



WASHINGTON AVIATION SUMMARY

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CONTENTS

I.	REGULATORY NEWS.....	1
II.	AIRPORTS.....	5
III.	SECURITY AND DATA PRIVACY	6
IV.	E-COMMERCE AND TECHNOLOGY.....	8
V.	ENERGY AND ENVIRONMENT	9
VI.	U.S. CONGRESS.....	12
VII.	BILATERAL AND STATE DEPARTMENT NEWS	13
VIII.	EUROPE/AFRICA.....	14
IX.	ASIA/PACIFIC/MIDDLE EAST	16
X.	AMERICAS	19

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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. Airline Industry 2011 Profit Outlook Downgraded to \$4 Billion.

Natural disasters in Japan, unrest in the Middle East and North Africa, and the sharp rise in oil prices have slashed industry profit expectations to \$4 billion this year, said the International Air Transport Association (IATA), compared to \$8.6 billion forecast in March, and an \$18 billion net profit recorded in 2010. On expected revenues of \$598 billion, a \$4 billion profit equates to a 0.7% margin, IATA said. Asia-Pacific carriers are expected to earn \$2.1 billion this year (\$10 billion in 2010); North American, \$1.2 billion (\$4.1 billion/2010); European, \$500 million (\$1.9 billion/2010); Middle East, \$100 million (\$900 million/2010); Latin American, \$100 million (\$900 million/2010). African carriers will post a \$100 million loss in 2011. . . . In other news, IATA Director General Giovanni Bisignani steps down July 1 and former Cathay Pacific CEO Tony Tyler takes over.

2. Final DOT Approval for Delta/Virgin Australia JV.

The U.S. Department of Transportation (DOT) granted final approval of antitrust immunity for the Delta-Virgin Australia joint venture, which will cover service between the United States, Australia and the South Pacific. The JV will be “up and running by the end of the year,” said airline executives. Virgin Australia, formerly known as Virgin Blue group, includes Virgin Australia (formerly Virgin Blue), V Australia, Pacific Blue and Polynesian Blue.

3. DOT Fines Airlines for Website Violations.

DOT fined Continental (\$120,000), US Airways (\$45,000), TACA (\$55,000) and China Airlines (\$80,000) for violating rules prohibiting deceptive price advertising. Continental’s website failed to include fuel surcharges in listed fares. US Airways failed to list type or amount of additional taxes and fees. TACA fare quotes did not disclose type and amount of taxes and fees. China Airlines did not disclose additional taxes and fees. . . . DOT fined Frontier \$40,000 for failing to display on-time performance on its website.

4. Spirit and Allegiant Challenge Several New DOT Consumer Rules.

Spirit Airlines and Allegiant Air have filed a petition in the U.S. Court of Appeals for the District of Columbia Circuit challenging several of the new Enhanced Airline Passenger Protection rules issued on April 18, 2011. The carriers challenge five of the new rules including the requirement that all fare advertising list the full fare including all government taxes and fees, reversing a near 25 year policy that permitted non-ad valorem taxes and fees to be listed separately as is currently the practice of most airlines. The airlines also

challenged the mandatory 24-hour refund without penalty requirement, the requirement that electronic ticket confirmation notices include an explanation of baggage fees in “text form,” prohibiting increasing the price of ancillary services which are purchased after the purchase of a ticket and requiring carriers to give notice of delays and cancellations within 30 minutes of the carrier learning of the problem with the scheduled departure.

5. FAA Proposes \$1.05 Million Civil Penalty Against Boeing.

The Federal Aviation Administration (FAA) proposed a \$1,050,000 civil penalty against Boeing for allegedly failing to correct a known problem in production and installation of the central passenger oxygen system in B-777s. During inspections of nine newly assembled aircraft between April and October, 2010, FAA discovered that spacers in the oxygen delivery system distribution tubing were not installed correctly, which could result in the system not supplying oxygen to passengers should depressurization occur.

6. FAA Proposes Penalties Against Airlines.

FAA proposed a \$584,375 civil penalty against United, for failing to perform pre-employment drug tests and receive verified negative test results before transferring 13 individuals to safety-sensitive positions; and failing to use a scientifically valid method to ensure that each safety-sensitive employee has an equal chance of being selected for random drug and alcohol testing. FAA warned United at least twice before about random test selection methods. . . . FAA proposed a \$425,000 civil penalty against Atlantic Southeast, for operating two non-compliant Bombardier CRJs on 13 revenue passenger flights; the SkyWest subsidiary, flying as Delta Connection, failed to complete required inspections of the two aircraft after they were struck by lightning. . . . FAA proposed a \$250,000 civil penalty against AirTran for operating a non-compliant Boeing 737 on four passenger flights. Air Tran did not properly repair or test an angle-of-attack sensor on the aircraft, after it was struck by lightning during a flight; repair or maintenance of a damaged or inoperative angle-of-attack sensor may not be deferred.

