



## WASHINGTON AVIATION SUMMARY

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For further information, including documents referenced, contact:

Joanne W. Young  
Kirstein & Young PLLC  
1750 K Street NW  
Suite 200  
Washington, D.C. 20006  
Telephone: (202) 331-3348  
Fax: (202) 331-3933  
Email: [jyoung@yklaw.com](mailto:jyoung@yklaw.com)

<http://www.yklaw.com>

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. DOT Announces Final Decision for 2009 China Flights.**

The U.S. Department of Transportation (DOT) selected US Airways to inaugurate U.S.-China service (Philadelphia-Beijing) and awarded additional U.S.-China passenger flights to American (Chicago-Beijing), Continental (Newark-Shanghai) and Northwest (Detroit-Shanghai), all to begin on or about March 25, 2009. This confirms a tentative decision issued in a September 25 show-cause order. The awards are the result of an agreement signed in July by the two countries that will double the number of daily flights allowed between the United States and China over the next five years. Previously announced awards to begin in 2008 include new daily services for Delta (Atlanta-Shanghai) and United (San Francisco-Guangzhou).

### **2. Lufthansa Seeks DOT Approval to Acquire 19% Stake in JetBlue.**

Lufthansa will purchase a 19% stake in JetBlue, subject to regulatory approvals. The \$300 million transaction represents the first significant investment by a European carrier in a U.S. point-to-point airline. Under terms of the agreement, a Lufthansa nominee will be appointed to JetBlue's Board of Directors. This investment "reflects the confidence we have in JetBlue's quality, growth potential and management team," said Lufthansa Chairman Wolfgang Mayrhuber. JetBlue CEO Dave Barger said the agreement will "improve our balance sheet and give us greater financial flexibility." JetBlue shareholder approval is not required; the transaction is expected to close in the first quarter of 2008.

### **3. DOT Moves to Reduce New York Area Congestion.**

DOT announced flight caps at New York area airports and other measures that "will cut delays, protect consumer choice, support New York's economy," said DOT Secretary Mary Peters. The plan sets the stage for slot auctions, a move "condemned" by the International Air Transport Association (IATA) as "an ineffective way to alleviate unacceptable congestion in the region." The Business Travel Coalition (BTC) said slot auctioning would "create chaos in the management of the airports, drive business airfares up and dampen interest of airlines that would consider investments at the airports against an uncertainty of adequate slots." DOT was advised on relief options by the New York Aviation Rulemaking Committee (ARC), created by Peters and comprised of officials from Port Authority of New York and New Jersey, airlines, consumer groups, FAA and DOT. Measures include:

- Flights at Kennedy International will be capped at 82/83 per hour, depending on time of day, effective March 15. Airlines have agreed to shift

flights from peak to off-peak hours, “allowing 50 more flights per day than were offered last summer,” said Peters, “just more reasonably spaced.” The same caps will follow at Newark.

- Regional capacity improvements will include new patterns at Newark and Philadelphia International that allow aircraft to fan out after take off and provide more options for aircraft waiting to depart.
- New satellite-based navigation procedures for New York and Philadelphia airports will improve bad weather routing and allow shorter flights to operate at lower altitudes to open more room for long-haul flights at higher altitudes.

**4. Delays at New York Airports Costly.**

Passengers at Kennedy, La Guardia and Newark spent 3.9 million more hours on delayed takeoffs in 2007 than in 1996, at a cost of \$187 million in lost productivity, reports the New York City comptroller’s office. Average taxiing time at Kennedy is 36 minutes, up from 22 minutes in 2003, compared with a 1.3-minute increase nationally during the same period. The report, released to the *New York Times*, says a congestion pricing system could save airlines and passengers \$256.8 million a year at Kennedy, \$169.3 at Newark and \$116.3 million at La Guardia through lower landing fees, fewer delay-related costs and time saved. The number of flights at New York area airports are forecast to increase 20.7% by 2015.

