



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. Swine Flu Outbreak Affects Global Travel.

In a rapidly evolving situation, at least nine countries officially reported cases of influenza A/H1N1, said the World Health Organization (WHO), and the death rate climbed. Most of the cases were in Mexico, followed by the U.S. WHO raised the level of influenza pandemic alert to Phase 5, with 6 being a full pandemic, and advised countries to activate pandemic preparedness plans. WHO advised no restriction of regular travel or border closures, but advised sick people who are ill to delay international travel. Several nations suspended flights to Mexico. Some nations also urged avoidance of travel to the U.S., which Atlanta-based Centers for Disease Control (CDC) said was unwarranted. Many nations initiated quarantine measures at airports for sick travelers and other measures. The International Air Transport Association (IATA) asked airlines to review their emergency plans. The Air Transport Association of America (ATA) was working with government agencies to track the outbreak and make necessary adjustments to travel procedures. U.S. and other airlines allowed customers to change flight plans to Mexico without penalty, and airlines were complying with longstanding protocols for identifying and reporting passengers who may have swine flu symptoms.

2. DOT Approves Star Plan to Add Continental, Establish Joint Venture.

The U.S. Department of Transportation granted tentative antitrust immunity to a new joint venture among Star Alliance members Air Canada, Lufthansa and United and to Continental, which will move from SkyTeam to Star. Under the venture, to be called Atlantic Plus-Plus, the carriers would jointly arrange capacity, sales and marketing and share revenues. The venture would be in the public interest, said DOT, because it would support increased levels of service in international markets served by the carriers, give consumers more travel options and shorter travel times and reduce fares. The carriers must implement the new venture within 18 months and provide annual reports to DOT about implementation of their alliance agreements. They would remain subject to antitrust laws with respect to domestic service. The DOT announcement came while Congress was in recess and after Rep. James Oberstar (D-Minn.) moved to constrain immunized alliances. Among those filing objections to the DOT show cause order were travel agent groups, which said the government needs to be more vigilant in protecting the traveling public in the face of unprecedented airline consolidation.

3. **EC Conducting Antitrust Probe of Transatlantic Alliances.**

The European Commission (EC) is conducting separate antitrust probes of extended cooperation proposals by members of Star Alliance and Oneworld. The EC said the investigations do not imply conclusive proof about any infringement, but it is concerned about potential price-fixing, which would be in breach of EU rules on restrictive business practices, unless there are clear benefits to consumers.

4. **Oneworld Immunity Application Complete.**

DOT said the application for antitrust immunity submitted by oneworld members is substantially complete and called for comments by May 18. DOT denied a request by Virgin Atlantic to delay the review; Virgin maintains oneworld partners stand to gain market share significantly over 60% on key transatlantic routes. Members of oneworld are American Airlines, British Airways, Iberia, Finnair and Royal Jordanian.

5. **DOT Asked to Review Virgin America's Citizenship.**

House Transportation Committee Chairman James Oberstar (D-Minn.) urged DOT Secretary Ray LaHood to review whether Virgin America still meets U.S. airline ownership and control requirements. Alaska Airlines and some unions earlier made similar requests after media reports that U.S. investors in Virgin America had sold their shares to minority owner, UK-based Virgin Group. Virgin America CEO David Cush maintains the carrier is U.S. majority owned. "The legacy part of the industry have made their living playing defense rather than playing offense," he told TheStreet.com. "They can't handle innovation [of upstarts, like JetBlue and Southwest]. They always look at things as a zero-sum game, where 'If somebody else does well, that's got to be bad for me.'"

6. **Justice Fines Asiana, Cargolux, Nippon for Price-Fixing.**

The U.S. Department of Justice (DOJ) said Asiana, Cargolux and Nippon Cargo agreed to plead guilty to conspiring to fix air cargo prices. Asiana will pay a criminal fine of \$50 million, Cargolux \$119 million and Nippon \$45 million. Asiana also was charged with fixing passenger fares on U.S.-Korea flights. Fines for 15 airlines total more than \$1.6 billion in the DOJ investigation into price-fixing in the air transportation industry and four executives have been sentenced to serve jail time.

