



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. **Flight Tracking Performance Standard Recommended.**

The International Civil Aviation Organization (ICAO) High Level Safety Conference recommended adopting a new tracking standard, in which aircraft would report their position every 15 minutes during normal operations in remote areas that air traffic surveillance services do not cover. Global airlines could use available and planned technologies and procedures that they deem suitable. ICAO Council President Olumuyiwa Benard Aliu said the standard will provide a foundation to implement the more comprehensive Global Aeronautical Distress and Safety System (GADSS) in the future and would be expedited for formal comment, with adoption anticipated as early as this fall. The GADSS concept, developed after Malaysia Airlines Flight MH370 disappeared last March, calls for a three-tiered approach for global aircraft tracking over the long-term, covering normal, abnormal and distress conditions.

2. **Conflict Zone Risk Initiatives Supported by ICAO Members.**

Government and industry expressed support for greater information sharing on conflict zones, including risks assessments and a centralized online resource, at the ICAO High Level Safety Conference. ICAO would host the central repository, which would serve as a single source for up-to-date risk assessments from States and relevant international organizations. It would also link all risk assessment data presented with the State or organization which provided it, and a legal framework would be established to ensure that ICAO would not face liability implications arising from information which States and agencies submit. The Conflict Zone Task Force, formed after the July downing of Malaysia Airlines Flight MH17 amid armed conflict in eastern Ukraine proposed the strategies..

3. **FY16 Budget Request for FAA, DHS.**

The Administration's Fiscal Year 2016 budget request of \$15.8 billion for the Federal Aviation Administration (FAA) includes \$9.92 billion for the operation, maintenance, communications and logistical support of air traffic control and air navigation systems, 2% above FY15 enacted level, of which \$845 million is for NextGen capital related investments, \$53 million above FY15 enacted levels. The White House requests \$2.9 billion in Airport Improvement Program (AIP) grants, down \$450 million from FY15 enacted level, and proposes to focus grants to support smaller commercial and general aviation airports that do not have access to additional revenue or other outside sources of capital.

The Budget proposes to increase the Passenger Facility Charge (PFC) limit from \$4.50 to \$8 for all commercial service airports and eliminate guaranteed AIP entitlement funding for large hub airports, “giving them greater flexibility to generate their own revenue.” Airlines for America said the “dramatic hike” of the PFC amounts to “an additional \$3.8 billion per year in taxes on airlines and their customers, up from the more than \$20 billion they pay today.” Airports Council International-North America welcomed “a long-overdue modernization” of the PFC, but said “pitting large hubs against smaller, regional airports for limited resources is not a productive long-term solution.” . . . The President’s budget includes \$41.2 billion for the Department of Homeland Security, with \$3.7 billion for Transportation Security Administration screening operations and \$132.3 million to support Customs and Border Protection Trusted Traveler Programs.

4. DOT Forecasts Future of Travel.

U.S. airline passenger numbers are expected to increase by 50% over the next two decades and international air travel to and from the U.S. will more than double, says a new U.S. Department of Transportation (DOT) report, “Beyond Traffic: Trends and Choices 2045.” Among other findings: U.S. commercial airlines currently carry two million passengers and 21,000 tons of cargo on 29,000 domestic and international flights daily. In 2014 only 76% of domestic flights by U.S. air carriers arrived on time, due largely to weather, with 20% due to high airport terminal volumes. Airlines have posted net profits since 2010. While average fares dropped 15% over last 20 years, revenues rose due to ancillary fees, increased load factor (from 69% in the 1990s to 83% today) and use of larger jets. Industry consolidation has reduced access in smaller communities; between 2007 and 2012, 24 small airports lost network carrier services. It projects FAA’s total investment in NextGen at \$14 billion from 2013 to 2030, in addition to costs necessary to continue to operate and maintain existing systems and infrastructure. Cost estimates to retrofit one commercial aircraft with required foundational NextGen technologies ranged in 2014 from \$135,000 to \$150,000. Over the next 15 years, \$15 billion in expenditures are required from operators to equip their aircraft with NextGen avionics.

5. FAA To Study Aircraft Cybersecurity.

FAA seeks industry participants for a new working group that will provide recommendations for an Aircraft Systems Information Security/Protection (ASISP) rulemaking, and guidance on best practices for airplanes and rotorcraft, including certification and continued airworthiness. The group will report to the Aviation Rulemaking Advisory Committee (ARAC). “Without updates to regulations, policy, and guidance to address ASISP, aircraft

vulnerabilities may not be identified and mitigated, thus increasing exposure times to security threats,” said FAA. “Unauthorized access to aircraft systems and networks could result in the malicious use of networks, and loss or corruption of data (e.g., software applications, databases, and configuration files) brought about by software worms, viruses [and] could result in security related certification criteria that are not standardized and harmonized between domestic and international regulatory authorities.” Current regulations do not specifically address ASISP for aircraft operating in the National Air Space. International civil aviation authorities also are considering rulemaking for ASISP; the ASISP Working Group could be used to inform harmonization of these activities.

