



## WASHINGTON AVIATION SUMMARY

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

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## **I. REGULATORY NEWS**

### **1. DOT Issues Interim Policy on Mistaken Fares.**

The U.S. Department of Transportation (DOT) issued an interim notice of Enforcement Policy Regarding Mistaken Fares, stating it would not enforce post-purchase pricing rules if the airline or seller of air transportation demonstrates the fare was mistaken and reimburses consumers for certain expenses. In an earlier Notice of Proposed Rulemaking on transparency of airline ancillary fees and other consumer protections, DOT had said it was contemplating revising the post-purchase price provision to better address the issue of mistaken fares, and expressed concern regarding how quickly mistaken fares are spread through internet postings. This enforcement policy will remain in effect until DOT issues a final rule that specifically addresses mistaken fares.

### **2. Delta Files for New Orlando-Sao Paulo Nonstops.**

Delta filed for regulatory approval to offer four new weekly Boeing 767 nonstops between Orlando and Sao Paulo Guarulhos, beginning December 19. A strategic alliance with GOL extends the reach of this service to 20 interior Brazil destinations.

### **3. DOT Fines Hawaiian for Violating Rules.**

DOT fined Hawaiian Airlines \$160,000 for violating federal rules on liability for mishandled domestic baggage and full-fare advertising. Hawaiian limited reimbursement for damages associated with delayed baggage to \$30 a day for a maximum of three days, limiting its liability far below the \$3,400 minimum level federal law requires. In addition, Hawaiian advertised a discount for consumers who signed up for a credit card, but those who obtained the card and attempted to use the discount on the Hawaiian website were automatically provided a higher fare, a violation of the full-fare advertising rule.

### **4. FAA and Industry Will Study Pilot Fitness**

Responding to the recent Malaysia Flight 370 and Germanwings Flight 9525 incidents, the Commercial Aviation Safety Team, comprised of the Federal Aviation Administration (FAA) and industry, recommended studying U.S. commercial pilots' emotional and mental health. The Pilot Fitness Aviation Rulemaking Committee (ARC), which includes U.S. and international government and industry aviation experts and medical professionals who specialize in aerospace medicine, will provide FAA with recommendations within six months. ARC will examine awareness and reporting of emotional

and mental health issues, methods used to evaluate pilot emotional and mental health, and barriers to reporting such issues. Depending on the group's recommendations, FAA may consider changes to medical methods, aircraft design, policies and procedures, pilot training and testing, training for Aerospace Medical Examiners, or potential actions by professional, airline or union groups. Per Federal Aviation Regulations, U.S airline pilots undergo a medical exam with an FAA-approved physician every six or 12 months depending on age.

5. **FAA Adopts New AD for Boeing 787.**

The FAA warned that a Boeing 787 “that has been powered continuously for 248 days can lose all alternating current (AC) electrical power due to the generator control units (GCUs) simultaneously going into failsafe mode.” The agency issued an interim airworthiness directive (AD) requiring a repetitive maintenance task for electrical power deactivation. Boeing is developing a GCU software upgrade to address the unsafe condition. FAA said risk to the flying public justifies waiving notice and comment prior to adoption of the rule; however, “comments on the overall regulatory, economic, environmental, and energy aspects” are invited. The AD affects 28 airplanes of U.S. registry.

6. **FBI Probes Aircraft Hacking, Chemical Weapons Claims.**

The Federal Bureau of Investigation (FBI) is investigating a security expert's claim that he used a Boeing 737 inflight entertainment system to access certain flight control systems and alter the airplane's flight. Boeing professed “complete confidence in the cyber-security measures of its airplanes,” saying multiple layers of protection “are designed to ensure the security of all critical flight systems from intrusion.” Boeing disagreed with elements of an April Government Accountability Office report, which cites the need to protect the air traffic control system and aircraft systems from cybersecurity challenges. “Modern aircraft are increasingly connected to the Internet,” states the report. “This interconnectedness can potentially provide unauthorized remote access to aircraft avionics systems.” Boeing said “the report contains some key technical and factual information that is incorrect and should not be considered as a definitive source on the systems architecture on board modern airplanes.” . . . The FBI is also investigating threats of chemical weapons aboard 10 flights on the Memorial Day holiday, including an Air France flight that was escorted by military planes on approach to Kennedy Airport. The phoned threats are thought to have been made by a single person. No weapons were found. Officials said such threats are not uncommon.

**7. FAA Proposes Civil Penalties Against Airlines.**

FAA proposed a \$58,600 civil penalty against FedEx for allegedly violating Hazardous Materials Regulations on several occasions in 2014. Among them, FedEx accepted hazardous materials shipments that were not properly classed, described, packaged, marked, labeled and in the condition required by regulations. . . . A \$266,375 civil penalty was proposed against Allegiant Air for allegedly violating drug and alcohol testing regulations. Among them, Allegiant failed to include in its random drug and alcohol testing pools 25 employees that it hired or transferred into safety-sensitive positions.

