



WASHINGTON AVIATION SUMMARY

November 2013 EDITION

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

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I. REGULATORY NEWS

1. DOT Fines United \$1.1 Million for O'Hare Tarmac Delays.

The U. S. Department of Transportation (DOT) fined United Airlines \$1.1 million for 13 lengthy tarmac delays that took place on July 13, 2012, when severe thunderstorms and lightning caused ramp closures and disrupted the movement of aircraft at Chicago-O'Hare International Airport. Delays by United and its United Express code-share affiliates exceeded the three-hour limit for tarmac delays by as little as two minutes and as much as 77 minutes. United did not implement its contingency plan for tarmac delays, said DOT, and the plan was inadequate to cover foreseeable weather emergencies in which there were more planes on the ground than space at gates. United also did not contact airport personnel or other airlines for assistance during the tarmac delays. Additionally, on two United Express flights, the lavatories were inoperable during part of the delays. This is the largest fine assessed for a tarmac-delay violation since the rule took effect in April 2010. Of the \$1.1 million, United will pay the United States \$475,000; the remainder covers mitigation measures for affected passengers and significant corrective actions to enhance future compliance with tarmac delay requirements.

2. Impact of U.S. Government Shutdown on FAA.

During the federal government shutdown, from October 1 through 16, the Federal Aviation Administration (FAA) initially furloughed 15,514 of its 46,000 employees throughout the nation, but recalled 800 safety-related employees on October 7. According to a Senate Commerce Committee report, closure of FAA's Aircraft Registry Office effectively shut down deliveries of aircraft sold domestically, exported, or imported for commercial or private use. Manufacturers' schedules were delayed due to a reduction in staff—from 1,300 employees to 100—who certify safety of aircraft, components and aircraft modifications. FAA halted NextGen development, operational testing, and evaluation of technologies and safety standards; progress on NextGen had already slowed during initial implementation of the sequestration. "It will take time to assess the backlog of work that developed during the shutdown," FAA Administrator Michael Huerta told the Aero Club of Washington. "It's hard to push the 'pause' button on a complicated and wide scale operational agency like the FAA. Suddenly speeding it up or slowing it down . . . is extraordinarily disruptive. We operate most efficiently and effectively under conditions of certainty." FAA still must cut hundreds of millions of dollars this year under the sequester, is operating at historically low levels of funding and is "facing a \$5 billion backlog in deferred maintenance of facilities and

equipment. Huerta told reporters that a finalized pilot training rule expected in October has been delayed but is “at the very top of our regulatory agenda.”

3. **Obama Nominates Jeh Johnson to Head Homeland Security.**

President Barack Obama nominated Jeh Johnson to be the next Secretary of Homeland Security. If confirmed by the Senate, Johnson will replace Janet Napolitano, who resigned to become President of the University of California system. Johnson, who was Department of Defense general counsel from 2009-to 2012, “has a deep understanding of the threats and challenges facing the United States [and] helped design and implement many of the policies that have kept our country safe, including our success in dismantling the core of al Qaeda,” said President Obama.

4. **FAA to Allow Airlines to Expand Use of Personal Electronics.**

FAA determined that airlines can safely expand passenger use of Portable Electronic Devices (PEDs) during all phases of flight, and is immediately providing airlines with implementation guidance to assess risks of potential PED-induced avionics problems for their airplanes and specific operations. Implementation will vary among airlines, but many carriers will allow passengers to use their devices in airplane mode, gate-to-gate, by the end of the year. FAA based its decision on input from the PED Aviation Rulemaking Committee (ARC), which included representatives from the airlines, aviation manufacturers, passengers, pilots, flight attendants, and the mobile technology industry. The ARC concluded most commercial airplanes can tolerate radio interference signals from PEDs. Once an airline verifies the tolerance of its fleet, it can allow passengers to use handheld, lightweight electronic devices, such as tablets, e-readers, and smartphones, at all altitudes. In instances of low visibility, the crew will instruct passengers to turn off their devices during landing. The ARC also recommended that heavier devices be stowed under seats or in overhead bins during takeoff and landing. Cell phones cannot be used for voice communications based on Federal Communications Commission regulations. Each airline will need to revise manuals, checklists for crewmember training materials, carry-on baggage programs and passenger briefings before expanding use of PEDs.

