



## WASHINGTON AVIATION SUMMARY

### FEBRUARY 2013 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. Huerta Sworn In for Five-Year Term as FAA Administrator.**

Michael Huerta was sworn in for a five-year term as Administrator of the Federal Aviation Administration (FAA), after serving as Acting Administrator; he earlier served as Deputy Administrator. Ray LaHood announced that he will not serve a second term as Secretary of the U.S. Department of Transportation (DOT); he will remain until a successor is confirmed. Janet Napolitano, Secretary of the U.S. Department of Homeland Security (DHS), will continue in her post.

### **2. Boeing 787 Dreamliners Grounded.**

FAA ordered operators to cease operations of Boeing 787 Dreamliners after battery incidents forced an All Nippon Airways (ANA) 787 crew to make an emergency landing and evacuation in Japan, and caused a fire in a parked Japan Airlines (JAL) 787 in Boston. Global aviation authorities followed suit and all 50 Dreamliners in use around the world were grounded. United is the only U.S. airline currently operating the 787, with six units in service. FAA also issued an emergency airworthiness directive to address a battery fire risk in the aircraft and ordered a comprehensive review of the 787's manufacturing and design, with a focus on the electrical systems. The U.S. National Transportation Safety Board (NTSB) is lead investigator on the JAL 787 incident and Japan Transport Safety Board on the ANA. "One of these events alone is serious; two of them in close proximity, especially in an airplane model with only about 100,000 flight hours, underscores the importance of getting to the root cause," said NTSB. The NTSB investigation will include an evaluation of how a fault that resulted in a battery fire could have defeated safeguards in place, and will lead to "recommendations for needed improvements to prevent a recurrence." Boeing is assisting U.S. and Japanese agencies, and has formed teams of engineering and technical experts "with the sole focus of resolving the issue and returning the 787 fleet to flight status." NTSB asked Boeing to provide a full operating history of lithium-ion batteries used in the 787, after ANA and JAL said they had replaced them several times. The batteries were manufactured by GS Yuasa for the Thales electrical installation and are unique to the Boeing 787; the battery monitoring unit is made by Kanto Aircraft Instrument.

### **3. DOT Fines Carriers for Tarmac Delay Violations.**

DOT closed 2012 with fines against Copa Airlines of Panama (\$150,000) and Virgin America (\$55,000) for violating tarmac delay rules. Copa passengers

were stranded aboard an aircraft at New York Kennedy for five hours and 34 minutes on June 22; passengers were not offered food until more than four hours into the delay, and Copa also failed to report the tarmac delay as required. Virgin America was fined for failing to notify passengers in an aircraft delayed at the gate for two hours and 16 minutes at Chicago O'Hare on July 18 that they could leave the aircraft. DOT issued 49 consent orders for consumer rule violations in 2012 and assessed \$3,610,000 in fines; in 2011, 47 orders and \$3,264,000 in fines were issued.

4. **FAA Fines Pinnacle, Trans States.**

FAA proposed a \$275,000 civil penalty against Pinnacle for allegedly operating a noncompliant Bombardier CRJ on 11 flights in October 2010. Because Pinnacle is in Chapter 11, the notice is not a demand for payment; FAA filed the document as part of its proof of claim in the case. . . . FAA proposed two penalties totaling \$633,000 against Trans States Airlines for allegedly operating two noncompliant Embraer 145s on 3,660 passenger flights; the violations were discovered during inspections in 2009, after Trans States returned the leased aircraft to their owner.

5. **Government Granted Filing Extension in Spirit v. Department of Transportation.**

On December 19, the Supreme Court extended the due date for the Government's response to January 28, 2013. The Government requested, and the Supreme Court granted an additional extension of the filing date for its brief in opposition to the Petition for Certiorari until February 27, 2013.

6. **Rule Would Prohibit Use of PEDs in Cockpit.**

FAA is proposing a rule that would prohibit use of personal electronic devices (PEDs) or laptop computers in the cockpit by airline pilots throughout the flight, unless use is directly related to operation of the aircraft, or for emergency or safety-related communications. The proposed rule is intended to ensure that non-essential activities do not contribute to a loss of situational awareness, said FAA, which is accepting comments until March 18. Congress asked for the prohibition after a 2009 incident, in which pilots flew 150 miles past their destination while using personal laptops. In the Colgan Air crash investigation, it was found that a co-pilot texted prior to take-off; NTSB said this was not directly associated with the accident, but recommended that FAA prohibit use of PEDs in the cockpit.