**8. DOT Air Travel Consumer Report for March.**

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

	March '15 / '14	Feb. '15	Full Year				
			2014	2013	2012	2011	2010
On-time arrivals %	78.7 / 77.6	72.8	n/a	78.34	81.85	79.6	79.8
Cancellations %	2.2 / 1.9	4.8	n/a	1.51	1.29	1.91	1.76
Mishandled baggage*	3.42 / 3.66	3.92	3.62	3.22	3.09	3.35	3.51
Consumer complaints:							
Airline service	733 / 1,107	1,362	15,532	13,176	15,338	11,546	10,988
Disability-related	52 / 66	56	774	683	741	628	572
Discrimination**	3 / 4	5	68	79	99	128	143

Note: Airlines reported one tarmac delay of more than three hours on domestic flights in March, and none of more than four hours on international flights

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. New York LaGuardia Phase One Redevelopment Begins.

Port Authority of New York and New Jersey announced the start of redevelopment of LaGuardia Airport and selected LaGuardia Gateway Partners to design, construct, operate and maintain the \$3.6 billion facility. Phase one includes demolishing the central terminal, creating a new facility with a central entry portal, and unifying terminals, consistent with New York Governor Andrew Cuomo's Airport Advisory Panel's recommendations. A public-private partnership will fund construction, with private sector contributing \$2 billion and Port Authority \$1 billion. LaGuardia Gateway Partners is comprised of Vantage Airport Group for operations management, Skanska and Meridiam for development and equity investment; Skanska and Walsh Construction as construction joint venture; and HOK and Parsons Brinckerhoff as design joint venture. Vancouver Airport Authority and Gateway Airports (formerly Citi Infrastructure Investors) owns Vantage Airport Group.

### 2. Airport Hopping.

Manchester Airports Group (MAG), which owns and operates UK airports Manchester, London Stansted, East Midlands and Bournemouth, appointed Rosemarie Andolino to the newly created role of CEO and President of MAG US, effective June 1. The unit will develop and operate terminal and retail solutions, passenger lounges and car parking facilities, from headquarters in New York City. Andolino was Chicago Department of Aviation (CDA) Commissioner until November. . . . Chicago Mayor Rahm Emanuel named Ginger Evans CDA Commissioner, tasking her with making O'Hare a global gateway and creating express train service from downtown to O'Hare and Midway. Evans has been Engineering Vice President at Metropolitan Washington Airports Authority for the past year, where she was responsible for construction at Reagan National and Dulles and the Silver Line Metrorail project, and maintenance of the Dulles Toll Road. She earlier was Aviation Director for Denver International.

### 3. Congress Urged to Maintain Current Flight Rules at Reagan, Dulles.

Virginia and the District of Columbia legislators oppose "any attempts aimed at changing the current High Density (slot) and perimeter rules at Ronald Reagan Washington National." In a letter to leaders of the Senate Commerce and House Transportation Committees, amid FAA reauthorization hearings, they wrote, "Changes in flight activity resulting from legislative loosening of the slot and perimeter rules, combined with airline mergers and commercial

transactions, have led to significant congestion and stress on National's facilities." Since 2000, domestic passengers at National rose 31%, and declined 9% at Dulles, said the letter, attributable in part to changes made by Congress to operational rules at National.

**4. United Invests in Houston, Los Angeles Projects.**

United will invest \$500 million, in partnership with the City of Los Angeles, to "refresh virtually all of its customer-facing space" at Los Angeles International, with completion planned for December 2017. . . . In Houston, the carrier broke ground on its new Terminal C North concourse at George Bush Intercontinental. The \$244 million project will create a 265,000-square-foot facility, 100,000 square feet larger than the existing Terminal C North, with 11 passenger boarding gates. Upon completion, expected in early 2017, Houston Airport System will demolish the existing terminal to enable reconstruction of the Mickey Leland International Terminal D.

**5. YVR Launches Public Consultation for Future Land Use Planning.**

Projects Vancouver Airport Authority approved last year, including a connecting hub, were supported by a consultation program for a 20-year Master Plan. The airport expects 25 million passengers by 2020, up from a record 19.4 million last year.

**6. TAV Signs Loan Deal for Milas-Bodrum Operation.**

Turkish airport operator TAV signed an agreement with Istanbul-based Deniz Bank for a €162 million loan to finance Milas-Bodrum, an airport on the Aegean coast with annual passenger volume of 3.9 million. TAV won the rights to operate terminal facilities at the airport until end of 2035.

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

#### **1. U.S. to Expand Preclearance to 10 Additional Airports.**

The United States intends to negotiate to expand preclearance operations to 10 new airports, including Brussels, Belgium; Punta Cana Airport, Dominican Republic; Narita International, Japan; Amsterdam Schiphol, Netherlands; Oslo Airport, Norway; Madrid-Barajas, Spain; Stockholm Arlanda, Sweden; Istanbul Ataturk, Turkey; and London Heathrow and Manchester, UK. Nearly 20 million passengers traveled from these airports to the United States in 2014. The U.S. currently has air preclearance locations in Dublin and Shannon, Ireland; Aruba; Freeport and Nassau in The Bahamas; Bermuda; Calgary, Toronto, Edmonton, Halifax, Montreal, Ottawa, Vancouver and Winnipeg in Canada; and Abu Dhabi, United Arab Emirates. Last year, U.S. Customs and Border Protection (CBP) cleared over 16 million passengers through these locations.