6. Alaska Airlines Fined \$1.6 Million.

FAA proposed a \$900,000 civil penalty against Alaska Airlines for allegedly operating 59 aircraft on more than 48,000 flights without testing to determine interference with aircraft radios, navigational systems, or other electronic equipment after installing systems to pulse external lights on Boeing 737s between 2010 and 2012. A \$700,000 civil penalty is proposed for operating a Boeing 737 on 549 flights in December 2011 without replacing the entire thrust control lever that had been repaired with fasteners that obstructed pilot access to the left side take-off/go-around button.

7. DOT Urged To Investigate Airline Fuel Surcharges.

Business Travel Coalition (BTC) urged DOT to investigate the U.S. airline industry’s “continued assessment of often-sizeable fuel surcharges on many itineraries,” which “constitutes an unfair and deceptive act or practice.” The Coalition cites DOT’s “Additional Guidance on Airfare/Air Tour Price Advertisements” of February 2012, which states: “When a cost component is described as a fuel surcharge . . . that amount must actually reflect a reasonable estimate of the per-passenger fuel costs incurred by the carrier above some baseline calculated based on such factors as the length of the trip, varying costs of fuel, and number of flight segments involved.”

8. Group Petitions DOT To Cap Change Fees.

FlyersRights.org filed a formal rulemaking petition with DOT for a cap of \$100 on change fees on international plane tickets, which range to \$750 and reached a collective \$3 billion last year.

9. Marion Blakey Named President/CEO of Rolls-Royce NA.

Former FAA Administrator Marion Blakey was named President and CEO of Rolls-Royce North America and Chair of the Rolls-Royce North America Board of Directors, replacing James Guyette who retires in May. Blakey currently

heads Aerospace Industries Association and has served as Chairman of the National Transportation Safety Board.

10. December Passenger Airline Employment Up 1.4%.

U.S. scheduled passenger airlines employed 386,219 workers in December 2014, 1.4% more than in December 2013, reports DOT. Employment was up 0.8% at the five network airlines, up 4.4% at the six low-cost carriers and down 0.2% at the 13 regional carriers. Network airlines employed 66.6% of the total, low-cost carriers employed 18.7% and regionals employed 13%.

11. DOT Air Travel Consumer Report for December.

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

	Dec. '14 / '13	Nov. '14	Full Year				
			2014	2013	2012	2011	2010
On-time arrivals %	75.3 / 68.9	80.6	n/a	78.34	81.85	79.6	79.8
Cancellations %	1.4 / 2.9	0.9	n/a	1.51	1.29	1.91	1.76
Mishandled baggage*	4.25 / 4.56	2.92	3.62	3.22	3.09	3.35	3.51
Consumer complaints:							
Airline service	1,061 / 1,118	910	15,532	13,176	15,338	11,546	10,988
Disability-related	60 / 49	43	774	683	741	628	572
Discrimination**	5 / 9	2	68	79	99	128	143

Note: There were no long domestic or international tarmac delays in December. For the year, airlines reported the lowest number of tarmac delays longer than three hours on record at U.S. airports—30 domestic flights with tarmac delays longer than three hours and nine international flights with tarmac delays longer than four hours.

* Reports per 1,000 passengers.

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

12. New Drone Rules Facilitate Integration Into U.S. Aviation System.

FAA proposed regulations that would allow routine use of certain small unmanned aircraft systems (UAS), or drones, in today's aviation system, while maintaining flexibility to accommodate future technological innovations. The proposal limits small UAS (under 55 pounds) conducting non-recreational operations to daylight and visual-line-of-sight operations, and addresses height restrictions, operator certification, optional use of a visual observer, aircraft registration and marking, and operational limits. The person actually

flying a small UAS would be an “operator”; who would be at least 17 years old, pass an aeronautical knowledge test every 24 months and obtain an FAA UAS operator certificate, and would not need further private pilot certifications (i.e., a private pilot license or medical rating). A small UAS operator must always see and avoid manned aircraft; assess weather conditions, airspace restrictions and the location of people to lessen risks amid loss of control of the UAS. A small UAS may not fly over people, except those directly involved with the flight. Flights should be limited to 500 feet altitude and no faster than 100 mph. Operators must stay out of airport flight paths and restricted airspace areas, and obey any FAA Temporary Flight Restrictions (TFRs). The proposed rule maintains the existing prohibition against operating in a careless or reckless manner. It also would bar an operator from allowing any object to be dropped from the UAS. Operators would be responsible for ensuring an aircraft is safe before flying, but FAA is not proposing that small UAS comply with current agency airworthiness standards or aircraft certification. The new rules would not apply to government aircraft operations. A Presidential Memorandum directed the initiation of a multi-stakeholder engagement process to develop a framework for privacy, accountability, and transparency issues concerning commercial and private UAS use. Current unmanned aircraft rules remain in place until FAA implements a final new rule; these rules limit drone use to less than 400 feet and not within five miles of an airport. “Recently there have been reports of drones that broke both of those regulations, sighted at altitudes ranging from 1,300 to 9,000 feet near various airports across the country,” said Airlines for America. “U.S. airlines alone operate nearly 30,000 flights per day and it is imperative that safety remains the number one priority for all of us.”