**5. ATA Appeals Ruling on NY Passenger Bill of Rights.**

The Air Transport Association (ATA) asked a Federal District Court in Albany to block enforcement of the New York Airline Passenger Bill of Rights. The judge upheld the law, however, which, effective January 1, 2008, requires airlines operating in New York to provide water, fresh air and working toilets to travelers during takeoff delays of more than three hours. It allows the attorney general to seek civil fines of up to \$1,000 per passenger per violation. The judge ruled in *Air Transport Association of America v. Cuomo* that the law is not pre-empted by the Airline Deregulation Act of 1978, as ATA contended; rather than regulating routes and fares, the law protects the health and safety of passengers. ATA said its “sole purpose in filing the lawsuit was to preserve the principle that commercial aviation is best regulated by one source—the federal government—and not 50 individual states” and has filed a notice to appeal the ruling.

**6. Shane Leaving DOT.**

Under Secretary of Transportation for Policy, will leave DOT on January 31. Principal policy advisor to the Secretary of Transportation, he was appointed to the position by President Bush in 2003. Earlier positions include DOT

Associate Deputy Secretary and Deputy Assistant Secretary of State for Transportation Affairs.

7. **Pilot Age-65 Bill Enacted.**

President Bush signed into law the Fair Treatment for Experienced Pilots Act, which allows both pilots on a domestic flight to be up to age 65. For international flights, at least one pilot must be under age 60, consistent with a 2006 International Civil Aviation Organization (ICAO) standard. Pilots past age 60 are required to pass medical tests twice a year. Effective immediately, the law is not retroactive; airlines can opt to rehire pilots who are under age 65. Congressional fast track action averted a lengthy federal rulemaking process, said the Federal Aviation Administration (FAA), which last January announced it would raise the retirement age for commercial pilots to 65. The mandatory federal rulemaking process would have taken 18 months to two years.

8. **DOT Hazmat Rule on Lithium Batteries Takes Effect.**

Effective January 1, 2008, passengers no longer may pack loose lithium batteries in checked luggage. Lithium batteries in common consumer electronics are still allowed in carry-on and checked luggage. Individuals are limited to bringing only two extended-life spare rechargeable lithium batteries stored in plastic bags in carry-on baggage. Lithium batteries are considered hazardous materials because they can overheat and ignite in certain conditions. Tests conducted by FAA found that current aircraft cargo fire suppression systems are not capable of suppressing a fire if a shipment of non-rechargeable lithium batteries was ignited in flight.

9. **Delays Reduced Due to DOT Action.**

Airlines are taking steps to correct chronically delayed flights to avoid potential penalties of up to \$25,000 per violation, said DOT, which in May began investigating 20 U.S. airlines to determine if they were “engaging in unrealistic advertising practices by publishing schedules for flights that almost never operate on time.” DOT identified 183 flights that were chronically delayed during the first quarter of this year, and in May advised the 15 airlines that operated those flights to take corrective action. In July, six airlines operating 25 flights that were chronically delayed for two consecutive quarters were warned to address these flights by the following quarter, or face financial penalties of up to \$25,000 per violation. As a result, none of those 183 flights were chronically delayed in the third quarter. “We will maintain our strong enforcement of these rules to help keep passengers from being treated unfairly,” said Secretary of Transportation Mary Peters. A new DOT proposal would require airlines to create legally binding contingency plans for extended tarmac delays, respond to all consumer complaints within 30 days, publish

complaint information online and provide on-time performance information for international as well as domestic flights.

**10. DOT Air Travel Consumer Report for October.**

Based on data filed by 20 of the largest U.S. airlines

	Oct. '07 / '06	Sept. '07	Full Year			
			2006	2005	2004	2003
On-time arrivals %	78.2 / 72.9	81.7	75.4	77.4	78.1	82
Cancellations %	1.2 / 1.9	1.1	n/a	1.87	1.56	1.79
Mishandled baggage*	5.36 / 7.49	5.45	6.73	6.64	4.91	4.19
Consumer complaints:						
Airline service	1,096 / 629	895	8,321	8,741	7,452	5,983
Disability-related	56 / 29	46	427	511	521	375
Discrimination**	11 / 10	10	114	129	118	85

\* Reports per 1,000 passengers.

\*\* Other than disability; i.e., race, religion, national origin or sex.

## II. AIRPORTS

### 1. Miami's New South Terminal Fully Operating.

Miami International's 1.7-million-square-foot South Terminal is expected to handle 25% of the airport's 32 million annual passengers, now that all 19 airlines operating from the new facility have moved in, providing international service to 72 cities in 28 countries. A 3.5-million-square-foot North Terminal project is expected to be completed in 2011 at a cost of \$3 billion and 18 years after conception; of 50 gates, 42 are slated for American, six for other oneworld partners and two for American Eagle.