7. **FAA Withdraws Proposal to Withhold Bird Strike Data.**

The U.S. Federal Aviation Administration (FAA) withdrew a proposal to withhold data in its Wildlife Strike Database, after a 30-day comment period produced almost unanimous support of disclosure, and released the data on a public Web site. FAA had been concerned that some airlines and airports

would reduce voluntary reporting of bird strikes for fear that the public and news media would misunderstand or misinterpret the data. But the National Transportation Safety Board (NTSB) warned that withholding the data could interfere with analysis and mitigation of the problem. DOT Secretary Ray LaHood said, "Public disclosure is our job. The sea change in government transparency is beginning, and we are happy to be a part of it." FAA estimates the voluntary reporting system captures only 20% of wildlife strikes, but has declined to adopt an NTSB recommendation to make the reports mandatory.

Among disclosures in the data: about 100,000 reported wildlife collisions were reported since 1990, with 11 deaths; most were bird strikes; 28 aircraft were destroyed since 2000, with five fatalities and 93 injuries; wildlife strikes more than doubled at 13 major U.S. airports since 2000. Airports reporting the most incidents with serious damage included New York Kennedy, located amid wetlands, and Sacramento, which lies beneath the Pacific Flyway used by millions of migrating birds. A significant decrease in major damage in 2007 and 2008 may be attributable to tightened engine design standards to better withstand strikes, and increased airport wildlife management.

8. FAA Forecasts 1.1 Billion Passengers in 2025.

Due to the worldwide economic downturn, FAA's 2009-2025 forecast predicts domestic passenger enplanements will decrease by 7.8% in 2009 and then grow an average of 2.7% per year. Systemwide passengers on U.S. airlines will increase from 757.4 million in 2008 to 1.1 billion in 2025. U.S. aircraft operations will decrease by 5.7% in 2009 from 2008 levels, then grow at an average annual rate of 1.5% from 2010.

9. Premium Traffic Declines Exceed 20%.

Global premium travel declined by 16.7% in January and 21.1% in February, reports IATA, noting an extra day in February 2008. The number of economy-class passengers fell 8.3% in February, following a 4.7% fall in January. In March, total global passenger demand fell to 11.1% below March 2008 levels; freight demand was down 21.4%. DOT reports U.S. airlines carried 10.9% fewer system passengers (51.5 million) in January, year-on-year; with 11.5% fewer domestic and 7.2% fewer international passengers, and average load factors of 73%. U.S. carriers operated 769,500 flights, down 11.2%; domestic down 11.6%, international down 7.5%. ATA reports that U.S. airline passenger volumes fell 10% in March, compared to a year ago, with passenger revenue down 23% as carriers cut fares by 13% in an effort to spur demand; cargo traffic declined 21% year over year both in January and February.

10. Airline Employment Down 6.6% in February.

U.S. scheduled passenger airlines employed 391,682 workers in February, an increase of 1,025 from January but 6.6% fewer than in February 2008. This was the eighth consecutive year-on-year decrease, reports DOT. Employment decreased 6.4% at the seven network carriers, and 3% at low-cost and 4.9% at regional carriers. The seven network carriers employed 264,561 in February, 67.5% of the passenger airline total, while low-cost carriers employed 16.1% and regionals employed 14.7%.

11. DOT Air Travel Consumer Report for February.

Based on data filed by 19 of the largest U.S. airlines

	Feb. '09 / '08	Jan. '08	Full Year					
			2008	2007	2006	2005	2004	2003
On-time arrivals %	82.6/68.6	77	76	73.4	75.4	77.4	78.1	82
Mishandled baggage*	3.56/6.41	5.2	5.26	7.05	6.73	6.64	4.91	4.19
<i>Consumer complaints:</i>								
Airline service	576 /937	884	10,643	13,180	8,325	8,741	7,452	5,983
Disability-related	33/35	42	474	488	430	511	521	375
Discrimination**	3/9	6	115	99	114	129	118	85

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Midway Privatization Effort Fails.

A \$2.5 billion bid to privatize Chicago Midway ended after the Midway Investment and Development Corporation (Midco) consortium failed to obtain financing amid tight credit markets. Midco is comprised of a Citigroup unit, a Vancouver Airport unit and John Hancock Life Insurance. Considered a key test of U.S. airport privatization, the plan to lease Midway for 99 years drew six bidders. Midway flight and passenger volumes were down 12% in January, year over year. In a letter to President Barack Obama, as reported by the *Sun-Times*, Chicago Mayor Richard Daley warned of the "precarious state of our nation's airports and airlines," arguing that aviation deserves a federal bailout just as much as banks and insurance and auto manufacturing companies. "Our domestic airlines provide service to 750 million people each year and move nearly 40 billion cargo revenue ton miles on passenger aircraft and freighter airlines," Daley wrote. "This is an industry that we, in this global marketplace, should not take for granted."

