for all Air France customers,” and will equip 44 Boeing 777s with new seats and inflight entertainment systems from summer 2014. In January, new La Première and Business cabins will be unveiled. . . . Air France-KLM is deciding whether to double its 25% stake in Alitalia, and has asked management of the troubled Italian carrier for more financial information.

3. European Union News.

The European Commission is seeking clarification of measures taken by Italy, Cyprus and Greece to establish Functional Airspace Blocks required under Single European Sky legislation. The legal action “should send a strong political message about our determination to push through the reforms to Europe’s air traffic control,” said Transport Vice President Siim Kallas. . . . The European Parliament held a hearing on EC proposals for revised State Aid guidelines that would curb public financing of airport infrastructure. “If these rules are adopted they will reduce connectivity across Europe, with dire consequences for regional communities,” said ACI Europe Director General Olivier Jankovec; they “do not take into account our globalized business environment, where emerged external markets are now a major source of competition for Europe’s airlines and airports.” . . . EC air passenger rights proposals should be amended to ensure that airlines cannot abuse an “extraordinary circumstances” clause to avoid paying compensation for delays or denied boarding, said Parliament members (MEPs), in a Transport Committee debate. A draft report by MEP Georges Bach said passengers should be entitled to €300 compensation after a three-hour delay on intra-European-flights. Bach also called for a ban on a no-show policy of denying the right to board a return flight if a passenger has not used the outbound part

of a ticket; and said passengers should be allowed to carry on essential personal items or airport shopping at no cost in addition to maximum allowance, noting this could counteract decline in concession sales. . . . MEPs supported a motion that would require the EC to withdraw proposals on pilot flight-time limitations, in favor of stricter limits; the motion for rejection will be considered by Parliament in October. According to a survey of 500 pilots by British Airline Pilots' Association, 56% had fallen asleep on the flight deck and 29% of those said they woke to find the other pilot sleeping; 45% had suffered from significant fatigue and 20% believe their performance is compromised more than once a week. Meanwhile, following a Freedom of Information request to the Civil Aviation Authority, it was widely reported that both pilot and co-pilot fell asleep while flying an Airbus A330 into the UK in August. CAA said UK airlines make around one million flights each year and this was the only reported incident of its kind within two years.

4. **United to Launch Seasonal Chicago-Edinburgh Nonstops.**

United will offer seasonal Boeing 757-200 nonstops between Chicago O'Hare and Edinburgh, subject to government approval. The flights will operate five times weekly May 22-June 11, daily June 12-September 1 and four times weekly September 2-October 5. This will be the first scheduled nonstop service between the two cities. United currently operates year-round nonstops from New York Newark to Edinburgh and Glasgow.

5. **British Airways First to Fly London-Austin Nonstops.**

British Airways will launch the first regular transatlantic flight to Austin, Texas in March. The five weekly Boeing 787 flights from London Heathrow will increase to daily in late 2014. Austin-Bergstrom served a record 9.4 million passengers in 2012 and traffic has increased 6% year-to-date.

6. **Norwegian to Begin Flights to Los Angeles, San Francisco, Orlando.**

Norwegian will begin service from Oslo, Stockholm and Copenhagen to Fort Lauderdale in November, and next spring will begin Boeing 787 flights from Oslo to Los Angeles, Oakland and Orlando; Stockholm to Los Angeles and Oakland; and Copenhagen to Los Angeles.

7. **DOT Grants Antitrust Immunity to Delta-Virgin Atlantic Joint Venture.**

See Section I, item V.

8. **Qatar to Join oneworld.**

See Section IX, item 1.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Qatar to Join oneworld.

Qatar Airways will become a full member of oneworld on October 30, shortly before moving into its new home base, Hamad International Airport. More than 20 of its destinations and five countries—Ethiopia, Iran, Rwanda, Serbia and Tanzania—will be new to the oneworld map. Qatar already code shares with oneworld airlines American and Malaysia. . . . In other oneworld news, LAN Colombia will become an affiliate member on October 1. LAN Airlines has been a full member since 2000, and other LATAM Airlines Group passenger airlines are oneworld affiliate members. TAM will transition to oneworld from Star in second quarter 2014, and Paraguayan affiliate TAM Mercosur will also become part of oneworld. . . . Republic Airlines will fly as an affiliate member of oneworld from August 1, on flights operated as American Eagle.

