



WASHINGTON AVIATION SUMMARY

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The Kirstein & Young law firm specializes in representing U.S. and foreign airlines, airports, leasing companies, financial institutions and aviation-related companies before U.S. Government agencies, Congress, the courts and in commercial and financing matters.

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I. REGULATORY NEWS

1. ICAO Announces Conflict Zone Risk Information Projects.

A centralized system for prompt sharing of conflict-zone risk information will be established, reported the Task Force on Risks to Civil Aviation arising from Conflict Zones (TF RCZ). The International Civil Aviation Organization (ICAO) convened the task force after the downing of Malaysia Airlines Flight MH17 in July over eastern Ukraine, which killed all 298 aboard. States, regional organizations, and industry groups comprising the TF RCZ also will explore how the Notice to Airmen (NOTAM) system already in place between States and operators could better be used to share urgent and critical conflict zone risk information. “We saw some very strong consensus around the two specific projects we’ll now be pursuing and I am very confident that we’ll be submitting a very mature and practical set of proposals to the ICAO Council” said TF RCZ Chairman David McMillan, who is Chairman of Flight Safety Foundation and a former Director General of EUROCONTROL. ICAO will deliver the group’s preliminary findings to the ICAO Council in October. The TF RCZ will hold its next round of talks in December.

2. IATA Appoints Director of Safety.

The International Air Transport Association (IATA) appointed Rodolfo “Rudy” Quevedo as Director of Safety, effective September 2, responsible for Cabin Safety, Safety Management Systems and Global Aviation Data Management. Quevedo began his aviation career at Eastern Airlines in 1980 and most recently was Director of Global Programs at Flight Safety Foundation, where he managed technical and global initiatives in collaboration with ICAO.

3. FAA Prohibits U.S. Carriers From Flying to Syria, Iraq.

The Federal Aviation Administration (FAA) issued a new NOTAM prohibiting U.S. air carriers and commercial operators from flying into, out of, and over Syria, due to the ongoing armed conflict and a volatile security environment. Armed extremist groups in Syria are equipped with anti-aircraft weapons and opposition elements have warned civilian air carriers against providing service to Syria . . . FAA issued a NOTAM prohibiting U.S. operators from flying in Iraq airspace due to a hazardous situation created by the armed conflict between militants associated with the Islamic State in Iraq and the Levant and Iraqi security forces and their allies. . . . FAA barred flights below 3,000 feet over Ferguson, Missouri, near St. Louis, August 12-18, “to provide a safe environment for law enforcement activities,” amid reports of shots fired at

police helicopters during violent demonstrations following the fatal shooting of a teenager by a police officer.

4. **DOT Extends Consumer Protection Rules Comment Period.**

The U.S. Department of Transportation (DOT) extended the comment period for consumer protection rules to September 22. The proposed rules, published in May, would require disclosure of fees for certain basic airline services such as checked baggage at all points of sale; require more carriers to report performance data to DOT; and codify DOT's definition of a ticket agent to ensure that flight meta-search sites like Google that receive compensation adhere to consumer-protection requirements. Other proposals would require large travel agents to adopt minimum customer service standards, and carriers and ticket agents to disclose code share arrangements on initial itinerary displays on their websites. The rules would prohibit "unfair and deceptive practices such as preferentially ranking flights of certain carriers above others without disclosing the bias in any presentation of carrier schedules, fares, rules, or availability."

5. **DOT Fines Turkish Airlines for Consumer Complaint Violations.**

DOT assessed a civil penalty of \$300,000 against Turkish Airlines for not responding in a timely or adequate manner to complaints filed by consumers, including passengers with disabilities, since August 2011.

6. **DOT Grants Final Approval of IATA's Resolution 787.**

DOT granted final approval to Resolution 787, the foundation document for the New Distribution Capability (NDC). This program was launched by the International Air Transport Association (IATA) for development and market adoption of a new, XML-based data transmission standard. In its tentative approval, granted in May, DOT said the current system is "limited strictly to comparing fares, and it is difficult to make price quality comparisons of different carriers' product offerings." DOT accepted conditions proposed by IATA and Open Allies for Airfare Transparency to ensure that no traveler is required to supply personal information to receive an airfare offer ("anonymous shopping"); that the standard remains voluntary and that each airline is free to choose its own data exchange methodologies. NDC will allow travel agencies to sell products that currently are only available directly from airlines.