#### **2. Baggage Handlers Charged With Conspiracy To Transport Drugs.**

Criminal charges were brought against three Southwest baggage handlers at Oakland International and members of a drug trafficking organization for circumventing Transportation Security Administration (TSA) checkpoints and illegally transporting drugs across the country. The baggage handlers allegedly used their security badges to open a secure door that separates the Air Operations Area (AOA) from the sterile passenger terminal where outbound passengers who already passed through the TSA security and screening checkpoint wait to board their flights. The baggage handlers then gave baggage containing marijuana to passengers who transported drugs in carry-on luggage on their outbound flights. The baggage handlers were not required to pass through a TSA security screening checkpoint to enter the AOA. The conspiracy was operating as early as July 2012, said the Justice Department. Homeland Security Secretary Jeh Johnson commended the work of the U.S. Attorney's Office for the Northern District of California, the FBI and the Internal Revenue Service and noted changes in the screening and vetting of all airport-based employees, including a requirement for fingerprint-based Criminal History Records Checks every two years for all Security Identification Display Area badge holders, and encouraging detection and reporting of threat activity.

#### **3. Watchdog Releases TSA Records of Alleged Sexual Assaults at Airports.**

Judicial Watch released detailed passenger accounts of alleged sexual assaults by Transportation Security Officers at several airports, including Denver International, Chicago O'Hare and Los Angeles International. The

documents were released in response to its 2014 Freedom of Information Act (FOIA) lawsuit against the Department of Homeland Security. In his response, TSA Acting Administrator Melvin Carraway said, “If an investigation is warranted it will be conducted swiftly and thoroughly and the employees involved will be held accountable for their actions,” and added, “To present as fact a handful of passenger complaints from the hundreds of millions of screenings performed each year is a far cry from any standard of objectivity and only serves to perpetuate misinformation and mistrust in an organization dedicated to serving the American people.” According to its website, Judicial Watch is a “conservative, non-partisan educational foundation.”

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

### 1. **Sabre To Acquire Abacus.**

Texas-based Sabre will acquire Abacus International, which serves travel agents across Asia-Pacific and has “the leading portfolio of low-cost content and Chinese airline content.” Sabre, which currently holds a 35% stake in Abacus, will purchase remaining shares owned by a consortium of 11 Asian airlines for \$411 million and sign new long-term distribution agreements with them. Abacus will operate as a region of Sabre Travel Network. Sabre will continue a partnership to provide technology services to Japanese GDS INFINI. Subject to regulatory approvals and other closing conditions, the transaction is expected to close in third quarter. Sabre expects the transaction to increase revenue by more than \$300 million in 2016.

### 2. **Expedia Sells Stake in Chinese Travel Company eLong.**

Expedia sold its 62.4% stake in Chinese online travel company eLong to China-based purchasers, including Ctrip, Keystone Lodging, Plateno Group and Luxuriant, for total purchase price of \$671 million. Expedia and Ctrip agreed to allow their customers to benefit from certain travel product offerings for specified geographic markets. Expedia brands include Hotwire, Travelocity, Egencia and Trivago.

### 3. **Court Dismisses Flight Attendants’ Lawsuit on PED Use.**

The U.S. Court of Appeals for the District of Columbia Circuit dismissed the Association of Flight Attendants’ (AFA) lawsuit to reinstate restrictions on use of personal electronic devices (PEDs) during takeoff and landing. FAA lifted the restriction in 2013, directing airlines to determine whether such usage poses a safety risk. The appeals court said it “has no jurisdiction to consider AFA’s challenge to the procedural change.”

### 4. **JetBlue To Offer Amazon Streaming on Fly-Fi.**

Amazon and JetBlue will collaborate to provide free, unlimited, on-demand entertainment to Amazon Prime members on Fly-Fi, the airline’s inflight Internet service. All passengers will be able to rent or purchase titles from Amazon. Fly-Fi will be available on all JetBlue Airbus A321s and A320s this year and its Embraer E190s in 2016.

### 5. **Gogo Receives STC for Next Generation Satellite Internet Service.**

Gogo received the first of two Supplemental Type Certificates (STCs) from FAA required for its 2Ku next generation satellite connectivity service, which

could launch later this year. The initial certification allows Gogo to conduct flight tests on its own 737-500 flying lab. 2Ku is expected to deliver peak speeds of more than 70 Mbps to the aircraft, more than 20 times faster than its first generation Air to Ground solution in the U.S. More than 2,300 aircraft are equipped with Gogo inflight Internet, entertainment, text messaging, voice and other communications-related services on eight major airlines.

