



WASHINGTON AVIATION SUMMARY

JANUARY 2016 EDITION

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

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I. REGULATORY NEWS

1. Continuing Traffic Growth, Record Profits.

Total number of passengers carried on scheduled services rose 6.4% to 3.5 billion in 2015, according to preliminary figures released by the International Civil Aviation Organization (ICAO). International scheduled passenger traffic grew by 6.7%: European by 5.5%, Asia/Pacific by 8.2%, Middle East by 12.1%, North America by 3.3%, Latin America/Caribbean by 7.9% and Africa by 0.6%. Domestic scheduled services grew by 6.9%. Low-cost carriers (LCCs) boarded 950 million passengers, 28% of total. “The increasing presence of LCCs in emerging economies is considered to have been an important contributing factor to overall growth in passenger traffic,” said ICAO. World scheduled freight (air cargo) traffic grew by 2.2%, compared to 4.9% growth rate in 2014, “a reflection of the stagnating general economic situation worldwide.” International freight traffic, nearly 87% of total air freight, grew by 2.9%, compared to 5.2% growth in 2014; load factor declined from 50% in 2014 to 47% in 2015. More carriers improved cargo capacity utilization by moving higher volumes via passenger aircraft rather than dedicated freighters. . . . In 2016, the global airline industry will achieve an average net profit margin of 5.1% generated with total net profits of \$36.3 billion, said International Air Transport Association (IATA), with total passenger numbers expected to rise to 3.8 billion on 54,000 routes. In 2015 and 2016, return on capital (8.3% and 8.6% respectively) is expected to exceed cost of capital (estimated to be just under 7% in 2015 and 2016 because of low bond yields). However, said Tony Tyler, IATA Director General and CEO, “on average airlines will still make less than \$10 per passenger carried. The industry’s profitability is better described as fragile than sustainable.”

2. U.S. Airlines Collect \$1 Billion in Baggage Fees in Third Quarter.

U.S. scheduled passenger airlines reported after-tax net profit of \$9.3 billion in third quarter 2015, compared to \$5.5 billion in Q2 and \$3.1 billion in Q3 2014, reported the Department of Transportation (DOT). Total Q3 operating revenue was \$45.2 billion, with \$34.1 billion (75.4%) from fares. Total Q3 operating expenses were \$36.4 billion, with fuel costs at \$7.1 billion and labor costs at \$11.9 billion. Airlines collected \$1 billion in baggage fees (2.3% of total operating revenue), and \$755 million from reservation change fees (1.7%); these are the only ancillary fees reported as separate items; revenue from seating assignments and on-board sales are combined in different categories and cannot be identified separately.

3. Boeing Pays \$12 Million to Settle Enforcement.

Boeing Commercial Airplanes agreed to pay \$12 million to the U.S. Treasury and to implement improvements in design, planning, production and maintenance processes. Specific performance targets are designed to enhance early discovery and self-disclosure of potential regulatory compliance problems, and timely development and implementation of effective corrective actions, said FAA. Boeing and FAA said many improvements listed in the agreement have been or are in the process of being implemented.

4. FAA Revises Safety Rating for Thailand.

FAA assigned a Category 2 rating to Thailand, due to non-compliance with ICAO safety standards, based on reassessment of the Thai civil aviation authority. Thailand's carriers can continue existing service to the United States, but may not establish new U.S. service. . . .The European Commission (EC) said it would closely monitor future developments and, if protection of passengers against safety risks so requires, would propose to include carriers from Thailand in the European Union (EU) Air Safety List.

5. Audit Initiated of FAA Oversight of Regional Airlines.

The DOT Office of Inspector General is auditing FAA oversight of regional air carriers to evaluate the process for identifying periods of transition and growth, such as introduction of larger, more sophisticated aircraft and expansion of service to larger cities, and adjusting oversight to respond to changes in operations. Issues related to pilot pay will be addressed in a separate report. The audit was requested by members of the House Aviation Subcommittee.