7. **DOT Issues New Rules for Lithium Battery Transportation.**

DOT issued new standards to strengthen safety conditions for the shipment of lithium cells and batteries that provide a greater level of consistency with international standards, including the International Civil Aviation Organization's

(ICAO) Technical Instructions for the Safe Transport of Dangerous Goods by air. The final rule will enhance packaging and hazard communication requirements for lithium batteries transported by air; replace equivalent lithium content with Watt-hours for lithium ion cells and batteries; adopt separate shipping descriptions for lithium metal batteries and lithium ion batteries; revise provisions for the transport of small and medium lithium cells and batteries including cells and batteries packed with, or contained in, equipment; revise requirements for the transport of lithium batteries for disposal or recycling; and adopt new provisions for transport of damaged, defective, and recalled lithium batteries. The FAA developed this rule in coordination with DOT's Pipeline and Hazardous Materials Safety Administration. . . . Air Line Pilots Association welcomed the "overdue" regulations and called for "swift action" to: fully regulate packaging, acceptance, handling, and required crew notification when transporting dangerous goods including lithium batteries; install main deck active fire suppression systems on all-cargo aircraft; require aircraft rescue and firefighting protection and training at airports serving FAR Part 121 all-cargo operations; and develop and implement a threat-based risk assessment for all-cargo shipments on all U.S. carriers and their code sharing partners, both foreign and domestic.

8. FAA Issues Final Rule on Repair Station Regulations.

FAA issued a final rule amending repair station regulations, effective November 10, 2014. The new rule allows the agency to deny an application for a new repair station certificate if the applicant or certain associated key individuals had materially contributed to circumstances that caused a previous repair station certificate-revocation action. Among other provisions, the rule prohibits fraudulent or intentionally false entries or omissions of material facts in any application, record, or report made under the repair station rules.

9. NTSB Bars UPS, IPA from Participating in Flight 1354 Accident Probe.

The National Transportation Safety Board (NTSB) revoked party status of the Independent Pilots Association (IPA) and United Parcel Service (UPS) from its ongoing investigation of UPS Flight 1354, an A300-600 flight that crashed on approach to Birmingham last August; both pilots were fatally injured and the airplane was destroyed. IPA and UPS violated terms of the party agreement by taking "actions prejudicial to the investigation by publicly commenting on and providing their own analysis of the investigation prior to the NTSB's public meeting to determine the probable cause of the accident," said NTSB, which grants 'party status' to organizations able to provide technical assistance in an investigation. As a condition of this status, parties are explicitly prohibited from releasing investigative information to the media or to comment or analyze

investigative findings without prior consultation with NTSB. Once the investigation is completed, all such restrictions are lifted.

10. June Passenger Airline Employment Rises Slightly.

U.S. scheduled passenger airlines employed 385,475 workers in June, 3,803 (1%) more than in June 2013, reported DOT. Employment at the five network airlines rose 0.3%, with Alaska, US Airways, Delta, and American showing increases while United decreased. Low-cost carriers Allegiant, Spirit, Virgin America, JetBlue, Frontier, and Southwest all reported increases. Among the 13 regional carriers, Chautauqua, Endeavor, Envoy, and Shuttle America reported reduced employment levels. The five network airlines employed 66.8% of the total in June, the six low-cost carriers employed 18.4%, and the 13 regional carriers employed 13.1%. United, Delta, and American employed 56% of the June total and carried 40.8% of total passengers traveling on U.S. airlines in May, the most recent month available.

11. DOT Air Travel Consumer Report for June.

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

	June '14 / '13	May '14	Full Year				
			2013	2012	2011	2010	2009
On-time arrivals %	71.8/71.9	76.9	78.34	81.85	79.6	79.8	79.5
Cancellations %	2 / 1.8	1.9	1.51	1.29	1.91	1.76	1.39
Mishandled baggage*	3.79/3.81	3.34	3.22	3.09	3.35	3.51	3.91
Consumer complaints:							
Airline service	1,396 / 1,228	1,280	13,168	15,338	11,546	10,988	8,821
Disability-related	85 / 55	64	679	741	628	572	519
Discrimination**	5/6	4	79	99	128	143	131

Note: Airlines reported no tarmac delays over three hours on domestic flights in June and one of more than four hours on an international flight.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. \$1 Billion in Construction Planned for Sea-Tac.

The Port of Seattle Commission took action on proposals that could result in close to \$1 billion in construction projects at Seattle-Tacoma International Airport, reports the *Seattle Times*. A new international arrivals complex, a bridge between the South Satellite Terminal and the international facility, remodeling the South Satellite, and expansion and renovation of the North Satellite Terminal are among possible projects. The Commission authorized further work to replace 28 concrete panels in the airport's center runway and near the North Satellite; a complete runway replacement is planned for 2016.

2. United Agrees to 10-Year Lease Extension at Denver.

Denver International reached an agreement with United on a lease extension through 2035. Airport officials stated it "is expected to save United approximately \$35 million annually, while also benefiting all the airlines at DIA through debt restructuring and amortization changes."

3. Rapid Transit Light Rail Service Connects DFW to Dallas.

Light rail passenger service connecting downtown Dallas to Dallas/Fort Worth International is now available. The Dallas Area Rapid Transit (DART) Orange Line Airport Station is a three-minute walk to Terminal A, which houses American Airlines ticketing and baggage check, TSA security checkpoints and the people mover system that connects DFW's five terminals.