2. O'Hare Cannot Use Stimulus Funds for Major Expansion.

The \$12 million received by Chicago O'Hare from the federal stimulus package may not be used for the ongoing \$15 billion expansion project, since FAA guidelines for stimulus funds exclude projects that rely on airport-generated revenue. The stimulus funds will be used to pave an existing runway and widen a taxiway, creating about 75 jobs.

3. Delta to Serve Dallas Love Field.

Delta will begin service to Dallas Love Field on July 6, with three daily nonstops from Memphis; Delta Connection regional Pinnacle Airlines will operate the 50-seat Bombardier CRJ200s. Continental and American also have a limited presence at the Southwest bastion.

4. New Orleans Attracts First Post-Katrina International Route.

New Orleans will regain international traffic when Aeromexico begins six weekly nonstops from Mexico City on July 6. Prior to suffering \$30 million in Hurricane Katrina damage, the airport had 160 daily flights and now has 130.

5. USTDA Awards Grant for New Airport in Mexico.

The U.S. Trade and Development Agency awarded a \$630,000 grant to OIB Aeropuerto, to be used to develop a roadmap for a greenfield international passenger and cargo airport in Ensenada in northwest Mexico. The private company was granted a 30-year concession by the Mexican government to

construct, administer, and operate the Ensenada airport, which will replace a small general aviation airport and serve as a secondary airport for Tijuana and a cargo and logistics hub for northwest Mexico.

6. **Schiphol Must Lower Fees, Reimburse Users.**

The Netherlands Competition Authority ruled that Amsterdam Schiphol must reduce tariffs by €3.5 million and reimburse charges dating back to April 1, 2008, saying the airport was wrong to charge fees to cover the cost of noise barrier construction for a new runway and “other unreasonable expenses,” including accountant fees and recruiting and training baggage handlers. The case against Schiphol was brought by Air France KLM and the Board of Airline Representatives in the Netherlands.

7. **Update on Germany's BBI.**

Construction of the €2.2 billion Berlin Brandenburg International (BBI) airport is underway, with completion slated for 2011. The passenger and cargo hub will consolidate three airports into one facility, equipped to handle the Airbus A380 and expected to accommodate up to 45 million passengers. Leipzig/Halle, which serves as DHL's European headquarters, will complement BBI, offering express freight handling services.

8. **New Narita Runway to Open Earlier Than Scheduled.**

A 2,180-meter runway under construction at Tokyo Narita is expected to enter service by October, six months earlier than scheduled. With Narita's 4,000-meter main runway, annual arrival and departure slots will reach 300,000. The government increased slot availability at Tokyo Haneda “for an impermanent period as one of the measures to support Japan's airline industry during the current difficult economic environment,” said Japan Airlines, which announced additional domestic service from Haneda.

III. SECURITY AND DATA PRIVACY

1. TSA Begins Secure Flight Passenger Vetting.

Pre-departure watch list matching responsibilities for Secure Flight are being shifted from individual aircraft operators to the Transportation Security Administration (TSA). To date TSA has assumed responsibility for passengers on domestic commercial flights with four aircraft operators and will add more carriers in the coming months. Under the voluntary program, airlines gather a passenger's full name, date of birth and gender when making a reservation to determine if the passenger is a match to the No Fly or Selectee lists. Gender and date of birth are new elements, added to help prevent misidentification of passengers who have similar names to individuals on the watch list, said TSA. In late 2009, TSA will assume watch list matching for passengers on international flights from U.S. Customs and Border Protection and international air carriers, and expects to vet all commercial flights by the end of 2010.

2. Whole-Body Scans Pass First Airport Tests.

TSA reportedly plans to replace walk-through metal detectors at airport checkpoints with whole-body imaging machines, which initially were to be used only in secondary screening. TSA said initial pilot test results at 19 U.S. airports, including passenger feedback, were positive. If current pilots at six airports for the primary screening position are positive, the machines eventually will be used at most domestic airports. Opponents to the technology, which costs from \$100,000 to \$170,000 per machine, liken it to strip-searching and are concerned that the images will be stored.