7. **NTSB Issues Recommendations for Maintenance Workers.**

NTSB determined that probable cause of a 2011 air tour helicopter crash near Las Vegas was inadequate maintenance, and issued recommendations to

FAA that affect commercial airlines, including duty time regulations for aircraft maintenance workers. The pilot and four passengers were killed and the Eurocopter AS350 was destroyed.

**8. American, United Accused of Avoiding Chicago Taxes.**

United and American Airlines are alleged to be operating sham offices in Sycamore, Illinois, to avoid paying higher taxes from their Chicago offices. The Regional Transportation Authority (RTA) filed suit against United, while deferring formal action against American which is involved in bankruptcy proceedings. RTA says 25-year agreements guarantee Sycamore as much as a half-million dollars each year the airlines claim they accept jet fuel there. In Chicago, the airlines would be taxed at a 9.5% rate; in Sycamore the sales tax rate is 8%. Sycamore kicks back as much as \$14 million a year to the airlines, claims RTA, and “the airlines have deprived Chicago and Cook County taxpayers, as well as public transportation agencies, of nearly \$300 million over the last seven years.”

**9. DOT Air Travel Consumer Report for November.**

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

	Nov. '12/'11	Oct. '12	Full Year				
			2011	2010	2009	2008	2007
On-time arrivals %	85.7 / 85.3	80.2	79.6	79.8	79.5	76	73.4
Cancellations %	1.0 / 0.7	2.8	1.91	1.76	1.39	1.96	2.16
Mishandled baggage*	2.64 / 2.66	2.83	3.39	3.51	3.91	5.26	7.05
Consumer complaints:							
Airline service	987 / 875	1,300	11,545	10,988	8,821	10,648	13,180
Disability-related	55 / 46	58	630	572	519	477	488
Discrimination**	7 / 9	7	127	143	131	115	99

Notes:

Airlines reported one tarmac delay of more than three hours on domestic flights and one of more than four hours on international flights in November.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. DOT Names New MWAA Accountability Officer.

Lynn Deavers was named DOT's Accountability Officer to the Metropolitan Washington Airports Authority (MWAA), which operates Reagan National and Washington Dulles and oversees the \$6 billion expansion of Metrorail service to Dulles. She replaces Kim Moore who is now House Transportation Committee Counsel for Investigations and Oversight. Deavers reports directly to the DOT Secretary on all matters relating to MWAA accountability, transparency and governance. Since the Accountability Officer position took effect in July, MWAA has established new travel and ethics policies and post-employment and nepotism restrictions, and terminated all non-competitive contracts with former Board members and employees. All employees completed required ethics training and quarterly acquisition reports and forecasts were provided to DOT. A new amendment to the lease with DOT gives the DOT Secretary oversight of MWAA policies and procedures moving forward. MWAA procurement policies are currently under review and personnel policies will be assessed later in 2013. Deavers will serve until a permanent Inspector General for MWAA is established by Congress.

### 2. Group Aims to Improve New York Airports.

The Global Gateway Alliance has been established by leading business executives to address major challenges facing New York Kennedy, La Guardia and Newark airports that could impede long-term growth of the city. "Whether it is congestion into and out of our airports, excessive flight delays, overly burdensome screening processes or poor maintenance of our air terminals," said Chairman Joseph Sitt, the city could "face \$79 billion in economic losses by 2025 if we don't do something about the declining state of our airport infrastructure." Developer Sitt seeded the venture with \$1 million of his own money, reports Crain's.

### 3. Philadelphia, US Airways Agree on Two-Year Lease Extension.

Philadelphia and US Airways agreed on terms of a two-year airport lease extension that runs through June 30, 2015. The agreement will enable the airport to move forward with \$734 million in capital improvements including: a 1,500 foot runway extension, to 12,000 feet, providing capability to accommodate large aircraft flying to any point on the globe; redesigned and enhanced Terminals B and C; replacement of rental car surface lots with multi-story consolidated facility; initial design for automated people-mover system; airside improvements; and continued rehabilitation of other projects.