### 2. One Million Sq. Ft. Cargo Facility Planned for L.A. Ontario.

Los Angeles World Airports approved a 40-year lease agreement with Aero Ontario (Aeroterm) to develop and manage a 1 million sq. ft. international air cargo center at Ontario International Airport, subject to final approval by the Los Angeles City Council. Ontario handles more than 600,000 tons of air freight each year.

### 3. ADP Announces €2.5 Billion, Five-Year Investment Plan.

Aéroports de Paris (ADP) announced a €2.5 billion, 2008-2012 investment plan, €560 million of which will be spent in 2011 on construction of the S4 satellite building at Paris Charles de Gaulle, due to open in third-quarter 2012 with annual capacity for 7.8 million passengers. ADP expects de Gaulle passenger handling capacity to exceed 80 million by 2012 from the current 61.6 million.

### 4. Frankfurt Airport Expansion Approved.

Fraport won authority from German state authorities to expand Frankfurt Airport. The €4 billion project will include a fourth runway and third passenger terminal, with full completion expected by 2014. Fraport Chairman Wilhelm Bender expressed confidence about upcoming court rulings on cases against airport expansion, but said construction activities will not proceed until the Kassel administrative court concludes its fast-track proceedings. In deference to strong opposition from nearby residents, Fraport had agreed to ban all night flights. But Lufthansa lobbied for 41 Lufthansa Cargo flights per night and the state has proposed to limit night flights to 17. The state of Hesse owns 31.6% of airport manager Fraport, the city of Frankfurt holds 20% and Lufthansa owns nearly 10%.

5. **Tempelhof to Close in 2008.**

Berlin Tempelhof will close to passengers on October 31, 2008. A German administrative court rejected a bid by several airlines to maintain the historic facility as part of a planned new airport, Berlin Brandenburg International, which will also replace Tegel and expand Schoenefeld. Opened in 1923, Tempelhof was the hub of the U.S.-led Berlin airlift when the Soviets blockaded West Berlin in 1948.

6. **China Xi'an Airport Plans \$1 Billion Expansion.**

Xi'an Xianyang International Airport began an expansion project valued at nearly \$1 billion that will include construction of a second runway and a third terminal by 2020. Located near the site of the famed Terra Cotta Warriors, Xi'an handled almost 10 million passengers in 2006, reports Reuters, up 18% from 2005. Fraport has offered to take a 24.5% stake in Xi'an for €50 million.

7. **Auckland Airport Rejects CPPIB Bid.**

Auckland International Airport rejected a \$1.4 billion bid by the Canada Pension Plan Investment Board (CPPIB) for a 40% stake, saying the offer was too low, would raise debt levels and did not bring airport management expertise. The airport operator has signed a confidentiality agreement with a new, unnamed, potential bidder, providing preliminary access to its books to undertake due diligence. Current shareholders include Australia's Macquarie Airports, New Zealand utilities investor Infratil, local government bodies and New Zealand's state pension fund.

8. **Yemen to Outsource Aden Management.**

Yemen waived landing fees at Aden, invited bids for the management of two companies to be set up for the airport and its ground services, and will offer fuel discounts in 2008. The government has spent more than \$40 million in state and international funds to rehabilitate the airport, which was damaged in a 1994 civil war, reports Reuters, but only a fraction of capacity is used.

### III. SECURITY

#### 1. U.S. Leadership Needed for New Global Security Agenda: IATA.

The global airline industry has spent over \$30 billion since 9/11 to comply with security regulations, but, said IATA Director General Giovanni Bisignani, “To be blunt, I see more hassle than value.” Among his remarks to the Aero Club of Washington: The process is too political. Fear-based decisions result in security enhancements to stop improbable threats; risk management must replace fear as the key driver. We add patches to an infrastructure designed for a different age. We are too bureaucratic and need a paperless security program. Europe’s decentralized approach to passenger information will be a nightmare of 27 different requirements. We need to focus on harmonization for everything from data collection to screening and aim for a global results-oriented approach. Technologies—millimeter wave, backscatter, biometrics—available today can make our industry more secure. Security must be smarter, faster and easier to manage. We look to the U.S. for leadership with an agenda based on risk-management, harmonization and global standards and renewed cooperation between industry and governments.