II. AIRPORTS

1. Port Authority “Challenged and Dysfunctional.”

New York Governor Andrew Cuomo and New Jersey Governor Chris Christie, in a joint statement, said Port Authority of New York and New Jersey (PANYNJ), which operates Kennedy, LaGuardia, Newark and other airports, “failed to exercise proper oversight, control costs and budget transparently,” according to a Phase 1 Interim Consultant's Report, and is “challenged and dysfunctional.” . . . United Airlines executives reportedly received federal grand jury subpoenas requesting records related to preferential treatment for individuals associated with PANYNJ. The airline added a direct flight from Newark to Columbia, South Carolina, near the vacation home of former PANYNJ Chairman David Samson; when Samson resigned amid conflict of interest concerns, the route was discontinued. United has opened an internal investigation into the matter and is cooperating with the government investigation.

2. Southwest Obtains Rights to Additional Dallas Love Field Gates.

United agreed to sublease two gates at Dallas Love Field to Southwest, as of July 6 when a sub-lease deal with Delta expires. Delta wants to remain at Love beyond the July 6 deadline and, according to DOT, has clarified that any carrier currently operating out of Love Field can continue to provide service, reports *The Dallas Morning News*, “as long as the carrier continues to operate the accommodated flights.” Southwest disagrees and has asked a federal appeals court to review the DOT position.

3. Charlotte Douglas Breaks Passenger Traffic Record.

Charlotte Douglas handled a record 44 million travelers last year, 2% over 2013, driven by a 4% rise in international travel to 2.9 million. The airport plans to add a fourth runway and increase number of gates from current 93 to 164, reports the *Charlotte Observer*.

4. Deadline Extended for Concession To Operate Kansai, Osaka Airports.

Japan extended the first-round bidding deadline for the concession to operate Kansai and Osaka International Airports by three months to May 22. Many qualified participants have requested more time, said state-owned New Kansai International Airport Co.

5. Al Maktoum Completes First Full Year of Passenger Operations.

Al Maktoum International at Dubai World Central (DWC) handled 845,046 passengers in 2014, its first full year of passenger operations. According to its operator Dubai Airports, extra arrivals during the runway refurbishment at Dubai International (DXB) from May 1 to July 20 was largely responsible for the increase. DWC handled 111,000 passengers during fourth quarter. Freight volumes in 2014 rose to 758,000 tons, compared to 209,000 tons in 2013, due to completion of shifting all freighter operators from DXB to DWC by May 2014. Fourth quarter cargo volumes reached 238,500 tons, compared to 63,000 tons same period 2013. . . . DXB replaced London Heathrow as the world's busiest airport for international passengers in 2014, with full year handling at 70.5 million, up 6.1% over 2013, and projects 79 million for 2015.

III. SECURITY AND DATA PRIVACY

1. DHS Installing 340 Automated Passport Control Kiosks.

The Departments of Commerce and Homeland Security are establishing a new interagency task force with industry stakeholders to identify factors that drive traveler perception of the international arrivals experience and decision to visit the United States. Arrivals process from plane disembarking to primary passport inspection and baggage collection to exiting the airport through final baggage inspection will be addressed. . . . A new report outlines airport-specific action plans, developed with industry, to simplify the entry process at top U.S. airports while increasing security. For example, 13 airports are installing 340 additional Automated Passport Control Kiosks through more than \$20 million in public-private partnerships. “These kiosks expedite air passenger inspection for U.S. and Canadian citizens, U.S. Lawful Permanent Residents, and certain other travelers at participating airports and reduce officer interaction time by 45% to approximately 30 seconds,” said DHS Secretary Jeh Johnson. And, following a pilot at Hartsfield Atlanta, a mobile passport control program will expand to the 20 airports with the highest volumes of international travelers by end of 2016, enabling eligible travelers to submit passport and customs information to Customs and Border Protection (CBP) inspection through a smartphone or tablet. CBP also plans to eliminate the paper Customs Declaration form for inbound passengers by end of 2016.