4. Airlines Announce New Dallas Love Field Service.

Southwest will add nonstop service from Dallas Love Field to Chicago Midway, Denver, Baltimore/Washington, Las Vegas, Los Angeles, Orlando, and Reagan Washington National on October 13, upon expiration of the Wright Amendment; to Atlanta, Ft. Lauderdale, Nashville, New York LaGuardia, Phoenix, San Diego, Orange County and Tampa on November 2; and to San Francisco and Oakland on January 6. . . . Virgin America will expand its Love Field schedule by adding three daily nonstops to Washington National, San Francisco, and Los Angeles International on October 13, to increase to four on April 29; and four daily nonstops to New York LaGuardia on October 28, bringing total departures to 16. Virgin America said it will be the only carrier at Love Field to offer three classes of service.

5. Frankfurt Airport Expansion Approved; Fraport Acquires Airmall.

Frankfurt Airport owner/operator Fraport received city approval to build a third terminal. First phase of T3 construction, to be completed by 2021 and will include a central terminal and two piers to serve up to 14 million passengers per year. Frankfurt passenger traffic is forecast to grow 2.5% annually by 2030, with capacity of Terminals 1 and 2 exhausted by 2020. . . . In other news, Frankfurt-based Fraport acquired AMU Holdings, which owns Airmall USA Holdings. Airmall markets space at Baltimore/Washington, Boston Logan, Cleveland, and Pittsburgh, which together serve 70 million passengers per year. Airmall's headquarters will remain at Pittsburgh International.

6. Tripoli Airport Terminal Destroyed.

Fire destroyed Tripoli's terminal, a day after the airport was seized by militia fighters in the ongoing battle among factions. In July fighting, damage and destruction of aircraft operated by Libyan Airlines and Afriqiyah Airways was estimated at \$2 billion. On July 26, the U.S. Embassy suspended all operations in Libya and relocated staff, due to the violence.

III. SECURITY AND DATA PRIVACY

1. Justice Department To Create No-Fly Appeals Process.

The Justice Department in a court filing said it will create an appeals process during the next six months for certain individuals denied boarding who believe they are on the government's No-Fly list, reports the Associated Press. In June, a federal court in Oregon struck down the government's system for challenging inclusion on the No Fly List, as it violates constitutional due process rights. The first-of-its-kind ruling came in a lawsuit brought by the American Civil Liberties Union (ACLU) "on behalf of 13 Americans who have been blacklisted from flying for years based on secret evidence and under a secret standard, with no meaningful opportunity to contest their status on the list and clear their names."

2. Some Airline Tickets Could Include Excessive TSA Fees.

Travelers flying to Alaska, Hawaii, and international destinations may be overcharged because of computer problems related to new Transportation Security Administration (TSA) fees, reports *USA Today*. Sabre Travel Network said 300,000 tickets per month could be affected by online computer-pricing errors. The higher TSA fees took effect in July. Because of the new way fees are applied, industry officials warned that computer problems could overcharge travelers and asked for 90 days, until mid-September, to implement needed programming changes, but TSA refused to delay the higher fees. Airlines for America and the International Air Transport Association are challenging the fee increase in the U.S. Court of Appeals for the D.C. Circuit; the petition asserts that "TSA is improperly collecting fees by both exceeding a per-passenger limit and collecting taxes for trips that originate overseas."

3. New Mobile Passport Control App Available.

The first authorized app to expedite the entry process into the United States is available to Apple iPhone and iPad users at Hartsfield-Jackson Atlanta International Airport, announced the U.S. Customs and Border Protection (CBP), and will expand to more airports later this year and to Android smartphone users in the future. Mobile Passport Control (MPC), developed by Airside Mobile and Airports Council International-North America in partnership with CBP, allows eligible U.S. citizens and Canadian visitors to submit their passport information and customs declaration form via smartphone or tablet prior to CBP inspection. MPC is free, requires no pre-approval, does not collect new information on travelers and, said CBP, is expected to "build upon

the success we have already experienced with Automated Passport Control, which has resulted in decreases in wait times as much as 25-40%.”

4. **Security Flaws Found in Backscatter X-Ray Scanners.**

Security vulnerabilities in full-body backscatter X-ray scanners deployed to U.S. airports between 2009 and 2013 were discovered by researchers from University of California, San Diego, University of Michigan, and Johns Hopkins University. The team successfully concealed firearms and plastic explosive simulants from the Rapiscan Secure 1000 scanner, and modified scanner operating software so it presented an “all-clear” image even when contraband was detected. “The system’s designers seem to have assumed that attackers would not have access to a Secure 1000 to test and refine their attacks,” said the researchers, who were able to purchase a government-surplus machine on eBay and subject it to laboratory testing. Secure 1000 scanners were removed from airports in 2013 due to privacy concerns, and are now being repurposed to jails, courthouses, and other government facilities; “any screening process that uses these machines has to take into account their limitations,” said the research team.