6. FAA Begins Drone Registration.

New rules require registration of small unmanned aircraft (UAS), or drones, weighing more than 0.55 pounds and less than 55 pounds including payloads such as on-board cameras. Owners may use a paper-based process or a web-based system created by FAA in response to recommendations made by the UAS Registration Task Force. A \$5 registration fee was waived for the first 30 days, through January 20. Consumer groups oppose any fee. "Even a small fee—essentially a drone tax—could undermine the FAA's objective of widespread compliance and Transportation Secretary Anthony Foxx's goal of associating a drone with an owner as often as possible," said Consumer Technology Association (formerly Consumer Electronics Association), which participated in the Task Force. . . . A new study of incidents involving drones and manned aircraft in the national airspace over the past two years identified 327 close encounters in which drones presented some level of hazard to manned aircraft, 90 of which involved commercial multiengine jets, and 594 sightings, in which drones were spotted near or within manned aircraft flight

paths but did not pose immediate danger of collision. The report was compiled by The Center for the Study of the Drone at Bard College.

7. DOT Air Travel Consumer Report for October.

Based on data filed by largest reporting carriers; tarmac data filed by all carriers.

	Oct. '15 / '14	Sep. '15	Full Year				
			2014	2013	2012	2011	2010
On-time arrivals %	87 / 80	86.5	76.9	78.34	81.85	79.6	79.8
Cancellations %	0.5 / 1.1	0.4	2.18	1.51	1.29	1.91	1.76
Mishandled baggage*	2.49 / 2.86	2.46	3.62	3.22	3.09	3.35	3.51
Consumer complaints:							
Airline service	1,527 / 1,214	1,857	15,532	13,176	15,338	11,546	10,988
Disability-related	99 / 67	115	774	683	741	628	572
Discrimination**	5 / 9	8	68	79	99	128	143

Notes: In October, airlines reported one tarmac delay of more than three hours on a domestic flight 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. Atlanta Reaches 100 Million Passenger Milestone.

Hartsfield-Jackson Atlanta International became the first airport in the world to serve 100 million passengers in a single calendar year.

2. Governor Proposes \$50 Million for Dulles.

Virginia Governor Terry McAuliffe proposed \$50 million over two years in his budget to help Dulles International attract and retain carriers. Dulles handles 23 million passengers a year, with 445 weekly flights on 28 carriers. “The United hub supports 45,000 direct and indirect jobs in the region. Maintaining that carrier alone must be a top priority,” said McAuliffe, adding, “Dulles has experienced financial turbulence for years, but it is a key economic asset that demands our attention if we wish to remain competitive in today’s global economy.”

3. Lance Lyttle to Head Sea-Tac.

Houston Airport System COO Lance Lyttle was named Managing Director of Seattle-Tacoma International, effective January 26, reporting to Port of Seattle CEO Ted Fick. Lyttle succeeds Mark Reis, who is retiring after 27 years with the Port.

4. New Orleans Approves \$598 Million Airport Terminal Contract.

The New Orleans Aviation Board approved a final maximum \$598 million construction plan for a new terminal at Louis Armstrong International; joint venture Hunt-Gibbs-Boh-Metro agreed to cover costs beyond that price. Total cost of design and construction now is around \$800 million, reports the *Times-Picayune*, quoting airport officials. The new terminal will have 30 gates, with option to expand to 42, two concourses behind a consolidated security checkpoint and a 2,000-car garage. Opening is expected in October 2018.

5. UK Delays London Runway Decision.

The British government deferred a decision on a London Heathrow expansion until at least next summer, pending further environmental impact information. In July, the Airport Commission recommended a third runway at Heathrow. Speaking at the Aviation Club in London, Willie Walsh, CEO of International Airlines Group (IAG), predicted there would still be only two runways at Heathrow in 2050 due to lack of political will. Walsh estimated that a “gold-plated” Heathrow expansion proposal could double landing charges, and threatened to move IAG operations to Madrid or Dublin if a cost-effective

alternative is not found. . . . Sir Nigel Rudd will step down in September after nine years and three terms as Chairman of Heathrow, “in line with standard Board practice.”