3. Administration Seeks to Repeal REAL ID.

The U.S. government hopes to repeal REAL ID and replace it with "something else that pivots off of the driver's license but accomplishes some of the same goals," said Secretary of Homeland Security Janet Napolitano, "without undue infringement on privacy." Her remarks were made to the Anti-Defamation League. REAL ID is a post-9/11 law that sets federal standards for state-issued driver's licenses and identification cards.

4. U.S.-Netherlands Program Streamlines Border Processing.

DHS and the Netherlands opened membership in their expedited air travel programs to pre-screened citizens of both countries. This arrangement is the first for the United States with a nation outside of North America. Membership in Global Entry, a U.S. pilot program, is limited to those considered low-risk after a vigorous background check. Once approved, members can use a kiosk at international airports in New York, Washington, D.C., Houston, Los

Angeles, Atlanta, Chicago and Miami, where identification is confirmed by fingerprints; all arriving passengers are subject to inspection. The Netherlands program, Privium, available at Amsterdam Schiphol, provides members faster border passage through an iris scan; travelers are subject to an extensive background check.

5. TSA and Liberia Partner to Enhance Aviation Security.

TSA and the Liberia Civil Aviation Authority signed a Joint Statement of Intent for the development and enhancement of aviation security initiatives, including plans to conduct assessments, develop aviation security programs and share best practices. TSA has deployed an Aviation Security Sustainable International Standards Team (ASSIST), a group of veteran security experts, to collaborate with local Liberian security officials in enhancing aviation security programs following an initial security assessment of training needs, equipment, current aviation programs and aviation security legislation. Liberia is the second nation to participate in the ASSIST program, following St. Lucia.

6. UK Faces Legal Action in Internet Privacy Case.

The EC launched legal action against the UK for failure to protect Internet users' privacy. The action responds to complaints about behavioral advertising technology known as Phorm, which enables analysis of user surfing habits, resulting in targeted advertising. The EC also is concerned that the UK does not have an independent national supervisory authority that deals with intercepted information cases.

IV. E-COMMERCE AND TECHNOLOGY

1. American to Expand Domestic Inflight Internet Service.

American will install Gogo Inflight Internet on more than 300 domestic aircraft over the next two years, beginning with 150 MD-80s. A trial of Gogo service began last August on 15 Boeing 767-200s primarily on nonstops between New York Kennedy and San Francisco, Los Angeles and Miami. The Aircell air-to-ground system, which uses three small antennas installed outside the aircraft and connects to a nationwide mobile broadband network, enables passengers to surf the Web, check e-mail, send instant messages and access a corporate network on their Wi-Fi enabled devices via a Gogo portal.

2. Online Travel Sites Suspend Booking Fees.

Travelocity, Orbitz and Expedia have temporarily suspended airline booking fees; Priceline eliminated the fees in 2007. PhoCusWright said online travel bookings will drop 3% this year to \$93 billion, the first year-on-year decline since the travel industry research company began tracking the market in 1998.

3. Travel Agents Should Pay Us: Arpey.

American Airlines CEO Gerard Arpey envisions a day when intermediaries will pay airlines for access, rather than the reverse. Airlines pay commissions and booking fees in order to stimulate traffic, he said, but should do better at keeping the supply of seats in line with demand.

4. Tui UK Agrees to Stop Screenscraping Ryanair Web Site.

Tui UK agreed to stop screenscraping Ryanair's Web site, in settlement of legal proceedings, and not to breach terms of use on the site in the future. In reviewing legal proceedings against Thomas Cook, Ryanair said, "these unauthorized screenscraping ticket-touts were charging a fictitious GBP40 'fuel surcharge' and falsely inflating airfares to consumers."