2. American, Qatar Begin Reciprocal Frequent Flyer Program.

American Airlines and Qatar Airways expanded their relationship to include a reciprocal frequent flyer program agreement. Their code share arrangement includes joint marketing on 170 routes throughout the United States, Europe and the Middle East. Qatar offers service to American's hubs at New York Kennedy and Chicago, as well as Houston, Washington Dulles and, beginning next April, Philadelphia.

3. Emirates to Begin Daily Boston Nonstops.

Emirates will launch daily Boeing 777-200LR nonstops from Dubai to Boston Logan on March 10, the airline's eighth U.S. route.

4. Hainan Begins Beijing-Chicago Nonstops.

Hainan Airlines began twice-weekly Airbus 340 Beijing-Chicago nonstops, which in November, subject to government approval, will change to Boeing 787 service. In December, the frequency will increase to four weekly, and in June to daily.

5. Tata Sons, Singapore Air Plan New Airline in India.

Tata Sons and Singapore Airlines signed a memorandum of understanding and applied for Foreign Investment Promotion Board (FIPB) approval to establish a new full-service domestic and international airline based in New Delhi. Tata SIA Airlines Ltd. will be 51%-owned by Tata Sons, while Singapore Airlines, with an initial investment of \$49 million, will own the remaining shares.

Two of the three initial Board members will be nominated by Tata Sons; Chairman will be Prasad Menon, nominated by Tata Sons.

6. **AirAsia India Proposal Cleared.**

India's civil aviation ministry gave its no-objection certificate to AirAsia India, a venture 49%-owned by Malaysian budget airline AirAsia, 30% by Tata Sons and 21% by Telestra Tradeplace. AirAsia India CEO Mittu Chandilya said Airbus A320 flights are expected to begin by January, subject to receipt of an air operating permit, and will operate from Chennai to smaller cities.

7. **Air New Zealand-Virgin Australia Trans-Tasman Alliance Reauthorized.**

The Australian Competition and Consumer Commission (ACCC) announced it will not oppose the proposed acquisition by Air New Zealand of an additional 6% of Virgin Australia. ACCC and the New Zealand Minister of Transport reauthorized the carriers' trans-Tasman alliance for a period of five years, until October 31, 2018. Begun in 2011, the alliance is comprised of a code share arrangement covering all Tasman and domestic Australian and New Zealand sectors as part of a connecting journey, a revenue share agreement, and reciprocal loyalty and lounge benefits.

8. **DOT Clears United's Proposed San Francisco-Chengdu Service.**

See Section I, item 4.

X. AMERICAS

1. Tentative Approval for AMR Bankruptcy Plan; Merger News.

AMR's plan to exit bankruptcy was approved by Judge Sean Lane, subject to resolution of a U.S. Department of Justice (DOJ) lawsuit, filed in August, to block a proposed American Airlines-US Airways merger. Lane said the plan meets standards of feasibility under bankruptcy law; however, he will have to approve any material changes to the plan that result from settlement talks with DOJ. The U.S. Court of Appeals in Manhattan affirmed the Bankruptcy Court in rejecting Trustee U.S. Bancorp's charge that AMR was required to pay a make-whole amount to note holders when it called bonds early to arrange \$1.5 billion in aircraft refinancing. AMR reported revenues of \$2.34 billion for August, up 7% from last year and the company's highest ever August revenue result. Earnings were \$165 million, also a record for the month of August (excluding reorganization and special items). American offered recall to all furloughed pilots, amid plans to recruit and hire 1,500 new pilots over the next five years as a result of fleet renewal efforts, an expansion of flying to international destinations, projected pilot retirements and new rest and duty time rules that come into effect in 2014. . . . American and US Airways agreed to extend the date they may terminate their merger agreement from December 17 to January 18, and deleted American CEO Tom Horton's \$20 million compensation plan from the pact. Their requests for DOJ records on four airline mergers cleared between 2005 and 2011, and for identities of third parties interviewed by DOJ before it filed suit were refused. . . . IATA CEO Tony Tyler called DOJ's arguments "unpersuasive," in remarks to the Wings Club in New York. Despite DOJ's claims, he said, "Consolidation has resulted in a healthier, more profitable industry," he said, and that means "airlines have the financial wherewithal to invest in their products and services—as U.S. airlines are doing, to the tune of \$1 billion per month."