7. U.S. Airlines Collected \$3.4 Billion in Baggage Fees in 2010.

U.S. airlines collected \$3.4 billion in baggage fees in 2010 and \$2.3 billion in reservation change fees, reports DOT. In related news, an Amadeus-commissioned report by IdeaWorks finds that ancillary revenue for the world’s carriers rose 38% to \$21 billion in 2010. United Continental, Delta, American and Qantas led among 47 airlines disclosing 2010 ancillary revenue activity. In 2007, 23 airlines worldwide disclosed ancillary revenue activity of \$2.45 billion.

8. Pilot, Controller Professionalism on NTSB’s New Most Wanted List.

Promoting pilot and air traffic controller professionalism and improving runway safety are among issues on this year’s National Transportation Safety Board (NTSB) “Most Wanted List.” NTSB also advocates safety management systems and image and onboard data recorders on all classes of aircraft.

9. April Passenger Airline Employment Up 2%.

U.S. scheduled passenger airlines employed 383,698 workers in April, 2% more than in April 2010, reported DOT, and the highest employment number since August 2009. Network airlines added 4,650 employees in April; low-cost airline employment was up 4% and regional was up 2.1%. The six network airlines employed 67.9% of the total in April, the seven low-cost carriers employed 17.2% and the 18 regional carriers employed 13.7%.

10. Long Tarmac Delays Drop During First Year of DOT Rule.

In the first 12 months after the new rule limiting tarmac delays went into effect, lengthy delays largely disappeared and only a minimal number of flights were canceled to avoid delays on the tarmac, announced DOT. There were 20 total tarmac delays of more than three hours reported May 2010 - April 2011 by airlines that file on-time performance data with DOT, compared to 693 reported May 2009 - April 2010. Canceled flights with tarmac delays of more than two hours—those most likely to be canceled to avoid violating the rule—increased by 51. International flights of both U.S. and foreign carriers at U.S. airports will be subject to a four-hour tarmac delay limit beginning August 23.

11. DOT Air Travel Consumer Report for April.

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

	April '11 / '10	March '10	Full Year				
			2010	2009	2008	2007	2006
On-time arrivals %	75.5 / 85.5	79.2	79.8	79.5	76	73.4	75.4
Cancellations %	2 / 0.7	1.3	1.76	1.39	1.96	2.16	1.71
Mishandled baggage*	3.24 / 2.84	3.32	3.99	3.91	5.26	7.05	6.73
<i>Consumer complaints:</i>							
Airline service	879 / 878	803	10,985	8,821	10,648	13,180	8,325
Disability-related	54 / 55	50	572	519	477	488	430
Discrimination**	10 / 13	10	143	131	115	99	114

Note: The largest U.S. airlines reported four tarmac delays of more than three hours in April, compared to zero in March. There were 40 canceled flights with tarmac delays of more than two hours, compared to 12 in April 2010.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Delta to Move Training Ops From Minnesota, Pay Off Debt

Delta plans to move training operations for pilots and flight attendants from Minneapolis-St. Paul to Atlanta, and will pay off a loan made during the Northwest acquisition that requires employment of at least 10,000 people in Minnesota.

2. Tampa to Offer Airline Incentive Program.

Tampa International will offer airlines financial incentives to launch new service, including waived fees and marketing dollars. The program will be cost neutral for incumbent carriers, said airport CEO Joe Lopano, paid from airport discretionary capital and reserve funds. Tampa handled 17 million passengers in 2010, compared to 19 million during peak year 2007, with nonstop service to 68 destinations—seven international and 61 domestic.

3. Frankfurt May Traffic Sets Record.

May passenger traffic exceeded five million at Frankfurt Airport, a peak usually reached starting in July. Fraport Group's majority-owned airports (including Frankfurt) handled 8.9 million passengers in May, up 8.1% year-on-year.

4. Alinda Capital Vies for BAA Stake.

U.S. infrastructure group Alinda Capital Partners is said to be among companies vying for 10% of Ferrovial's 55.6% stake in BAA, operator of London Heathrow and Stansted.

5. Spain to Privatize Airports.

Spain selected Royal Bank of Scotland to advise on the sale of up to 49% of Aena Aeropuertos and the carve-out of Madrid's Barajas, Barcelona's El Prat and other airports.

Hungary Sells 25% Stake in Budapest Airport.

[Reuters] A 25% stake in Budapest airport, plus one vote, was acquired by German construction group Hochtief for \$192.5 million.

6. Doha Opens New Terminal B.

Doha International opened a 2,000 square meter terminal for use by 30 foreign airlines. The former Transfer and Departures facility, renamed Terminal A, will handle operations of national carrier Qatar Airways.