**6. Virtual Reality App for Sharjah Tourism Initiative.**

Dubai-based Merlin Digital demonstrated a smartphone virtual reality app at the Arabian Travel Market in Dubai that features a 360-degree tour of attractions in Sharjah. Created for an initiative that aims to attract 10 million tourists to the emirate by 2021, the app features English and Arabic audio commentary, as users navigate Sharjah's Maritime Museum, Museum of Islamic Civilization, Arabia's Wildlife Centre, Al Majaz Waterfront, Al Qasba, Central Souk and Souk Al Arsah.

## V. ENERGY AND ENVIRONMENT

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

Average price of aviation jet fuel, as of May 8 was \$78.7/barrel, up 13.4% on the month and down -35.4% compared to a year ago, reports the International Air Transport Association (IATA). Fuel price average for 2015 was \$72/barrel. Impact on 2015 fuel bill was -\$82.1 billion.

### 2. FAA To Re-Evaluate Method for Measuring Effects of Aircraft Noise.

FAA will poll residents near 20 airports by mail and telephone about aviation noise, through 2016, as part of a review of its approach for measuring effects of exposure. The data will be used “to determine whether to change FAA’s current approach, as well as consideration of compatible land uses and justification for federal expenditures for areas that are not compatible with airport noise.” New technologies have resulted in dramatically quieter aircraft since the Day-Night Average Sound Level 65 decibel metric became the guideline at which federal funding is available for soundproofing or other noise mitigation; however, residents near airports are concerned about aircraft noise associated with the aviation industry’s continuing growth. FAA said if changes are warranted it “will propose revised policy and related guidance and regulations, subject to interagency coordination, as well as public review and comment.”

### 3. Alaska Airlines To Purchase Renewable ATJ Fuel.

Alaska Airlines agreed to purchase Gevo's renewable jet fuel and fly the first-ever commercial flight on alcohol-to-jet fuel (ATJ), which the company says “can be seamlessly integrated into the existing distribution infrastructure and onto commercial aircraft.” The demonstration flight will occur when Gevo receives ASTM International certification, expected later this year. Alaska was the first U.S. airline to fly multiple commercial passenger flights using a biofuel from used cooking oil—75 flights between Seattle and Washington, D.C. and Seattle and Portland in November 2011—and has set a goal to use sustainable aviation biofuel at one or more of its airports by 2020.

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

### **1. House Appropriations Approves FY 2016 Transportation Bill.**

The House Appropriations Committee approved a fiscal year 2016 Transportation, Housing and Urban Development funding bill, which includes \$15.9 billion in total budgetary resources for FAA, \$159 million above FY 2015 enacted level and \$40 million above the request. This will provide full funding for all air traffic control (ATC) personnel, including 14,500 air traffic controllers, 7,400 safety inspectors, and operational support personnel. The bill funds the Next Generation Air Transportation System (NextGen) at \$931 million, and contract towers at \$154 million. The bill rejects Administration proposals for new passenger facility and general aviation fees. An amendment would cut \$22 million from the FAA administrative account to help offset increased funds for the Washington Metro Transit Authority.

### **2. FAA Reauthorization Hearing on ATC Modernization, Reform.**

The Senate Commerce Committee held its fifth hearing on FAA reauthorization, focusing on ATC modernization and reform, which Committee leaders said, has for years “been plagued by cost overruns, schedule delays, performance shortcomings, and a lack of buy-in by airspace users, [as well as] structural and governance limitations that impede FAA’s ability to manage the ATC system and provide reliable financing.” . . . In his testimony, FAA Administrator Michael Huerta said FAA has made “major progress in modernizing our airspace system through NextGen,” which “has already yielded \$1.6 billion in benefits to airlines and the traveling public.” Huerta noted the number of planes that can land at Atlanta Hartsfield-Jackson has increased by up to 5%, which translates into five more planes per hour. Delta is saving up to two minutes of taxi time per flight, saving \$13 million to \$18 million in operating costs annually, said Huerta. . . . United Chairman, President and CEO Jeffrey Smisek called for complete transformation of the ATC system that would include separation of operations and safety regulation functions; a non-profit corporation operating the system, with independent, multi-stakeholder governance; a management team of the ATC provider, incentivized to pursue efficiencies without constraints imposed on government agencies; a self-funding user fee model based on cost of ATC services, free from budget constraints that have resulted in sequester and furloughs of air traffic controllers; the ability to manage assets and capital investments in a way that allows far greater speed to market of technological modernization; and, transparency in user fees.

**3. Senators Say Resolution 787 Could Lead to Discriminatory Pricing.**

Several Senate Democrats expressed concern in a letter to DOT Secretary Anthony Foxx about measures in IATA Resolution 787 that could allow one consumer to be charged more than another for the same seat on the same flight on the basis of personal information collected about the individual. They asked for a DOT response on how it: will ensure airfare vendors do not penalize consumers who choose to shop anonymously and not participate in personalized pricing; evaluated Resolution 787 for potential benefits and harms to consumers and abusive or discriminatory practices by airfare vendors; and will mitigate harms to consumers posed by personalized pricing; as well as what privacy requirements will govern information collected by airfare vendors using personalized pricing. Edward Markey (Mass.), Bill Nelson (Fl.), Maria Cantwell (Wash.), Al Franken (Minn.), Cory Booker (NJ) and Richard Blumenthal (Conn.) signed the letter. Resolution 787 is the foundation document for the New Distribution Capability (NDC), a program launched by IATA for the development and market adoption of a new XML-based data transmission standard.

