



WASHINGTON AVIATION SUMMARY

May 2015 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. **Delta, Aeromexico File Antitrust Immunity Application.**

Delta and Grupo Aeromexico are seeking antitrust immunity for a \$1.5 billion joint venture, in which “Aeromexico's hubs in Mexico City, Monterrey, Guadalajara and Hermosillo will give Delta customers greater access to cities throughout Mexico [and] Delta will provide Aeromexico with a broad North American network via Delta's key hubs, including Atlanta, Detroit, Los Angeles, Minneapolis, New York, Salt Lake City and Seattle.” Upon receipt of regulatory approvals, Delta and Aeromexico will seek opportunities to co-locate and invest in airports, and increase joint sales and marketing initiatives. The SkyTeam partners launched their first code share in 1994 and currently offer 4,000 weekly code share flights. They entered into an enhanced commercial agreement in 2011, and in 2012 Delta invested \$65 million in shares of Grupo Aeromexico.

2. **American Approved for Alaska's Los Angeles-Mexico Route.**

The U.S. Department of Transportation tentatively decided that Alaska Airlines may transfer its Los Angeles-Mexico City route authority to American Airlines for one year while it will consider objections.

3. **FAA Completes Implementation of En Route Automation Modernization**

The Federal Aviation Administration (FAA) completed the En Route Automation Modernization (ERAM) for air traffic controllers to manage high-altitude traffic. ERAM replaces the En Route Host computer system the 20 FAA Air Traffic Control Centers have used for the last forty years. FAA installed the first ERAM system in Salt Lake City in March 2012 and the final one in New York last month. ERAM can process aircraft identity, altitude, speed, and flight path for controllers, and will double their tracking and display capacity. Secretary of Transportation Anthony Fox noted, “ERAM is a major step forward in our relentless efforts to develop and implement NextGen.” ERAM is compatible with three other NextGen technologies: Performance Based Navigation to inform controllers and pilots when to reduce thrust; Automatic Dependent Surveillance-Broadcast which will replace ground-based radars with satellite technology; and Data Comm, a text-message-like direct digital link which will reduce radio frequency congestion. Secretary Foxx and FAA Administrator Michael Huerta credited cooperation between the FAA, National Air Traffic Controllers Association and Professional Aviation Safety

Specialists for developing and installing ERAM. They hope to continue to collaborate as the FAA implements future technologies.

4. DOT Air Travel Consumer Report for February .

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

| | Feb. '15 / '14 | Jan. '15 | Full Year | | | | |
|----------------------|-------------------|-------------|-----------|--------|--------|--------|--------|
| | | | 2014 | 2013 | 2012 | 2011 | 2010 |
| On-time arrivals % | 72.8 / 70.7 | 76.8 | n/a | 78.34 | 81.85 | 79.6 | 79.8 |
| Cancellations % | 4.8 / 5.5 | 2.5 | n/a | 1.51 | 1.29 | 1.91 | 1.76 |
| Mishandled baggage* | 3.92 / 4.21 | 4.33 | 3.62 | 3.22 | 3.09 | 3.35 | 3.51 |
| Consumer complaints: | | | | | | | |
| Airline service | 1,362 / 1,174 | 1,480 | 15,532 | 13,176 | 15,338 | 11,546 | 10,988 |
| Disability-related | 56 / 37 | 53 | 774 | 683 | 741 | 628 | 572 |
| Discrimination** | 5 / 5 | 6 | 68 | 79 | 99 | 128 | 143 |

Note: In February, airlines reported 16 tarmac delays over three hours on domestic flights, and eight longer than four hours on international flights; nine involved flights departing Dallas/Fort Worth during a snow storm.

* Reports per 1,000 passengers.

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

5. NTSB Probe of Delta Accident at LaGuardia Broadens.

In its ongoing probe of the March 5 Delta accident at New York LaGuardia, the National Transportation Safety Board (NTSB) formed two additional investigative groups: Airport Operations to document the snow-clearing plan in place at LaGuardia and snow clearing operations the day of the accident and Survival Factors to document cabin safety aspects of the accident and the emergency evacuation of the accident airplane. Other groups include Operations and Human Performance, Airplane Performance, Flight Data Recorder, Cockpit Voice Recorder, and Maintenance Records. The Boeing MD-88 veered off the runway shortly after touching down, struck a perimeter fence with its left wing, and came to rest with its nose on an embankment. There were 127 passengers aboard, including two infants carried on adults' laps, and five crew; 23 passengers suffered minor injuries.