III. SECURITY AND DATA PRIVACY

1. **TSA Employees Elect AFGE for Union Representation.**

Transportation Security Administration (TSA) employees elected the American Federation of Government Employees (AFGE) for exclusive union representative, with a 8903-8447 vote over the National Treasury Employees Union. AFGE said it will ask airports what they would like to see in a collective bargaining contract for Transportation Security Officers (TSOs).

2. **TSA Proposes Termination for Honolulu Screeners.**

TSA proposed removal of 36 of its employees at Honolulu International, following an investigation into allegations of improper screening of checked baggage. AFGE said the employees were forced to bypass approved screening practices because TSA wanted them to speed up the process. Congressmen John Mica (R-FL) and Jason Chaffetz (R-UT) called for the Department of Homeland Security (DHS) to investigate the lapses in Honolulu, saying the episode highlights the conflict of TSA acting as both operator and regulator of aviation screening.

3. **TSA to Begin Trusted Traveler Program; Amends Child Pat-Downs.**

TSA will begin a trusted traveler pilot program at selected airports this year, said Administrator John Pistole. In testimony before the Senate Homeland Security Committee, Pistole also noted that airport screeners have been instructed to make several attempts to screen young children before conducting pat-downs, which have been criticized as too intrusive and unnecessary for children and older people who seem to pose no terror threat.

4. **IATA Checkpoint of the Future Uses Biometrics.**

IATA unveiled the first mock-up of a Checkpoint of the Future, which separates passengers by security risk using risk-based measures. Passengers are directed to one of three lanes: 'known traveler,' 'normal' and 'enhanced security,' on the basis of a biometric identifier in the passport or other travel document that triggers results of a government-conducted risk assessment. Screening technology is being developed that will allow passengers to walk through the checkpoint without having to remove clothes or unpack belongings. Through the International Civil Aviation Organization (ICAO), 19 governments, including the United States, are working to define standards for a Checkpoint of the Future. IATA is also coordinating closely with the DHS Checkpoint of Tomorrow program which has similar goals.

5. Mica Steps Up Drive to Privatize Airport Screeners.

In a drive to reform TSA, House Transportation Committee Chairman John Mica (R-FL) released a report showing government savings of \$1 billion over five years through use of private passenger screening at the 35 largest U.S. airports. TSA has artificially inflated costs to use private contract screeners, said Mica; “the private-federal option is actually 65% more efficient and would increase taxpayer savings by at least 42%.” The Aviation Transportation Security Act allowed airports to use private screening contractors under TSA standards, supervision and oversight. To date 16 airports have utilized this option, but this year TSA curtailed the practice, citing safety issues.

6. Data Privacy Legislation Re-Introduced.

Senator Patrick Leahy (D-VT) re-introduced a bill that would establish a national standard for data breach reporting. The Personal Data Privacy and Security Act would make it a crime to intentionally conceal a data breach that could cause economic damage to consumers, punishable by up to five years in jail. The bill would require disclosure to consumers of any sensitive personal information and allow consumers to correct data. Companies that maintain personal data would be required to establish and implement internal policies to protect data privacy and security. Leahy is Chairman of the Senate Judiciary Committee, which has approved the Personal Data Privacy and Security Act with bipartisan support in each of the last three Congresses. The bill is cosponsored by Senators Chuck Schumer (D-NY) and Ben Cardin (D-MD).

IV. E-COMMERCE AND TECHNOLOGY

1. Court Permits American to Seek Injunction Against Sabre.

In the continuing dispute between Sabre and American Airlines, a Texas judge ruled that Sabre cannot prevent American from seeking a court order barring the global distribution system (GDS) from listing the carrier's fare and flight data below that of rivals. The judge rejected Sabre's argument that federal law preempts the Texas state court's authority to keep it from giving preference to other airlines' information. . . . American added Sabre to a federal antitrust lawsuit filed in April against Travelport and Orbitz; Sabre owns the Travelocity website. American says they are blocking travel agents from its Direct Connect, which bypasses GDSs. . . . Sabre filed a countersuit, alleging American is unlawfully foisting Direct Connect on travel companies and "attempting to eliminate the GDSs." . . . The U.S. Justice Department said in May it was investigating possible antitrust violations by GDSs.

2. American Returns to Orbitz.

The Illinois Circuit Court of Cook County ruled that American Airlines must post and sell flights on Orbitz websites again. The airline, which pulled its flights from Orbitz in December, said it fundamentally disagrees with the court's decision but will comply.

3. App Compares Millions of Routes in Seconds.

Skyscanner launched Version 2 of its free iPhone app, 'All flights, everywhere,' which it says compares millions of routes in seconds in 23 languages. Version 1, released in February, generated over a million downloads in the first five weeks and ranked first in travel apps of the iTunes app store. With more than 14 million users per month, the company says it "generates downstream revenues of over one billion dollars a year."