5. **SATCOM Vulnerability Revealed.**

Cyber security firm IOActive said, at the annual Black Hat convention of cybersecurity experts, that it has identified potentially devastating vulnerabilities, in which Wi-Fi and inflight entertainment systems can be used to hack into a passenger jet’s satellite communications system (SATCOM). Seattle-based IOActive offers “security services, ranging from penetration testing and application code assessment through chip reverse engineering, to Global 500 companies across every industry.”

IV. E-COMMERCE AND TECHNOLOGY

1. GBTA Convention Highlights.

Google showcased its Integrated Proactive Intermodal Travel Assistant (IPITA) at the Global Business Travel Association (GBTA) annual convention. The technology, “which will be realistic within the next 10 years,” aims to optimize travel planning, booking and navigation, using real-time maps and geo-specific information. “Customization is key and wearable technology available today and in development will help keep you connected to the web and connected to your experience at the same time,” said Google officials. . . . United committed \$75,000 as a founding leadership partner in an initiative to “implement an innovative and comprehensive program to further develop the travel management profession in China.” . . . Amadeus said collaboration with United on a merchandising strategy will include implementation of IATA’s New Distribution Capability. . . . Airfares are expected to rise gradually through 2015 by as much as 2.2%, according to the 2015 Global Travel Price Outlook released by GBTA with Carlson Wagonlit Travel. Latin America will see the highest price increases of any region, advancing 3.5%, while price growth in Europe will be much more modest. “Expect growth in traffic among low-cost carriers to lead to diminished pricing power of many legacy carriers in Asia Pacific and North American air prices to be driven by airline consolidation and falling capacity.”

2. Iberia Sells Amadeus Stake.

Iberia’s 33.6 million shares in Amadeus were sold to Nomura International for €578 million. “The transaction was a risk management exercise that allowed Iberia to protect and lock-in the value of its Amadeus shares held in August 2012 and retain any improvement in that price by up to 10%,” said Iberia parent International Airlines Group (IAG); “the proceeds of the sale will strengthen Iberia’s liquidity and provide funding for the airline’s transformation plan.”

3. Delta Expands PED Use on International Flights.

Delta is allowing customers on international flights to continue using portable electronic devices (PEDs) below 10,000 feet outside U.S. airspace; use of cell phones for voice calls is not allowed. All Delta and Delta Connection aircraft completed carrier-defined PED tolerance testing to ensure safe operation of passenger PEDs during all phases of flight. In 2013 the policy change allowed

customers to use e-readers, tablets and smartphones, in airplane mode, during taxi, takeoff and landing.

4. **Gogo Vision Certified for Stand-Alone Use on Commercial Aircraft.**

Gogo received a supplemental type certificate from FAA to install Gogo Vision on commercial aircraft with or without Gogo's connectivity service. The wireless inflight entertainment product allows passengers to stream movies and television shows to their own devices from a server on the aircraft. Alaska is the launch airline for the standalone version. "Gogo Vision offers a light weight, low cost alternative to legacy seatback solutions," said the company. In related news, a new survey by market research firm Osurv finds that passengers are receptive to BYOD—bring your own device—video entertainment. Nearly 75% of 1,300 respondents preferred using their own PEDs for such reasons as superior screen and malfunctions in aircraft screens. Most expect compensation for the cost-cutting initiative in the form of free entertainment content, discounted baggage fees or lower ticket prices.

5. **Aeromexico First Airline to Commit to Gogo's 2Ku.**

Aeromexico is the first airline to commit to Gogo's next generation inflight connectivity solution 2Ku. Gogo expects 2Ku to deliver peak speeds of more than 70 Mbps to the aircraft at launch and more than 100 Mbps when next generation satellites become available. "The 2Ku antenna is two times more spectrally efficient than other antennas in the commercial aviation market, which makes it capable of providing more bandwidth at less cost," says Gogo.

V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel, as of August 15, was \$119.8/barrel, flat on the month and down 5.6% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2014 is \$122.9/barrel.

2. **Airlines Brace for Possible Volcanic Eruption in Iceland.**

As intense seismic activity increased at Bardarbunga in Iceland, the European Aviation Safety Agency (EASA) issued a Safety Information Bulletin advising carriers to avoid operations in areas where volcanic ash is visible or where visibility of ash is impaired. Bardarbunga is the second highest mountain in Iceland (2,000 meters above sea-level), said the Icelandic Meteorological Office, and the volcano is situated in the northwestern Vatnajokull ice cap.

3. **Boeing, South African to Turn Tobacco Plant Into Jet Fuel.**

Boeing, South African Airways and SkyNRG are collaborating to make sustainable aviation biofuel from Solaris, a new type of tobacco plant. SkyNRG is expanding production of Solaris as an energy crop that farmers could grow instead of traditional tobacco. Test farming of the plants, which are effectively nicotine-free, is underway in South Africa with biofuel production expected from large and small farms in the next few years. Initially, oil from the plant's seeds will be converted into jet fuel. In coming years, Boeing expects emerging technologies to increase South Africa's aviation biofuel production from the rest of the plant. SkyNRG produces sustainable jet fuel with the hydro-processed esters and fatty acids (HEFA) process.