II. AIRPORTS

1. Metro Extension to Dulles Delayed, Costs Rise \$76 Million.

Metropolitan Washington Airports Authority (MWAA), which operates Dulles and National airports and is building the Washington Metrorail extension to Dulles, announced that design modifications made to the Metrorail Silver Line and remaining work to finalize Phase 1 of the overall project will add \$76 million (about 2.6%) to previously announced costs. The construction schedule for Phase 2, which will extend service from the terminus of Phase 1 in Reston, Virginia, through Dulles and into Loudoun County, has been extended by about 13 months.

2. Orlando International Expansion Includes Cuba.

Nonstops between Havana and Orlando will begin July 8, with Island Travel & Tours offering weekly initially, then twice weekly Boeing 737-300 scheduled charter service. Travelers must receive U.S. Customs and Border Protection approval. . . . Norwegian began weekly nonstop to Copenhagen from Orlando, in addition to Oslo and London service. . . . New international flights, including Dubai via Emirates, Sao Paulo via Azul, Belfast via Virgin Atlantic, Reykjavik via Iceland Air, Brasilia via TAM, Lima via LanPeru and Guadalajara via Volaris, “will stimulate over \$710 million in local investment and economic activity in Central Florida,” said the airport; international now accounts for 12.3% of total traffic volume. . . . In other news, Florida legislators moved to postpone until 2017 termination of a bill that reduces a tax break for airlines on fuel from 6.9% to 5.4%.

3. Abertis Divests Airport Business.

Spanish infrastructure firm Abertis sold Desarrollo de Concesiones Aeroportuarias (DCA) to Mexico's GAP for €177 million. DCA owns stakes in the Montego Bay, Jamaica (74.5%) and Santiago, Chile (14.77%) airport operators. Abertis will have no airport assets in its portfolio.

4. Heathrow Proposals Would Reduce Domestic Passenger Charges.

London Heathrow proposed reducing domestic passenger charges for airlines, from £29.59 to £19.59 in a package of measures to boost regional connections. An increased total share of landing charges recovered through noise and emissions, “adding further incentives for airlines to operate the quietest and cleanest aircraft from Heathrow,” would offset the discount. Domestic connectivity from the airport has fallen from 18 routes in 1990 to seven today. Departure fees for European destination passengers will

decrease by £5. Environmental charges will increase from 21% to 28% of total airport charges.

5. **Fraport To Build New Terminal at Frankfurt.**

Frankfurt Airport owner and operator Fraport will begin constructing a €3 billion terminal this year, with completion expected in 2022, despite environmental groups' objections. Terminal 3 will be one of Germany's largest infrastructure projects, and multiple contracts will be awarded. Fraport-commissioned studies forecast passenger volumes at Frankfurt could rise to 73 million by 2021; current terminal capacity is 64 million. In March, the airport handled 4.6 million passengers, up 2.5% year-on-year and a new March monthly record, despite a four-day Lufthansa pilot strike and a hurricane that resulted in about 1,250 flight cancellations. The first quarter saw passenger growth of 2.7%.

6. **Chinese Consortium Acquires Toulouse-Blagnac Stake.**

Chinese consortium Symbiose acquired 49.9% of Toulouse-Blagnac Airport from the French government, despite French citizens' objections to Chinese investment in publicly-run companies and airport privatization. Airbus conducts aircraft testing and assembly at Toulouse-Blagnac. Symbiose includes Shandong Hi-Speed Group and Hong Kong-based Friedmann Pacific Asset Management.

7. **Jordan Rejects Plan for Israeli Airport Near Southern Border.**

Jordan's Ministry of Transport opposes an Israeli plan to build an airport on the border near King Hussein Airport in Aqaba, due to its impact on Jordanian airspace and public safety in that area. Israel Airports Authority's website states the Ilan and Assaf Ramon Airport in Timna "will regroup and control the activity of the two present southern airports of Eilat and Ovda," and be used for domestic and international flights. Timna will have a 3,100-meter runway and a terminal with annual handling capacity of 1.8 million passengers. Planned completion is end of 2016, with test runs, authorization and operation to begin by mid-2017.