V. ENERGY AND ENVIRONMENT

1. Airlines Call for Government-Industry Alignment on Emissions.

Airline executives participating in the Aviation and Environment Summit, held in Geneva, warned that failure to agree on a global approach to emissions trading in climate change talks could lead to increased taxes and regulation. Furthermore, a regional or national approach could lead to more greenhouse gas emissions if airlines seek rights to fly around EU airspace to avoid the EU Emissions Trading Scheme (ETS), which will take effect from 2012. Among technical concepts discussed at the summit was performance-based navigation (PBN). Roberto Kobeh González, President of the Council of the International Civil Aviation Organization (ICAO), said PBN “will help reduce airport and airspace congestion, conserve fuel and protect the environment, reduce the impact of aircraft noise near airports, and ensure reliable, all-weather operations.” The International Air Transport Association (IATA) challenged industry and governments to bring an aligned global approach to the United Nations Framework Convention on Climate Change (UNFCCC) conference to be held this December in Copenhagen. “All players in the aviation industry are united in a Four Pillar Strategy on Climate Change,” said IATA, “focused on investment in technology, effective operations, efficient infrastructure and positive economic measures.” IAA also noted that leading carriers have run successful tests with biofuels made from plants, raising the possibility that algae and other crops could be certified to power flights as early as next year.

2. Airlines Address CO2 Emissions for UN Post-Kyoto Pact.

The Aviation Global Deal (AGD) Group presented UN climate change negotiators with a draft policy framework for addressing CO2 emissions from international aviation. Among AGD proposals: international aviation CO2 emissions should be addressed through a global sector agreement, rather than a patchwork of regional initiatives, in order to avoid carbon leakage and maintain a level playing field; a global target should be set for the sector, to ensure it plays its part in global CO2 emissions reduction; an international body should administer the system; revenue generated from auction of some CO2 allowances should be used for climate change adaptation and mitigation activities in developing countries and research into greener aviation technology. AGD is a partnership of Air France KLM, British Airways, Cathay Pacific, Virgin Atlantic and airports operator BAA, as well as The Climate Group, a non-governmental organization.

3. **U.S.-China Airport Environmental Partnership Launched.**

The U.S.-China Airport Environmental Partnership was launched in Beijing, at the 2009 U.S.-China Aviation Symposium, by the U.S. Trade and Development Agency (USTDA), FAA and the Civil Aviation Administration of China (CAAC). The initiative is supported by the Metropolitan Washington Airports Authority, Hartsfield-Jackson Atlanta International Airport, Chicago O'Hare International Airport, San Francisco International Airport, Seattle-Tacoma International Airport and the Port Authority of New York and New Jersey. USTDA awarded a \$1.2 million grant to expand the U.S.-China Aviation Cooperation Program, which includes funding to support an airport environmental best practices technical assistance program, with matching funds provided by the U.S. aviation industry; a significant contribution is made by the CAAC. USTDA also intends to host a trade mission to the United States to familiarize delegates from CAAC's Airport Department with U.S. best practices in sustainable airport development. The Symposium examined current and future challenges to the growth of the aviation sector, including how to mitigate environmental impacts from increased commercial aviation.

VI. U.S. CONGRESS

1. House Hearings on Clean Energy Legislation.

The House Energy and Commerce Committee held hearings on proposed legislation that aims to cut U.S. greenhouse emissions by up to 20% by 2020, using a cap and trade system. Committee Chairman Henry Waxman (D-Calif.) and Edward Markey (D-Mass.), Chairman of the Energy and Environment Subcommittee, co-wrote the bill, which, among other things, promotes renewable sources of energy and low-carbon fuels; increases energy efficiency across all sectors of the economy, including transportation; and places limits on emissions of heat-trapping pollutants. The panel is expected to complete work on the bill by the end of May, with a vote by the full House later in the year. ATA is concerned that the bill's provisions could drain resources from the aviation community's environmental initiatives. "If you legislate or regulate in a vacuum, you're going to miss a big part of the picture and not necessarily get the right touchstones," said Nancy Young, ATA Vice President of Environmental Affairs. The need for a global approach to reducing greenhouse gas emissions was stressed by industry stakeholders, including Airports Council International-NA President Greg Principato, who also said revenues generated from a cap-and-trade or any other system on the transportation sector should be returned to the industry to help further other measures to reduce greenhouse gas emissions, such as airport infrastructure improvements, a modernized air traffic system and technology to improve aircraft fuel efficiency.

2. Congressman Seeks to Ban Whole-Body Imaging at Airports.

Congressman Jason Chaffetz (R-Utah) introduced legislation that would establish limitations on the use of whole-body imaging machines at U.S. airports. Likening the technology to a strip search, Chaffetz said, "Nobody needs to see my wife and kids naked to secure an airplane. At \$170,000 apiece, we can hardly afford the machines. This legislation will balance the dual virtues of safety and privacy and ensure that we do not have to give up one in order to have the other." H.R.2027 has been referred to the House Committee on Homeland Security and the Committee on the Judiciary.