#### 2. The Business of Security is a Business of Partnership: Chertoff.

U.S. Homeland Security Secretary Michael Chertoff met with European security chiefs in an ongoing “effort to synchronize and find commonality” among national systems that deal with “threats of terrorism and emerging 21st century national security concerns.” Earlier, in a speech before the Institute of European Affairs in Dublin, Chertoff said, “There is, in fact, an increasing convergence in the civilized world in terms of our common view of the threat” and of measures needed to address the threat. Forecasting “perhaps decades of struggle with an ideology which has been responsible for some heinous acts targeting innocent people,” he said, “We cannot take refuge in euphemism or self-delusion [and must be] clear-eyed about some of the myths that are out there concerning invasions of privacy, or oppressiveness.” He urged integration of security perimeters to “prevent dangerous people from getting into our free movement zones, from boarding our planes, from getting into our sensitive infrastructure . . . the business of security is a business of partnership.” Regarding a national identification card in the United States, he said we are moving instead toward “a form of identification” that must meet certain standards and “cannot easily be fabricated or obtained by people using improper means.” He praised a new European Union (EU) proposal that would require member states to collect Passenger Name Record data “that is strikingly similar to the arrangement that we have in the United States and that we agreed upon with the European Union.”



3. **Study Questions Efficacy of Airport Security.**

Most medical and other screening programs worldwide are closely evaluated and heavily regulated before implementation, and undergo scientific and cost-benefit evidence before they are put into practice. An exception, reports a team of Harvard researchers, is airport security screening, which costs nearly \$6 billion globally each year. The team found no comprehensive studies evaluating effectiveness of luggage screening, metal detectors or explosive detection devices and no clear evidence of testing accuracy. The U.S. Transportation Security Administration (TSA) said more than 13 million prohibited items were intercepted in one year, but, argue the authors, there is no way of knowing what proportion of these items would have led to serious harm. The report, published in the *British Medical Journal*, calls for airport security screening to be open to public and academic debate and concludes that rigorous evaluation of the current system is the first step for building a future airport security program that is more user-friendly, cost-effective and, ultimately, protects passengers from realistic threats.

4. **Anti-Missile System to be Tested on American Airlines Planes.**

An anti-missile system will be tested in April on a few American Airlines Boeing 767-200 passenger flights from New York to Los Angeles and San Francisco, to determine its effect on avionics, maintenance, fuel consumption and other factors. European defense firm BAE Systems was awarded a contract for the project by the U.S. Department of Homeland Security. American has been working with BAE since 2004, and in 2006 provided a plane and two pilots for a test at Fort Worth Alliance Airport. Northrop Grumman is equipping nine Boeing MD-10 cargo aircraft with its anti-missile system as part of the Homeland Security program.

## IV. E-COMMERCE AND TECHNOLOGY

### 1. JetBlue Offers Free Inflight Web Access.

JetBlue became the first U.S. carrier to offer inflight access to the Web, free e-mail service and instant messaging. Passengers on BetaBlue, an Airbus A320 equipped with an onboard wireless network from LiveTV, can use Wi-Fi enabled laptops and smartphones via customized inflight versions of Yahoo! Mail and Yahoo! Messenger. Customers with Wi-Fi enabled BlackBerry smartphones can access BlackBerry e-mail. American, Virgin America and Alaska are among other airlines planning to offer similar services this year.

### 2. Air France Testing Inflight Mobile Phone Service.

Air France is testing inflight mobile phone service on an Airbus A318 operating in Europe. Using the Mobile OnAir system, passengers can send and receive emails via all phones with Internet access. During the second half of the six-month trial, they will be able to make and receive phone calls, "with the service being regulated to maintain passengers' comfort and well-being." The OnAir system, certified by EASA (European Aviation Safety Authority), does not interfere with radio-navigation instruments on this Airbus A318, said Air France, and may only be used at cruising altitude once an illuminated "Switch off your phone" sign is turned off. The system is activated at 10,000 feet.

### 3. Kayak, SideStep Merge.

Kayak and SideStep merged, creating the fifth-largest travel site in search volume. SideStep will be a subsidiary of Kayak and each site will be maintained separately.