III. SECURITY AND DATA PRIVACY

1. Obama To Nominate Coast Guard Official To Head TSA.

President Barack Obama plans to nominate Vice Admiral Peter Neffenger as Assistant Secretary of the Transportation Security Administration (TSA). Neffenger joined the Coast Guard in 1981 and has served as its Vice Commandant since May 2014. “The talent and expertise he brings to his new role will be valuable to this Administration’s efforts to strengthen transportation security,” said President Obama. Neffenger’s “skills, intellect and energy that have up to now been devoted to maritime security will be easily translatable to aviation security,” said Homeland Security Secretary Jeh Johnson.

2. TSA To Require Tighter Screening For Airport, Airline Workers.

Following a 90-day Aviation Security Advisory Committee (ASAC) review, Homeland Security Secretary Johnson announced steps to address potential insider threat vulnerability at U.S. airports. Johnson requested the review following a December incident at Atlanta Hartsfield, in which federal agents arrested a baggage handler for weapons smuggling on passenger flights. TSA will: require fingerprint-based Criminal History Records Checks every two years for all airport employee Secure Identification Display Area (SIDA) badge holders until a system for “real time recurrent” criminal history background checks for all aviation workers is established; require TSA screening of airport and airline employees traveling as passengers prior to travel; require airports to reduce the number of access points to secured areas to an operational minimum; and add additional randomization screening throughout the workday to aviation employee screening. Johnson also directed TSA to continue analyzing the ASAC report’s recommendations and identify additional mitigating measures to implement, and to identify other trends to determine if additional risk-based security measures, resource reallocations, new investments or policy changes are necessary. . . . The ASAC was established after the 1989 crash of Pan Am 103 over Lockerbie, Scotland; membership categories include victims of terrorist acts against aviation, law enforcement and security experts, aviation consumer advocates, airport tenants and general aviation, airport operators, airline management, airline labor, aircraft and security equipment manufacturers, and air cargo.

3. Justice Revises Procedures for No Fly List Claims.

The U.S. Department of Justice revised procedures for claims involving denials of boarding on covered aircraft submitted through the Department of Homeland Security Traveler Redress Inquiry Program (DHS TRIP). A U.S.

citizen who purchases a ticket, is denied boarding at the airport, subsequently applies for redress through DHS TRIP, and is on the No Fly List after a redress review, will now receive a letter providing status and option to receive and/or submit additional information. DHS TRIP will provide a second, more detailed response, if requested, which will identify specific criterion under which individual has been placed on the No Fly List and will include an unclassified summary of information supporting the individual's No Fly List status, to the extent feasible, consistent with the national security and law enforcement interests at stake. Under previous procedures, individuals who had submitted inquiries to DHS TRIP generally received a letter that neither confirmed nor denied their No Fly status.

IV. E-COMMERCE AND TECHNOLOGY

1. Visa Introduces Global Payment Standard for Ancillary Sales.

Visa introduced global payment standards that, when adopted, will allow airlines to process ancillary sales, so that they are distinct from ticket purchases. For example, what previously may have read, “Airline Air 0014567891014” would now read “Airline Air WiFi.” Ancillary purchases now account for approximately 50% of all airline transactions, and have increased by nearly 400% since 2008, said Visa.

2. Virgin Atlantic Selects Delta’s AIR4 Suite.

Virgin Atlantic selected Delta’s AIR4 suite of passenger service systems, following a tender and evaluation process. AIR4 (Access Information Real-time for Customers) includes reservations, ticketing and departure control functionality, as well as enhanced web, kiosk and mobile capabilities, with such options as automated bag drop and disruption management. The migration to AIR4, scheduled for implementation in 2016, will ensure “seamless experiences for both Delta and Virgin customers,” said the transatlantic joint venture partners.

3. Delta First U.S. Airline To Offer Alipay Payment

Delta is the first U.S carrier to add the Alipay payment platform to its website, in partnership with Alipay parent Ant Financial Services and UATP. Alipay is China's leading online payment provider and the primary means of online and mobile payment for 300 million registered Alipay users. In 2013, 1.8 million Chinese travelers visited the United States, and with easing of reciprocal visa policies between the U.S. and China, a further increase is expected.

