



## WASHINGTON AVIATION SUMMARY

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### CONTENTS

I.	REGULATORY NEWS .....	1
II.	AIRPORTS .....	5
III.	SECURITY AND DATA PRIVACY .....	7
IV.	E-COMMERCE AND TECHNOLOGY .....	9
V.	ENERGY AND ENVIRONMENT .....	10
VI.	U.S. CONGRESS .....	11
VII.	BILATERAL AND STATE DEPARTMENT NEWS .....	13
VIII.	EUROPE/AFRICA .....	15
IX.	ASIA/PACIFIC/MIDDLE EAST .....	17
X.	AMERICAS .....	19

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

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## **I. REGULATORY NEWS**

### **1. New Cockpit Procedures Defined After Germanwings Crash.**

A Germanwings Airbus A320 crashed in the French Alps en route from Barcelona to Düsseldorf, killing all 144 passengers and six crew members. Early conclusions disclosed by a French prosecutor indicate the co-pilot deliberately crashed the plane while the pilot was locked out of the flight deck; the cockpit voice recorder reveals violent knocking on the door as the pilot tried to gain entry. “It is imperative, however, that the accident investigation is fully completed in order to determine outcomes that can help prevent a tragedy like this from happening again,” warned Tony Tyler, Director General and CEO of the International Air Transport Association (IATA). French agency Bureau of Enquiry and Analysis for Civil Aviation Safety is conducting the technical investigation. The European Aviation Safety Agency (EASA) and other government entities immediately called for a second crew member in the cockpit at all times during flight, a requirement already in place in the United States. EASA also said “airlines should re-assess the safety and security risks associated with a flight crew leaving the cockpit due to operational or physiological needs.” Germanwings parent Lufthansa Group created the position of Group Safety Pilot, which will have “overarching groupwide responsibility for examining and further refining all flight safety-relevant procedures [and] report directly to the Group CEO.”

### **2. Dr. Fang Liu of China Appointed Secretary General of ICAO.**

The International Civil Aviation Organization (ICAO) named Dr. Fang Liu of China its Secretary General for a three-year term beginning August 1. Dr. Liu will be the first woman to head ICAO. She succeeds Raymond Benjamin of France, who has held the position for two terms. Dr. Liu has been Director of ICAO’s Bureau of Administration and Services since 2007, has held numerous posts with the Civil Aviation Administration of China, and served for four years as Chair of the Aviation Group for the forum on Asia-Pacific Economic Cooperation.

### **3. FAA: U.S. Airlines Will Handle One Billion Passengers by 2029.**

U.S. air carriers will handle one billion passengers in 2029, and 1.14 billion by 2035, compared to 756.3 million in 2014, according to the Federal Aviation Administration (FAA) Forecast for Fiscal Years 2015 to 2035. Load factors are projected to grow to 84.2% by 2035, from 83.4% in 2014. Revenue passenger mile growth will average 2.5% per year. Revenue ton miles will grow to 72.6 billion by 2035 at average annual growth rate of 3.6%. Landings and take-offs

at FAA-operated and contracted towered airports are expected to increase from 49.6 million operations in 2014 to 59.9 million in 2035.

4. **Delta Retains Seattle-Tokyo Haneda Authority With Conditions.**

The U.S. Department of Transportation (DOT) tentatively determined that permitting Delta to retain authority to provide daily service between Seattle and Tokyo Haneda is in the public interest. “However,” the Department warned, “failure by Delta (absent DOT authorization) to operate any Seattle-Haneda flight, year-round, in either direction, would constitute a violation of its authority [and] any failure by Delta (absent DOT authorization) to perform Seattle-Haneda service on two days of any seven-day period would mean the immediate loss of Delta’s authority.” If Delta fails to meet these requirements, American Airlines’ proposal to provide Los Angeles-Haneda service will serve as a backup. The proceeding was initiated in late 2014 when Delta planned extensive winter season cutbacks for the route. In a 2013 selection proceeding, American and Hawaiian each proposed to replace Delta by operating daily flights from Haneda to Los Angeles and Kona, respectively. The tentative ruling “reveals a long-held institutional bias among decision makers favoring the interests of U.S. business travelers over those of U.S. travel-related businesses and travelers in general,” said Hawaiian CEO Mark Dunkerley.

5. **Airlines Advocate Independent ATC Entity.**

The U.S. airline industry supports a “commercialized, non-profit type governance structure” for a transformed air traffic control system (ATC), said American Airlines Chairman and CEO Doug Parker, who testified before Congress in his capacity as Vice Chairman of Airlines for America. The system would be subject to safety regulation and oversight by FAA, “which could then solely focus on those functions rather than being both operator and regulator.” A review of commercialized ATC functions in Canada and Europe, said Parker, indicates that success would be contingent upon: “independent, multi-stakeholder board governance; effective management teams incentivized to pursue efficiencies without the constraints imposed on government agencies that hamper their ability to manage more nimbly and effectively; a fair self-funding model based on the cost of ATC services and free from budget constraints and short-term, declining appropriations, and the ability to manage assets and capital in a way that allows far greater speed to market of technological modernization.”