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **U.S. and Japan Sign Aviation Safety Agreement.**

The United States and Japan signed a Bilateral Aviation Safety Agreement (BASA) that allows for reciprocal certification of aircraft and aviation products. In FY 2008, the U.S.-Japan air travel market was approximately 11.2 million passengers, and Japan was the largest export market for U.S. aerospace products, with exports valued at \$8.3 billion. Air traffic levels between the United States and the Asia-Pacific region are estimated to increase by 6.5% from 2006 to 2010.

2. **EU, Canada Initial Pact.**

The European Union (EU) endorsed a draft air transport agreement with Canada, with signing expected to take place at an EU-Canada summit on May 6 in Prague. The agreement will replace existing bilaterals with EU member states and allow all EU airlines to operate direct flights to Canada from anywhere in Europe. It removes all restrictions on routes, prices, frequencies. In a gradual liberalization, a full Open Aviation Area between the EU and Canada will occur and EU nationals will be able to establish operations in Canada and freely invest in Canadian airlines and vice versa.

3. **EU, Africa to Develop Aviation Cooperation.**

The EC and the African Union Commission agreed to develop a common strategic framework to develop safer and more sustainable air transport in Africa.

4. **EU, Mongolia Sign Civil Aviation Agreement.**

The EU and Mongolia signed an agreement that brings bilaterals in place between Mongolia and 12 EU member states in line with EU law and removes nationality restrictions.

5. **U.S.-Netherlands Program Streamlines Border Processing.**

See Section III, item 4.

6. **TSA and Liberia Partner to Enhance Aviation Security.**

See Section III, item 5.

VIII. EUROPE/AFRICA

1. EU Adds Airlines to Blacklist.

The EC added Thailand's One Two Go, all Benin airlines, six carriers from Kazakhstan and Ukraine's Motor Sich to its blacklist of airlines that are banned from flying into the EU due to safety concerns. The EC said Angola has made "good progress" in measures taken to improve safety and Indonesia has shown "considerable improvement."

2. Aer Lingus CEO Resigns.

Aer Lingus CEO Dermot Mannion resigned with immediate effect, with Chairman Colm Barrington acting as CEO until a successor is appointed. A management reorganization followed, as the company reported a 16% drop in total first quarter revenues, compared to a year earlier. Falling demand in key markets "will continue to contribute to sustained and significant fare pressure," said Aer Lingus. Barrington said that with the severe deterioration in operating conditions, "the Board remains resolute in its objective of reducing operating costs and retaining a strong capital structure."

3. Christoph Franz Named Lufthansa Deputy Chairman.

Swiss International CEO Christoph Franz was named Deputy Chairman and CEO of Lufthansa's Executive Board and head of Lufthansa Passenger Airlines, as of June 1. He is credited with overseeing the turnaround of Swiss, which was acquired by Lufthansa in 2007. Franz has been CEO of Swiss since 2004 and will be succeeded by Swiss executive Harry Hohmeister. In other news, Lufthansa Chairman/CEO Wolfgang Mayrhuber said consolidation of airlines in Europe is a "prerequisite" for success in global competition, and "no insurmountable obstacles should be placed in the way." Austrian Airlines owners agreed to a Lufthansa takeover offer, and a bid for bmi is under review by the EC, which is also probing Lufthansa's takeover of Brussels Airlines.

4. UK Air Passenger Duty in Place.

The UK failed to cancel a planned Air Passenger Duty increase in a new budget, despite pleas from the travel industry. "UK airlines already meet their environmental costs, so there can be no 'green' justification for these additional taxes," said British Airways CEO Willie Walsh, that will "pile yet more misery" on airlines and passengers. The travel tax is due to increase by 10% in November and another 10% in 2010.

5. **Air France KLM First-Round Contender for Czech Airlines.**

Air France KLM won the first round in bidding for the Czech government's 91.5% stake in CSA. A consortium comprising Czech companies Unimex and Travel Service also advanced to the second round, while Aeroflot and private equity firm Odien did not. CSA, Aeroflot and Air France KLM are SkyTeam partners. The Russian airline said "it would be inappropriate if the Czech government were to have based their decision on politically biased assessments," given "recent statements made by Czech politicians that associated Aeroflot with 'a security threat to the Czech Republic' and with a lack of high standards of flight safety."