4. **FAA Approves Chicago's Request to Privatize Midway.**

FAA accepted a preliminary application to privatize Chicago Midway and the city formally opened the bidding process to teams interested in financing, operating, maintaining and improving the airport. Proposed leases must be less than 40 years and the private operator must share revenue with the city on an ongoing basis. A move to privatize Midway failed in 2009 due to the financial recession.

5. **Pittsburgh, Las Vegas Offer Incentives to Airlines.**

Allegheny County Airport Authority is offering incentives ranging from landing fee waivers to marketing support for airlines willing to launch nonstops to destinations desired by local flyers. In a recent poll conducted by the Authority, locals opted for San Diego, Seattle, New Orleans and Jacksonville, among U.S. destinations. . . . Clark County Commissioners approved a program to rebate up to \$250,000 a month to airlines that start new flights or deploy larger jets at Las Vegas McCarran. The renewed effort is meant to offset a 13% decline in passenger traffic due to the recession and loss of the airport's position as a US Airways hub.

6. **M.A.G Acquires Stansted.**

Heathrow Airport Holdings (formerly BAA) agreed to sell its 100% interest in Stansted to Manchester Airports Group (M.A.G), which also owns and operates Manchester, East Midlands and Bournemouth. Industry Funds Management (IFM) was named a strategic investor (35.5%) in M.A.G as part of the £1.5 billion transaction; IFM has investments in nine airports across Australia. Stansted is London's third busiest airport and the UK's fourth busiest. Sale is expected to close by end of February; Heathrow Airport Holdings then will operate four airports: Heathrow, Southampton, Aberdeen, and Glasgow.

7. **Berlin Brandenburg Delayed Again.**

The Berlin Brandenburg project was delayed again, from a target date of October 27, 2013 to 2014; the CEO was fired and Berlin's mayor stepped down as Board Chairman. The German government, Berlin and Brandenburg are stakeholders in the airport, to be called Willy Brandt International. The European Commission (EC) approved a €1.2 billion capital injection by the public owners. The EC also found the flight paths are different from those put forth in a European Union environmental impact assessment and will consider legal action against Germany; the routes would take planes over lakes and other habitats used by protected birds.

**8. \$9.3 Billion Airport Planned for Istanbul.**

Turkey plans to construct a \$9.3 billion airport in Istanbul, with annual capacity of 90 million passengers by 2017, and eventually 150 million. The six-runway facility will be built in four phases. Deadline for proposals is May 3.

**9. Dubai Opens A380 Concourse.**

Dubai Airports began a phased opening of an Airbus A380 facility on Concourse A at Terminal 3, to be used exclusively by Emirates Airlines. Dubai International annual passenger capacity will increase to 75 million when Concourse A is fully operational; 2012 traffic is expected to reach 57 million.

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

#### **1. TSA Replaces Rapiscan Units With L-3 Scanners.**

The Transportation Security Administration (TSA) will replace Rapiscan backscatter machines at airport checkpoints with L3 Millimeter Wave body scanners, which are equipped with privacy software. TSA terminated a contract with Rapiscan manufacturer OSI Systems, as the company could not meet a target date set by Congress of June 1, 2013 (delayed from June 1, 2012) for rewriting software to produce generic passenger images. House Homeland Security Committee Chairman Michael McCaul (R-TX) commended TSA Administrator John Pistole for protecting flyers' privacy and rectifying a problem that predates his tenure; however McCaul intends to hold a hearing to determine whether this episode "has resulted in the waste of more taxpayer dollars."

#### **2. TSA Seeks Private Security Firms for Two Airports.**

TSA is seeking private firms to replace federal screeners at Orlando-Sanford and will re-compete services at San Francisco International, which joined the Screening Partnership in a 2004 pilot program. Sacramento withdrew its application in the face of opposition from the American Federation of Government Employees, the union that represents TSA airport screeners.

#### **3. TSA Tests "Managed Inclusion" Screening Program.**

TSA is testing "Managed Inclusion," in which passengers in security lines can be selected by behavior detection officers to switch to underutilized TSA PreCheck lanes. The program is being tested in Indianapolis and Tampa. Administrator Pistole said 31% of passengers went through TSA PreCheck lanes on the day before Thanksgiving in Indianapolis, instead of the usual 5%, due to use of Managed Inclusion.