VI. U.S. CONGRESS

1. Rockefeller Opens Inquiry Into Airline Fees, Privacy Policies.

Senate Commerce Committee Chairman Jay Rockefeller (D-WV) is seeking information from the top ten revenue generating U.S. passenger airlines about how they disclose ancillary fees to consumers buying tickets. The inquiry “builds on concerns raised recently by consumer advocates about whether these fees are sufficiently disclosed to consumers shopping for flights, in order to allow for true price comparison.” He also asked about internal policies protecting consumer information gathered during the ticket purchase process. No comprehensive federal privacy law currently applies to the collection, use and disclosure of consumer travel information. Consumer advocates are concerned that airline privacy policies can contain substantial caveats making it difficult to learn what information airlines and others in the travel sector are collecting, keeping and sharing. CEOs of United, Delta, American, Southwest, US Airways, JetBlue, Alaska, Hawaiian, SkyWest, and Spirit received Rockefeller’s letter and were asked to respond to by September 5.

2. DOT Secretary Urges FAA Funding.

Transportation Secretary Anthony Foxx urged Congress to begin work on renewing FAA funding, set to expire in September 2015, to avoid delays in NextGen development. “FAA is still operating at historically low funding levels,” wrote Foxx, in a blog post; “we’ll keep working with Congress, in advance of next year, to secure stable funding and to pass a new FAA reauthorization bill.” Foxx and FAA Administrator Michael Huerta visited the NextGen Integration and Evaluation Capability center and other areas at William J. Hughes Technical Center in New Jersey.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. Travel and Transport Task Force Monitors Ebola Outbreak.

The Department of State alerted U.S. citizens to screening procedures, travel restrictions, and reduced aviation transportation options in response to the outbreak of Ebola Virus Disease in Guinea, Liberia, Nigeria, and Sierra Leone; the Travel Alert will expire on February 27, 2015. Atlanta-based Centers for Disease Control and Prevention (CDC) issued Level 3 Travel Warnings for Guinea, Liberia, and Sierra Leone advising against non-essential travel and provided guidance to reduce the potential for spread of EVD. The CDC also issued a Level 2 Travel Alert for Nigeria to notify travelers of the Ebola outbreak in that country. The World Health Organization (WHO) declared EVD in West Africa an international public health emergency, and with ICAO, IATA, World Tourism Organization, Airports Council International and World Travel and Tourism Council activated a Travel and Transport Task Force to monitor the situation and provide timely information to the travel and tourism sector and travelers. At press time, WHO had not recommended a travel ban, saying “the risk of transmission of Ebola virus disease during air travel is low,” but many airlines suspended operations to the region.

2. Russia, Ukraine Restrict Airspace.

Russia banned Ukrainian airlines from transiting Russian airspace. Prime Minister Dmitry Medvedev said European and U.S. airlines could be banned, as well, in retaliation for sanctions lodged against Russia for its annexation of Crimea. Ukraine's State Aviation Administration ordered Aeroflot and Transaero to obtain overflight permits for “the closed airspace” over Crimea to “help ensure an adequate level of air safety,” in line with new Ukrainian sanctions against Russia.

VIII. EUROPE AND AFRICA

1. Etihad To Acquire 49% Share of Alitalia.

Etihad Airways agreed to purchase a 49% shareholding in Alitalia for €387.5 million, subject to regulatory approval, after Alitalia unions agreed to new contracts that will save €31 million for the remainder of this year. Total Etihad investment also includes €112.5 million for a 75% interest in Alitalia Loyalty Spa, which operates Alitalia's frequent flier program; and purchase of five London Heathrow slot pairs valued at €60 million, to be leased back to Alitalia. Among other features of the transaction, due to close December 31, core Alitalia shareholders and Italian financial institutions each will commit an additional €300 million. "Recapitalization safeguards thousands of Italian jobs and will allow Alitalia to invest in new long-haul routes, a revitalized brand, and a greater focus on Italian tourism and trade promotion," said Etihad, which also owns equity in airberlin, Air Serbia, Etihad Regional (Darwin), Jet Airways, Virgin Australia, Air Seychelles and Aer Lingus. Alitalia is a member of SkyTeam and the Air France-KLM/Delta transatlantic joint venture. . . . In other news, Alitalia announced it would resume service to Venezuela, with Airbus A330 nonstops from Rome Fiumicino to Caracas for the winter season, starting with bi-weekly frequency in September, increasing to three-times-weekly from November. Alitalia suspended the route in June due to the Venezuelan government's failure to allow airlines to repatriate revenue in full and at fair exchange rates.

2. Swiss Regulator Probes Etihad's Stake in Darwin.

Switzerland's Federal Office of Civil Aviation (FOCA) said Etihad's plan to buy a 33.3% share of Darwin Airline can lead to control by the Abu Dhabi carrier and would be incompatible with statutory provisions. Etihad has until September 30 to alter the agreement for a second review. Lugano-based Darwin has been rebranded as Etihad Regional.