**4. Bill Would Address Vulnerabilities in TSA Expedited Screening.**

The Securing Expedited Screening Act, which would address vulnerabilities in how TSA carries out expedited airport checkpoint screening, was introduced in the House by Committee on Homeland Security Ranking Member Bennie Thompson (D-MS) and John Katko (R-NY) and Kathleen Rice (D-NY), Chairman and Ranking Member of the Transportation Security Subcommittee, respectively. H.R. 2127 directs TSA to make expedited screening available only to individuals who are vetted participants in TSA PreCheck and other trusted traveler programs, passengers in certain age groups, military service members and other populations identified by TSA as known and low risk. TSA could provide expedited screening to passengers outside these groups by an alternate secure vetting method validated in an independent assessment submitted to Congress. The bill requires TSA to maintain availability of expedited screening at or above current level, even as it refines the population that is eligible for such screening.

## VII. BILATERAL AND STATE DEPARTMENT NEWS

### 1. U.S.-Cuba Update.

JetBlue was among airlines announcing new charter service to Cuba, offering weekly flights from New York Kennedy to Havana with partner Cuba Travel Services from July 3; JetBlue flies to Cuba from Tampa and Fort Lauderdale with other charter partners. . . . Following authorization from FAA to operate passenger charters, Eastern Air Lines said it would fly twice daily from Miami to Havana and weekly to Camaguey and Santa Clara for HavanaAir, in a partnership that eventually will include additional approved U.S. gateway cities. . . . Amid ongoing efforts to normalize relations with Cuba, the Obama Administration issued licenses to several U.S. companies to revive ferry services from Florida, subject to Havana's approval.

### 2. Debate With Gulf Carriers Continues.

Delta, American and United's CEOs held a forum entitled "Restoring Fair Competition to the Skies," at the National Press Club, as they await response from the Departments of State, Transportation and Commerce to a White Paper claiming that Emirates Airline, Qatar Airways and Etihad received more than \$40 billion in subsidies from their governments, in violation of open skies rule; they have requested new talks with Qatar and the United Arab Emirates (UAE) and restrictions on new U.S. flights. . . . The Partnership for Open & Fair Skies, a coalition of the three airlines, unions and others, released a study which found the Persian Gulf carriers have failed to meaningfully stimulate new traffic to and from the United States, and are diverting passengers from U.S. airlines. But in its comments to U.S. regulators regarding the White Paper, International Airlines Group (IAG) said much of the Gulf carriers' increased passenger traffic has not been taken from existing operators, and noted benefits for U.S. travelers, including new destinations, direct city-pairs and competitive service and prices. (Qatar Airways is an IAG shareholder.) . . . A Brookings study, "Open Skies: Estimating Travelers' Benefits from Free Trade in Airline Services," finds that further eliminating government restrictions on airline fares, routes and the number of carriers in countries with significant airline traffic could save passengers an additional \$4 billion, while eliminating the pacts would cause travelers to lose \$3 billion annually. . . . The Etihad commissioned Edgeworth Report finds the big three U.S. airlines reaped a \$71.48 billion benefit from restructuring under Chapter 11 and pension fund bailouts, creating "a highly distorted market." . . . U.S. House Judiciary Committee members asked the Administration to inquire into subsidized Gulf carrier allegations and report back findings, and another 250 members of