6. **FAA Hazardous Materials Disclosure Reporting Program Found Lacking.**

FAA cannot effectively ensure that U.S. air carriers comply with regulations for safe transport of hazardous materials, including lithium batteries, reports the

DOT Office of Inspector General (OIG). FAA established the Hazardous Materials Voluntary Disclosure Reporting Program in 2006, which allows carriers to voluntarily disclose violations without penalty. But the agency lacks sufficient internal controls, including oversight, training and guidance, to ensure that carriers have implemented effective corrective fixes that will prevent violations from recurring. FAA informed the OIG that it has implemented strong internal controls to oversee compliance.

7. **Groups Seek Ban on Bulk Lithium-Ion Batteries**

International Coordination Council of Aerospace Industry Associations and International Federation of Air Line Pilots Associations proposed banning shipments of lithium-ion and lithium metal batteries aboard passenger planes, as threat of fires presents an unacceptable risk, according to an industry position paper obtained by The Associated Press. The groups are also calling for stronger packaging and handling regulations for batteries shipped on cargo planes. "Recent FAA testing shows the batteries emit explosive gases when overheated. It's common for tens of thousands of batteries to be packed into a single shipping container. In the tests, a buildup of gases inside the containers led to explosions and violent fires," reports the AP. ICAO last year prohibited shipment of lithium metal batteries aboard passenger planes, but not rechargeable batteries; the ban is proposed only for cargo shipments, not batteries that passengers carry on planes. Delta and United are among airlines that no longer accept rechargeable battery shipments.

8. **Christopher Hart Takes Helm of NTSB.**

Christopher Hart was confirmed as Chairman of the National Transportation Safety Board (NTSB). He has been Acting Chairman since April 2014, served as Vice Chairman and Board Member since 2009 and was a Board Member from 1990 to 1993. He previously held executive positions with FAA and the National Highway Traffic Safety Administration.

9. **NTSB Investigates Delta Accident at LaGuardia.**

A Delta MD-88 en route from Atlanta veered off a New York LaGuardia runway shortly after touching down in winter weather and came to rest with its nose on an embankment. The 127 passengers deplaned and were moved to the terminal on buses; 23 had minor injuries. NTSB is investigating the incident; parties to the investigation include FAA, Delta, Air Line Pilots Association, Boeing and Pratt & Whitney. . . . Canada's Transportation Safety Board is investigating a crash landing at Halifax International Airport in Nova Scotia involving an Air Canada Airbus A320 carrying 133 passengers and five crew; there were no critical injuries.

**10. Amazon Wins Experimental AC for Drone Design.**

FAA issued an experimental airworthiness certificate (AC) for an Amazon Logistics unmanned aircraft (UAS) design for research and development and crew training. Under certificate provisions, flight operations must be conducted at 400 feet or below during daylight hours in visual meteorological conditions. The drone must remain within visual line-of-sight of the pilot and observer. The pilot must have at least a private pilot's certificate and current medical certification. Amazon must provide monthly data to FAA, including number of flights conducted, pilot duty time per flight, unusual hardware or software malfunctions, deviations from air traffic controllers' instructions, and any unintended loss of communication links.

**11. DOT Air Travel Consumer Report for January.**

Based on data filed by 14 reporting carriers; tarmac data filed by all carriers.

	Jan. '15 / '14	Dec. '14	Full Year				
			2014	2013	2012	2011	2010
On-time arrivals %	76.8 / 67.7	75.3	n/a	78.34	81.85	79.6	79.8
Cancellations %	2.5 / 6.5	1.4	n/a	1.51	1.29	1.91	1.76
Mishandled baggage*	4.33 / 5.51	4.25	3.62	3.22	3.09	3.35	3.51
Consumer complaints:							
Airline service	1,480 / 1,713	1,061	15,532	13,176	15,338	11,546	10,988
Disability-related	53 / 75	60	774	683	741	628	572
Discrimination**	6 / 8	5	68	79	99	128	143

Note: In January, airlines reported five tarmac delays of more than three hours on domestic flights and none of more than four hours on international flights; three involved flights departing Chicago O'Hare following a snow storm.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. ACI: Dubai Is World's Major International Connecting Hub.