#### **4. JetBlue Offers Ancillary Expedited Security Service.**

JetBlue Airways is testing "Even More Speed," which allows all JetBlue passengers to use expedited security lanes for a \$10 fee. The standalone offering, available at 46 airports, has been available as part of the airline's "Even More Space" program.



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

### **1. Group Begins Study of PED Use.**

A government-industry group formed by FAA to examine inflight use of portable electronic devices met for the first time. Representatives from the mobile technology and aviation manufacturing industries, pilot and flight attendant groups, and airlines reviewed public comments on FAA's current PED policies, guidance and procedures for operators. Issues to be examined include testing methods operators use to determine which new technologies passengers can safely use and when they can use them. The group will also look at the establishment of technological standards associated with use of PEDs during any phase of flight. They will not consider inflight use of cell phones for voice communications, which currently are prohibited by the Federal Communications Commission (FCC) through regulation of the radio spectrum. Established through an Aviation Rulemaking Committee, the group will meet for six months and then present its recommendations to FAA.

### **2. FCC to Increase Wi-Fi Speeds, Reduce Wi-Fi Congestion at Airports .**

The Federal Communications Commission will free up unlicensed spectrum in the 5 gigahertz band, beginning in February, in order to increase Wi-Fi speeds by up to 35% and alleviate congestion at major hubs, such as airports, convention centers and large conference gatherings. In addition to higher data speeds and greater capacity, the effort will enable improved HD video distribution capability, said FCC Chairman Julius Genachowski.

### **3. Travelport, American Agreement Expires.**

American said it would provide uninterrupted access to its content for display and sale through the Travelport global distribution systems (GDSs), as their agreement expired, and would continue to work toward a new agreement if Travelport displays its content in a fair and neutral manner. American and Travelport have been involved in antitrust counterclaims since 2011. . . . In other Travelport news, full content distribution agreements were reached with Virgin Australia and Copa Airlines. Travelport operates the Galileo, Apollo and Worldspan distribution channels.

### **4. Sabre Files Countersuit Against US Airways.**

Sabre Holdings filed an antitrust lawsuit against US Airways in Manhattan federal court, alleging the airline did not negotiate its contract in good faith and that it colluded with other airlines; Sabre cited IATA's New Distribution Capability (NDC), calling it an agreement among airlines to withhold content.

The Sabre lawsuit is a countersuit to a 2011 antitrust filing by US Airways, which charged the GDS with monopolizing the market. In related news, Airlines for America and the International Air Transport Association filed a motion to unseal court documents from the Sabre-American Airlines case. The motion claims that Sabre engaged in anti-competitive business practices. American and Sabre settled the case in 2012, but A4A and IATA say Sabre sealed more than 100 documents days before the case was settled.

5. **Amex Global Business Travel Trimmed Amid ‘Digital Revolution.’**

American Express will “reengineer the business model in Global Business Travel to reduce its cost structure and invest in capabilities that better align it with the shift of customer volumes to online channels and automated servicing tools.” A company-wide cut of 5,400 jobs will mostly affect the travel businesses, “which operate in an industry that is being fundamentally reinvented as a result of the digital revolution.” Job reductions related to the shift to online were also made in 2004, 2008 and 2011.

6. **Travel Agent 2012 Air Ticket Sales Up 3.35%.**

Consolidated dollar value of airline tickets sold by 13,596 U.S. retail and corporate travel agencies, satellite ticket printing offices, and online travel agencies reached \$79.8 billion during first 11 months 2012, up 3.35% over same period 2011, said Airlines Reporting Corp. (ARC), and up 9.8% over same period 2010. Figures do not include sales of tickets purchased directly from airlines. Total amount paid for a ticket includes taxes and fees.

7. **Wikipedia Launches Travel Site.**

Wikipedia launched wikivoyage.org, a “free encyclopedia” of travel knowledge compiled by volunteer authors worldwide. Travel-related articles, including phrasebooks and suggested itineraries, numbered more than 26,500 in December 2012 at the end of the testing phase.

## V. ENERGY AND ENVIRONMENT

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

Average price of aviation jet fuel, as of January 18, was \$131.2/barrel, up 2.7% on the month and up 2% year-on-year, reports the International Air Transport Association. Fuel price average for 2013 was \$129.6/barrel.