6. **Aeroflot Plans Cost-Cutting Measures.**

Aeroflot is developing cost-efficiency programs and other strategies for the period to 2015, under new CEO and Director General Vitaly Savelyev, who previously served as Russia's Deputy Minister of Economic Development and Trade. Savelyev replaced ousted Valery Okulov, who now is Russia's Deputy Minister of Transportation. In other news, IATA signed an agreement with the Interstate Aviation Committee (MAK) to improve aviation safety throughout the Commonwealth of Independent States (CIS).

7. **Malev Names Martin Gauss CEO.**

Malev named Martin Gauss CEO. Gauss has 20 years of airline industry experience and has been a consultant to Malev. Russia's Vnyesekonom Bank holds a 49% stake in the Hungarian carrier.

8. **US Airways Resumes Charlotte-Paris Service.**

US Airways resumed Charlotte-Paris De Gaulle service, after an eight-year hiatus. The nonstop B-767 seasonal flights will operate through October 24.

9. **Air France KLM, GOL Sign Cooperation Agreement.**

Air France KLM and Brazil's GOL agreed to integrate their mileage programs, laying the groundwork for a future code share pact.

10. **TAM, bmi Begin Code Share.**

TAM and bmi began code sharing on Boeing 777-300ER flights from Sao Paulo to London Heathrow, with connections to five Scottish and English cities and four Brazilian cities. In a second phase, bmi routes throughout Europe will be offered, as well as TAM destinations in other South American countries.

IX. ASIA/PACIFIC / MIDDLE EAST

1. China Predicts Profitable Year.

Chinese airlines recorded a \$116 million profit in the first quarter, with a 17.9% increase in domestic passenger travel, over same period last year. The Civil Aviation Administration of China (CAAC) said the results were due to lower fuel prices and government measures to spur domestic demand. Passenger and cargo transport on international routes fell by 21.5%, year on year; cargo volume was down by 17%. China plans to spend \$30 billion on aviation infrastructure this year and \$17 billion on airport construction and expansion over the next five years.

2. China Postal Law Limits Foreign Delivery Market.

An amended postal law bans foreign companies from delivering express letters in China; they can deliver express packages domestically and send express letters internationally. The Conference of Asia Pacific Express Carriers (CAPEC), which represents DHL, FedEx, TNT and UPS, said the new law "will erode the competitiveness of foreign invested firms against their domestic counterparts in the wider express delivery services market and eliminate market incentives to maintain or improve customer-focused services." Express delivery in China accounted for 43% of postal system revenue of \$14 billion last year. The EU has initiated a probe to determine if the new law breaches World Trade Organization (WTO) free-trade principles. China said its 2001 WTO commitment stipulates it would open express mail services with the exception of "services monopolized by China's postal department." The American Chamber of Commerce in China said its main goals in 2009 are overcoming protectionism and improving implementation of China's regulatory environment.

3. United Delays San Francisco-Guangzhou Route.

United received DOT permission to delay until June 2010 the start of flights between San Francisco and Guangzhou. The postponement is the second by the airline for the route. Northwest, American and US Airways also have delayed the start of U.S.-China flights in the last year. In remarks to the U.S.-China Aviation Symposium, United CEO Glenn Tilton said the U.S.-China aviation market likely will witness a recovery in business travel demand by mid-year. "Our corporate customers need their sales people to conduct business and look for new market opportunities," Tilton said. United has reduced capacity on routes to Beijing by 28%.

4. **China, Taiwan Add Air Routes.**

New China-Taiwan agreements will increase direct cross-strait flights from the current 108 per week to 270. Taiwan carriers will be granted access to six new cities, bringing to 27 the number of mainland gateways available.

5. **Vietnam Airlines to Join SkyTeam.**

Vietnam Airlines agreed to join SkyTeam in 2010, pending fulfillment of membership requirements. The airline operates 64 routes with a fleet of 50 modern aircraft, flying more than 9 million passengers annually, and would add 17 destinations to the SkyTeam network. Vietnam Airlines code shares with SkyTeam members China Southern and Korean Air and has engaged in bilateral cooperation with Air France. CEO is Pham Ngoc Minh.