Atlanta remains the world's busiest airport for passenger traffic, followed by Beijing, London Heathrow and Tokyo Haneda, according to Airports Council International's (ACI) preliminary 2014 report. Los Angeles and Dubai moved ahead of Chicago O'Hare, occupying fifth and sixth rank respectively. Hong Kong is the world's largest air cargo hub, followed by Memphis, Shanghai and Incheon; Anchorage replaced Dubai for fifth place. Chicago O'Hare is the world's busiest airport for aircraft movements, followed by Atlanta, Los Angeles and Dallas/Fort Worth; Beijing moved ahead of Denver for fifth place. Dubai International "has solidified its status as the world's major international connecting hub," reported ACI, and "is the fulcrum that connects long haul international flights from east and west, north and south." Figures are based on reports from 1,095 airports worldwide.

### 2. BWI Project Supports Added International Service.

Baltimore/Washington International Thurgood Marshall Airport (BWI) won state approval for a \$105 million multi-phase project to support additional international service. The expansion includes a new security checkpoint to serve domestic and international travelers and a new secure connector between concourses D and E, to be completed in 2017. Two additional gates for international carriers are scheduled to be available for arriving passengers in 2016.

### 3. \$1.1 Billion Expansion Progressing at Orlando.

A \$1.1 billion expansion underway at Orlando includes a train depot, parking garage, people-mover and two shuttle systems. Main lobby and baggage handling system improvements and an enlarged U.S. Customs and Border Patrol entry point are also planned. International traffic increased 9.6% in 2014, 12% of total traffic.

### 4. Air Canada To Serve Atlantic City.

Air Canada will offer four weekly nonstops from Toronto to Atlantic City, from May 22 to September 7. The Bombardier Q-400 service will be operated by Jazz for Air Canada Express. Airport operator Port Authority of New York & New Jersey said major investments make the seaside airport "an attractive opportunity for carriers internationally, as well as domestically."

5. **Propeller To Develop Passenger Terminal at Paine Field.**

Propeller Airports entered into a public-private partnership with Snohomish County to develop a passenger terminal at Paine Field, near Boeing's Everett, Washington plant, with private financing, and can begin preliminary design work and acquire necessary permits. Under a long-term lease, Propeller is responsible for building and maintaining a two-gate terminal, which ultimately would revert to County ownership. Propeller will make annual rental payments to the county, estimated at \$25 million over the term of the agreement; the county will share terminal revenues. Final timeline for passenger service will become known in the next year.

6. **Hong Kong Approves Third Runway.**

The Hong Kong Executive Council approved construction of a third runway at Hong Kong International. "We wholeheartedly welcome today's endorsement by the Executive Council," said Cathay Pacific CEO Ivan Chu, and believe "that the Airport Authority is fully capable of financing the construction of the third runway through its own means without the need to impose additional financial burden on users." The airline also "holds the view that the Airport Authority, as a public body, should reinvest its income in the development of the third runway so that the airport can maintain its premier hub status and continue to make an important economic contribution to Hong Kong."

7. **Singapore Changi Terminal 1 Upgrade Planned.**

Changi Airport Group (CAG) awarded a \$323 million contract to Takenaka to expand Singapore Changi Airport's Terminal 1, including revamping the departure check-in hall. Vanderlande Industries will upgrade the baggage handling system from semi to fully-automated.

### III. **SECURITY AND DATA PRIVACY**

#### 1. **TSA Officer Injured in Machete Attack at New Orleans International.**

A man with wasp spray and a machete attacked Transportation Security Administration (TSA) officers in the public area outside Checkpoint B at Louis Armstrong New Orleans International Airport. He was shot by a law enforcement officer and later died. A TSA supervisor was hospitalized with non-life threatening injuries. The American Federation of Government Employees repeated its call for “greater law enforcement support at the checkpoint and other key locations”; the union has long “advocated for a new law enforcement unit within TSA, specially trained and armed to respond to such attacks, and for other safety measures at screening checkpoints. We applaud the response of law enforcement officers who ended [the] attack in New Orleans, but many other airports are not prepared to respond as quickly or as effectively.”

#### 2. **TSA PreCheck Enrollment Surpasses One Million.**

More than a million travelers have enrolled in PreCheck since the expedited screening program’s inception in 2011 reports TSA. PreCheck operates at 133 U.S. airports; there are 330 application centers nationwide, including locations at 31 airports. . . . In February, TSA withdrew a request for proposals for contractors to perform background checks on applicants to the PreCheck program because of privacy and other concerns, but it is still “interested in exploring ways to work with the private sector” reports the *New York Times*.

#### 3. **GAO Report Notes Cybersecurity Weakness in ATC System.**

A Government Accountability Office (GAO) report raises questions about cybersecurity of the U.S. air traffic control system. FAA has taken steps to protect its air traffic control systems, but significant weaknesses remain, says the report. FAA also did not fully implement its agency-wide information security program. GAO made 17 recommendations and noted 168 specific actions. FAA concurred with GAO’s recommendations.