### 2. Study Finds Airlines Could See 2012 Windfall Gains From EU ETS.

A study by Dutch consultancy CE Delft says airline 2012 financial results could include up to €1.3 billion in windfall profits from the European Union Emissions Trading Scheme (EU ETS). Delft estimates income from passenger fuel surcharges on transatlantic routes for period January to October 2012, until the 'stop the clock' announcement in November, ranges from €5 million for US Airways to €15.5 million for Delta. The study was commissioned by Brussels-based NGO Transport & Environment, which suggested carriers contribute their windfall to the UN's Green Climate Fund. Airlines for America dismissed the report, saying there is no scenario under which U.S. carriers are making or will make money from EU ETS.

### 3. Biofuel News.

The House and Senate passed the American Taxpayer Relief Act, which includes a one-year extension of the special allowance for cellulosic biofuel plant property, the tax credit for alternative fuel vehicle refueling property and the cellulosic biofuel producer tax credit, and expands the list of cellulosic feedstocks to include algae. . . . 2012 was a banner year for advanced biofuels, writes *Biofuels Digest*, as six key projects were completed; 12 bellwether biofuels projects are slated for 2013. . . . Finland-based Neste Oil will produce 4,000 metric tons of renewable jet fuel annually using sustainable Spanish camelina oil and used cooking oil, under EU-funded ITAKI (Initiative Towards Sustainable Kerosene for Aviation) project. The renewable fuel will be blended with conventional fossil aviation fuel and distributed to European airlines for use on commercial flights. The three-year ITAKA project was granted €10 million under the EU's Seventh Framework Program for Research and Development (2007-2013). Consortium includes Airbus and Embraer.

### 4. USDA Awards \$25 Million for Bioenergy Research Projects.

The U.S. Department of Agriculture awarded grants for research and development of next-generation renewable energy and high-value biobased products from biomass sources. Projects selected are: Kansas State University (\$5,078,932), to make oilseed crop camelina a cost-effective biofuel

and bioproduct feedstock; Ohio State University (\$6,510,183), to create an anaerobic digestion system for production of liquid transportation fuels and electricity from animal manure, agricultural residues, woody biomass and energy crops; Salt Lake City-based Ceramatec (\$6,599,304), to convert lignocellulosic biomass to infrastructure-compatible renewable diesel, biolubricants, animal feed and biopower; and USDA-Agricultural Research Service, in Wyndmoor, Pa. (\$6,865,942), to develop on-farm distributed technology for converting forest residues, horse manure, switchgrass and other perennial grasses into biofuels and high-value specialty chemicals. Each award was made through a competitive selection process. USDA also is helping companies build biorefineries; more than 130 USDA-funded biodiesel and ethanol projects are producing 3.7 billion gallons of biodiesel and ethanol annually, enough to power 5 million road vehicles every year.

5. **Brazil Developing Jatropha as Alternative Energy Crop.**

SG Biofuels partnered with biodiesel refiner Fiagril and Embrapa (Brazilian Agricultural Research Corp.) to produce biofuel from the jatropha plant. SGB said its ongoing trials in Brazil “demonstrate the superior performance of its Jatropha hybrids compared to commercial varieties in terms of plant vigor, health, flowering time, stress tolerance, seed and oil yield across multiple geographies.”

## VI. U.S. CONGRESS

### 1. LoBiondo Appointed Chair of House Aviation Subcommittee.

Frank LoBiondo (R-NJ) was named Chairman of the House Aviation Subcommittee by House Transportation and Infrastructure Committee Chairman Bill Shuster (R-PA) for the 113th Congress. LoBiondo has been a Subcommittee member since 1997. Nick Rahall (D-WV) is Ranking Leader of the Committee and Rick Larsen (D-WA) is Subcommittee Ranking Member. . . . In the Senate, Chairman of the Commerce, Science and Transportation Committee John D. Rockefeller IV (D-WV) said he will retire in 2014.

### 2. McCaul Names Goals for House Homeland Security Subcommittee.

New House Homeland Security Committee Chairman Michael McCaul (R-TX) said he will work to bolster U.S. defenses against cyber attacks on critical infrastructure and on ensuring that all DHS operations are effective and taxpayer dollars are not mismanaged, among other goals. The “dysfunctional management” of DHS “continues to hinder security operations and cost taxpayers billions of dollars in waste,” he said. Richard Hudson (R-NC) was named Chairman of the Transportation Security Subcommittee. Jeff Duncan (R-SC) is Chairman of the Subcommittee on Oversight and Management Efficiency.