Congress requested full consultations with Qatar and the UAE “to stem the tide of subsidized capacity that their state-owned airlines are deploying on international routes to the United States, in direct contravention to the U.S. open skies policy”; they quoted union findings that “each daily international roundtrip frequency lost/forgone by U.S. airlines because of subsidized Gulf carrier competition results in a loss of hundreds of U.S. jobs.” . . . But Cargo Airline Association urged the U.S. government to reject protectionist changes, saying “unilaterally freezing foreign carrier services or otherwise acting at odds with open skies agreements would invite retaliatory measures and threaten U.S. commerce.” And U.S. Travel Association said “government-imposed ‘freezing’ of any service, as the U.S. Big Three have requested, would constitute a shattering of open skies agreements from which there is no going back.” . . . In Washington to meet with government officials and prepare for launches to Los Angeles, Boston and Atlanta, Qatar Airways Group CEO Akbar Al Baker called the debate “a transparent attempt to block new competition and limit consumer choice,” and cited support from U.S. airports; travel, trade and consumer groups. “We serve markets in the Gulf region and Indian subcontinent that U.S. carriers do not serve,” he said. “We don’t receive handouts or subsidies from the state. The state is the owner of the airline but it’s within the right of any owner to inject equity. We are independent. We are operating a very successful model of an airline that is owned by the state as a commercial company.” . . . In Europe, the Dutch government said Gulf carriers will not be allowed new landing rights at Amsterdam Schiphol. The European Commission (EC) has said it would address French and German competition concerns and propose a commercial aviation agreement with the Gulf region later this year. . . . But, said Emirates President Tim Clark in an interview with *The National* in Abu Dhabi, Europeans other than Air France/KLM and Lufthansa “are less keen on protectionism.” Clark named Portugal and Denmark among countries that have courted Emirates. Milan “was so badly served by U.S. carriers,” he said, “that we were asked by the Italian government to take over the Malpensa operation [and that] market has expanded overall for us and for them. This is what happens when we enter a ‘fifth freedom’ market. Dubai is a hub of multiple city pair permutations. The attacks by the troika have made us rethink the model. When we did Milan, 20 other cities asked us to do the same. This is what the U.S. airlines want to stop.” Clark denied allegations of state aid and said, “We’ve received material evidence that the U.S. airline industry was in receipt of billions of dollars of subsidy over many years, \$155 billion in the last century, according to an official report by U.S. authorities. This was in addition to the Chapter 11 assistance.” Clark compared U.S. domestic air travel to low-cost bus travel. “The terminals are full of frightened people sitting on the floors because they’ve no facilities, being shouted at by airline agents and cabin crew who are

stressed themselves because of the working conditions.” Clark said people like IAG CEO Willie Walsh, Ryanair’s Michael O’Leary and easyJet’s Carolyn McCall, “who believe in change and progress in aviation,” are reshaping the industry.

**3. Canada Expands China Transit Program.**

Canada’s China Transit Program (CTP), which allows eligible Chinese citizens to transit through Canada without a visa when they are traveling to and from the United States, will expand effective June 1 to include Seoul Incheon and Tokyo Narita and Haneda. Cities already in the CTP are Beijing, Shanghai, Taipei, Hong Kong, Manila and Guangzhou. The Canadian government also “plans to abridge the administrative process required for new airlines to participate” in the program. Canadian Airports Council noted that “just 5% of Asia-U.S. transit traffic flowing through Canada’s hub airports would result in 3,200 jobs, \$270 million in GDP and \$110 million in revenues to government.”

## VIII. EUROPE AND AFRICA

### 1. Irish Government Supports IAG Offer for Aer Lingus.

Aer Lingus agreed to a cash offer from International Airlines Group (IAG), and the Irish government announced its support, “following detailed and careful consideration of all of the issues involved in a potential disposal of the State’s 25.1% minority shareholding.” Among its commitments, IAG plans to sustain and create employment in Aer Lingus and the wider economy; protect the Aer Lingus brand and head office location in Ireland; and honor connectivity commitments, particularly between Irish airports and London Heathrow. Aer Lingus will continue to hold its existing slots at Heathrow, and will operate its current frequencies between London Heathrow and Dublin, Cork and Shannon for at least seven years post-acquisition. IAG plans to use Dublin as a gateway hub for transatlantic routes and expects 2.4 million more passengers and four additional destinations in North America by 2020. The sale, valued at €1.4 billion, is subject to parliamentary vote and shareholder and regulatory approval. Aer Lingus’ largest shareholder, Ryanair, has made three unsuccessful attempts to acquire the flag carrier and has long fought competition authorities that want to reduce its 29.8% stake in Aer Lingus to a maximum 5%. IAG, parent of British Airways, Iberia and Vueling, is headed by Willie Walsh, who was an Aer Lingus CEO, rising through the ranks from pilot.

### 2. France Increases Air France-KLM Stake.

The French government increased its shareholding in Air France-KLM from the current 15.88% to nearly 18% to achieve more control.

### 3. EC Accepts Concessions From Delta-Air France-Alitalia Alliance.

The EC accepted concessions from SkyTeam members Air France-KLM, Alitalia and Delta that include relinquishing slots on Amsterdam-New York and Rome-New York routes and, for premium passengers, on Paris-New York for a period of ten years; they also will allow rivals to sell tickets on their flights and provide access to frequent-flier programs on the routes. The legally binding commitments “lower barriers to entry or expansion,” said the Commission.

### 4. Alitalia To Exit Air France-KLM Partnership.

Alitalia CEO Silvano Cassano said agreements with Air France-KLM, due to expire in 2017, will not be renewed as they “are no longer beneficial, either commercially or strategically, to the new Alitalia and its ambitious turnaround plan. They were negotiated when Alitalia was in a very different position, with

the result that the agreements in their current forms favor the other party.” Etihad holds a 49% stake in Alitalia.

**5. Neeleman, Efromovich Selected in TAP Privatization Process.**

Portugal selected bids for a 61% stake TAP from two Brazil-based consortia: Gateway, comprised of Azul and JetBlue founder David Neeleman and Portuguese bus operator Barraqueiro Group; and SAGEF, led by Avianca Holdings Chairman German Efromovich. TAP pilots staged a 10-day strike.