2. EU Moves Toward Sharing Airline Passenger Data.

The European Parliament voted to work toward enacting a Passenger Name Record (PNR) program by yearend, and told the EU to rewrite rules on data collection and sharing to ensure privacy protection. Previous attempts to permit EU-wide PNR sharing have failed due to privacy concerns. However, recent attacks in Europe are driving EU action to detect terrorists traveling with Western passports. The European Council asked legislators to “urgently adopt a strong and effective European Passenger Name Records directive with solid data protection safeguards.” Among other statements, the Council agreed “to proceed without delay to systematic and coordinated checks on individuals enjoying the right of free movement against databases relevant to the fight against terrorism based on common risk indicators.” In April the Commission will present a proposal for a comprehensive European Agenda on Security.

IV. E-COMMERCE AND TECHNOLOGY

1. DOT Protects United in Erroneous Internet Fare Case.

DOT determined that United Airlines does not have to honor fares as low as \$50 for first-class overseas flights, which it mistakenly posted on its Denmark website on February 11. The fares were listed in Danish Krone and not marketed to consumers in the United States. To obtain that fare, said DOT, “some purchasers had to manipulate the search process on the website in order to force the conversion error to Danish Krone by misrepresenting their billing address country as Denmark when, in fact, Denmark was not their billing address country.”

2. Amadeus, Southwest Advance Partnership.

Under a new multi-year agreement, Amadeus’ corporate travel booking tool users will gain access to Southwest fares and inventory. Benefits, said Amadeus, of its e-Travel Management and i:FAO’s cytric corporate booking tools include: live availability and last seat inventory delivered via an integrated display; fare searches returning lowest available; booking and ticketing capabilities for loyalty programs; and functionality supporting all pricing rules, fare rules and return of ticket number, and additional functionality related to deferred ticketing, retrieving and canceling reservations, and exchange funds toward new itineraries.

3. Expedia To Acquire Orbitz Worldwide.

Expedia will acquire Orbitz Worldwide for \$1.6 billion, subject to regulatory and other approvals. Expedia brands include Travelocity, hotels.com, hotwire, Exgencia, trivago and Wotif Group. Orbitz brands include ebookers and cheaptickets.com.

4. Orbitz Reaches Settlement With Skiplagged.

Orbitz dropped its lawsuit against Skiplagged, which agreed to no longer redirect traffic to Orbitz websites, nor to use Orbitz Worldwide brands, logos, trademarks, images or other copyrighted materials. Neither party admitted wrongdoing. The agreement removes Orbitz from litigation jointly filed with United Airlines against Skiplagged on November 17, relating to Skiplagged’s publication of airline hidden-city price and route information.

5. JetBlue Accepts Apple Pay™ Inflight.

Apple Pay™ is available on select JetBlue flights from New York to Los Angeles and San Francisco, enabling passengers to purchase premium

offerings with their iPhones. JetBlue deployed iPad minis and NFC-enabled cases (Near Field Communications) with Apple Pay compatibility to inflight crew; a custom-designed app, Inflight Service Assistant, gives crew access to customer manifest and flight data and “the ability to easily identify loyalty members by name for those special touches like wishing a customer a happy birthday.”

6. Global Eagle, QEST Develop New High-Speed Antenna For Airlines.

Global Eagle Entertainment (GEE) and QEST will jointly develop a new high-speed Ku/Ku HTS antenna for inflight connectivity, with plans to start installation in mid-2016. The global antenna will provide airlines with a solution that operates reliably at all latitudes, including equatorial regions, where Ku and/or Ku High Throughput Satellite (Ku HTS) coverage is available. Los Angeles-based GEE provides content, connectivity and digital media solutions to airlines; German company QEST develops high performance antenna systems.

V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel, as of February 13, was \$77.6/barrel, up 22.8% on the month and down 38% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2015 was \$67.3/barrel. Impact on 2015 fuel bill was -\$86.7 billion.

2. **Icelandair Partners With OpenAirlines For Fuel Savings.**

Icelandair agreed to partner with Toulouse-based OpenAirlines to monitor fuel consumption and develop best practice solutions. OpenAirlines says its Skybreathe Fuel Efficiency software helps airlines save up to 4% on fuel costs.

3. **Hybrid-Electric Aircraft Tractor in Use at Frankfurt Airport.**

A hybrid-electric aircraft tractor is now in use at Frankfurt Airport to taxi Lufthansa Boeing 737s to runway take-off positions, following the European Aviation Safety Agency's approval. Israel Aerospace Industries (IAI) in cooperation with Lufthansa LEOS, with support of Airbus and Boeing, developed the towbar-less 800-hp strong tractor and it is part of an initiative of the state of Hesse, Fraport, Lufthansa and the Rhine-Main model region. IAI has signed a memorandum of understanding with Lufthansa LEOS for widebody aircraft certification testing; test phase to be performed using a Boeing 747-400 and completion expected by yearend. TaxiBot is controlled by the pilot and is intended for towing aircraft with aircraft engines turned off, saving "up to 2,700 tons of fuel on long-haul flights per year," said Lufthansa.