#### 4. **ACLU Sues TSA for Records on Behavior Detection Program.**

The American Civil Liberties Union (ACLU) filed a Freedom of Information Act lawsuit seeking records related to any scientific basis for TSA’s Screening Passengers by Observation Techniques (SPOT) program, its effectiveness, and whether it disproportionately targets minorities. “What we know about SPOT suggests it wastes taxpayer money, leads to racial profiling, and should be scrapped,” said ACLU, which initially made this request last year.



**5. Clear Biometric Platform Expanding.**

Biometric secure identity platform Clear is expanding to Baltimore and Miami this spring, bringing number of airports using the program to 12. Among unique features are touch-to-pay technology, and Clear members can order snacks as they move through the Clear lane, ready for pickup post-security. Clear brought its secure identity platform to AT&T Park with a pop-up lane for entry into 10 San Francisco Giants baseball games and plans to expand to additional stadiums and other major venues in 2015. The Department of Homeland Security's (DHS) SAFETY Act office approved the expanded platform said Clear CEO Caryn Seidman-Becker.

## IV. **E-COMMERCE AND TECHNOLOGY**

### 1. **Airlines Create Apple Watch Apps.**

Airlines are creating apps for the Apple Watch that will allow passengers to check real-time flight information, baggage pickup location and weather at destination, among other possibilities. The Apple Watch becomes available on April 24.

### 2. **Estonian Rolls Out Portable IFE Streaming Solution.**

A lightweight, portable inflight entertainment (IFE) streaming solution developed by Dutch company MI Airline has been implemented across Estonian's fleet of CRJ900 NextGen and Embraer 170 aircraft. Launched in January, the system enables customers to connect Wi-Fi enabled mobile devices and notebook computers to a secure in-cabin network and read newspapers and magazines, view RSS-feeds, chat with others onboard, play games, etc. The system does not require passengers to install an app and the service is free. Mainport Innovation Fund, founded by KLM, Schiphol Group, Delft University of Technology and Rabobank, supports MI Airline.

### 3. **Marrakech, New York City Top Best Destinations List.**

New York again ranked first among favorite U.S. destinations, in TripAdvisor's 2015 Travelers' Choice awards, and Marrakech jumped to first place from fifth for worldwide favorites. The other top U. S. cities are Chicago, Charleston, Las Vegas, Seattle, San Francisco, New Orleans, Palm Springs, California and San Diego; worldwide favorites are Siem Reap, Istanbul, Hanoi, Prague, London, Rome, Buenos Aires, Paris and Cape Town. TripAdvisor says results are "based on millions of reviews and opinions" culled from "200 million reviews and opinions covering more than 4.5 million accommodations, restaurants and attractions." TripAdvisor's 25 websites operate in 45 countries and include airfarewatchdog, gateguru and seatguru.

## V. ENERGY AND ENVIRONMENT

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

Average price of aviation jet fuel, as of March 6, was \$74.6/barrel, up 3.6% on the month and down -39.2% compared to a year ago, reports IATA. Fuel price average for 2015 was \$71.4/barrel. Impact on 2015 fuel bill was -\$83 billion.

### 2. Hainan Flies Commercial Flight With China-Made Biofuel.

Both CFM engines of a regularly scheduled Hainan Boeing 737-800 passenger flight from Shanghai to Beijing were powered by a 50:50 blend of biofuel mixed with conventional petroleum jet fuel. Sinopec made the biofuel from waste cooking oil collected from restaurants in China. Boeing collaborates widely in China to develop a new sustainable aviation biofuel industry. In 2011, Air China conducted China's first aviation biofuel test flight on a Boeing 747-400 using China-grown, jatropha-based biofuel.

### 3. Dragonair Begins Shanghai-Hong Kong Biofuel Flights.

Cathay Pacific unit Dragonair is operating passenger service from Shanghai Hongqiao to Hong Kong using a 50:50 blend of fossil-based jet fuel and bio-based jet fuel refined from 100% used cooking oil as feedstock. Emissions for the flight decrease approximately 25 tons. The Rolls-Royce Trent engine powered Airbus A330-300 does not require special handling or monitoring. The biofuel is fully certified and manufactured in accordance with international standards. This is the first international commercial flight operation from Mainland China using a biofuel blend.

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

### **1. DHS Funded Through September 30.**

As an agency shutdown loomed, Congress removed provisions that would have reversed Administration immigration policies and passed a bill to fund the DHS for remainder of fiscal year, through September 30. The bill provides \$39.7 billion in discretionary funding, up \$400 million over fiscal year 2014, and, said the House, “prioritizes frontline security, including all operational, counterterrorism and threat-targeting activities, and essential tactical equipment, and reduces overhead costs and cuts funds for lower-priority programs.”