6. Fraport Consortium to Manage 14 Greek Airports.

A Fraport consortium signed contracts with the Hellenic Republic Asset Development Fund for 40-year concessions to operate, manage, develop and maintain 14 regional airports in Greece, with full payment of €1.2 billion due at close of transaction next fall. Fraport will hold the majority share in the concession companies, while Greek partner Copelouzos Group will hold remaining shares; ownership will be retained by the Greek government. The consortium will pay an annual fixed concession fee of €22.9 million, initially, and will invest a total of €330 million in airport infrastructure until 2020, followed by maintenance and traffic-driven capacity investments during subsequent years of the project. Combined, the 14 airports served 22 million passengers in 2014 and 23 million in 2015. International passengers account for 77% of total traffic at these gateways, which include Aktio, Kavala and Thessaloniki on the mainland, and the Greek islands of Corfu/Kerkyra, Crete/Chania, Kefalonia, Kos, Mitilini, Mykonos, Rhodes, Samos, Santorini, Skiathos and Zakynthos. Copelouzos Group also participates in the Athens International Airport public-private partnership.

7. China Trial Slot Auctions.

Civil Aviation Administration of China began trials of competitive airport slot allocation “to inject more transparency and level the playing field for privately held airlines competing against state-owned incumbents,” reported *China Daily*. Seven carriers won rights to nine slots at Guangzhou Baiyun International, for three years, with Hainan unit Urumqi Air offering the highest price of 90.99 million yuan of the 550-million-yuan auction proceeds. Airlines can participate in a ballot for new slots at Shanghai Pudong from January.

III. **SECURITY AND DATA PRIVACY**

1. **DHS Heightens Airport Security.**

After professed Islamic jihadists who had been in the Middle East and Pakistan took the lives of 14 people in a December 2 attack in San Bernardino, California, Department of Homeland Security (DHS) Secretary Jeh Johnson enumerated steps taken in aviation security including enhancements at last point of departure airports overseas with flights directly to the United States. Johnson also said DHS has enhanced continuous, random screening of airport/airline personnel in secure areas and encouraged U.S. airports to reduce employee access points. . . . “Additional restrictions and searches on bags and the use of screening technologies should be anticipated,” said DHS, in a mid-December National Terrorism Advisory System Bulletin. The Transportation Security Administration (TSA) amended policy on Advanced Imaging Technology (AIT), stating, “While passengers may generally decline AIT screening in favor of physical screening, TSA may direct mandatory AIT screening for some passengers as warranted by security considerations in order to safeguard transportation security.” Passenger rights and privacy advocates are opposed to the change, and TSA is challenging at least one lawsuit seeking to reverse it.

2. **EU Parliament Committee Approves PNR System.**

The European Parliament's Civil Liberties Committee approved plans for an EU Passenger Name Record (PNR) system. The measure now goes to the full body, with approval expected after the Paris attacks that left 130 people dead.

3. **Egypt Hires Consult to Audit Airport Security.**

Egypt hired global consultancy Control Risks to audit security at its airports, though continuing to deny that the October 31 downing of a Russian Metrojet in Sinai was caused by terrorists. All 224 on the Airbus A321 were killed, and Russia and others maintain the plane was brought down by a bomb.

4. **FY16 Funding Bill Includes Visa Waiver Program Reforms.**

See Section VI, item 1.

5. **Bill Would Tighten Screening for Airport Workers.**

See Section VI, item 3.

IV. E-COMMERCE AND TECHNOLOGY

1. Amadeus Airline Cloud Availability Increases Systems Capacity.

Lufthansa has successfully piloted Amadeus Airline Cloud Availability, using the Google Cloud Platform infrastructure. The newly launched solution “enables instances of airline data and revenue management logic to be deployed remotely in the cloud, [helping] airlines manage the huge increase in search and shopping volumes, while applying dynamic revenue management strategies and enhancing the user experience,” said Amadeus.

2. OTAs Selling More Ancillaries, Fare Families.

Online travel agencies (OTAs) saw an 85% increase in amount of ancillaries sold in first three quarters 2015, reports Amadeus. In some cases, 15 out of every 100 bookings by OTAs include an ancillary sale, rising to 30 or 40 for certain carriers. More than 60 airlines now sell ancillaries and Fare Families through the Amadeus system, and another 40 are in the process of being integrated. In December 2014, only 11 OTAs had integrated ancillaries, and no airlines were sharing Fare Families. By end of 2015, Amadeus expected 30 OTAs with ancillaries integrated, and six with Fare Families.