4. Farelogix, Switchfly Collaborate on E-Commerce for Mid-Tier Airlines.

Farelogix and Switchfly are collaborating on website and mobile solutions for mid-tier airline merchandising and personalization, ranging from simple add-ons for post-booking ancillaries to full end-to-end personalized shopping and booking. The solution will use a standardized NDC XML API. “If the airline conceives of a new bundle or package today, it should be available as a live offer tomorrow—without hard coding or lengthy delays by the airline website provider,” said Farelogix CEO Jim Davidson. Switchfly powers travel commerce and loyalty point redemption solutions for airlines, hotels, financial services and ecommerce. Farelogix provides distribution and merchandising technology to the global travel industry.

5. Report: Inflight Connectivity Revenues to Reach \$3 Billion by 2024.

A new Northern Sky Research report says revenues from inflight connectivity will reach \$3.2 billion by 2024. Among other *Aeronautical Satcom Markets* findings: 47,500 in-service satcom units have been deployed for a total market of more than 100,000 airframes; passenger connectivity demands for applications such as social media and video are forecast to drive bandwidth requirements worldwide; satcom use in aircraft operations to improve safety will rise; airlines are shifting from L-band services to FSS Ku band and High Throughput Satellite capacity from geostationary and non-geostationary constellations. . . . And a Gogo study finds 83% of air travelers in regions outside the U.S. are interested in using Wi-Fi vs. just 74% of U.S. air travelers. For wireless inflight entertainment, 71% outside the U.S. show a strong interest vs. 59% in the U.S. Passengers outside the U.S. are 23% more likely to pay for inflight Wi-Fi vs. passengers in the U.S. Compared to other regions included in the study, the U.S. had the lowest percentage of passengers boarding with a Wi-Fi-enabled device at 76%, and 1 in 3 passengers say they typically use at least two electronic devices on a plane. More than 20% of passengers look for Wi-Fi when choosing an airline, up 16% from a Gogo study conducted last year. Data are from participants across 16 countries and four regions, who had taken a round-trip flight in past 12 months. Illinois-based Gogo provides inflight Internet, entertainment, texting, voice and other communications services to the commercial and business aviation markets.

V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel, as of April 17 was \$74.8/barrel, up 8.6% on the month and down -39.8% compared to a year ago, reports the International Air Transport Association (IATA). Fuel price average for 2015 was \$71/barrel. Impact on 2015 fuel bill was -\$83.8 billion.

2. **Illinois Senate Passes Bills Meant To Reduce O'Hare Noise.**

The Illinois Senate approved two bills that would permit 10 runways at Chicago O'Hare, rather than the eight called for in the airport's modernization plan, and prohibit the city of Chicago from closing and demolishing any of the airport's four diagonal runways; one diagonal runway is scheduled for closure in the coming months. Expanding O'Hare flight paths would reduce jet noise that has plagued some Chicago neighborhoods and western suburbs since late 2013, when O'Hare air traffic patterns changed, say supporters of the bills, which require House consideration, passage by the General Assembly and the governor's signature. Noise complaints filed online and to a city-operated hot line totaled 39,500 in January, setting a new monthly record. In 2014, noise complaints totaled 268,211, also an all-time high, reports the *Chicago Tribune*.

3. **HMSHost Wins Sea-Tac Environmental Excellence Award.**

The Port of Seattle Commission awarded its fifth Annual Green Gateway Environmental Excellence Award to HMSHost for reducing waste and conserving energy at Seattle-Tacoma International Airport in 2014. Activities included reducing solid waste by 15,000 pounds and annual energy savings of over 34,350 watts. HMSHost also lead all participants in Sea-Tac's food bank donation program by donating 20,106 lbs. of food, which translates into approximately 309 meals weekly.

VI. U.S. CONGRESS

1. House Appropriations Releases FY 2016 Transportation Bill.

The House Appropriations Committee released 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. The bill also funds FAA's Next Generation Air Transportation System (NextGen) at \$931 million, and funds contract towers at \$154 million. The bill rejects Administration proposals for new passenger facility and general aviation fees. A provision calls for DOT and the Federal Maritime Administration to bar certain new cruise ship routes and air flights to Cuba. The Subcommittee is considering the bill.