### **2. House Hearing on FAA Reauthorization.**

The House Subcommittee on Aviation held a hearing on FAA reauthorization, which expires September 30 and was preceded by five years of short-term extensions and a partial shutdown; Congressional leaders pledged not to repeat such actions. Transportation Committee Chairman Bill Shuster (R-PA) called for significant reforms to modernize the air traffic control system, “something the FAA has been working on since the beginning of the Reagan Administration. Unfortunately, we have too little to show for it except for cost overruns and delays [and] many stakeholders have understandably lost confidence in FAA’s ability to modernize.” Subcommittee Chairman Frank LoBiondo (R-NJ) said major areas of concern include “the agency’s inefficient and overly burdensome certification processes” for unmanned aerial systems (drones). In his testimony, FAA Administrator Michael Huerta said three-fourths of more than 200 requirements the FAA Modernization and Reform Act of 2012 mandates have been completed. Among Huerta’s remarks: “We need reauthorization to allow FAA to better align resources with needs of the National Airspace System (NAS), by providing FAA greater flexibility to modify service levels to support changing industry demand. Reauthorization should establish flexibilities, such as exemptions from existing law, needed to enable safe and efficient integration of new users, including UAS and commercial space transportation vehicles, into the NAS. The airport infrastructure must be maintained; we propose to increase the Passenger Facility Charge (PFC) to \$8 to allow for needed investments in commercial service airports. Restructuring funding for the Airport Improvement Program (AIP) to better respond to needs of smaller airports is critical to ensuring that all users of the system have the infrastructure in place to meet their future needs.”

**3. Groups Lobby Congress on Airport Fees.**

As Congress debates the FAA Reauthorization bill, airlines and airports weighed in regarding FAA's proposals to increase PFCs. "Significant airline investments combined with airports' resources and funding streams provide airports with the funds for improvement projects," wrote airline CEOs in a letter urging House and Senate leadership to oppose an increase in the current PFC. "Since 2008, over \$70 billion of capital projects have been completed, are underway or approved at the nation's 30 largest airports alone, and development is robust at smaller airports across the country as well," say airlines, who view the PFC as "yet another tax on passengers." But Airports Council International-North America says \$75.7 billion is needed over the next five years to complete infrastructure projects, including those not eligible for AIP funding. Commercial airports account for \$62.2 billion (82.1%) of that figure, including: large hubs \$40.1 billion (52.9%); medium hubs \$9.1 billion (12%); small hubs \$7.7 billion (10.1%); and non-hubs \$5.3 billion (7.1%). . . . Senators Mazi Hirono and Brian Schatz of Hawaii and Lisa Murkowski of Alaska reintroduced legislation to exempt their states and communities that rely on essential air service from the proposed PFC hike, saying, "In Alaska, 80% of communities are off the road system and air travel is often the most efficient way to travel between communities, especially in remote areas. Similarly, in Hawaii, no railway, trucking, or bus systems connect it to other states or the islands themselves, so air transportation serves as Hawaii's primary interstate and intrastate highway system."

**4. House Hearing on Visa Waiver Program; JOLT Act Re-filed.**

The House Subcommittee on Border and Maritime Security held a hearing to examine whether the State Department's Visa Waiver Program (VWP) threatens homeland security; 38 countries participate in the program, which allows visa-free travel into the U.S. "Although DHS continuously vets all visa applicants against our terrorism databases, we do not routinely get the critical information we need to identify and stop foreign fighters bound for the U.S. from our overseas partners in the program," said Subcommittee Chair Candice Miller (R-Mich.). . . . A bill that would strengthen and expand the VWP was re-filed, having been introduced in 2013. The JOLT Act (Jobs Originated Through Launching Travel) would mandate several otherwise discretionary security requirements.