3. Air Fares Declining, Per Expedia, ARC.

Globally, with prices adjusted for exchange rates, economy air ticket prices declined roughly 8% year-over-year between October 2014 and October 2015, with the biggest drops in July and August of 2015, according to an air travel outlook from Expedia using data from Airlines Reporting Corporation (ARC) and other industry sources. Intra-Europe fares declined the most, “making these routes among the best potential bargains for 2016.” Prices for economy travel in North America dropped 5% on average during first 10 months of 2015, a trend that is expected to continue for the first few months of 2016.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel on December 18 was \$48.2/barrel, down 15.3% on the month and down 37% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2015 was \$67/barrel. Impact on 2015 fuel bill was -\$90.2 billion.

2. ATAG Statement on COP21 Agreement.

The agreement reached at the COP21 Climate Talks in Paris “will provide positive momentum for aviation market-based measure discussions taking place in the lead up to the ICAO 39th Assembly in September 2016,” said the Air Transport Action Group (ATAG), which expressed surprise that the responsibility of ICAO to address aviation emissions was not mentioned. The agreement “provides important key building blocks, including support for international carbon markets and the use of forestry as a source of offsets,” said ATAG. “The aviation sector will need access to high-quality offsets as it develops the global market-based measure. Importantly, it also provides clarity for differentiation between States which will enable governments to deliver a fit-for-purpose global measure for our sector.” . . . During COP21, the European airport industry vowed to increase the number of carbon neutral airports to 50 by 2030; there currently are 20 carbon neutral airports—all in Europe. Airports Council International (ACI) signed a partnership with the United Nations Framework Convention on Climate Change (UNFCCC), agreeing to support UNFCCC’s ‘Climate Neutral Now’ campaign, while UNFCCC will support airport climate action at airports, with a particular focus on carbon management by airports through Airport Carbon Accreditation. The agreement aims to increase the number of airports progressing to Level 3 (optimization) and Level 3+ (carbon neutrality) of the program. The UNFCCC will join the independent Advisory Board of Airport Carbon Accreditation. Airport Carbon Accredited status has been earned by 137 airports worldwide, representing 31% of global passenger traffic.

3. Boeing Initiatives for Biofuel in Seattle, Canada.

Boeing, Port of Seattle and Alaska Airlines signed a Memorandum of Understanding to launch a \$250,000 Biofuel Infrastructure Feasibility Study to assess costs and infrastructure necessary to deliver a blend of aviation biofuel and conventional jet fuel to power all flights by all airlines at Seattle-Tacoma International Airport. Sea-Tac is the 13th busiest U.S. airport, serving 42 million passengers in 2015. Port of Seattle will manage the study and handle

engineering and integration of biofuel infrastructure on Port property, such as the airport's fuel farm. A request for proposals for the infrastructure study will be issued in spring 2016, and the study is expected to be completed by late 2016. Currently, aviation biofuels are not produced in Washington state and must be imported by truck, rail or barge. . . . Boeing is collaborating with University of British Columbia (UBC) and SkyNRG, with support from Canada's aviation industry and other stakeholders, to turn leftover branches, sawdust and other forest-industry waste into sustainable aviation biofuel. Canada has long used mill and forest residues to make wood pellets that are used to generate electricity. A consortium that includes Boeing, Air Canada, WestJet, Bombardier, research institutions and industry partners will assess whether forest waste could also be harnessed to produce sustainable aviation biofuel using thermochemical processing. A recent Boeing-sponsored study by UBC found that aviation biofuel made from forest waste could meet 10%—about 46 million gallons—of British Columbia's annual jet fuel demand.

VI. U.S. CONGRESS

1. FY16 Funding Bill Includes Visa Waiver Program Reforms.

Congress approved, and President Obama signed, the Consolidated Appropriations Act of 2016. Also known as the Omnibus, the \$1.15 trillion bill funds federal operations through the end of the fiscal year, September 30, 2016. Included is an amendment that tightens the Visa Waiver Program (VWP). The Visa Waiver Program Improvement and Terrorist Travel Prevention Act of 2015 (H.R. 158), which the House passed on December 8, requires those who visited Syria, Iraq, Iran or Sudan since March 2011 to be interviewed at a U.S. consulate overseas before being allowed to travel to the U.S., and requires VWP travelers to present an e-Passport with a biometric-enabled chip by April 1, 2016. . . . The Omnibus rejects the Administration request for an increase in the airport tax, as well as a Senate provision that would have exempted metasearch sites like Google and Trip Advisor from consumer protection rules that apply to airlines and other ticket agents.