3. Norwegian Plans Long-Haul Base at London Gatwick

Norwegian Air International (NAI) will establish a long-haul base at London Gatwick, where it now bases 90 pilots and 200 cabin crew for its short-haul operation. The low-cost carrier this year will carry more than three million passengers to and from Gatwick, with 400 weekly flights and 41 routes, including Los Angeles, New York, and Fort Lauderdale. NAI's application to DOT for a foreign air carrier permit to operate in the U.S. is opposed by unions, airlines, and others, but has won support from the European Commission and former DOT secretaries.

4. **Ryanair Business Plus Unveiled.**

Ryanair Business Plus was launched, offering business and corporate travelers flexible ticket changes, a bag allowance, fast-track at airports, priority boarding, and premium seating. In other news, Ryanair is among several airlines that have submitted non-binding expressions of interest in state-owned Cyprus Airways.

5. **Dobrolet Suspends Flights Due to EU Sanctions.**

Aeroflot low-cost subsidiary Dobrolyot (Good Flight) suspended flights following its inclusion in European Union sanctions against Russia for the annexation of Crimea. Dobrolyot began operations in June to Simferopol in Crimea and other cities. "Several European parties have notified Dobrolet of their refusal to fulfill their leasing, repair and maintenance services, and airplane insurance agreements were annulled, as well as the provision of aeronautical information," stated Aeroflot. A lease agreement with Boeing for the delivery of 16 new planes in 2017-2018 was cancelled. A new low-cost carrier will be established with flights possibly starting with the winter schedule in October, announced Aeroflot Director General Vitaly Savelyev. "We will give Europe another chance," he said. It was unclear whether the new airline will fly to Crimea.

6. **All-Business La Compagnie Offers Paris-Newark Flights.**

Paris-based La Compagnie is offering business-class-only scheduled service between Charles De Gaulle and Newark four times a week, using Boeing 757-200s with 74 lie-flat seats and offering "very competitive fares." Founders are Frantz Yvelin and Peter Luethi, former executives with Swissair and JetAirways, respectively. U.S. headquarters is in Jersey City.

7. **SAS Begins Business-Class-Only Service to Houston.**

SAS began offering business-class-only scheduled service between Stavanger and Houston, under a wet lease agreement with Geneva-based PrivatAir. The 44-seat Boeing 737-700 flights, in SAS livery, operate six times weekly. SAS established the service in response to demand from leading players in the oil and gas industry for better connections between Scandinavia and Houston, said PrivatAir.

8. **Schenker Files Antitrust Suit Against Carriers.**

Deutsche Bahn unit Schenker sued several carriers for conspiring to inflate U.S. air freight costs from 1999 to 2006 via fuel and security surcharges. The complaint was filed in federal court in Brooklyn; defendants include All Nippon, Cargolux, Martinair, Qantas, SAS, and Air France.

9. IATA Urges African Liberalization of Air Services.

“Aviation in Africa supports nearly 7 million jobs and \$80 billion in GDP, but faces challenges in terms of liberalization of markets, safety, costs, infrastructure and regulation,” noted officials at IATA’s African Aviation Day. Africa has a young, expanding, and urbanizing population, combined with abundant natural resources. But African airlines are expected to return a profit of just \$100 million in 2014, on a net profit margin of 0.8%, the lowest of all aviation regions. A new IATA report shows that liberalization of air services across 12 African nations—Algeria, Angola, Egypt, Ethiopia, Ghana, Kenya, Namibia, Nigeria, Senegal, South Africa, Tunisia, and Uganda—would create 155,000 jobs and boost GDP by \$1.3 billion. “It is absurd that it is possible to travel 13 times a week from Nairobi to London yet impossible to travel directly from Nairobi to Dakar,” said IATA. “A potential five million passengers a year are being denied the opportunity to travel, trade and spread economic and social development.”

10. United-Ethiopian Code Share Agreement.

Star Alliance members Ethiopian Airlines and United entered into a code share agreement covering the Addis Ababa–Washington route, and points in Africa and the United States. Ethiopian provides daily Boeing 777 or 787 service to Washington Dulles; CEO is Tewolde Gebremariam.

11. Emirates, Arik Air Sign MoU.

Emirates and Nigeria-based Arik Air signed a Memorandum of Understanding to develop their existing commercial relationship and explore further areas of cooperation, including frequent flier programs and passenger and cargo handling. They currently have a one-way interline agreement, whereby Emirates connects to Arik Air’s domestic and regional network. Arik Air also flies to Johannesburg, New York and London.

12. South African Seeks Private Funding.

South African Airways has sustained significant losses in recent years and the government said private funding of 50 billion rand probably is required to keep the state-owned carrier afloat. South African hired KPMG to advise on the acquisition of about 25 aircraft, said CEO Monwabisi Kalawe; he is the fourth CEO since October 2012.