## VII. BILATERAL AND STATE DEPARTMENT NEWS

### 1. Obama Administration Reviews Claims of Gulf Airline Subsidies.

The dispute between the three largest U.S. airlines and airlines of the United Arab Emirates (UAE) continued. DOT told Reuters it is thoroughly reviewing the matter in close coordination with interagency partners and has asked Delta, United and American technical and clarifying questions related to their allegations that Persian Gulf airlines (Emirates, Etihad and Qatar) received government subsidies totaling more than \$42 billion. . . . The three U.S. airlines and their unions contend the subsidies violate Open Skies agreements with Qatar and the UAE, and asked the Administration to freeze additional Gulf-airline departures to the United States and modify or revoke the bilaterals. “To be clear,” they say on their website dedicated to the controversy (fairskies.org), “we support Open Skies 100% [but] the UAE and Qatar have turned Open Skies on its head and violated both its letter and spirit. Instead of letting the market determine prices, frequencies and routes, the Gulf airlines rely on their governments’ subsidies and largesse to compete unfairly, including their expansion into markets that would not otherwise be accessible through fair market-based competition, rendering U.S. airlines and their employees a mere regional jet service for the Gulf carriers’ massive global network.” . . . . But airport, travel and consumer groups and other U.S. airlines, oppose their campaign, charging it attempts to thwart international competition. In an open letter to the Secretaries of State, Transportation and Commerce, FedEx Express President/CEO David Bronczek wrote: “These U.S. passenger carriers do not fly extensively between foreign points like FedEx does. They believe they have little to risk by limiting foreign carrier access to U.S. markets. What they want is for the U.S. government to protect them from competition from able, attractive new entrants.” From its Dubai hub, a gateway into Africa, FedEx flights from the U.S. “criss-cross with our flights from India and Asia in order to move U.S. products into local markets.” FedEx operates almost two-thirds more flights to the Middle East than all U.S. passenger carriers combined. “Modifications to this agreement might spell the end of these opportunities, closing off those markets to our customers,” writes Bronczek “in support of U.S. shippers.” . . . CEOs of the Gulf carriers charge that bankruptcy protection and post-9/11 government bailouts, as well as antitrust immunity for transatlantic joint ventures (JVs), amount to U.S. subsidies. They met separately with U.S. government officials in Washington to discuss the controversy and spoke at the U.S. Chamber of Commerce Annual Aviation Summit. “American consumers, international gateway airports, local and regional economies, and businesses will be the ultimate victims of

the protectionist campaign being run by Delta, American and United,” said Emirates President Tim Clark. “Air passengers are not proprietary to airlines,” he noted. “We don’t ‘take’ or ‘steal’ customers. We offer a great product at a competitive price, which appeals to the consumers who choose to fly with us.” The campaign by the U.S. carriers, he added, “is really about them protecting the revenue they earn from their JV partners. But why should the U.S. government defend the interests of the European JV partners of these three U.S. carriers? For that matter, what is the U.S. national interest in forcing passengers to inconveniently connect in Frankfurt, Paris, Amsterdam or London, while depriving them the right to choose more efficient routing with a higher level of service?” . . . European Union Transport Commissioner Violeta Bulc will seek a new mandate to reopen talks with Persian Gulf states over unfair subsidies to airlines, responding to a request from France and Germany. And, the French and German Secretaries of State for Transport in a joint statement said, “European airlines are losing market share against the Gulf companies, because of unfair competitive practices, and in particular because of significant public subsidies and guarantees they enjoy”; they called for a common strategy to control foreign operations with traffic rights in the EU.

## VIII. EUROPE AND AFRICA

### 1. European Airlines Increase Summer Service.

Association of European Airlines members intend to operate 2.4 million flights for the summer season (end of March to end of October), 1.1% more than last year. Seat offers will increase by 2.2 %, with 4.8 million seats added on the intra-European market and 2.8 million to destinations beyond Europe. Percentage wise. The largest long haul expansion areas are the Caribbean, Middle East and Central America.

### 2. Delta, Virgin Atlantic Add Summer Service.

The Delta/Virgin Atlantic transatlantic partnership expanded with six new daily summer services; they will offer up to 39 daily flights between the UK and 15 destinations across North America. The joint schedule now includes eight daily departures from New York Kennedy and two from Newark. Virgin Atlantic is launching a second daily service from London Heathrow to Los Angeles, where the first Virgin Atlantic Clubhouse opens in April. A second Virgin Atlantic service to Atlanta will operate daily and a second to San Francisco will operate five days a week. Delta is flying one of the Newark-Heathrow services previously operated by Virgin Atlantic, while Virgin Atlantic will take over Delta's Atlanta-Manchester service.

### 3. JetBlue, Icelandair To Code Share.

Under a proposed code share agreement subject to government approvals, JetBlue's code would be placed on seven Icelandair routes between the U.S. and Reykjavik, and eight routes to Scandinavia and Continental Europe, available non-stop via Icelandair's Reykjavik hub. The Icelandair code would be placed on JetBlue flights from Boston and New York Kennedy to 14 U.S. cities, including Los Angeles and San Francisco. The airlines partner on an interline basis. . . . In other news, Icelandair will launch service to Portland, Oregon, its 14th North American gateway, in May.

### 4. Ryanair Board Says No Transatlantic Flights Planned.

The Board of Ryanair Holdings clarified that "it has not considered or approved any transatlantic project and does not intend to do so," following press reports that the Irish carrier planned to operate low-cost flights between Europe and the United States within five years.