4. **Program Will Deliver Free Route Airspace Across Northern Europe.**

The Borealis Alliance of nine European Air Navigation Service Providers (ANSPs) plan to deliver seamless and integrated free route airspace from the eastern boundary of the North Atlantic to the western boundary of Russian airspace in Northern Europe by 2020, allowing operators to take the most cost effective, fuel efficient and timely routes, rather than pre-defined routes. The program will build on areas of free route airspace that already exist in Iceland, Ireland, Denmark and Sweden; in Estonia, Finland, Latvia and Norway in 2015; and in the UK in stages from 2017. These countries form Europe's major transatlantic gateway, providing air traffic services for 3.5 million flights a year, across 12.5 million kilometers of north European airspace. The interface with oceanic airspace, beyond 2020, will also be considered as part of the program.

VI. U.S. CONGRESS

1. Senate Passes DHS Funding Bill.

As Department of Homeland Security (DHS) funding was set to run out on February 27, the Senate passed legislation that would fund the department through the end of the fiscal year. The House was to vote on a short-term funding measure to keep DHS open during deliberation of the Senate bill. The White House gave assurances that the President would sign a short-term extension. DHS Secretary Jeh Johnson had warned that 30,000 agency employees could be furloughed if funding were not extended, jeopardizing national security; Johnson also said temporary funding measures restrict new initiatives. A funding bill had fallen prey to political wrangling over the President's executive actions on immigration.

2. House Passes Transportation Security Bills.

The House of Representatives passed the Gerardo Hernandez Airport Security Act (H.R. 720), which aims to improve intergovernmental planning for and communication during security incidents at domestic airports, and is named for the TSA Officer who was killed in November 2013 at Los Angeles International in an event that also wounded three others. The House also passed the TSA Office of Inspection Accountability Act (H.R. 719), which ensures employee workload matches position and pay within the Office of Inspection, and stems from a DHS Inspector General finding that TSA had misclassified some employees. John Katko (R-NY), who is the new Chairman of the Transportation Security Subcommittee, introduced both bills.

3. Hearing on Access Control Measures at U.S. Airports.

The House Transportation Security Subcommittee held a hearing on programs designed to reduce potential insider threats from airport and airline employees, TSA personnel and others who have access to sterile areas of domestic airports, following recent security breaches in which employees with airport access privilege brought loaded firearms onto commercial airplanes. TSA Acting Deputy Administrator Mark Hatfield cited studies that found the existing random screening program to be nearly as effective as 100% screening, and said it would be too expensive to physically screen all airport employees; in 2008, GAO reported that costs for physically screening 100% of employees would range from \$5.7 billion to \$14.9 billion for the first year, while costs of enhancing random worker screening would range from \$1.8 billion to \$6.6 billion. Hatfield also said screening all employees would pose a wide range of operational challenges. Among other comments, Hatfield said TSA is

examining recently exposed potential vulnerabilities to determine if additional risk-based security measures, resource reallocations, new investments or policy changes may be necessary. TSA is conducting an insider threat analysis to identify potential indicators of criminality or threats to aviation that could provide insight into new training, operations, or methods of screening and vetting employees; and examining its legal authorities to assess if additional measures may be required or imposed to enhance security. TSA Acting Administrator Melvin Carraway has asked the Aviation Security Advisory Committee (ASAC) to specifically review access control and perimeter security issues to offer solutions to potential threats.

4. Bills Introduced to Improve Recovery of Missing Aircraft.

Two bills to prevent lengthy searches for missing airliners by improving flight tracking and recovery of inflight data were introduced in the House. The Safe Aviation Flight Enhancement (SAFE) Act, sponsored by John Duncan, Jr. (R-TN), would require installing floating data recorders on domestic commercial aircraft. Already used in military aircraft around the world, these recorders eject on impact and immediately transmit a signal identifying location of a crash site, enabling quick recovery of missing aircraft and data critical to investigations. The requirement would apply only to newly manufactured aircraft in the United States. The Safe Aviation Flight Emergency Tracking (SAFE-T) Act, sponsored by David Price (D-NC), would direct FAA to require passenger aircraft to be equipped with technology to better identify and track instances when aircraft experience abnormalities or distress and to more quickly recover information when accidents occur. . . . A subsequent hearing examined international efforts to modernize tracking and recovery technologies on commercial airliners. “It’s absolutely unacceptable that today we are unable to locate or properly track a passenger aircraft,” said John Mica (R-FL), Chairman of the House Oversight and Government Reform Subcommittee on Transportation and Public Assets. “It’s our responsibility to ensure that no commercial aircraft with passengers should be allowed to fly without a working tracking device.” Mica said the next step is to hasten the approval and implementation process of ICAO’s proposed recommendations [See Section I, item 1], by using U.S. influence to force all commercial aircraft landing on U.S. soil to have the minimum standards proposed by ICAO.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. Three U.S. Majors Seek to Curb Gulf Carriers.