2. Ex-Im Bank Reauthorized.

A five-year, \$305 billion, surface transportation bill signed by President Obama also reauthorizes the Export-Import Bank until 2019; the bank's charter had expired last summer. "By reauthorizing the Bank, America is sending a clear signal that we are serious about competing in the global marketplace and will take the necessary steps to ensure American exporters have a level playing field," said Aerospace Industries Association, which urged the President and Senate leadership to nominate and confirm new Members to the Ex-Im Board expeditiously; currently the bank does not have the required number to approve any transaction over \$10 million.

3. Bill Would Tighten Screening for Airport Workers.

The Senate Commerce Committee passed bipartisan legislation that would require the Transportation Security Administration, airport operators and air carriers to tighten internal security at U.S. airports. The Airport Security Enhancement and Oversight Act requires TSA to, among other things, enhance eligibility requirements and improve vetting of airport employees with access to secure areas by allowing TSA real-time access to additional terrorism-related databases maintained by the intelligence community, and allowing TSA to conduct real-time, continuous criminal records checks through the FBI. S. 2361 is set for Senate floor consideration. The legislation is in line with House passage of the Airport Access Control Security Improvement Act

of 2015, and was applauded by Airlines for America and Airports Council International-North America.

4. Legislation Would Ensure Free Lavatory Use.

The Comfortable and Fair Flights Act of 2015 was introduced in the House by Illinois Congressman Dan Lipinski “to ensure that passengers have some basic rights and protections when traveling on commercial airlines.” Among provisions of the bill, if bathrooms on an aircraft are not functioning properly before departure, passengers would have the option to change their flight plans without incurring a change fee; no commercial airline would be permitted to charge a fee for lavatory use; and airlines would be required to refund bag fees to passengers who have had the arrival of their bags delayed by two or more hours.

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **Liberalized U.S.-Mexico Air Transport Agreement Signed.**

A new air transport agreement between the United States and Mexico was signed, after more than two years of negotiations. Following ratification in Mexico, both governments will be in a position to bring the new agreement into force, allowing increased market access for passenger and cargo airlines between Mexico and the United States. Authorities said cargo carriers will have opportunities to provide service to destinations that were not available under the current, more restrictive agreement.

2. **U.S.-Cuba Technical Talks Yield Civil Aviation Arrangement.**

The United States and Cuba reached a bilateral arrangement to establish scheduled air services between the two countries. The State Department announcement does not affect travel restrictions currently in place for U.S. citizens. American said it will submit a proposal to DOT to introduce U.S.-Cuba scheduled service as soon as possible in 2016, “and hopes for timely approval.” United plans to “offer service between our global gateways and Cuba as soon as we have approval to do so.” And, JetBlue “is eager to offer affordable service from numerous U.S. cities to multiple destinations in Cuba.” . . . The United States and Cuba agreed to restore direct postal service, initially allowing several weekly mail flights between the two countries. Mail currently is routed through a third country, resulting in long delays.

3. **U.S., Japan to Continue Talks on Haneda Slots.**

The U.S. and Japan concluded three days of talks in Washington, considering allocation of daytime slots for flights between Tokyo Haneda and U.S. cities. No agreement was reached and negotiations will resume at a later date.

4. **U.S. Disputes China’s Tax Breaks for Chinese-Produced Aircraft.**

The United States launched dispute settlement proceedings at the World Trade Organization (WTO), requesting consultations with China on its measures exempting certain aircraft produced in China from value-added tax (VAT) while imposing a 17% VAT on imported aircraft, affecting American-made aircraft and American parts producers. The U.S. Trade Representative said the measures appear to breach WTO rules prohibiting discriminatory taxation on the basis of national origin. In addition, China has not published its tax exemptions for domestically produced aircraft, appearing “to breach the transparency commitments that China made when it joined the WTO.”