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel, as of June 17, was \$128.7/barrel, up 0.9% on the month and up 40.5% year-on-year, reports IATA. New fuel price average for 2011 was \$127.4/barrel.

2. Strategic Oil Reserves Released to Global Market.

International Energy Agency (IEA) member countries agreed to release 60 million barrels of oil onto the global market from emergency stocks over an initial period of 30 days (2 million barrels per day), to offset the supply disruption in the Middle East. "The normal seasonal increase in refiner demand expected for this summer will exacerbate the shortfall further," said IEA; "greater tightness in the oil market threatens to undermine the fragile global economic recovery." Of the global total, the United States will release 30 million barrels from the Strategic Petroleum Reserve.

3. Aviation Biofuel Standard Approved.

A new specification for hydroprocessed renewable jet fuel was provisionally approved by the ASTM International Committee on Petroleum Products and Lubricants. The specification enables use of HEFA (Hydroprocessed Esters and Fatty Acids) fuels from biomass feedstocks such as camelina, jatropha or algae, in combination with conventional jet fuel up to a 50% blend, said Air Transport Association of America (ATA). FAA Administrator Randy Babbitt said publication of a standard will open the door for production of commercial aviation biofuels that can be used without changing aircraft systems or airport fueling infrastructure.

4. Airlines Sign on for Future Supply of Biomass-Derived Jet Fuel.

Several airlines signed letters of intent with Solena Fuels to negotiate the purchase of a future supply of jet fuel derived exclusively from biomass to be produced in northern California. Solena's "GreenSky California" biomass-to-liquids facility will utilize post-recycled urban and agricultural wastes to produce up to 16 million gallons of neat jet fuel (and 14 million gallon equivalents of other energy products) per year by 2015 to support airline operations at Oakland, San Francisco and/or San Jose airports. The project will divert about 550,000 metric tons of waste that otherwise would go to a landfill. American, United Continental, Alaska, FedEx, JetBlue, Southwest, US Airways, Air Canada, Frontier and Lufthansa are participating. . . . In other U.S. biofuel news: Catchlight Energy, a Chevron-Weyerhaeuser joint venture, will supply forest products that Kior will convert into biofuels that can be converted at standard refineries into gasoline, diesel or jet fuel. . . . Gevo is

building a plant in southwest Minnesota that annually will produce 18 million gallons of isobutanol from corn, to be targeted to the jet fuel market. Gevo was founded in Pasadena by scientists from the California Institute of Technology and now is headquartered in Colorado. . . . Avjet Biotech is increasing aviation biofuel production, with final pre-full scale production planned for next May. The North Carolina start-up uses hydrolysis, deoxygenation and hydrocarbon reforming to convert fat-containing oils into green gasoline, jet fuel and diesel. Oils used in the patented Red Wolf Process (RWP) are extracted from sources such as jatropha, camelina, soy, canola, palm, algae, yellow grease (chicken fat) and hog fat. Avjet has agreements with BioJet International, an international supplier of renewable aviation fuels, and Continental Technologies, which designs, fabricates, installs and operates refineries.

5. Agriculture Secretary Supports Alternative Aviation Fuel Production.

The U.S. Department of Agriculture (USDA) has established virtual research centers to identify which feedstocks will work as a base for developing alternative fuels, and is working to provide loan guarantees to help companies build refineries that will convert them to jet fuel. In a speech at the Paris Air Show, Agriculture Secretary Tom Vilsack said farmers will be provided with government resources to help with expenses associated with planting these new crops. The Obama Administration has directed the Departments of Energy and Agriculture and the U.S. Navy to work with the private sector to create advanced biofuels.

6. Europe Launches “Advanced Biofuels Flightpath.”

“European Advanced Biofuels Flightpath,” an initiative launched by the European Commission, Airbus, airlines (Lufthansa, Air France/KLM, British Airways) and European biofuel producers, aims to achieve annual production of two million tons of sustainably produced biofuel for aviation by 2020. The biofuel will be produced in Europe from European sourced feedstock material. The group will establish financial mechanisms to support construction of advanced biofuel production plants.

7. Germany Launches Aviation Initiative for Renewable Energy.

Air Berlin, Condor, Lufthansa, Munich Airport, MTU Aero Engines, Rolls-Royce Germany and EADS have teamed up with German research organizations and biofuel specialists to form the Aviation Initiative for Renewable Energy in Germany (Aireg). We are bundling national activities so as to achieve emission reduction targets for the aviation industry, said Aireg President Klaus Nittinger; “a later expansion of activities to the European level remains conceivable at all times.”