**5. Stefan Pichler Takes Helm of airberlin.**

Stefan Pichler is now CEO of airberlin, replacing Wolfgang Prock-Schauer who resigned. Pichler formerly held executive positions at Lufthansa, Thomas Cook, Virgin Blue, V Australia, Fiji and Jazeera. Etihad acquired a 29.2% stake in airberlin in 2012.

**6. CAA Cites Airlines in Passenger Rights Breaches.**

The UK Civil Aviation Authority (CAA) announced enforcement action against Aer Lingus, Jet2 and Wizz Air for failing to comply with passenger rights requirements during disruption. Jet2 and Wizz Air failed show that they consistently compensate passengers for disruption caused by technical faults. Jet 2 and Wizz Air impose two-year time limits for passengers to take compensation claims to court, despite a Court of Appeal ruling that passengers should have up to six years. And, Jet2 and Aer Lingus failed to demonstrate that they proactively inform passengers of their rights. While Ryanair does not apply a two-year limit, CAA is still concerned about its response to claims and will review its approach.

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

### **1. Report on MH370 Disappearance Offers Few Clues.**

On the one-year anniversary of the disappearance of Malaysia Airlines Flight MH370, international investigators issued an interim report which did not identify cause and noted there was nothing suspicious in the financial, medical or personal histories of pilots or crew. The report reveals that an emergency locator beacon battery had expired. The Boeing 777, with 227 passengers and 12 crew onboard, was spotted on a wayward course by Malaysian military and civil primary radars and by Thai radar, but not by Indonesia, before it vanished on March 8, 2014, after departing Kuala Lumpur for Beijing. It is believed to have crashed in the Indian Ocean off Australia, but an international search of the sea bed has turned up no trace of the aircraft. “Malaysia remains committed to the search, and hopeful that MH370 will be found,” said Prime Minister Najib Razak. . . In related news, Airservices Australia will conduct a trial with regional partners in Malaysia and Indonesia to track long haul flights at least every 15 minutes over remote oceanic areas, which could increase to real time monitoring in abnormal situations; previous tracking rate was 30–40 minutes. The initiative adapts existing technology used by more than 90% of long haul passenger aircraft.

### **2. MAS Restructuring Underway.**

Khazanah, the Malaysian government’s strategic investment fund that now controls Malaysian Airline System (MAS) has initiated a recovery plan and moved up the appointment of former Aer Lingus CEO Christoph Mueller as MAS Managing Director and CEO, effective May 1. MAS operations, assets and liabilities will migrate to a new company, MAB Airlines, on July 1. It will reduce the workforce in stages. Capacity will decrease by more than 10% this year, and growth will center on profitable domestic and regional routes. . . . In other news, Malaysia announced that a new airline, flymojo, will operate within ASEAN and bordering regions from primary hub at Johor Bahru, Johor and secondary hub at Kota Kinabalu, Sabah. A Letter of Intent was signed with Bombardier for 20 CS100s, with options for an additional 20. Managing Director is Janardhanan Gopala Krishnan.

### **3. JetBlue, Royal Air Maroc Propose Code Share Agreement.**

Under a proposed code share agreement, Royal Air Maroc would place its code on JetBlue flights between New York Kennedy and 22 U.S. destinations, subject to government approval. Additionally, customers of both airlines will be able to purchase a single ticket with seamless bag transfers via Casablanca to

Marrakesh and 15 other Moroccan destinations, and a further 24 destinations in West Africa. Royal Air Maroc recently introduced its first Boeing 787 Dreamliner on the Casablanca-New York Kennedy route.

4. **Emirates Begins Boston Flights, Announces Orlando.**

Emirates launched service to Boston in March, and will begin daily Boeing 777-200LR flights from Dubai to Orlando in September, its 10<sup>th</sup> U.S. passenger destination. Greater Orlando Aviation Authority said the service will bring “a \$100 million economic impact annually to the region.” Emirates code shares with JetBlue, which serves 24 cities from its Orlando hub.

5. **Etihad Deploys Dreamliner on Washington Service.**

Etihad deployed a Boeing 787-9 Dreamliner on daily Abu Dhabi-Washington, D.C. service, configured with eight first suites, 28 business studios and 199 economy smart seats. The carrier serves six U.S. destinations, with connections to “34 destinations in the Middle East and Indian Subcontinent [and sees] strong demand for travel between the U.S. and India.”

6. **Qatar Adds Frequency, Capacity to Miami.**

Qatar will increase Miami frequency and capacity, launched in June. In May, 335-seat B-777-300ERs will replace 259-seat Boeing 777-200LRs. In November, the five weekly services will convert to daily. . . . CEO Akbar Al Baker expressed interest in acquiring stakes in well-run airlines like India's IndiGo, and raising its 9.99% stake in oneworld partner IAG.