2. Senate Holds FAA Reauthorization Hearings.

With the 2012 FAA Modernization and Reform Act set to expire this year, the full Senate Commerce Committee held a hearing to examine funding and programmatic issues. In his testimony, FAA Administrator Michael Huerta noted progress in NextGen implementation, "despite a very challenging fiscal backdrop," including 23 short-term extensions for reauthorization, a lapse in spending authority, a partial furlough, a budget slashed under the sequester and a complete shutdown of the federal government. FAA needs stability and predictable funding, he said, and "flexibility to identify priorities and match our services and infrastructure with the needs of our users." Bill Nelson (D-FL) asked Huerta if agency funds were available to help airports implement tougher employee screening. Huerta said "insulation of airport perimeter fencing is certainly something that we regard as a high priority," noting that FAA provided \$300 million in Airport Improvement Program (AIP) grants over the last 10 years for security programs requested by airports. . . . Nelson and other Senate Commerce leaders asked TSA Administrator Melvin Carraway to report to the Committee any new or recent actions taken to address potential vulnerabilities related to access of an airport's secure areas or perimeter, and provide the percentage of SIDA badges unaccounted for in each of the last five years at each airport where TSA conducts or oversees security operations. . . . A Senate Aviation Operations, Safety and Security Subcommittee hearing examined funding of airport capital needs through the AIP, Passenger Facility Charge (PFC) and other sources. In his testimony, American Association of Airport Executives President Todd Hauptli said the PFC should be increased from \$4.50 to \$8.50 to help finance facility improvements at airports of all sizes. But Airlines For America said airlines and passengers already pay \$20 billion in 17 unique federal taxes and fees. Also,

airlines and airports have a history of partnering on significant improvements, with \$70 billion of capital projects completed or underway at the 30 largest U.S. airports since 2008, without any new taxes. The federal cap on the PFC was last adjusted in 2000. . . . The Subcommittee also examined potential solutions to expedite FAA's certification process and improve U.S. competitiveness in the global marketplace for aviation products and manufacturing.

3. **Mica Proposes Reform of U.S. Air Traffic Control.**

Rep. John Mica (R-FL) introduced legislation to privatize some ATC system functions that the FAA currently handles. H.R. 1835 would create a private Employee Stock Ownership Corporation, said Mica; "technological innovations will be introduced, reducing both the cost of ATC services and airline delays This model, in one form or another, has worked successfully in countries around the world."

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **U.S.- India Talks; India's Safety Rating Upgraded to Category 1.**

At a meeting with India's Minister of Civil Aviation Ashok Gajapathi Raju, in New Delhi, DOT Secretary Anthony Foxx announced that India complies with International Civil Aviation Organization (ICAO) safety standards and has received a Category 1 rating under FAA's International Aviation Safety Assessment program. Category 1 means India's carriers may add flights to the United States using their own aircraft and carry the code of U.S. carriers on their operations; a Category 2 designation had followed a 2012 FAA audit. . . . Secretary Foxx signed a Memorandum of Cooperation for an India-U.S. Transportation Partnership, with India's Minister of Road Transport, Highways and Shipping Nitin Gadkari, saying, "Today, with the swoop of two pens, India and America took a bold step towards a future where all forms of transportation—roads, rails, ports, airports—work together seamlessly." Both countries also agreed to cooperate on vehicle fuel efficiency standards and promotion of dedicated freight corridors to facilitate movement of goods from India's ports to major cities of the region.

2. **U.S. Seeks Stakeholder Input on Gulf Carrier Subsidy Claims.**

The U.S. Departments of Commerce, State and Transportation are reviewing claims by Delta, American, United and others that Emirates, Etihad and Qatar receive subsidies from their governments that distort the global aviation market. Stakeholders may submit views on a public docket; a separate contact will receive confidential information, such as trade secrets.

VIII. EUROPE AND AFRICA

1. Commission Approves Aid Schemes for French Aviation Sector.

The European Commission approved three aid schemes for the French aviation sector, as they “promote regional connectivity without causing undue distortion of competition in the Single Market.” France may grant individual investment and operating aid to airports and start-up aid for new routes, without further intervention by the Commission, which said, “The schemes have been approved for 10 years, with monitoring arrangements from the French authorities, and will provide a clear and effective legal and economic framework for aviation operators, while promoting the coherent use of public funds for the benefit of the various stakeholders. The aid will therefore help to improve regional connectivity, combat air traffic congestion and facilitate regional development.”