8. U.S. Seeks Exemption to EU ETS.

U.S. officials attending talks in Oslo demanded that the European Union (EU) exempt U.S. airlines from the EU Emissions Trading Scheme (ETS), which will begin to take effect January 1, 2012. An EU official said the Commission is ready to consult at any time, but does not intend to withdraw or amend the directive. Another EU official said an exemption for incoming U.S. flights could be possible if the United States took serious measures to reduce emissions that would be considered equivalent by the EU. U.S. airlines led by ATA are battling the rules in court; a hearing will be held in July at the European Court of Justice in Luxembourg.

9. American is Launch Customer for Boeing's ecoDemonstrator.

American Airlines will be the launch customer for Boeing's ecoDemonstrator Program, a Next-Generation 737-800 to be used to test and accelerate market readiness of emerging technologies. The 737-800, and a twin-aisle plane to be announced later, are serving as the flight test component for FAA's Continuous Lower Energy Emissions Noise (CLEEN) program, along with other technologies developed by Boeing and other industry partners. "Reducing fuel consumption, carbon emissions and community noise are the focus," said Boeing.

10. Report: Biofuels Contribute to Food Price Volatility.

The World Bank and World Trade Organization are among 10 international agencies advocating that government reconsider policies that support biofuels, which contribute to price volatility of food and other agriculture commodities. The interagency report was requested by Group of 20 major economies (G20). In other news, the World Bank in October will recommend a global levy on jet and shipping fuel to G20 governments.

VI. U.S. CONGRESS

1. FAA Funding Extended to July 22.

The House approved legislation to extend FAA programs until July 22, while House and Senate negotiators continue work on a final long-term funding bill.

2. Senate Bills Address Infrastructure Privatization.

Senator Mark Kirk (R-IL.) presented draft legislation that would lift federal restrictions on public-private partnerships and “mobilize \$100 billion in private investment to build new roads, airports, and railroads.” The bill requires proceeds of leases or sales to be reinvested in infrastructure. . . . Richard Durbin (D-IL.) introduced a bill that would require public involvement before major transportation projects could be leased or sold and include a return on federal taxpayer investment. Durbin said he is not opposed to privatization, but points to Midway airport and other failed attempts in Chicago, which cost the city hundreds of millions of dollars. The Illinois General Assembly has passed legislation that would allow consideration of such partnerships, pending the governor’s signature.

3. Senate Forms Travel & Tourism Caucus.

A Travel & Tourism Caucus was formed in the Senate “to promote common-sense policies that reduce barriers to travel and raise awareness of the importance of job-creating travel and tourism industry.” Tourism contributed over \$700 billion to the U.S. economy in 2009, say Caucus founders Amy Klobuchar (D-MN) Mark Begich (D-AK) Roy Blunt (R-MO) and Mark Kirk (R-IL), all of whom serve on the Commerce Committee which has jurisdiction over the tourism industry. The Caucus will evaluate ways the State Department and other agencies can cut red tape to increase the speed of visa applications for foreign travelers and focus on implementation of the 2010 Travel Promotion Act (TPA), which is projected to bring an additional 1.6 million visitors to the United States and add \$4 billion to the U.S. economy annually with no cost to taxpayers. The U.S. Travel Association urged other senators join the Caucus.

4. Mica Steps Up Drive to Privatize Airport Screeners.

See Section III, item 5.

5. Data Privacy Legislation Re-Introduced.

See Section III, item 6.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S. Imposes Sanctions Against Iran Air.

The U.S. Departments of Treasury and State imposed sanctions on Iran Air for providing material support and services to the Islamic Revolutionary Guard Corps (IRGC) and Iran's Ministry of Defense and Armed Forces Logistics (MODAFL). Subsidiary Iran Air Tours and Iran Air Cargo also were cited. The U.S. said Iran Air has shipped military-related electronic parts and mechanical equipment, titanium, rockets and missiles on behalf of MODAFL and the IRGC, and IRGC officers occasionally take control of Iran Air flights carrying special IRGC-related cargo. The IRGC is known to disguise and manifest such shipments as medicine and generic spare parts, and IRGC officers have discouraged Iran Air pilots from inspecting potentially dangerous IRGC-related cargo carried aboard commercial Iran Air aircraft, including to Syria. In a joint statement, Treasury Secretary Tim Geithner and Secretary of State Hillary Clinton said the sanctions "seek to limit Iran's ability to use the global financial system to pursue illicit activities."

2. U.S. Signs Transportation Accord with Iraq.

The United States and Iraq signed an agreement covering rehabilitation and development of Iraqi airports and maritime and rail industries. DOT Secretary Ray LaHood met with Iraqi Prime Minister Nuri al-Maliki and Minister of Transport Hadi al-Amiri.