American, Delta and United submitted a report to the White House and the Departments of State, Transportation and Commerce, which claims that Gulf airlines, particularly Emirates, Etihad and Qatar, have received some \$40 billion in subsidies since 2004, skewing competition. They are pressing the government to revise or terminate the United Arab Emirates (UAE) and Qatar Open Skies agreements. . . . The U.S.-U.A.E. Business Council asked that Delta release “for a fair and public review, its ‘study’ on airline subsidies,” and referred to its own 2013 study on the impact of Open Skies on the U.S.-UAE relationship: \$16 billion in benefits to the U.S., 100,000 jobs, and \$1.6 billion in tax revenue; aircraft orders that total \$37 billion and will support 200,000 U.S. manufacturing jobs; \$6 billion in economic activity generated from increased inbound tourism to the U.S; and 2,000 airport jobs at U.S. gateways.” . . . Boeing, FedEx and other U.S. companies that benefit from Open Skies agreements with Gulf nations say the U.S. “should not capitulate to the interests of a few carriers who stand ready to put their narrow, protectionist interests ahead of the economic benefits that Open Skies provides,” reports Reuters. . . . In letters to the Secretaries of State, Commerce and Transportation, the Business Travel Coalition (BTC) wrote that “draconian measures” the three big U.S. airlines urge “would freeze out competition in international air service and undermine the decades-long advances resulting from the successful policy of Open Skies.” Now that U.S. airlines “have secured antitrust immunity, industry consolidation and concomitantly rising airfares and ancillary fees, and are achieving record unprecedented profits,” wrote BTC, “some carriers shamelessly seek to close off U.S. markets to competition from foreign carriers.” A BTC initiative, OpenSkies.travel, said the “war on Open Skies has opened precipitously on all fronts,” noting the “aggressive campaign against a licensed carrier of the European Union—Norwegian Air International. All these battles are tied together by the desire to block new competition.” . . . When Gulf carriers countered that U.S. airlines received government subsidies after the 9/11 attacks and in ensuing Chapter 11 bankruptcy proceedings, Delta CEO Richard Anderson noted in a CNN interview “the great irony to have the UAE from the Arabian Peninsula talk about that, given the fact that our industry was really shocked by the terrorism of 9/11, which came from terrorists from the Arabian Peninsula.” (Two Emiratis were among the 19 hijackers in the 9/11 attacks). Anderson later apologized, saying he didn’t mean to suggest the Gulf carriers or their governments were linked to the 9/11 terrorists. But Gulf carrier executives said Anderson’s statement was deliberately crafted and delivered for effect, bringing into

question his credibility as a CEO of a U.S. publicly listed company, as well as the integrity of the submission his airline has submitted to U.S. authorities. . . . Emirates President Tim Clark, in a Reuters interview, said, “Delta is maligning us, leading people down a path which is based on unsubstantiated false allegations and that is very serious.” Referring to the 289 Boeing aircraft Emirates has ordered, Clark said, “I don't want to be seen as threatening or intimidatory but I am hoping that the U.S. government thinks about all of this.”

VIII. EUROPE AND AFRICA

1. Icelandair, JetBlue Propose Code Share.

JetBlue and Icelandair filed an application with the U.S. government to enter into a bilateral codeshare partnership for connections between their networks. JetBlue will place its code on seven Icelandair routes between the U.S. and Reykjavik, and eight routes to Scandinavia and Continental Europe available nonstop via Icelandair's Reykjavik hub. The Icelandair code will be placed on JetBlue flights for connections beyond Boston and New York Kennedy to 14 U.S. cities. The airlines have partnered on an interline basis since 2011.