### 4. Deccan First Indian LCC to Sign GDS Pact.

Singapore-based Abacus International became the first GDS (global distribution system) to move into the low-cost carrier (LCC) market in India, providing services for Deccan. India's LCC market share is expected to reach 70% by 2010, said Abacus.

## **V. NOISE AND ENVIRONMENT**

### **1. Coalition Urges EPA to Regulate Aircraft Emissions.**

A coalition of environmental groups, states and regional governments filed petitions with the U.S. Environmental Protection Agency (EPA) urging the agency to regulate aircraft emissions under the requirements of the Clean Air Act. The petitions ask EPA to initiate a formal process to limit and reduce greenhouse gas emissions from all U.S. certified aircraft and all foreign aircraft arriving in or departing from U.S. airports, by requiring operators to minimize fuel use, use cleaner jet fuels and build lighter, more aerodynamic airplanes. EPA plans to review the petitions, but said the U.S. has invested over \$37 billion on climate change science, technology and tax incentive programs, more than any other country in the world. The Air Transport Association said establishing a greenhouse gas emissions standard for aircraft engines is unnecessary, since commercial airlines already are driven to be as fuel efficient and environmentally conscious as possible.

### **2. EU Emissions Trading Scheme Amended.**

The European Environment Council agreed to impose carbon dioxide emissions quotas on airlines as of 2012, one year later than originally planned. Final approval by member states is expected by yearend. Under an amended EU emissions trading scheme proposal: Airlines would be subject to quotas on intra-European routes and all flights leaving from or flying to the EU. They can meet quotas by reducing their emissions or buying carbon dioxide credits from other industries. Carriers could buy 10% of permits needed under the auction system rather than an earlier proposed 25%, with the rest distributed free. Revenue from auctioned allowances would be used to combat climate change. Military flights, some public aviation services and carriers operating less than 730 flights annually would be excluded. A special reserve of free allowances for new entrants or very fast-growing airlines has been added. Member states could request that a persistently non-compliant operator be banned from operating in the EU. Caps would be set at 100% of average emissions for the 2004-2006 period, compared with the 90% proposed by parliament. The unilateral proposal is opposed by airlines as too expensive and by environmentalists as too soft; the United States has threatened legal action.

### **3. SAS Tests CDA on Transatlantic Flight.**

SAS tested a continuous-descent approach (CDA), designed to reduce carbon dioxide emissions, on an Airbus A330 flight from New York Newark to Stockholm Arlanda. This was the first transatlantic flight for AIRE (Atlantic Interoperability Initiative to Reduce Emissions), a joint initiative of the

European Commission (EC) and the U.S. Federal Aviation Administration. SAS is carrying out the CDA program with partners Stockholm-Arlanda airport, Airbus and Swedish aviation service company LFV. SAS has operated 2,000 green landings on flights in Sweden with a Boeing 737. “In a future optimized Air Traffic Management system, and assuming SAS International would conduct CDAs on all its approaches, an estimated 492 tons of fuel and 1,550 tons of carbon dioxide would be saved per year,” said the company.

4. **Carbon Emissions Bill in Senate.**

See Section VI, item 3.

## **VI. U.S. CONGRESS**

### **1. FAA Reauthorization Bill Stuck in Senate.**

The Senate failed to complete a new FAA reauthorization bill, but is expected to take up the issue again in the first few months of the new year. In a year-end omnibus spending bill, approved by Congress and signed by President Bush, \$65.5 billion for transportation included: \$3.5 billion for Airport Modernization, Safety and Efficiency, \$1.1 billion for FAA inspectors and critical safety staff, \$2.5 billion for Air Traffic Control Modernization, \$125 million for Essential Air Service and \$10 million for Small Community Air Service Development Program.

### **2. Hutchison Replaces Lott on Aviation Subcommittee.**

Texas Senator Kay Bailey Hutchison is replacing retiring Trent Lott as the top Republican on the Senate Commerce Aviation Subcommittee, a post she lost to Lott in 2003. The appointment is good news for Texas, said CEO Larry Kellner of Continental, which, along with Southwest and American, has its headquarters in the Lone Star state. Airlines employ 63,000 Texans and commercial activity at the state's 25 airports provides \$18 billion in payroll and \$40 billion in total economic activity, said Kellner.