7. **Qantas Launches Daily Airbus A380 Service to Dallas/Fort Worth.**

Qantas will increase its six weekly Sydney-Dallas Airbus A380 flights to daily from December 8 to January 19, to meet holiday season demand.

8. **ACCC Proposes To Deny Qantas-China Eastern Agreement.**

The Australian Competition and Consumer Commission proposed denying authorization for Qantas and China Eastern to coordinate operations between Australia and China, as their proposed Joint Coordination Agreement “is likely to result in significant public detriment.” Together the two airlines account for more than 80% of capacity on direct services on the Sydney-Shanghai route, including the only daily flights. The route accounts for around 24% of all direct flights between China and Australia.

## **X. AMERICAS**

### **1. U.S. Airlines 2015 Spring Travel Forecast.**

U.S. airlines will handle 135 million passengers during March and April, according to Airlines for America (A4A), the highest spring travel number in seven years and 2% more than same period last year. . . . For 2014, Alaska, Allegiant, American/US Airways, Delta, Hawaiian, JetBlue, Southwest, Spirit, United and Virgin America collectively reported net profit of \$7.3 billion. The 10 publicly traded airlines ended 2014 with \$66 billion in debt, having paid down \$16 billion in debt over past two years. Capital expenditures were \$13.9 billion in 2014, with \$16 billion expected in 2015. At end of 2014, 1,800 new aircraft were on firm order valued at \$94 billion. International air travelers to/from the United States reached a record high of 197.3 million in 2014, up 6.5% from 2013, with U.S. carriers transporting 52% of the total.

### **2. Southwest Adds Central America, Caribbean Service.**

Southwest began daily nonstops between Costa Rica and Baltimore, and a weekly seasonal nonstop between Aruba and Houston Hobby. This is Southwest's first international flight from Hobby, where it will complete construction of a \$156 million international terminal project in October.

### **3. JetBlue, Silver Airways Code Share.**

Under a new code share partnership, the JetBlue code initially will be placed on 14 Silver Airways routes across Florida and later on 13 from Florida to The Bahamas, subject to regulatory approval. The airlines cooperate on an interline basis. Silver operates 145 daily flights to 28 destinations in Florida and The Bahamas, as well as the Mid-Atlantic region from Washington-Dulles, with 27 Saab 340B Plus turboprops, and is privately owned by Chicago-based Victory Park Capital. . . . In other news, JetBlue will deploy its "Mint experience" on seasonal New York Kennedy to Barbados and Aruba Airbus A321 service from November. Mint includes private suites, wide seat and the "longest fully-flat bed in the U.S. domestic market."

### **4. Alaska to Begin Service from Orange County to Mexico.**

Alaska plans to offer Boeing 737 service from Orange County, California, to Los Cabos and Puerto Vallarta, subject to DOT and Mexican approvals. The year-round nonstops will operate three-times-weekly to Puerto Vallarta and four-times weekly to Los Cabos. . . . Alaska began daily nonstops from Seattle to Washington Dulles and in September will begin serving New York Kennedy.

5. **Air Canada, GOL Sign Code Share Agreement.**

Air Canada and GOL announced a code share agreement, subject to Brazilian and Canadian approvals, that will enhance Air Canada's nonstop service from Toronto to Rio de Janeiro and Sao Paulo. Initially, the Air Canada code will be on flights operated by GOL.

6. **Chorus To Acquire Voyageur Airways.**

Halifax-based Chorus Aviation will acquire Ontario Limited, which owns Voyageur Airways, a provider of international and domestic contract flying operations and engineering and maintenance, subject to approvals. "Voyageur's infrastructure and engineering capabilities will be logical additions to help maximize the value of surplus aircraft as our fleet transitions," said Chorus CEO Joe Randell. Chorus holdings include Jazz Aviation.

7. **Volaris Offers Guadalajara-New York Kennedy Service.**

Low-cost Volaris begins three weekly nonstops to New York Kennedy in July from Guadalajara, where it operates 20 international and 18 domestic flights.

8. **Delta, Virgin Atlantic Add Summer Service.**

See Section VIII, item 2.

9. **JetBlue, Icelandair To Code Share.**

See Section VIII, item 3.

10. **JetBlue, Royal Air Maroc Propose Code Share Agreement.**

See Section IX, item 3.

11. **Emirates Begins Boston Flights, Announces Orlando.**

See Section IX, item 4.

12. **Etihad Deploys Dreamliner on Washington Service.**

See Section IX, item 5.

13. **Qatar Adds Frequency, Capacity to Miami.**

See Section IX, item 6.

14. **Qantas Launches Daily Airbus A380 Service to Dallas/Fort Worth.**

See Section IX, item 7.