**6. American Begins Miami-Frankfurt Service.**

American began daily Boeing 767-300 service to Frankfurt from Miami International. The airport noted that Lufthansa provides daily flights on the same route, and this fall Austrian and Turkish will begin scheduled service from Miami to Vienna and Istanbul, respectively.

**7. Debate With Gulf Carriers Continues.**

See Section VII, item 2.

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

### **1. Air China Expands Los Angeles-Beijing Service.**

Air China began a third nonstop Los Angeles-Beijing service. The four weekly Boeing 777-300ER flights will increase to daily on July 1. . . . In other China News, regulators will tighten safety assessment and supervision of foreign commercial carriers operating in Chinese airspace. Civil Aviation Administration of China (CAAC) said some airlines' substandard operations pose safety risks that have resulted in accidents. Xinhua reports that 156 foreign air carriers have been cleared to operate in China, with 374,000 flights last year, accounting for 11% of total flights in China. . . . And, China's Ruili Airlines will acquire 60 Boeing 737 Max aircraft through Avic International Leasing and Minsheng Financial Leasing for \$6.13 billion. The privately-owned budget carrier is based at Changshui International Airport in Kunming, the capital city of Yunnan province.

### **2. Cathay Pacific Launches Boston-Hong Kong Service.**

Cathay Pacific launched four-times-weekly Boeing 777-300ER service to Boston Logan, linking New England and Hong Kong directly for the first time, and will increase twice daily San Francisco service to 17 flights per week in June. Cathay Pacific settled differences with cabin crew, averting a planned August strike.

### **3. ANA To Own Skymark Stake.**

Bankrupt Japanese domestic carrier Skymark submitted a restructuring plan to a Tokyo court, in which investment fund Integral will own a 50.1% share, a fund jointly held by Development Bank of Japan and Sumitomo Mitsui Banking will own 33.4%, and ANA Holdings, parent company of All Nippon Airways, will own 16.5%.

### **4. American Begins Dallas-Beijing Service.**

American Airlines launched daily Boeing 777-200 nonstops between Dallas/Fort Worth and Beijing Capital. Starting in June the service will operate with a B-787-8, the inaugural international flight for the Dreamliner. American also offers nonstops to Hong Kong, Seoul, Shanghai and Tokyo from Dallas.

### **5. EL AL Offers Nonstops to Boston Logan.**

EL AL will offer three weekly Boeing 767-300 nonstops to Boston Logan as of June 28. Company losses fell to \$16 million in first quarter 2015, compared to

a loss of \$39.7 million in same period previous year. Market share increased by 6% to 35.4%, said CEO David Maimon.

**6. Qatar To Serve Los Angeles, Boston, Atlanta.**

Qatar Airways will introduce daily nonstops from Doha to Los Angeles, Boston and Atlanta next year. The Los Angeles Boeing 777 flights begin January 1; Boston A350 flights begin March 16; and Atlanta Boeing 777 flights begin July 1. Qatar will add daily Airbus A350 service to New York on March 1.

**7. Etihad Announces Partnership With Brand USA.**

Etihad announced a partnership with destination marketing organization Brand USA to promote travel and tourism between the UAE and the United States. Etihad flies to Los Angeles, San Francisco, Chicago, Dallas/Fort Worth, New York Kennedy and Washington DC, and has code share partnerships with American Airlines and JetBlue. “In 2014, we carried 801,465 guests to and from the United States,” says the carrier, and a U.S. preclearance facility in Abu Dhabi has processed half a million travelers to the United States since its opening in January 2014.

**8. Saudia Strategic Plan Calls for Fleet, Route Additions.**

Saudi Arabian Airlines (Saudia) is planning to increase its fleet from the current 119 to 200 aircraft by 2020. “In addition it is increasing seat capacity and internal flights, along with access to new international stations,” reports the Saudi Press Agency. . . . According to Arabian Business, the world’s largest hotel will be built in Saudi Arabia near the site of Mecca, which attracts about two million Muslim pilgrims each year for the Hajj. The \$3.5 billion Abraj Kudai will have 10,000 rooms in 12 towers; completion expected in 2017.

**9. Debate With Gulf Carriers Continues.**

See Section VII, item 2.

**10. Canada Expands China Transit Program.**

See Section VII, item 3.

## **X. AMERICAS**

### **1. NMB Certifies Two-Union Alliance at American.**

The National Mediation Board certified that the Transport Workers Union and International Association of Machinists and Aerospace Workers (TWU-IAM Association) can represent American Airlines Group's maintenance and fleet employees and service clerks. The unions allied following the US Airways and American merger to avoid "a long, costly and acrimonious representation dispute," said the TWU-IAM Association, which added that they "can now get down to the business of negotiating the industry's best contracts that our members deserve." . . . In June, American will become the second U.S. airline to operate the Boeing 787, with service from Dallas/Fort Worth to Chicago, Beijing, Buenos Aires and Shanghai; Tokyo begins in August. United was the first . . . Lyle Hogg was named President of American subsidiary Piedmont Airlines, reporting to CEO Steve Farrow, who also held the President title. Hogg previously was US Airways Vice President–Flight Operations. Farrow will lead day-to-day operations until his retirement in 2016, while Hogg will focus on preparing Piedmont for the induction of 50-seat Embraer 145s and leading pilot recruitment.