2. Aer Lingus Appoints New CEO; IAG Sweetens Offer.

Aer Lingus named Stephen Kavanagh as CEO, effective March 1, replacing Christoph Mueller who resigned to head Malaysia Airlines. Kavanagh has been with Aer Lingus since 1988 and most recently was Chief Strategy and Planning Officer. . . . Following its offer to buy the Irish government's 25% stake in Aer Lingus, International Airlines Group (IAG) said it would ensure that Aer Lingus' 23 London Heathrow slot pairs cannot be sold, including to other IAG airlines; Aer Lingus cannot change its name, head office location or place of incorporation in Ireland; and slots on Irish routes would continue to operate for five years. IAG earlier announced that Aer Lingus would operate as a separate business with its own brand, management and operations, and would join oneworld and the joint business that IAG operates over the North Atlantic with American Airlines. Ireland wants to know more about possible job cuts and transatlantic expansion and a guarantee period for the Heathrow slots. . . . The UK Court of Appeal again upheld the Competition Commission's Final Report that found Ryanair's shareholding in Aer Lingus to be anticompetitive and required the low-cost carrier to sell down its stake to 5%. Ryanair will appeal the case to the UK Supreme Court and has requested a formal review of the Final Report and a withdrawal of the divestment remedy in light of IAG's proposals "which fully disprove the theories and unsubstantiated evidence on which the Final Report was based [that] Ryanair's 29% shareholding would deter other airlines from merging with or bidding for Aer Lingus."

3. Lufthansa Exits JetBlue Holding.

Lufthansa said it will exit its JetBlue stake, while announcing 2014 losses due to, among other things, pilot strikes and growing competition. The German carrier acquired the JetBlue stake in 2007 and holds two board seats. "We expect to continue our various commercial relationships going forward," said

JetBlue; “this offer, which is a continuation of a transaction that began in 2012, will have no impact on our outstanding share count.”

4. **Air France KLM Continues Reductions in Costs, Investment.**

CEO Alexandre de Juniac said Air France KLM unit revenues have been falling since June and the outlook for 2015 is very cautious. For 2015-17 the company reinforced unit cost reduction targets up to an average 1.5% per year, and revised its investment plan down by €300 million in 2015 and €300 million in 2016. “We’re working in an environment that is difficult,” said de Juniac.

5. **La Compagnie Launches All-Business London Luton-Newark Flights.**

French all-business class La Compagnie will begin three-times weekly London Luton-New York Newark service on April 24, to increase to daily by yearend. The Boeing 757-200 configuration includes 74 lie-flat seats. La Compagnie has been operating all business-class service between Paris Charles De Gaulle and Newark since July 2014.

6. **EU Moves Toward Sharing Airline Passenger Data.**

See Section III, item 2.

7. **Program Will Deliver Free Route Airspace Across Northern Europe.**

See Section V, item 4.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Indonesia to Release AirAsia Crash Report by August.

Indonesia's National Transportation Safety Committee will release a final report on the crash of AirAsia QZ8501 by August, reports Agence France-Presse, quoting Transport Minister Ignasius Jonan. The Airbus A320-200 went down in the Java Sea on December 28 in stormy weather with 162 people on board, en route from Surabaya to Singapore. Indonesia is taking steps to better control its aviation industry and regain its FAA Category 1 rating, downgraded in 2007 to Category 2. In an effort to reduce the number of commercial carriers from the current 42 to 38, passenger, cargo and charter airlines operating fewer than five aircraft were ordered to participate in mergers by March 2017. A ban on ticket sales at airport terminals is meant to reduce crowds, achieve order and eliminate scalpers. Flight crews will be checked for alcohol or drug use before flying to avoid accidents caused by human error or negligence. The ministry will conduct safety evaluations and publish ratings for each airline every three months. A new regulation prevents airlines from offering tickets more than 40% below maximum ticket price allowable. Pilots must undergo direct weather briefings with dispatchers to be fully prepared for inclement weather.

2. Taiwan Orders Airline Review of Safety Procedures After Crash.

Taiwan ordered its airlines to review safety protocols and strengthen pilot training, following the February 4 crash of TransAsia Flight GE235, which killed 43 of the 58 on board. The ATR 72-600 landed upside down in a Taipei river shortly after takeoff, after just missing buildings and clipping a highway with a wing. This was the second TransAsia crash in seven months.

3. ANA Names New CEO, Chairman.

All Nippon Airways (ANA) named Shinya Katanozaka as President and CEO, effective April 1. He succeeds Shinichiro Ito, who will become Chairman. Katanozaka has been with ANA since 1979. . . . In other news, ANA is among companies that offered to participate in the restructuring of bankrupt Skymark Airlines, which holds Tokyo Haneda slots for domestic service.

4. American, Korean Air Announce Code Share Agreement.

Korean Air will place its code on American Airlines flights between Dallas/Fort Worth and Seoul Incheon beginning in April under a new code share agreement, pending regulatory approval.

5. **Air China Expands Beijing-Los Angeles Nonstop Service.**

Air China will add a third nonstop between Los Angeles and Beijing on May 2. The carrier will move from Terminal 2 at LAX to Tom Bradley International Terminal on July 1, when the Boeing 777-300ER flights increase to daily.