13. FastJet Begins Harare Service.

FastJet plans to make Zambia its second base by yearend, but the carrier’s rate of growth has been slower than originally intended, said CEO Ed Winter, at IATA’s Africa Aviation Day. Among its routes, FastJet currently flies from four international airports in Tanzania, and from Dar es Salaam to

Johannesburg, Lusaka, and Harare. In July, Tanzania operations carried a total of 52,839 passengers. Month on month capacity rose by 8% with 72,355 seats flown in July, compared to 67,425 in June. Revenue per passenger increased 22% month on month. Winter said August will see a further uplift in capacity with introduction of flights to Harare in Zimbabwe, which have already moved from two to three flights per week following strong demand, and further additional frequencies on domestic routes.

14. **ICAO Announces Conflict Zone Risk Information Projects.**

See Section I, item 1.

15. **Travel and Transport Task Force Monitors Ebola Outbreak.**

See Section VII, item 1.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. MAS Reports Sixth Quarterly Loss; Recovery Plan Cuts 6,000 Jobs.

Malaysian Airline System (MAS), which lost two Boeing 777s this year—MH370 vanished in March over the southern Indian Ocean and MH17 was shot down in July over Ukraine—will be restructured with a goal to achieve sustained profitability in 2017. Majority shareholder Khazanah Nasional Berhad announced its intention to take full ownership of MAS and delist it from Bursa Malaysia, and, as the airline reported its sixth quarterly loss, Khazanah announced a 12-point recovery plan that includes a net reduction of 6,000 (30%) from the approximately 20,000 current staff; strengthening of assurance, integrity and safety functions; and strengthening of key control and operational systems, including creation of a Governance & Ethics Board Committee and a voluntary Enhanced IATA Operational Safety Audit. Headquarters and principal operations will move from Subang to Kuala Lumpur International Airport.

2. China Southern Launches Guangzhou-New York Service.

China Southern began direct service between Guangzhou and New York Kennedy. The four weekly flights are operated with four-class Boeing 777ERs. . . . In other news, China announced a \$3.25 billion investment fund to help finance new airports, aviation economic zones, budget carriers, cargo, and other aviation-related projects. The Civil Aviation Investment Fund is led by the parent of Beijing International Airport, with Hainan Airlines parent HNA Group and fund management firms.

3. Cathay Pacific To Offer Direct Hong Kong-Boston Service.

Cathay Pacific will begin four weekly nonstops to Boston on May 3, 2015, subject to government approval. The Boeing 777-300ER service will link New England and Hong Kong directly for the first time.

4. Air New Zealand-Singapore Airlines Alliance Approved.

New Zealand Minister of Transport Gerry Brownlee approved the alliance proposed by Air New Zealand and Singapore Airlines; Singapore's Competition Commission earlier granted approval. The Star Alliance partners have committed to offering 30% more seats weekly between Auckland and Singapore, said Brownlee; "this will more than compensate for capacity lost when Jetstar withdrew from the route, and ensure the availability of low fares." Under the alliance, authorized for an initial term of four years, the two airlines will coordinate operations on the Auckland-Singapore and Christchurch-

Singapore routes. Air New Zealand will fly to Singapore for the first time since 2006 and Singapore will operate the Airbus A380 to New Zealand for the first time.

5. Tata SIA To Launch Vistara in October.

Full-service carrier Vistara will be launched in October by Tata SIA Airlines Limited (TSAL). The Delhi-based startup will take delivery of an Airbus A320-200 in September and expects to fly 20 aircraft, including A320neos, by end of fifth year of operation. The name Vistara is derived from a Sanskrit word meaning limitless expanse.

6. El Al Raises Loss Projection Due to War With Hamas.

El Al revised projected third-quarter revenue losses to between \$55 million and \$65 million, from a previous estimate of \$40-\$50 million in lost revenue, due to Operation Protective Edge, Israel's mission to stop Hamas rocket attacks from the Gaza Strip. Hundreds of El Al employees were recruited for reserve duty. The airline said it "continued its flights during the Operation despite the decline in demand, and even agreed to the State's request to assist in flying passengers of foreign airlines who ceased their operations to Ben Gurion Airport." El Al, with other Israeli airlines, requested compensation from the government for "the negative effect of Operation Protective Edge on the local aviation industry."

7. ICAO Announces Conflict Zone Risk Information Projects.

See Section I, item 1.

8. Travel and Transport Task Force Monitors Ebola Outbreak.

See Section VII, item 1.

9. Schenker Files Antitrust Suit Against Carriers.

See Section VIII, item 8.

X. AMERICAS

1. First Half Net Profit Improves for Leading U.S. Airlines.

Nine U.S. passenger airlines collectively reported a net profit of approximately \$3.8 billion for first half 2014, up from \$1.6 billion during same period last year, reports Airlines for America (A4A). This translated to a net margin of 5%, or 5 cents on every dollar of revenue, an improvement from the 2.1% margin reported in first half 2013. A 6% increase in operating revenues outpaced the 2.2% increase in operating expenses, including rising wages and benefits, landing fees, terminal rents and aircraft ownership costs; fuel costs dipped 2.4% and airlines also saw modest relief in maintenance expenses and aircraft rents. The reporting airlines are Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit, and United.