### **3. Carbon Emissions Bill in Senate.**

The Senate Environment and Public Works Committee approved the Lieberman-Warner Climate Security Act, which would require a cap-and-trade system to cut CO2 emissions 15% below current levels by 2020. A coalition of airlines and pilots is concerned the legislation would serve as an unnecessary and additional tax on fuel, greatly increase airline costs and “compromise our ability to invest in new aircraft and other fleet upgrades—the very things we need to continue to improve our emissions profile.” The bill is expected to be debated by the full Senate in January.

## **VII. BILATERAL AND STATE DEPARTMENT NEWS**

### **1. U.S.-China Tourism Agreement Approved.**

A new agreement places the United States on China's approved destination list for group leisure travel, allowing U.S. destinations to market themselves in China and Chinese travel agencies to organize tour groups to the United States. China has given the status to 132 nations and regions and more than 34 million Chinese traveled abroad last year. The agreement was announced at the 18th Sino-U.S. Joint Commission on Commerce and Trade (JCCT) and is expected to be implemented this spring. The new status could result in about 555,000 Chinese visitors to the U.S. annually by 2011. The number of U.S. visitors to China reached 1.71 million in 2006.

### **2. EU Signs Pact With United Arab Emirates, Begins Talks With Canada.**

The EU and United Arab Emirates (UAE) signed an agreement that allows European airlines to fly between the UAE and any EU Member State, and removes nationality restrictions in existing bilateral air service agreements between the UAE and EU member states. The UAE is the first country in the Gulf region to sign such an agreement. The EU also held the first round of negotiations for a comprehensive aviation agreement with Canada; bilateral air service arrangements currently exist between 19 EU states and Canada.

### **3. India, Hong Kong Liberalize Bilateral Air Services.**

India and Hong Kong concluded an air services agreement, under which both sides will be able to double the current 20 weekly New Delhi and Mumbai frequencies; new services to Bangalore and Chennai will also be possible. The two sides exchanged new fifth freedom rights; Indian airlines will be able to operate services to points in North America via Hong Kong and Hong Kong airlines will be able to operate services to points in Europe beyond India.

## VIII. EUROPE/AFRICA

### 1. EC Expands Cargo Cartel Probe.

The EC issued a statement of objections that sets out a preliminary assessment in its industry-wide investigation of alleged anti-competitive pricing activities, including the levying of certain fuel surcharges, in breach of EC antitrust laws. Carriers that have confirmed receiving the statement include Air Canada, British Airways, Air France KLM, SAS, Cathay Pacific, Japan Airlines, All Nippon, Air New Zealand, Singapore and Cargolux. A probe into air cargo surcharges by the EC, the U.S. Department of Justice and other authorities has been underway for several years; Lufthansa has received conditional immunity from fines in return for cooperation.

### 2. EU to Investigate Possible State Aid to Olympic.

The EC will investigate whether new payments made by the Greek government to Olympic Airlines and Olympic Airways Services constitute illegal state aid, in response to a lawsuit by Ryanair charging the EU with failing to act on illegal state aid to rival airlines.

### 3. Alitalia Opts for Acquisition by Air France, Sells Heathrow Slots.

Alitalia's Board of Directors and the Italian government chose Air France KLM's rescue offer, calling the plan highly credible and capable of resolving a critical situation. The two companies now enter an eight-week period of exclusive negotiations, followed by an expected binding offer. Air France, which already owns 2% of SkyTeam partner Alitalia, would acquire the government's 49.9% stake. In its proposal, Air France said it would preserve the Alitalia brand and logo, guarantee almost unchanged coverage of national routes, replace aging aircraft and expand the fleet. Opponents to the deal preferred Italian airline Air One, the other remaining bidder, or another national entity. Separately, Alitalia sold three of its 13 London Heathrow slots for €92 million to offset daily losses of about €1 million.

### 4. Air France KLM to Acquire VLM.

Air France KLM agreed to acquire Belgium's VLM, a regional operating out of London City Airport. A unit of Panta Holdings, VLM primarily serves business travelers with a fleet of 18 Fokker 50s, and will cooperate with Air France subsidiary CityJet, which also operates from London City.