5. **FAA Administrator Visits Israel.**

FAA Administrator Michael Huerta visited Israel and met with Minister of Transportation Yisrael Katz and Civil Aviation Authority of Israel Director General Joel Feldschuh to discuss possibilities for expanding cooperation, “particularly aimed at developing new, innovative technologies for the aviation sector.” Over the last year, the countries “have developed new mechanisms to improve coordination and communication in civil aviation [which] have enhanced our interaction on a number of fronts, enabling us to remain prepared for a range of contingencies.” In 2016, El Al, United and Delta will expand flight options between Israel and the United States; El Al recently purchased and leased 15 Boeing aircraft.

VIII. EUROPE AND AFRICA

1. Star Alliance Launches Connecting Partner Model.

Star Alliance unveiled Connecting Partner, in which low-cost and hybrid airlines can enter into bilateral commercial agreements with Alliance members. “We see a definite trend of convergence between the ‘traditional full service’ and ‘low-cost’ business models in the airline industry,” said Star CEO Mark Schwab; and customers “need access to markets where we do not yet provide ideal coverage.” Passengers travelling on an itinerary which includes a transfer between a Star member airline and a Connecting Partner will be offered Alliance benefits, such as passenger and baggage through check-in. South African low-cost airline Mango was selected to implement the new concept, as of third quarter 2016. Mango operates 10 Boeing 737-800s between domestic points and to Zanzibar; CEO is Nico Bezuidenhout.

2. United Adds New York-Brussels Summer Nonstops.

United will introduce a second daily nonstop from New York Newark to Brussels on May 5. The seasonal service will be part of the transatlantic joint venture with Star Alliance partners Brussels Airlines, Lufthansa, Austrian, SWISS and Air Canada. Brussels will launch five weekly flights to Toronto, “to fill the void of the departure of Jet Airways” at Brussels Airport, a Star Alliance Hub.

3. Norwegian Adds Low-Fare London-U.S. Service.

Norwegian will offer three weekly flights from London Gatwick to Oakland International, near San Francisco; fares start at £199 one-way; service begins May 12. Four times weekly service to Boston begins March 27, two months earlier than planned. Los Angeles flights will increase to five per week, “due to passenger demand.”

4. Jet Airways CEO to Head Alitalia.

Cramer Ball resigned as CEO of Jet Airways of India and will take the reins of Alitalia in March. Ball previously was CEO at Air Seychelles. All three airlines are Etihad equity alliance members.

5. Etihad to Appeal Ruling on airberlin Code Shares.

A German court ordered Etihad to stop code sharing on 31 airberlin-operated routes, because they are not covered by the air traffic rights agreement between Germany and the United Arab Emirates (UAE); code sharing may continue on another 50 routes. Etihad, which owns a 29% stake in airberlin,

had asked the court for an injunction on a previous decision to ban the flights and will file an appeal.

6. EU-Level Aviation Pacts Planned.

The European Commission adopted proposals to negotiate EU-level comprehensive aviation agreements with Association of South East Asian Nations States, Gulf Cooperation Council States, Turkey, China, Mexico and Armenia. Such agreements have been concluded with the United States and Canada, and one with Brazil is being finalized. They also have been signed with neighboring Georgia, Israel, Jordan, Moldova, Morocco and the Western Balkan States; a Common Aviation Area with Ukraine is pending signature since 2013. . . . Association of European Airlines, European Business Aviation Association, European Express Association, European Low Fares Airline Association, European Regions Airline Association and International Air Carrier Association jointly urged the Commission to propose concrete measures to address “significant challenges that Europe's aviation sector is currently facing in terms of the cost and provision of infrastructure (both on the ground and in the air), the integrity of the market, inefficiencies in the value chain and a burdensome regulatory framework (e.g. national and local aviation taxes, the intra-EU ETS).” ACI Europe applauded “the ambitious plan to negotiate aviation agreements with the EU's main trading partners” and urged the Commission “to develop a more ambitious EU strategy on airport capacity—including the adoption of airport capacity targets for Europe aligned with the Single European Sky.”

7. Commission Adopts New Rules on Aircraft Tracking.

The EC adopted new rules that address issues raised by the crash of Air France Flight 447 in June 2009 and the disappearance of Malaysia Airlines Flight 370 in March 2014. The rules require operators of large airplanes to establish an aircraft tracking system. Newly manufactured large airplanes are to be equipped with robust and automatic means to accurately locate the end point of flight following an accident in which the airplane is severely damaged, to prevent disappearance of an airplane where all communications and its track are lost abruptly. Flight recorder technology will be enhanced, and recording length of the Cockpit Voice Recorder (CVR) will be extended from two to 25 hours. Protection of CVR recordings will be reinforced, in particular during maintenance. Flight recorders will be equipped with locating devices with an extended transmission time so as to facilitate their localization. The rules will be gradually implemented and apply to all EU operators of passenger airplanes of more than 27 tonnes and carrying more than 19 passengers, and cargo aircraft of more than 45.5 tonnes.