### 3. Bill Would Extend Pilot Rest Rules to All-Cargo Ops.

A bill that would require the Secretary of Transportation to modify the final rule relating to flight crew duty and rest requirements for air carrier passenger operations to apply to all-cargo operations of air carriers was introduced in the House by Michael Grimm (R-NY) and Tim Bishop (D-NY). Airlines for America (A4A) urged Congress to reject the proposed legislation, calling it “ill-advised with no basis in science or relevant data.” All stakeholders actively participated in the original rulemaking, said A4A President and CEO Nicholas Calio, “which was composed of a scientific review of existing safety measures, fatigue mitigations and diverse airline operating environments.”

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

### **1. U.S. Comments on Eased Travel Restrictions in Cuba.**

A measure ending Cuba's exit visa requirement took effect in January, allowing most citizens to leave with only a current passport and national identity card, presuming they obtain an entry visa from another country. The allowable length of stay overseas increases from 11 months to two years. The U.S. Department of State took a guarded view of the event, saying, "We welcome any reform, including this one, that makes it easier for Cubans to travel, [but Cuba] is still one of the most repressive places in terms of its human rights record, in terms of its restrictions on its citizens, in terms of speech, assembly, political rights, etc. But we welcome any liberalization and we hope that this will turn out to be one such."

### **2. US, Guyana Discuss Open Skies Agreement.**

The signing of a new U.S.-Guyana air transportation agreement was postponed from December 12. American Ambassador to Guyana Brent Hardt told Guyana media the two sides need to agree on a memorandum that was omitted but is now being reviewed by Washington. The pact will replace one between the U.S. and the UK that was signed in Bermuda on February 11, 1946. Guyana inherited that agreement at the time of independence in 1966, reports Demerara Waves Media.

### **3. State Department Updates Travel Warnings.**

The U.S. Department of State updated its Travel Warnings to include Algeria, El Salvador, Kenya, Libya, Mali and Niger. Travel Warnings are issued when long-term conditions make a country dangerous or unstable, leading the Department to recommend that Americans avoid or consider the risk of travel to that country. A Travel Warning is also issued when the U.S. government's ability to assist American citizens is constrained due to closure of an embassy or consulate or because of a drawdown of its staff.

## VIII. EUROPE AND AFRICA

### 1. Air France Names New Regional Airline “HOP!”

Air France consolidated its regionals Brit Air, Regional and Airlinair under the name of HOP! From summer, HOP! will operate 530 daily flights to 136 destinations, using 98 aircraft with 48 to 100 seats. Fares begin at €55 each way. In other news, Air France will introduce a discount fare on February 6 for travel to 58 destinations. The new MiNi product, which starts at €49 and does not earn miles, targets “the 40% of short- and medium-haul customers traveling without checked baggage,” said the airline.

### 2. Virgin Atlantic Names Craig Kreeger CEO.

Craig Kreeger was named CEO of Virgin Atlantic, effective February 1. He succeeds Steve Ridgway, who is retiring after 23 years with the airline. Kreeger was with American Airlines for more than 25 years, where he held a variety of senior positions with a concentration on international partnerships. “Craig has the experience and passion to drive Virgin Atlantic forward and capitalize on the opportunities created by our new venture with Delta,” commented Virgin founder Richard Branson. Jon Snook replaces Kreeger as American's Senior Vice President of Customer Service. . . . In other news, Virgin Atlantic has a wet lease agreement with Aer Lingus for services from London Heathrow to Manchester, Edinburgh and Aberdeen, to begin March 31 with the summer schedule.

### 3. Air Berlin Names New CEO, Expands American Code Share.

Wolfgang Prock-Schauer was named CEO of Air Berlin, succeeding Hartmut Mehdorn who held the position on a transitional basis since September 2011. Prock-Schauer will become an Executive Director on the Board and Mehdorn will remain a member. Prock-Schauer was CEO of Jet Airways and bmi. Under a new restructuring program, Air Berlin will cut some 900 jobs and concentrate on its most profitable routes. . . . In other news, Air Berlin is expanding its code share with oneworld partner American Airlines, with 43 new connecting flights within the U.S., and daily Dusseldorf-Chicago service.