5. **Air France to Code Share With Alaska Air, Horizon Air.**  
Air France will sell code share tickets on Alaska- and Horizon-operated flights serving 18 cities in the Pacific Northwest and Alaska, effective January 5, connecting with Air France Seattle-Paris nonstops.
6. **Delta, Air France Offer Los Angeles-Heathrow Service.**  
Delta and Air France are offering code shared service between Los Angeles International and London Heathrow. The Boeing 777 nonstops will begin March 30, as will previously announced Heathrow services from New York Kennedy and Atlanta. Under terms of a joint venture agreement signed in October, the two airlines will share costs and revenues on transatlantic flights beginning in April 2008.
7. **Northwest to Fly to Heathrow From Detroit, Minneapolis, Seattle.**  
Joint venture partners Northwest and KLM will begin three new daily nonstops to London Heathrow from Detroit, Minneapolis/St. Paul and Seattle on May 1; daily service to Gatwick from Detroit will continue as well.
8. **Icelandair to End BWI Service.**  
Icelandair will terminate its Baltimore/Washington service on January 13. "The route became less profitable recently, following the departure of thousands of U.S. citizens from the U.S. military base in Iceland," said CEO Jón Karl Ólafsson. The carrier will begin serving Toronto on May 2. Summer service to Boston and New York will continue.
9. **SACAA Names New CEO.**  
Captain Colin Jordaan was named CEO of the South African Civil Aviation Authority (SACAA), replacing Zakes Myeza, who resigned after Nationwide's 17 aircraft were grounded temporarily due to maintenance problems. Jordaan was with South African Airways since 1980 and was the first African pilot to fly the Airbus A380. SACAA merged the roles of CEO and Commissioner of Civil Aviation, per recommendations by ICAO and FAA.
10. **Lufthansa Seeks DOT Approval to Acquire 19% Stake in JetBlue.**  
See Section I, item 2.
11. **MAXjet Ceases Operations, Files for Chapter 11.**  
See Section X, item 1.
12. **TAM, Lufthansa to Code Share Between Brazil and Germany.**  
See Section X, item 6.



## **IX. ASIA/PACIFIC / MIDDLE EAST**

1. **Air China, Shanghai Join Star Alliance; Air India Applies for Membership.**  
Air China and Shanghai Airlines formally joined Star Alliance and Air India applied for membership. Star reportedly is in talks with Russian carriers S7 (formerly Sibir), Air Union and Rossiya.
2. **Air China Chairman Named to Head CAAC.**  
Air China Chairman Li Jiayang will succeed Yang Yuanyuan as head of China's Civil Aviation Administration, reported Reuters.
3. **China Eastern, Singapore Airlines, Temasek Establish Partnership.**  
China Eastern (CEA), Singapore Airlines (SIA) and Temasek established a strategic cooperation partnership, which, said CEA, will bring the Chinese airline "world-class airline management and operations experience, strengthen its capital structure and enhance its governance standards." CEA Holding, SIA and Temasek will hold stakes of 51%, 15.73% and 8.27%, respectively, subject to company and regulatory approvals, and hold seats on each other's board of directors.
4. **Singapore to Link Houston, Moscow, Singapore.**  
Singapore Airlines will launch four weekly Boeing 777-300ER nonstops from Houston to Moscow, with continuing service to Singapore, on March 20.
5. **JAL Code Shares on Tokyo-Nanjing Route.**  
Japan Airlines (JAL) began code sharing on twice-weekly flights operated by China Eastern between Tokyo Narita and Nanjing. They have been code share partners since 2002.
6. **Vietnam Approves First Privately Owned Airline.**  
Vietnam has agreed to license the nation's first privately owned airline. Vietjet plans to begin operating domestic routes in 2008, linking the country's three largest cities, Hanoi, Ho Chi Minh City and Danang, and hopes eventually to offer flights to Hong Kong, Singapore and Bangkok. Vietnam expects annual air passenger traffic to 32.4 million by 2020 from a current 14.5 million.
7. **American, EL AL Seek to Code Share.**  
American applied to DOT for authorization to begin code share operations with EL AL on February 1, 2008. Under the proposal, American would place its code on EL AL flights to Tel Aviv from New York Kennedy, Los Angeles, Miami and Newark, and from European gateways London Heathrow, Paris, Madrid,

Zurich and Rome. EL AL would place its code on some American Airlines domestic flights out of El Al's North American gateways— Kennedy, Miami, Los Angeles, Newark and Toronto.