2. IAM, TWU Advance American's Single Carrier Filing.

The International Association of Machinists and Aerospace Workers (IAM) and Transport Workers Union (TWU) jointly petitioned the National Mediation Board (NMB) to declare that post-merger American Airlines and US Airways are now operating as a single transportation system for employees in the mechanic, fleet service, and stores classifications. Each pre-merger group will continue working under their existing collective bargaining agreements until joint agreements are negotiated and ratified. In related news, under terms of a new Preferential Hiring Agreement between the two unions and American, the first membership benefit, furloughed members from either American or US Airways will be offered, but are not required to accept, open job opportunities at the other airline without loss of pay seniority.

3. United, IAM Reach Tentative Agreement for Maintenance Instructors.

United and IAM reached a tentative agreement for IAM-represented maintenance instructors, providing "significant wage, benefit and job-security improvements." The parties reached three previous joint contracts and are in negotiations with fleet technical instructors, security officers, food services, and central load planners, said IAM.

4. Delta Upgrades Service on New York-Boston Shuttle.

Delta plans to deploy 110-seat Boeing 717s for its New York-Boston Shuttle, replacing 76-seat Embraer E175s. The Delta Shuttle to Boston will move from the Marine Air Terminal at New York LaGuardia to new facilities at Terminal C beginning November 2. Shuttle flights from New York to Chicago O'Hare or

Washington Reagan National will continue to be operated by Delta Connection partner Shuttle America, using E-175s, from LaGuardia's Marine Air Terminal.

5. Southwest Assumes AirTran Mexico Service.

AirTran daily nonstops between Orange County/Santa Ana and San Jose del Cabo/Los Cabos, Mexico, and between Cancun and Milwaukee, Atlanta and Baltimore/Washington are now operated by Southwest. AirTran will continue to operate daily service between Mexico City and Orange County until the route converts to Southwest service in November. All service currently flown by AirTran will be converted to Southwest by the end of the year. . . . In related news, the City of Houston filed a request with DOT to renegotiate the U.S.-Mexico bilateral agreement by yearend. The current treaty limits the number of U.S. carriers that can serve Mexico from Houston. United currently flies between Houston and Mexico City, and Southwest in its own filings said it may want to offer service to Mexico from Houston. . . . Separately, IAM filed for mediation with the National Mediation Board regarding stalled contract negotiations with Southwest. "Management is hell-bent to move to a risky variable compensation system as opposed to offering guaranteed wage increases," said IAM. If NMB grants the application, it will attempt to resolve differences via mediated discussions. If no agreement is reached through mediation, arbitration and a strike could follow.

6. JetBlue Adds Washington National Flights.

JetBlue will launch nonstops from Reagan Washington National to Jacksonville, Fort Myers, and West Palm Beach on December 18.

7. Spirit, Flight Attendants Reach Tentative Agreement.

Spirit and its flight attendants, represented by the Association of Flight Attendants-CWA (AFA), reached a tentative agreement for a five-year contract. The agreement was reached with the assistance of the National Mediation Board.

8. Frontier Begins 18 New Flights from Washington Dulles.

Frontier announced service from Washington Dulles to 18 destinations, including Nassau and Cancun, offering inaugural fares as low as \$39 each way. The airline is changing its frequent flier program to offer one elite tier instead of two and fewer benefits, effective next year. Under new ownership, Denver-based Frontier offers "ultra-low fares with customer choices to more than 85 destinations in the United States, Mexico, Costa Rica, Jamaica and the Dominican Republic."

9. **TWU First Union at Virgin America.**

Virgin America flight attendants voted in favor of TWU representation. This is the first work group at the airline to vote for a union. Contract negotiations begin in the fall.

10. **FedEx Denies Guilt in New Drug Shipments Charges.**

FedEx denied guilt in new charges brought by a federal grand jury in San Francisco related to shipments of prescription drugs from illicit online pharmacies that resulted in deaths. The revised indictment alleges that FedEx conspired with those pharmacies to launder more than \$630,000 in shipping payments derived from drug sales.

11. **ICAO Announces Conflict Zone Risk Information Projects.**

See Section I, item 1.

12. **Travel and Transport Task Force Monitors Ebola Outbreak.**

See Section VII, item 1.

13. **Norwegian Plans Long-Haul Base at London Gatwick**

See Section VIII, item 3.

14. **All-Business La Compagnie Offers Paris-Newark Flights.**

See Section VIII, item 6.

15. **SAS Begins Business-Class-Only Service to Houston.**

See Section VIII, item 7.

16. **China Southern Launches Guangzhou-New York Service.**

See Section IX, item 2.

17. **Cathay Pacific To Offer Direct Hong Kong-Boston Service.**

See Section IX, item 3.