3. U.S. Signs Agreements with Mongolia.

FAA agreed to aid the Civil Aviation Authority of Mongolia in developing civil aeronautics and air commerce safety through technical assistance and training. The United States and Mongolia signed memoranda aimed at trade promotion and aviation cooperation; Mongolian International Airlines plans to purchase Boeing commercial jetliners and "intends to expand its fleet further with U.S. aircraft in the future."

VIII. EUROPE AND AFRICA

1. New Cargo Cartel Settlements Over \$150 Million.

British Airways agreed to pay \$89.5 million to settle a class-action lawsuit alleging it conspired with other airlines to fix cargo prices on international cargo shipments; Lan and Aerolinhas Brasileiras agreed to pay \$66 million. The airlines agreed to cooperate in the ongoing case. These are the tenth and eleventh settlements in the class-action case, bringing total recovery to \$434 million, including Lufthansa (\$85 million), Air France-KLM (\$87 million), American Airlines (\$5 million) and Japan Airlines (\$12 million).

2. Ireland Overhauls Air Travel Tax; EC Closes Infringement Case.

The European Commission (EC) closed infringement proceedings after Ireland removed “the discriminatory aspects of its air travel tax.” Established in 2009, the tax was levied at a rate of €10 on passengers traveling more than 300 kilometers from Dublin Airport, and €2 for shorter flights. The levy now is €3 per passenger for all air travel. The EC said the tax breached EU law because passengers on flights to other member states were charged more than passengers on domestic flights, constituting “a barrier to the freedom to provide services across borders.”

3. Air France Crash Plaintiffs Cannot Sue in U.S.

A northern California district judge upheld his initial decision that family members of those killed in the 2009 crash of an Air France Airbus A330-200 must pursue in France their claims against U.S. companies that designed and manufactured the plane’s components, equipment and engines. The judge dismissed the litigation on forum non conveniens grounds, saying it would be difficult to compel nonparties to produce evidence from France. Companies named by the suit include General Electric, Honeywell, Motorola and Intel. Flight 447 crashed in the Atlantic en route from Rio de Janeiro to Paris; all 216 passengers and 12 crew members perished.

4. American Airlines, airberlin Expand Code Share Agreement.

American Airlines expanded a code share relationship with airberlin to include four weekly flights between New York Kennedy and Berlin-Tegel. A future oneworld alliance member, airberlin is Germany's second largest airline.

5. US Airways, Aegean Airlines to Code Share.

Star Alliance partners US Airways and Aegean agreed to code share on Aegean flights to Athens from London Heathrow, Munich and Rome, and on US Airways seasonal Athens-Philadelphia service, subject to DOT and Greek government approval.

6. **Delta, Air Nigeria Begin Code Share Flights.**

Delta announced the start of code share service with Air Nigeria, which initially is placing its code on Delta-operated services between Atlanta and Lagos and New York Kennedy and Abuja.

7. **Paris Air Show News.**

Most of Airbus' \$72 billion in signed orders and commitments at the Paris Air Show were for the A320neo Family. With a backlog of 1,029 units, the neo is "by far the best selling airliner in the history of commercial aviation," said the company. Boeing announced orders and commitments for 142 airplanes valued at more than \$22 billion, and showcased the 747-8 Intercontinental, 747-8 Freighter and 787 Dreamliner.

8. **ANA, Lufthansa Joint Venture Approved.**

See Section IX, item 4.

9. **Qatar Airways to Acquire 35% Stake in Cargolux.**

See Section IX, item 10.

10. **Alliance News.**

See Section IX, item 11.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. ACCC Grants Interim Approval to Qantas-American JBA.

The Australian Competition and Consumer Commission (ACCC) granted interim authorization for a proposed Joint Business Agreement (JBA) between Qantas and American Airlines. A draft decision will be issued in August/September. Under the proposed JBA, the airlines will coordinate operations on services between Australia/New Zealand and the United States, and on their respective services which support the trans-Pacific routes. Qantas and American currently do not compete directly on any routes. Interim authorization will enable the parties to undertake a coordinated sales and marketing campaign in both Australia and the United States. Qantas has sought interim authorization to support its new service to Dallas/Fort Worth.

2. Qantas Reaches A\$95 Million Settlement With Rolls-Royce

Qantas reached an A\$95 million settlement with Rolls-Royce in relation to the disruption caused by a midair engine explosion in November 2010 that resulted in a temporary grounding of the carrier's Airbus A380 fleet. The Trent 900 "disc failure was initiated by a manufacturing defect in an oil feed pipe that resulted in a wall thickness reduction," said a report released in May by the Australian Transport Safety Bureau; a final report is expected in mid-2012.