6. **Hainan Adds San Jose, Boston, Seattle Nonstops.**

Hainan Airlines will offer three new nonstop routes between the United States and China. Five weekly Boeing 787 flights from Beijing to Silicon Valley's Mineta San Jose begin June 15, and three weekly to Boston Logan from Shanghai Pudong begin June 20; existing Beijing routes to Boston will increase to daily on May 1. Four weekly Airbus A330-200 flights to Seattle from Pudong begin June 22; existing nonstops to Beijing will increase to daily on May 1. Cargo service is offered on all flights. Hainan's U.S. partners include JetBlue and Alaska.

7. **Three U.S. Majors Seek to Curb Gulf Carriers.**

See Section VII, item 1.

X. AMERICAS

1. Delta Employees Earn \$1 Billion in Profit Sharing.

Delta employees received profit sharing as part of the company's \$1.1 billion total payout for 2014, the largest payment in the company's history. Total individual payouts equal more than 16% of employees' eligible 2014 earnings, which equates to an average of nearly two months' salary. The 2014 payout is a record for the airline industry, and among the highest for any U.S. corporation. . . . Delta Connection carrier GoJet entered into an agreement with Delta to operate seven Bombardier CRJ900s, with deliveries from June through October. The Trans States Holdings subsidiary currently operates 47 two-class CRJ700s, of which 22 are in service for Delta, and also flies under the United Express brand. Trans States regionals also include Compass and Trans States Airlines.

2. American Announces First Dreamliner Routes.

American Airlines begins Boeing 787 domestic service May 7 between Dallas/Fort Worth and Chicago O'Hare, and international from Dallas to Beijing Capital on June 2, and Buenos Aires on June 4. The two-class cabin features 28 fully lie-flat Business Class seats. American has firm orders for 42 Dreamliners, with rights to acquire another 58. . . . American selected Mesa to operate seven new Bombardier CRJ900 NextGen aircraft for a 10-year term under the American Eagle brand. The aircraft, purchased by Mesa, will bring the total number of CRJ900s operated by the company to 64.

3. Southwest Adds Atlanta, Dallas Love Field Flights

Southwest offered fares as low as \$49 one-way for travel from Atlanta to Washington Reagan National, Orlando, Chicago Midway and Los Angeles through May 20. Since merging with AirTran, Southwest offers nonstops to 40 destinations from Atlanta. Fares as low as \$49 one-way also were offered for new flights from Dallas Love Field to 10 cities, beginning in April. . . . Southwest plans to begin service to San Jose, Costa Rica, in March, to Puerto Vallarta in June, and to Belize in October. . . . In other news, the carrier voluntarily removed 128 Boeing 737-700s from service upon discovering an overdue required maintenance check on the standby hydraulic system, and disclosed the matter to FAA, which approved continued operating of the aircraft for a maximum of five days as the checks were completed.

4. **Robin Hayes Is JetBlue CEO.**

Robin Hayes became JetBlue CEO in February, replacing Dave Barger, who announced his retirement in September. Hayes has been with the company since 2008 and most recently was President. He was with British Airways for 19 years. . . . On June 11, JetBlue will offer twice-weekly Airbus A320 flights from New York Kennedy to Grenada, its 32nd destination in the Caribbean and Latin America.

5. **Spirit Announces New Service from Atlanta and LAX.**

Spirit Airlines will expand service from Los Angeles International Airport (LAX) to Baltimore, Kansas City, and Atlanta beginning this summer. In May, Spirit will offer nonstop routes from Atlanta's Hartsfield-Jackson International Airport to Cleveland, Las Vegas and Orlando; and in the summer to Baltimore, Philadelphia, Tampa, Boston and Fort Myers. . . . In other news, Air Transport World (ATW) named Spirit as its Value Airline of the Year. According to Spirit CEO Ben Baldanza, "We're honored that ATW recognizes our differences and that you can run a successful airline and not charge high fares."

6. **Frontier Expands in Atlanta.**

Atlanta will become Frontier's third largest operation this spring, after Denver and Chicago, when the carrier adds flights to Miami, Austin, Indianapolis, Los Angeles, Las Vegas, New York LaGuardia, Cincinnati and Minneapolis.

7. **Major Expansion for Allegiant Air.**

Allegiant Air began a major expansion that includes new service from five cities to Myrtle Beach. The Las Vegas-based company has commitments to acquire ten additional Airbus A320 series aircraft and six additional A319s.

8. **Icelandair, JetBlue Propose Code Share.**

See Section VIII, item 1.

9. **Lufthansa Exits JetBlue Holding.**

See Section VIII, item 3.

10. **La Compagnie Launches All-Business London Luton-Newark Flights.**

See Section VIII, item 5.

11. **American, Korean Air Announce Code Share Agreement.**

See Section IX, item 4.

12. **Air China Expands Beijing-Los Angeles Nonstop Service.**
See Section IX, item 5.
13. **Hainan Adds San Jose, Boston, Seattle Nonstops.**
See Section IX, item 6.