**8. bmi to Begin Heathrow-Tel Aviv Service.**

bmi will launch a daily Airbus A320 nonstop from London Heathrow to Tel Aviv on March 13, as a result of an Israeli-UK agreement that allows a second UK carrier to fly the route; British Airways and El Al currently operate daily flights. "Tel Aviv is a key destination in the Middle East and its addition further enhances our ever-growing network of destinations in an area of economic growth and development," said bmi CEO Nigel Turner.

**9. Kingfisher, Deccan to Merge.**

Kingfisher Airlines and low-fare Deccan Aviation will merge to create a single company run by Kingfisher Chairman Vijay Mallya, who owns 46% of Deccan. Deccan Chairman G.R. Gopinath will be Vice Chairman of the new Kingfisher Airlines, which will begin operations in April.

**10. DOT Announces Final Decision for 2009 China Flights.**

See Section I, item 1.

## **X. AMERICAS**

### **1. MAXjet Ceases Operations, Files for Chapter 11.**

MAXjet ceased operations on Christmas eve and filed for Chapter 11 bankruptcy. "With today's fuel prices and the resulting impact on the credit climate for airlines," said CEO William Stockbridge, "we are forced to take this drastic measure." MAXjet contracted with Eos, also a scheduled all-premium service, to provide its passengers return flights between New York and London Stansted, and other airlines accommodated those needing return travel between London, Los Angeles and Las Vegas. MAXjet launched in 2005; assets to be liquidated include five Boeing 767s.

### **2. American Eliminates Almost 200 Management Positions.**

American eliminated almost 200 management jobs, mostly by attrition, as part of a continued effort to reduce costs. The carrier is negotiating a new contract with pilots, who want pay rates to rise more than 50% this year, with additional increases in 2009, 2010 and 2011.

### **3. US Airways Spending \$50 Million on Aircraft Upgrades.**

US Airways is investing \$50 million on upgrades, including the refurbishment of interiors of 300 aircraft, improving first- and business-class services and testing inflight entertainment systems. Separately, the carrier offered employees \$100 bonuses if specific performance goals were met in November and December: at least 60% of all flights must depart at the scheduled time or earlier, and mishandled bags must be limited to no more than seven bags per 1,000 bags. If one goal was met, employees received \$50. As of mid-December, both goals were being met. US Airways recalled more than 200 flight attendants, effective February 15, to prepare for the summer schedule and to compensate for retirement and attrition.

### **4. Delta's Latin America Expansion.**

Delta plans 14 new routes to Latin America and the Caribbean, to begin between December 2007 and April 2008, from New York Kennedy and LaGuardia, Atlanta and Orlando, and has applied for increased service to Colombia from Atlanta and Kennedy.

### **5. Frontier Launches Lynx.**

Frontier launched regional subsidiary, Lynx Aviation. With a fleet of 10 Bombardier Q400 turboprops, Lynx will serve destinations within a 750-mile radius of Frontier's Denver hub. The very fuel-efficient Q400 is the quietest, most vibration-free turboprop in the sky, said the company.

6. **TAM, Lufthansa to Code Share Between Brazil and Germany.**  
TAM and Lufthansa signed a code sharing agreement covering Lufthansa-operated flights from Sao Paulo to Frankfurt and Munich, and on TAM flights to Frankfurt, as well as connections from Sao Paulo to other Brazilian cities and TAM flights to Santiago, Buenos Aires and Montevideo. The pact is expected to become effective by mid-year.
7. **DOT Announces Final Decision for 2009 China Flights.**  
See Section I, item 1.
8. **Lufthansa Seeks DOT Approval to Acquire 19% Stake in JetBlue.**  
See Section I, item 2.
9. **Air France to Code Share With Alaska Air, Horizon Air.**  
See Section VIII, item 5.
10. **Delta, Air France Offer Los Angeles-Heathrow Service.**  
See Section VIII, item 6.
11. **Northwest to Fly to Heathrow From Detroit, Minneapolis, Seattle.**  
See Section VIII, item 7.
12. **Icelandair to End BWI Service.**  
See Section VIII, item 8.
13. **Air China, Shanghai Join Star Alliance; Air India Applies for Membership.**  
See Section IX, item 1.
14. **Singapore to Link Houston, Moscow, Singapore.**  
See Section IX, item 4.
15. **American, EL AL Seek to Code Share.**  
See Section IX, item 7.