8. EC Cargo Cartel Decision Annulled.

The General Court of the European Union annulled a 2010 EC decision that airlines participated in a global cartel on the air freight market from December 1999 to February 2006. The General Court cited inconsistencies and confusion in the Commission's decision. Some €790 million in fines had been imposed on the airlines, which included Air France-KLM, British Airways, SAS, Cargolux, Martinair Holland, Japan Airlines, Singapore Airlines, Cathay Pacific, Qantas, Air Canada and Latam Airlines Group. The EC can appeal the decision to the EU Court of Justice.

9. European Commission Updates Air Safety List.

The EC updated the EU Air Safety List, clearing Kazakh carrier Air Astana, whose operations in the EU had been restricted since 2009, and adding Iraqi Airways due to unaddressed safety concerns. The list currently bans 230 airlines from EU skies.

10. Jet Airways to Code Share with Delta, KLM via Amsterdam.

See Section IX, item 4.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Virgin America, China Southern Launch Code Share.

Under a new code share agreement, Virgin America and China Southern are offering seamless booking and travel between China, Southeast Asia and Virgin America routes operating from Los Angeles and San Francisco, including Boston, Chicago, Dallas Love Field, Fort Lauderdale, Las Vegas, New York Kennedy and Newark, Seattle, San Diego and Washington DC. The agreement “is unique in that China Southern is the only airline offering nonstops between Guangzhou and Wuhan and the United States.” China Southern offers daily flights from Guangzhou to San Francisco, three of which stop in Wuhan; ten flights per week from Guangzhou to Los Angeles; and daily flights from Guangzhou to New York. The carriers already had an interline arrangement.

2. Air China Begins Havana Service via Montreal.

Air China extended its Montreal service to Havana, bringing to 10 the number of its destinations in the Americas. The Boeing 777-300ER flights are operated three times a week.

3. United Ends Service to Dubai.

United said it will discontinue Washington Dulles-Dubai flights on January 23, after seven years of operation, because a U.S. government contract for 2016 on the route was awarded to JetBlue, which “has no service to the Middle East and no presence in the region. Its code share partner, Emirates, will be solely operating this route and will be carrying an estimated 15,000 U.S. government employees, including active duty military personnel, whose official travel is funded by U.S. taxpayers.” United added that “entry of subsidized carriers such as Emirates and Etihad into the Washington, D.C. market has created an imbalance between supply and demand to the United Arab Emirates. As they’ve added subsidized capacity, our Washington-Dubai route has become less profitable.” United said the GSA award “violates the intent of the Fly America Act, which expressly limits the U.S. government from procuring commercial airline services directly from a non-U.S. carrier. For the Washington to Dubai route, JetBlue merely serves as a booking agent for Emirates.” United joint venture partners Lufthansa and Air Canada will continue to serve Dubai. . . . Emirates responded that it has not added significant capacity on the Washington Dulles-Dubai route since the September 2012 launch, and said the protest is “hypocrisy, since United itself serves dozens of destinations, including with Fly America Act contracts, through code share agreements where its partner provides similar services.”

4. **Jet Airways to Code Share with Delta, KLM via Amsterdam.**

Jet Airways announced a March launch of daily Airbus A330-300 nonstops to Amsterdam from Mumbai and New Delhi, and from Toronto to Amsterdam, to coincide with a code share agreement with Delta and KLM, subject to government approvals. Delta and KLM customers flying from Europe and the United States to Amsterdam will be able to connect to Jet Airways' daily flights to New Delhi and Mumbai, with onward destinations in India, Bangladesh, Nepal and Sri Lanka. Jet will place its code on flights operated by Delta and KLM between Amsterdam and 11 destinations in the United States and Canada; and on KLM-operated flights to 30 European destinations beyond Amsterdam, and between Amsterdam and New Delhi. Frequent flyer members will be eligible to earn and redeem miles on code share routes. Jet Airways is an Etihad equity alliance partner.