### 4. EU Extends Ryanair-Aer Lingus Review to March.

EU competition regulators extended their review of Ryanair's latest bid to acquire Aer Lingus by one week to March 6, after Ryanair offered additional concessions.

5. **UPS Abandons Plans to Acquire TNT.**

United Parcel Service (UPS) abandoned plans to acquire Dutch company TNT Express, anticipating a veto from EU regulators. The European Commission said the proposed merger would have reduced competition in 15 EU countries, and remedies offered by UPS were insufficient.

6. **Qatar's Stake in Cargolux Returned to Luxembourg.**

Qatar Airways sold its 35% stake in Cargolux back to the Luxembourg State. Paul Helminger was named Chairman of the Cargolux Board of Directors.

7. **Fastjet to Create Kenyan Joint Venture.**

African low-cost carrier Fastjet signed a memorandum of understanding with grounded Kenyan airline Jetlink Express, reports *Air Transport World*, paving the way for a joint venture. FastJet, which launched in November, operates two domestic routes from Dar es Salaam.

8. **Boeing 787 Dreamliners Grounded.**

See Section I, item 2.



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

### **1. JAL Expands Brazil Network With American Code Share.**

Japan Airlines will add Rio de Janeiro as a new destination and increase the number of code share flights with oneworld partner American Airlines to Sao Paulo. As part of their trans-Pacific joint business agreement, JAL will market American-operated roundtrips from Dallas Fort Worth and New York Kennedy to the two destinations.

### **2. Cross-Strait Airlines Form Alliance.**

Mainland airlines China Southern, China Eastern and Xiamen signed a cooperation agreement with Taiwan's China Airlines to form the "Greater China Connection" program. The four SkyTeam members "will share resources to establish a common set of cross-Strait membership services," including reciprocal frequent flyer miles and lounge access, security and passport clearance, and boarding and baggage handling. Passengers that purchase outbound tickets from any of the four airlines can change inbound tickets to code share flights of the others, in accordance with ticket terms; this also applies to connecting flights. The Greater China Connection program covers 270 weekly flights, half of cross-Strait capacity, to 41 airports.

### **3. Air China to Begin Houston Service.**

Air China will begin four weekly Boeing 777-300ER flights to Houston Bush from Beijing Capital on July 11, pending DOT approval. The carrier will increase service to New York and Los Angeles in March and to Vancouver in May; and will upgrade San Francisco service to an all-passenger Boeing 747-400 in March.

### **4. Hainan to Begin Chicago Nonstops.**

Hainan will begin Beijing-Chicago nonstops in September, operating two-class Airbus A330-200s. Hainan also flies from Beijing to Toronto and Seattle.

### **5. American, Qatar to Code Share.**

American Airlines and Qatar Airways agreed to code share beginning February 26, subject to government approvals. The airlines will code share on nonstops between the U.S. and Doha, flights connecting at their European gateways, and flights to cities in the U.S. and beyond Doha. Qatar was invited to join oneworld in October 2012.

6. **ACCC Grants Interim Authorization to Qantas-Emirates Alliance.**  
The Australian Competition and Consumer Commission (ACCC) granted interim authorization for the proposed Qantas-Emirates alliance, on condition that they do not engage in anti-competitive conduct on services between Australia and New Zealand. Subject to government and regulatory approvals, the airlines will implement cooperation on passenger and freight operations across their networks; they are booking for travel beginning March 31.
7. **Emirates Doubles A380 Capacity to New York and Paris.**  
Emirates doubled service from Dubai to both New York Kennedy and Paris Charles De Gaulle, now offering twice daily A380 flights.
8. **Privatization Plan Cleared for Kuwait Airways.**  
Kuwait's parliament approved a privatization plan for Kuwait Airways that includes a government-appointed panel to oversee the transition.
9. **Boeing 787 Dreamliners Grounded.**  
See Section I, item 2.
10. **Qatar's Stake in Cargolux Returned to Luxembourg.**  
See Section VIII, item 6.

## **X. AMERICAS**

### **1. United Announces 6% Staff Reduction After 2012 Loss.**

United reported a 2012 loss of \$723 million and announced a 6% reduction in management and administrative staff, to begin in early February. A 7% reduction in officer headcount was announced in December. Superstorm Sandy reduced Q4 revenue by \$140 million and profit by \$85 million; full-year 2012 consolidated unit costs (CASM) increased 6.7% year-over-year.