2. IAG, airberlin Leave AEA Amid Gulf Airlines Debate.

International Airlines Group (IAG) units British Airways, Iberia and Iberia vacated membership in Association of European Airlines (AEA) and joined European Low Fares Airline Association (ELFAA), which already includes IAG’s Vueling. IAG, which is 10% owned by Qatar Airways, objected to AEA’s stance on limiting access by Gulf carriers to the European market due to alleged state subsidies. . . . Etihad Airways equity partner airberlin also left AEA for the International Air Carrier Association (IACA), saying AEA is driven by airlines desperate to erect a new wall around Europe. . . . Brussels-based IACA said the debate around the Gulf carriers distracts airlines from asking European legislators to reconsider detrimental policies. “The competitiveness challenge faced by the European airlines has its roots in inadequate, discriminatory and poorly implemented European policies,” stated IACA. “It would be ill-advised to let the Commission and the Member States believe that they can escape a real debate on what is really dragging the airlines down: the prohibitive cost of the European infrastructure. Airport and air traffic control costs represent almost 50% of an efficient airline’s cost structure, when the fuel cost is removed.” IACA urged the Commission and Member States “to acknowledge that they hold the key to restoring the competitiveness of the European airline sector and to act with determination and a sense of urgency.”

3. FedEx To Acquire TNT Express.

FedEx made an all-cash offer for TNT Express valued at \$4.8 billion, with transaction expected to close in first half 2016, subject to regulatory and other approvals. The companies will be integrated, with European regional

headquarters in Amsterdam/Hoofddorp; TNT Express hub in Liege will remain a significant operation for the group; and TNT Express airline operations will be divested, in compliance with applicable airline ownership regulations.

4. **Delta Adds Seasonal Paris Flights.**

Delta will restart seasonal nonstops from Paris Charles de Gaulle to both Philadelphia and Pittsburgh, on May 11, with joint-venture partner Air France-KLM, using 167-seat Boeing 757-200s.

5. **HOP! To Fly All Air France Only Domestic, Regional Routes.**

HOP! will operate all Air France domestic and regional services from Paris Orly; routes feeding de Gaulle will not be affected. “HOP! is now the largest European domestic network with 130 destinations in France and Europe, 600 daily flights, up to 25 roundtrips per day, a frequent flyer membership card, the Flying Blue loyalty program, travel solutions for every type of business, friendly staff and a simple range of fares adapted to all travelers,” according to the Air France website.

6. **UK Firm on Ryanair Sell Down of Aer Lingus Share.**

The UK Competition and Markets Authority (CMA) provisionally decided to implement remedies in the Ryanair/Aer Lingus inquiry, and will not change an order for Ryanair to sell down its 30% stake in Aer Lingus to 5% because of a proposed International Airlines Group bid for a 25% stake in Aer Lingus. The CMA will consider further responses before taking its final decision, and is consulting on terms of a draft final order that would implement the remedies. . . . In related news, Virgin Atlantic reportedly expressed concerns to Ireland’s Parliamentary Transport Committee and the European Commission that an unchecked takeover of Aer Lingus by IAG, parent of Iberia, Vueling and British Airways, would create a monopoly on some routes, including London Heathrow to Dublin, Belfast to Heathrow and Dublin to Chicago.

7. **Albrecht To Lead SunExpress.**

Former Star Alliance CEO and current Austrian CEO Jaan Albrecht will serve as CEO of SunExpress, a joint venture of Lufthansa and Turkish Airlines, from June 1. SunExpress “brings more than 7 million passengers to holiday destinations in Turkey, the Red Sea region, the entire Mediterranean area and the Sultanate of Oman [and] connects various cities within Turkey.” . . . In other Lufthansa news, strike action in March contributed to a 2.5% drop in revenue seat kilometers in Europe.

8. Swiss Approve Darwin-Etihad Partnership.

The Swiss Federal Office of Civil Aviation closed its investigation into Etihad's investment in Darwin Airline and gave final approval of the partnership, determining it is in accordance with European ownership and control regulations. Last year Etihad acquired a 33.3% stake in Darwin, which was rebranded as Etihad Regional. "The partnership will provide us the financial stability for the long-term growth of our company, dispelling any market uncertainty," said Darwin CEO Maurizio Merlo.