5. **ACCC Reauthorizes Virgin-Etihad Alliance.**

The Australian Competition and Consumer Commission reauthorized the Virgin Australia-Etihad Airways alliance between Australia and the Middle East for another five years. The airlines cooperate on joint pricing and scheduling of services across their networks; they do not share revenue.

6. **Star Alliance Launches Connecting Partner Model.**

See Section VIII, item 1.

7. **Jet Airways CEO to Head Alitalia.**

See Section VIII, item 4.

8. **Etihad to Appeal Ruling on airberlin Code Shares.**

See Section VIII, item 5.

X. AMERICAS

1. Southwest, Ground Workers Reach Tentative Agreement.

Southwest reached a new tentative agreement with Transport Workers Union Local 555, which represents 12,000 Southwest Ground Operations, Provisioning and Cargo Agents, after more than four years of negotiations. The company said the new contract improves wages and benefits, and “enhances Southwest’s competitive standing within the industry.” . . . Southwest will offer nonstop service between Los Angeles International and Liberia/Guanacaste, Costa Rica, beginning in April, subject to foreign government approval.

2. Hawaiian Reaches Tentative IAM Agreements.

Hawaiian Airlines reached tentative agreements with the International Association of Machinists and Aerospace Workers (IAM), on five-year contracts that cover 2,200 Mechanic and Related, Clerical, Office, Stores, Fleet and Passenger Service employees. The proposed contract provides pay raises retroactively from October 1, 2015, enhances job security, holds the line on health care costs for employees, and secures profit sharing and incentive programs, said IAM. Negotiations began in December 2013. . . . The airline will reinstate seasonal Oakland and Los Angeles service to Kaua’i and Hawai’i, “adding 74,000 air seats to these travel markets over 14 weeks of service.”

3. Virgin America to Acquire 10 Airbus A321neos.

Virgin America agreed to lease 10 Airbus A321neo aircraft from GE Capital Aviation Services, with deliveries from first quarter 2017 through third quarter 2018. The aircraft will be configured with 185 total seats, roughly 24% more seating capacity than the airline’s current fleet of A320s, and will “offer extended range, more capacity and opportunity for improved revenue and cost performance.” . . . The airline started flying from San Francisco to Kahului, Maui, following a November launch to Honolulu.

4. Spirit Adds Atlanta Nonstops to Minneapolis, New Orleans.

Spirit will add two daily nonstops from Atlanta to Minneapolis-St. Paul and New Orleans on April 14, bringing the number of cities it serves nonstop from Atlanta to 17.

5. Mesa to Operate 18 New E175s for United.

Mesa expanded its agreement with United to operate three additional Embraer 175s, bringing total number of United Express aircraft operated by Mesa to 68. In October, the regional announced an agreement for 15 new aircraft scheduled for delivery in 2016. “The 18 new aircraft provide approximately 90

new captain upgrade positions, 180 new first officer positions, 200 flight attendant new hires, and 120 jobs for mechanics, supervisors, dispatchers, planning and support staff,” said company officials. Mesa operates as American Eagle from Phoenix and Dallas/Fort Worth and as United Express from Washington Dulles and Houston.

6. National Launches Passenger Service from Orlando.

National Airlines launched scheduled passenger service with Boeing 757-200 flights from Orlando to San Juan, Puerto Rico and Windsor, Ontario. Flights to St. John’s, Newfoundland and Labrador begin in January. The carrier employs 200 at Orlando to manage the new passenger service and logistics for parent National Air Cargo Holdings. National Airlines President is Edward Davidson.

7. Star Alliance Launches Connecting Partner Model.

See Section VIII, item 1.

8. United Adds New York-Brussels Summer Nonstops.

See Section VIII, item.2

9. Norwegian Adds Low-Fare London-U.S. Service.

See Section VIII, item 3.

10. Virgin America, China Southern Launch Code Share.

See Section IX, item 1.

11. Air China Begins Havana Service via Montreal.

See Section IX, item 2.

12. United Ends Service to Dubai.

See Section IX, item 3.

13. Jet Airways to Code Share with Delta, KLM via Amsterdam.

See Section IX, item 4.