### **2. Delta to Acquire Pinnacle.**

Comprehensive agreements reached with Delta, Air Line Pilots Association (ALPA) and the Creditors' Committee in Pinnacle's Chapter 11 cases were approved by the bankruptcy court. A reorganization plan, which must be filed by February 15, will provide for Delta or an affiliate to acquire the equity in Pinnacle after it emerges from bankruptcy. Pinnacle will transition to operating a fleet of 81 fuel-efficient, two-class regional jets for Delta, and the new pilots' pact includes career opportunities at Delta. Pinnacle will relocate its headquarters from Memphis to Delta-leased space at Minneapolis-St. Paul International Airport.

### **3. AMR Seeks Extension to April 1 for Emerging From Bankruptcy.**

American Airlines parent AMR asked the bankruptcy court to extend from March 11 to April 1 its exclusive right to submit a proposal to pay creditors and emerge from court protection; the request was supported by the Unsecured Creditors Committee. . . . Merger talks with US Airways continued. The airlines completed discussions with pilots' unions intended to develop a framework for employment terms and a process for pilot integration. Transport Workers Union said American's ground workers will get a 4.3% raise if a merger occurs, as part of a memorandum of understanding with both airlines that outlines a process to develop a combined seniority list and honors an equity grant and other contract terms already approved by the bankruptcy court. Upon reaching a tentative agreement with US Airways, Association of Flight Attendants said it secured immediate improvements, and "the strongest position possible for any discussions related to the next merger." American's customer service agents rejected a bid to be represented by Communications Workers of America, which said the potential merger "provides another opportunity for American agents to have a union voice, since US Airways agents have union representation." . . . American signed a 12-year capacity purchase agreement with Republic to provide large regional jet flying for the first time in the company's history, subject to court approval. Republic will

acquire 53 two-class Embraer E-175s, to be branded with American Eagle livery and operated by Republic. The court approved American's request for \$1.5 billion in aircraft financing that takes advantage of lower interest rates, overruling opposition by trustee U.S. Bancorp, which wanted AMR to pay a make-whole premium. American unveiled a new logo and exterior for its fleet. . . . AMR asked the court to approve the leasing of 15 landing slots at New York Newark to Virgin America as of March 30; currently, four are leased by Porter, 10 by United and one by American. Surrender of three gates by yearend will save American about \$25 million, exceeding potential rejection damages by United and Porter. . . . The court approved American's request to sell for \$23 million a 5,242 square-foot London town house that was used by company executives.

4. **Southwest Offers Paid Boarding Option.**

Southwest now offers early boarding positions at the gate on day of travel for \$40 per flight, as available. Southwest will begin nonstops between Chicago Midway and both Montego Bay, Jamaica, and Punta Cana, Dominican Republic in April, subject to governmental approvals, to be operated by subsidiary AirTran.

5. **JetBlue to Increase Latin America, Caribbean Service.**

Latin America and the Caribbean destinations now make up almost one-third of JetBlue's route network. The carrier is adding daily Airbus A320 nonstops from Fort Lauderdale to San Jose, Costa Rica and Medellin, Colombia in June, subject to government approvals. JetBlue also will launch service to Charleston, S.C., Albuquerque and Philadelphia this year.

6. **Copa Announces Service to Boston.**

Star Alliance member Copa will begin daily Boeing 737-800 nonstops to Boston in July, bringing total U.S. destinations to eight. Frequencies to Orlando will increase, said the Panamanian airline, which saw 24% growth in 2012 over 2011.

7. **Boeing 787 Dreamliners Grounded.**

See Section I, item 2.

8. **Air Berlin Names New CEO, Expands American Code Share.**

See Section VIII, item 3.

9. **UPS Abandons Plans to Acquire TNT.**

See Section VIII, item 5.

10. **JAL Expands Brazil Network With American Code Share.**  
See Section IX, item 1.
11. **Air China to Begin Houston Service.**  
See Section IX, item 3.
12. **Hainan to Begin Chicago Nonstops.**  
See Section IX, item 4.
13. **American, Qatar to Code Share.**  
See Section IX, item 5.