6. **US Airways, Qatar Airways Begin Code Share.**

With a new code share agreement, US Airways will offer flights to Doha and beyond (Dubai and Kuwait City) on Qatar Airways, via several European airports. Qatar will offer flights to North, Central and Latin America via US Airways flights via several European airports. The pact takes effect in May, subject to U.S. and foreign government approvals.

7. **Flydubai to Launch June 1.**

Dubai's first budget carrier will launch with flights to Beirut on June 1 and Amman on June 2 from Dubai Airport. Flydubai will operate two Boeing 737-800s, with 189 economy class seats. Anticipating rapid expansion in the Middle East, India, Eastern Europe and North and East Africa, the airline has ordered 54 of the single-aisle aircraft.

8. **U.S.-China Airport Environmental Partnership Launched.**

See Section V, item 3.

9. **U.S. and Japan Sign Aviation Safety Agreement.**

See Section VII, item 1.

X. AMERICAS

1. Airlines Adding Checked-Baggage Fees.

Alaska Airlines joined legacy carriers in charging a \$15 first-checked-bag fee, as of July 7; passengers will receive 2,500 miles or \$25 off a future flight if they don't get their luggage within 25 minutes of arrival. Delta announced it will charge most passengers \$50 to check a second bag on international flights, as of July 1, the first U.S. carrier to do so. US Airways will charge an additional \$5 after July 9 to economy customers who elect to pay baggage fees at the airport rather than during online check-in. JetBlue now charges \$25 for the second piece of checked luggage, but no fee for a first checked bag. Southwest still does not charge for checked bags. United expects full year ancillary and fee revenues of about \$1.1 billion, or \$200 million higher than in 2008. US Airways expects to earn up to \$500 million from a la carte fees this year. Delta expects to generate \$100 million annually from the new international checked-bag fee.

2. Southwest to Begin Boston, New York LaGuardia Service.

Southwest will begin service to Boston Logan on August 16, with five daily nonstops to Chicago Midway and five to Baltimore/Washington International. On June 28, the airline will begin New York LaGuardia service, with five daily nonstops to Chicago Midway and three to Baltimore/Washington. Southwest took its first step toward an intended code share agreement with Volaris, offering an online link to the Mexican carrier's booking portal; Southwest does not offer service to Mexico. A tentative contract with the Southwest Airlines Pilots' Association says the carrier will grow its fleet an average of 5% a year through December 31, 2012, with 2009 and 2010 exempted. The proposed contract limits Southwest's ability to code share, and provides incremental, retroactive pay raises and increased retirement benefits. CEO Gary Kelly voluntarily cut his 2009 base salary by 10%, citing a first-quarter loss of \$91 million. The company is offering an employee buyout program and most senior managers are accepting a pay freeze.

3. Russ Chew Steps Out of JetBlue President/COO Role.

JetBlue announced that President and Chief Operating Officer Russ Chew will assume the role of Senior Advisor, effective June 1, and CEO Dave Barger will assume the duties and title of President. Chew joined JetBlue after four years as FAA COO, following a 17-year career with American Airlines. Rob Maruster was promoted to COO; he has been a JetBlue Vice President since 2005 and earlier had a 12-year career with Delta.

4. **Brewer Resigns, Rovinescu Named Air Canada President /CEO.**
Montie Brewer resigned as President and CEO of Air Canada, effective April 1, and was succeeded by Calin Rovinescu, a former senior executive with the airline.
5. **Neeleman's Azul Reaches 70% Load Factor.**
CEO David Neeleman said his Brazilian startup Azul is filling 70% of available seats on average. The JetBlue founder said his Sao Paulo-based domestic carrier will see monthly profitability by yearend and a full-year profit in 2010.
6. **U.S.-China Airport Environmental Partnership Launched.**
See Section V, item 3.
7. **U.S. and Japan Sign Aviation Safety Agreement.**
See Section VII, item 1.
8. **US Airways Resumes Charlotte-Paris Service.**
See Section VIII, item 8.
9. **Air France KLM, GOL Sign Cooperation Agreement.**
See Section VIII, item 9.
10. **TAM, bmi Begin Code Share.**
See Section VIII, item 10.
11. **United Delays San Francisco-Guangzhou Route.**
See Section IX, item 3.
12. **US Airways, Qatar Airways Begin Code Share.**
See Section IX, item 6.