3. SIA, Virgin Australia Propose Partnership.

Singapore Airlines (SIA) and Virgin Australia agreed to establish a long-term alliance, subject to regulatory approvals, under which they will code share on international and domestic flights; coordinate schedules between Singapore and Australia and beyond; and engage in joint sales, marketing and distribution activities. From August 1, SIA customers can interline on Virgin Australia's domestic network, and the airlines will offer reciprocal frequent flyer benefits and lounge access. SIA is a member of Star, while Virgin Australia is awaiting regulatory clearance for an enhanced pact with SkyTeam member Delta. SIA CEO Goh Choon Phong told reporters that SIA would consider selling its 49% stake in Virgin Atlantic, which is undergoing a strategic review.

4. ANA, Lufthansa Joint Venture Approved.

All Nippon Airways (ANA) received approval from the Japanese Transport Ministry for antitrust immunity to launch a joint venture with Star Alliance partner Lufthansa on routes between Japan and Europe. The carriers plan to introduce the JV within the 2011 winter timetable. A joint venture between ANA and Star partner United was approved in April.

5. **JAL, American Strengthen Cargo Relationship.**

Japan Airlines (JAL) and American have begun using Los Angeles, Chicago, Dallas/Fort Worth, New York and Honolulu as transfer points for cargo traffic in the United States, and Tokyo, Osaka and Nagoya as transfer points in Japan. Their joint business agreement took effect in April.

6. **Cathay Pacific, American to Expand Code Share Services.**

Cathay Pacific and oneworld partner American reached an expanded code share agreement, to take effect when Cathay begins new Hong Kong-Chicago daily service in September. The Cathay code will be placed on selected American flights between O'Hare and nine U.S. cities—Atlanta, Charlotte, Cleveland, Columbus, Detroit, Kansas City, Minneapolis-St Paul, Philadelphia and Pittsburg—and from Los Angeles to Phoenix and Salt Lake City.

7. **Delta Resumes Atlanta-Shanghai Nonstops.**

Delta began twice weekly Boeing 777 nonstops between Atlanta and Shanghai. First launched in 2008, the service was suspended amid the economic slowdown. Delta will begin Detroit-Beijing nonstops on July 1. . . . Delta began code sharing on 49 China Eastern-operated flights within China, and nonstops connecting Shanghai with Los Angeles and New York. China Eastern flight numbers were added on 38 Delta-operated U.S. domestic flights and service connecting Detroit and Atlanta to Shanghai.

8. **Continental to Resume Service to Sendai.**

Continental will resume regular service between Guam and Sendai, Japan, subject to government approval, with twice-weekly flights beginning October 2. The new flights mark the first resumption of regular service by a foreign airline at Sendai Airport since the March 11 earthquake.

9. **Etihad, American Expand Cooperation.**

American Airlines expanded cooperation with Abu Dhabi-based Etihad Airways to include reciprocal frequent flyer miles. The carriers deliver a combined code share network of more than 50 destinations worldwide.

10. **Qatar Airways to Acquire 35% Stake in Cargolux.**

Qatar Airways will acquire a 35% stake in Luxembourg-based Cargolux in a strategic equity and commercial partnership. Qatar Airways intends to “become a formidable force in the global cargo business,” said CEO Akbar Al Baker, and will “develop Qatar as a leading global cargo hub and one of the major players in the international freight market by 2015.” In other news, during the IATA annual general meeting, Al Baker charged that IATA appears to be “run for the few, by the few” and lacks full transparency. He questioned IATA’s 2010 expenditure, including \$18 million for travel, \$58 million for data

processing and IT and \$29 million for outsourcing and consultancy. Regarding the nomination of Etihad CEO James Hogan to IATA's board, Al Baker said, "if geographical representation is the basis of the composition of the board, the regional airlines involved should be informed in advance of their regional allotments so that they can coordinate who should represent them."

11. Alliance News.

China Eastern and its subsidiary Shanghai Airlines officially joined SkyTeam, bringing 32 new destinations to the global network. China Eastern is the 14th airline to join SkyTeam, which is expected to grow to 19 members by 2012; China Airlines is set to join later this year. . . . Malaysia Airlines (MAL) was elected a oneworld member designate, with Qantas as sponsor and membership expected late next year. In preparation for membership, the carrier intends to develop bilateral links with oneworld partners, and already code shares with Cathay Pacific and Royal Jordanian. MAL carries 45,000 passengers daily to 100 destinations in more than 30 countries, with a fleet of 126 aircraft.

12. Final DOT Approval for Delta/Virgin Australia JV.

See Section I, item 2.

13. New Cargo Cartel Settlements Over \$150 Million.

See Section VIII, item 1.

14. Chile Volcano Prompts Delays, Cancellations Across Pacific.

See Section X, item 1.