9. SAA CEO Resigns.

Arbitration proceedings determined the employment relationship between suspended CEO Monwabisi Kalawe and South African Airways (SAA) "had irretrievably broken down"; Kalawe will receive payment "in lieu of his contractual three months notice and outstanding leave pay up to the termination date and an additional three months' notice in return for agreeing to give his notice of resignation with immediate effect." Kalawe was suspended last year on allegations of misconduct. Nico Bezuidenhout, CEO of SAA low-cost airline Mango, is acting CEO.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. ATI Approved for ANA-United Cargo Joint Venture.

Japan's Ministry of Land, Infrastructure, Transport and Tourism granted antitrust immunity for the proposed trans-Pacific cargo joint venture between Star Alliance partners All Nippon Airways and United, under which the carriers will jointly manage network planning, pricing, sales and handling on specified trans-Pacific routes. The cargo joint venture is the first of its kind between Asia and the Americas.

2. Delta Begins Code Share With Shanghai Airlines.

Under a new code share with China Eastern subsidiary Shanghai Airlines, Delta is putting its code on 11 Shanghai Airlines-operated China domestic routes. Customers traveling from interior cities in China can buy a Delta ticket to the U.S. and beyond as a consolidated itinerary. Delta also code shares with China Eastern; with both partners, Delta provides connections to 30 destinations beyond Shanghai including Guangzhou, Shenzhen and Nanjing, and access to four new destinations from Shanghai —Zhengzhou, Guiyang, Nanning and Tianjin. Shanghai Airlines operates 72 passenger aircraft, including Boeing 737s and 767s and Airbus 330s, on domestic flights from its Shanghai hubs, on regional routes to Hong Kong, Taipei, and Macau, and internationally to selected major cities in Japan, South Korea, Cambodia, the Philippines and Thailand. Delta operates nonstops from Beijing and Shanghai Pudong to Detroit and Seattle, and from Pudong to Tokyo Narita. Shanghai-Los Angeles service starts July 9, bringing Delta's weekly departures to Shanghai to 28. . . . Delta relocated its passenger operations from Terminal 2 to Terminal 1 at Shanghai Pudong to collocate with China Eastern and Shanghai Airlines. China Eastern is building a 4,000 square-foot SkyTeam Lounge at Terminal 1 set to open this year.

3. China Update.

In a speech at the Beijing International Forum on Civil Aviation Safety, IATA Director General and CEO Tony Tyler urged more efficient use of existing Chinese airspace, noting that nearly 70,000 flights a week operate to, from or within the China mainland, about 10% of the global total. He encouraged the Chinese industry to take advantage of the newly-launched IATA Standard Safety Assessment (ISSA) for operators ineligible for an IATA Operational Safety Audit (IOSA), either because they operate aircraft below the maximum take-off weight of 5,700 kg, or operate a business model that does not conform to IOSA standards, such as private charters. On safe carriage of

lithium batteries, for which China is a major production center, Tyler recommended IATA's new Lithium Battery Shipping Guidelines in Chinese. . . . Civil Aviation Administration of China said there were 104 million air trips in the first quarter, up 12.3% from a year earlier, reports Xinhua; overseas trips grew by 36% to 9.65 million due to booming tourism. . . . In the past five years, Chinese carriers have increased seat capacity 140% to the United States in a typical week, according to a new OAG report China Eastern plans to raise up to \$2.4 billion through a share offering, to be used to expand its fleet and pay off loans. . . . A new policy restricts travel to Hong Kong for Shenzhen citizens, to relieve strain on Hong Kong accommodations. . . . Amid concern about ill manners of Chinese tourists at home and abroad, the China National Tourism Administration (NTA) announced a policy that blacklists offending travelers for two years; NTA will be in charge of a nationwide register.

4. **Air New Zealand to Begin Houston Flights.**

Air New Zealand will open a fifth North American gateway in December, with up to five weekly Boeing 777-200 nonstops between Houston and Auckland. Star Alliance partner United will code share from North American cities.