2. Delta Orders 40 Airbus Aircraft.

Delta will purchase 10 Airbus A330-300s and 30 A321s for delivery between 2015 and 2017. . . . Delta rejoined the S&P 500 index, after posting record quarterly profits this year, and announced it will restore raises and benefits for employees in 2014. . . . The carrier introduced "Smart Travel Pack Options," in which SkyMiles customers can purchase a suite of ancillary services such as checked bags, priority boarding and seat selection for \$199 through January 5.

3. United to Recall All Furloughed Pilots.

United is recalling all furloughed pilots, nearly 600, to address staffing needs; training begins in October. Pilots agreed to an integrated seniority list nearly three years after completion of the United-Continental merger. The seniority list covers 12,000 pilots and allows pilots and crews to fly any United Continental flight. The next and final step, said Airlines Air Line Pilots Association (ALPA), will be merging ALPA governance for the two pilot groups, expected to be completed in October. . . . United reached tentative agreements on new joint collective bargaining agreements with International Association of Machinists (IAM) for fleet service, passenger service and storekeeper workgroups at its United, Continental, Continental Micronesia and MileagePlus subsidiaries. The agreements were reached with assistance of the National Mediation Board, and are subject to ratification by IAM members.

4. New Mesa-United Agreement.

Mesa Air Group signed a new agreement with United that extends term of existing 20 Bombardier CRJ 700s to 2019 and adds 30 new United-owned Embraer 175s. Mesa will place the new Embraers into service over the next two years and hire 350 pilots, 300 flight attendants, and 200 maintenance and other support personnel to support the additional aircraft. Mesa has been a United Express carrier since 1992. In other news, Christopher Pappaioanou was named President of Mesa's low-cost interisland division go!

5. AirTran Flight Attendants Reach Tentative Agreement With Southwest.

Flight attendants from Southwest subsidiary AirTran reached tentative agreement on a collective bargaining pact that, if ratified, will serve as a bridge until they transition to Southwest. Some 400 flight attendants have made the transition, while 1,700 remain in the AirTran partition.

6. Eduardo Iglesias Appointed Executive Director of ALTA.

Eduardo Iglesias is now Executive Director of Latin American and Caribbean Air Transport Association (ALTA). He replaced Alex de Gunten, who led ALTA for 10 years and has taken a position with Florida-based aviation company HEICO. Iglesias has held executive positions with Avianca and TACA.

7. DOT Clears United's Proposed San Francisco-Chengdu Service.

See Section I, item 4.

8. DOT Grants Antitrust Immunity to Delta-Virgin Atlantic Joint Venture.

See Section I, item V.

9. **United to Launch Seasonal Chicago-Edinburgh Nonstops.**
See Section VIII, item 4.
10. **British Airways First to Fly London-Austin Nonstops.**
See Section VIII, item 5..
11. **Norwegian to Begin Flights to Los Angeles, San Francisco, Orlando.**
See Section VIII, item 6.
12. **Qatar to Join oneworld.**
See Section IX, item 1.
13. **American, Qatar Begin Reciprocal Frequent Flyer Program.**
See Section IX, item 2.
14. **Emirates to Begin Daily Boston Nonstops.**
See Section IX, item 3.
15. **Hainan Begins Beijing-Chicago Nonstops.**
See Section IX, item 4.