X. AMERICAS

1. Chile Volcano Prompts Delays, Cancellations Across Pacific.

Large plumes of ash from an eruption of the Puyehue-Cordón Volcano Complex in southern Chile, which began on June 4, disrupted air traffic in the Southern Hemisphere throughout the month. Hundreds of thousands of passengers were stranded and airlines lost tens of millions of dollars, as flights across South America and the Pacific were cancelled or delayed and many airports were shuttered. Qantas estimated its losses at \$21 million.

2. Canada Seeks to Block Air Canada/United Continental JV.

Air Canada and United Continental suspended their proposed joint venture after Canada's Competition Commissioner announced it would seek to prevent it. The JV would monopolize ten transborder routes and substantially reduce competition on nine additional routes, said the Commissioner, who also opposes aspects of Air Canada, United and Continental's existing transborder cooperation arrangements, which allow coordinated pricing, scheduling and revenue sharing.

3. NMB Reviewing Delta Union Elections.

The National Mediation Board (NMB) is investigating whether Delta improperly interfered with union elections following the Northwest acquisition. A vote late last year was narrowly lost by the Association of Flight Attendants-CWA, and three other groups rejected unionization. The International Association of Machinists (IAM), in a complaint filed with NMB, said Delta inundated employees with anti-union propaganda and engaged in surveillance and intimidation.

4. Republic to Reduce Stake in Frontier.

Frontier Airline Pilots Association agreed to trade pay and benefit concessions for an equity share in Frontier, profit sharing and a good faith effort by parent Republic Airways Holdings to reduce its holdings in Frontier to a minority interest by the end of 2014. Frontier President and CEO Bryan Bedford said the new pilot agreement and other savings "bring us more than halfway to our annual profitability improvement goal of \$120 million."

5. Spirit to Charge for Agent-Printed Boarding Passes.

Spirit passengers will be charged \$5 to have a boarding pass printed by an agent, for travel November 1 and beyond. The fee is waived in cities where Spirit does not have airport check-in kiosks or if a customer is unable to use the kiosk to print their boarding pass. Starting June 26, 2012, online check-in will continue to be free, boarding passes at airport kiosks will be \$1.00, and

printing a boarding pass from an agent will be \$5. . . . Spirit filed an appeal with the U.S. Court of Appeals regarding aspects of a DOT proposal to require airlines to hold fares for 24 hours after booking without payment. Spirit says the rule will generate massive abuse and force airlines to raise ticket prices to compensate for spoilage of unpaid but blocked seats. Allegiant filed a similar challenge and ATA has requested postponement of the rules. . . Spirit announced new twice-daily nonstops from Las Vegas to Oakland, San Diego and Portland, Oregon, with \$9 introductory fares each way. Spirit offers 22 daily departures to eight destinations from Las Vegas.

6. Air Canada, Union Agree on New Contract.

Air Canada reached a four-year agreement with the Canadian Auto Workers union, after a three-day walkout of customer service and check-in and gate agents. The government had threatened to order them back to work. In other news, Air Canada renamed Jazz to Air Canada Express, part of a larger rebranding of regional operations.

7. Mexico Develops Inbound Tourism.

Mexico's tourism ministry hopes to reduce dependence on visitors from the U.S. and announced new service from Virgin Atlantic (London Gatwick-Cancun), Air Europa (Madrid-Mexico City), TAM (Sao Paulo-Mexico City) and LAN (Lima-Cancun). Aeromexico is adding flights between Mexico City and Barcelona. The U.S. State Department and Texas have issued travel warnings for Mexico due to drug cartel-related violence that killed 111 U.S. citizens in 2010, up from 35 in 2007.

8. Final DOT Approval for Delta/Virgin Australia JV.

See Section I, item 2.

9. New Cargo Cartel Settlements Over \$150 Million.

See Section VIII, item 1.

10. Air France Crash Plaintiffs Cannot Sue in U.S.

See Section VIII, item 3.

11. American Airlines, airberlin Expand Code Share Agreement.

See Section VIII, item 4.

12. US Airways, Aegean Airlines to Code Share.

See Section VIII, item 5.

13. Delta, Air Nigeria Begin Code Share Flights.

See Section VIII, item 6.

14. **Paris Air Show News.**
See Section VIII, item 7.
15. **ACCC Grants Interim Approval to Qantas-American JBA.**
See Section IX, item 1.
16. **JAL, American Strengthen Cargo Relationship.**
See Section IX, item 5.
17. **Cathay Pacific, American to Expand Code Share Services.**
See Section IX, item 6.
18. **Delta Resumes Atlanta-Shanghai Nonstops.**
See Section IX, item 7.
19. **Continental to Resume Service to Sendai.**
See Section IX, item 8.
20. **Etihad, American Airlines Expand Cooperation.**
See Section IX, item 9.
21. **Alliance News.**
See Section IX, item 11.