5. **MH370 Search Area To Double.**

Senior Ministers from Malaysia, Australia and China met to discuss next steps in the search for Malaysia Airlines flight MH370. The Boeing 777-200ER disappeared on March 8, 2014, and is believed to be at the bottom of the southern Indian Ocean, in the Australian search and rescue zone. About 40% of the current search area is still incomplete. Ministers agreed to plans for recovery activities, if the aircraft is found and accessible, including securing all evidence necessary for investigation in accordance with Chicago Convention requirements. If the aircraft is not found within the current search area, Ministers agreed to extend the search by an additional 60,000 square kilometers to 120,000; the additional search area may take up to a year to complete given adverse weather conditions in coming winter months. Upon completion, all high probability search areas would have been covered.

6. **IAG, airberlin Leave AEA Amid Gulf Airlines Debate.**

See Section VIII, item 2.

7. **Swiss Approve Darwin-Etihad Partnership.**

See Section VIII, item 8.

X. AMERICAS

1. American, US Airways Receive Single Operating Certificate.

FAA issued a single operating certificate for American and US Airways; most flight operations, maintenance and dispatch procedures now are identical for all flights, and ATC communications refer to all American and US Airways flights with the call sign “American.” It is in the process of moving to a single reservation system and website and combining frontline employee workgroups. Since the December 2013 merger, US Airways entered the oneworld alliance, merged its frequent flyer programs and reached a five-year joint collective bargaining agreement. . . . American Airlines Group's total revenue passenger miles for March were 18.4 billion, down 0.6% versus March 2014. Total capacity was 22.4 billion available seat miles, down 0.9%. Total passenger load factor was 82.1%, up 0.3%. Company said “the recent strengthening of the dollar resulted in higher than anticipated foreign exchange losses.”

2. Southwest Applies for Denver-Puerto Vallarta Route.

Southwest applied with DOT to provide daily nonstops between Denver and Puerto Vallarta, Mexico, from November, subject to approvals from relevant governmental agencies. Southwest begins service to Puerto Vallarta in June with daily flights from John Wayne Airport Orange County. Subject to government approvals, service to Belize City begins in October. Southwest added daily service to nine new destinations from Dallas Love Field and Saturday-only to Charleston, S.C., with plans to serve 50 destinations nonstop in nearly every region of the country from Dallas by end of summer.

3. Virgin America Will Fly A320s to Hawaii.

Virgin America will begin San Francisco service to Honolulu on November 2, and to Maui on December 3. It will operate daily nonstops with new Airbus A320s equipped with fuel-saving sharklet wingtip devices. Virgin America is working with FAA and Airbus to ensure that the new A320s are certified for Extended Operation (ETOPS). . . . Virgin America added five daily nonstops between Dallas Love Field and Austin-Bergstrom.

4. Christine Deister Named President/CEO of Air Wisconsin.

Christine Deister was named President and CEO of Air Wisconsin, effective immediately. She joined the company in 2004 and most recently was Chief Commercial Officer. She held executive positions at Hawaiian and Trans World Airlines. Air Wisconsin operates 500 daily departures to U.S. and

Canadian destinations in partnership with US Airways, and performs ground-handling services in partnership with United Express and US Airways Express.

5. **Study: U.S. Airline Performance Declines.**

U.S. airline performance declined in 2014 according to the 25th annual Airline Quality Rating (AQR). The joint research project by Wichita State University and Embry-Riddle Aeronautical University uses a system of weighted averages and monthly performance data in the areas of on-time arrivals, involuntary denied boarding, mishandled baggage and a combination of 12 customer complaint categories to track comparative quality for domestic airline operations. Virgin America retained first place in the rankings, followed by Hawaiian, Delta, JetBlue, Alaska, Southwest (includes AirTran), American (includes USAirways), Frontier, United (includes Continental), SkyWest, ExpressJet and Envoy/ American Eagle.

6. **FedEx To Acquire TNT Express.**

See Section VIII, item 3.

7. **Delta Adds Seasonal Paris Flights.**

See Section VIII, item 4.

8. **ATI Approved for ANA-United Cargo Joint Venture.**

See Section IX, item 1.

9. **Delta Begins Code Share With Shanghai Airlines.**

See Section IX, item 2.

10. **Air New Zealand to Begin Houston Flights.**

See Section IX, item 4.