### **2. Delta, Aeromexico File in Mexico To Enhance Cooperation.**

Aeromexico and Delta filed an application with Mexico's competition commission for a Joint Cooperation Agreement on flights between the United States and Mexico; similar application was presented to DOT in March. The airlines "expect to offer an expanded network, enhancing routes and schedules, concurrently increasing opportunities to co-locate and invest in airport facilities by improving gates, lounges and the overall connecting experience [and] will increase joint sales and marketing initiatives." They currently offer 4,000 weekly code shared flights, representing 80 daily transborder roundtrips.

### **3. Southwest Offers New International Service From Houston Hobby.**

Southwest will offer new international service from its \$156 million facility at Houston Hobby by the end of this year, including Liberia in Costa Rica and Montego Bay, Jamaica, both subject to foreign government approval; Belize; and Cancun, Mexico City, Puerto Vallarta and Los Cabos in Mexico. . . . In other news, Southwest Airlines Pilots' Association (SWAPA) announced staffing and funding for a Strike Preparedness Committee, in case of failure to reach agreement on a new contract in coming months. Talks through the National Mediation Board have been going on since November. "We have

been in negotiations for more than three years and are seeking a market rate contract for pilots that is in line, economically, with our peers at other major airlines,” said the union. . . . Southwest reached a tentative agreement on its meteorologists’ first-ever contract; the four-year agreement is subject to membership ratification.

**4. JetBlue to Operate Flights to Ecuador, Mexico.**

JetBlue plans to launch daily Airbus A320 service to Quito, Ecuador in first quarter 2016 from Fort Lauderdale, subject to government approval, and will begin service to Mexico City in October from Fort Lauderdale and Orlando. . . . JetBlue will code share with Seaborne Airlines, expanding their interline agreement in place since 2013. Subject to regulatory approvals, they will offer a combined 50 daily flights that connect 22 Caribbean destinations from San Juan, Puerto Rico. Seaborne also code shares with American Airlines and Air Europa of Spain, and offers interline connecting agreements with Delta and United.

**5. Spirit Announces Route Expansion.**

Spirit begins new service from Houston George Bush to Managua, Nicaragua; San Jose, Costa Rica; San Pedro Sula, Honduras; and San Salvador, El Salvador in May; and to Cancun, Los Cabos and Toluca/Mexico City in June. From Atlanta, new daily service includes Cleveland, Las Vegas and Orlando; expanded nonstops are Los Angeles, Boston, Philadelphia, Baltimore/Washington, Tampa, and Fort Myers. Beginning in November 2015, the carrier will introduce two daily roundtrips between Los Angeles International and Oakland International Airports.

**6. Allegiant Pilot Strike Averted.**

Allegiant planned to add 11 new routes “following a brief period of heightened surveillance due to labor negotiations.” A court order blocked Teamster represented Allegiant pilots from striking.

**7. Siegel Leaves Frontier.**

Frontier CEO Dave Siegel resigned, effective immediately. President Barry Biffle will handle day-to-day management as part of a newly created Office of the Chief Executive, which also includes Chairman Bill Franke, who “will continue to focus on strategic and financial matters and key supplier relationships.” Franke is Managing Partner of Indigo Partners, which acquired Frontier in 2013 and formerly held a major stake in Spirit.

8. **Azul Adds Belo Horizonte-Orlando Service.**  
Azul Brazilian Airlines will launch service from Belo Horizonte to Orlando in November, with five weekly flights initially, then daily beginning in December, the first nonstop on the route. Azul also flies daily nonstops from Sao Paulo Campinas to Orlando and Fort Lauderdale. Azul founder and CEO David Neeleman was founder and CEO of JetBlue.
9. **U.S.-Cuba Update.**  
See Section VII, item 1.
10. **Debate With Gulf Carriers Continues.**  
See Section VII, item 2.
11. **Canada Expands China Transit Program.**  
See Section VII, item 3.
12. **EC Accepts Concessions From Delta-Air France-Alitalia Alliance.**  
See Section VIII, item 3.
13. **Neeleman, Efromovich Selected in TAP Privatization Process.**  
See Section VIII, item 5.
14. **American Begins Miami-Frankfurt Service.**  
See Section VIII, item 6.
15. **Air China Expands Los Angeles-Beijing Service.**  
See Section IX, item 1.
16. **Cathay Pacific Launches Boston-Hong Kong Service.**  
See Section IX, item 2.
17. **American Begins Dallas-Beijing Service.**  
See Section IX, item 4.
18. **EL AL Offers Nonstops to Boston Logan.**  
See Section IX, item 5.
19. **Qatar To Serve Los Angeles, Boston, Atlanta.**  
See Section IX, item 6.

20. **Etihad Announces Partnership With Brand USA.**

See Section IX, item 7.