5. **U.S. Airlines Apply for American’s Tokyo Haneda Slots.**

American Airlines announced it will terminate New York Kennedy-Tokyo Haneda service, and United and Hawaiian have applied to DOT for authority to use the Haneda slot pair. United proposed to provide daily nonstop service from its San Francisco hub to Haneda from summer 2014, using existing aircraft in its fleet. United operates nonstop service to Tokyo Narita from San Francisco, Chicago, Denver, Guam, Honolulu, Houston, Los Angeles, New

York/Newark, Seattle and Washington. Hawaiian Airlines proposed to use 294-seat Airbus A330s on service to Haneda from Kona, which has been without flights to Japan since 2010, when Japan Airlines discontinued service.

6. American Proposes Service From Dallas to Hong Kong, Shanghai.

American Airlines proposed new daily Boeing 777 nonstops from Dallas to Hong Kong and Shanghai Pudong, beginning summer 2014. Both routes will be operated as part of American's joint business agreement with oneworld partner Japan Airlines. American also flies to Shanghai from Los Angeles and Chicago; Hong Kong would be a new destination.

7. DOT Rejects Direct U.S. Routes by Fly Jamaica and Caribbean.

DOT denied applications by Caribbean Airlines (of Trinidad and Tobago) and Fly Jamaica for authority to operate passenger flights between Georgetown, Guyana and New York Kennedy, saying the carriers had not shown a "truly demonstrable need" and the services therefore did not meet the department's public interest test for extra-bilateral seventh-freedom services. ALPA and Airlines for America opposed the applications. "Relevant Open Skies agreements are premised on the ability of U.S. carriers to have a 'fair and equal opportunity' to compete, and the proposed seventh-freedom operations would clearly impede the ability of U.S. carriers to compete," said ALPA. The carriers may continue to operate one-stop service between Guyana and New York, via Port-of-Spain, Trinidad, and Kingston, Jamaica.

8. DOT Fines Ticket Agents for Code Share Disclosure Violations.

DOT issued fines of \$125,000 against Carlson Wagonlit Travel and \$65,000 against Frosch International Travel, for violating rules on disclosure of code share flights. During telephone calls to agents during January and February of 2013, both companies failed to disclose that flights were being operated under code share arrangements. DOT has issued six fines for code sharing violations this year, totaling \$430,000.

9. NTSB News.

Deborah Hersman and Christopher Hart were sworn in for their third two-year terms as Chairman and Vice Chairman, respectively, of the National Transportation Safety Board (NTSB). . . . During the government shutdown, 383 of the 405 NTSB employees were furloughed, which curtailed accident investigations, including the August 14 fatal crash of a UPS Airbus A300 in Birmingham, Ala. A two-day hearing on the crash of Asiana Airlines Flight 214 at San Francisco International Airport was postponed from November to December, and will focus on pilot awareness in highly automated aircraft, emergency response, and cabin safety. Testing of new lithium batteries for the

Boeing 787, scheduled to begin during the shutdown, was delayed. NTSB is investigating the failure of an International Aero Engines V2500 on a Spirit Airlines Airbus A319, en route from Dallas to Atlanta in October.

10. Rise in Laser Incidents Targeting Aircraft.

The Federal Bureau of Investigation (FBI) reported that laser incidents targeting aircraft and pilots in the New York area are up 17% since last year. Several commercial pilots suffered significant injury, including a burnt retina. An investigation led by the FBI's Joint Terrorism Task Force includes more than fifty local, state and federal agencies.

11. DOT Air Travel Consumer Report for August.

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

	August	July	Full Year				
	'13 / '12	'13	2012	2011	2010	2009	2008
On-time arrivals %	78.8 / 79.1	73.1	81.85	79.6	79.8	79.5	76
Cancellations %	1.0 / 1.3	1.7	1.29	1.91	1.76	1.39	1.96
Mishandled baggage*	3.12 / 3.38	3.68	3.83	3.35	3.51	3.91	5.26
Consumer complaints:							
Airline service	1,318 / 1,883	1,607	15,335	11,546	10,988	8,821	10,648
Disability-related	87 / 72	88	743	628	572	519	477
Discrimination**	7 / 10	12	99	128	143	131	115

Note: Airlines reported 2 tarmac delays of more than three hours on domestic flights in August, due to storms in Denver, and no tarmac delays of more than four hours on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Todd Hauptli Named President, CEO of AAAE.

Todd Hauptli was selected to serve as President and CEO of the American Association of Airport Executives (AAAE), effective December 1, 2013, following the retirement of Chip Barclay. Hauptli has held executive positions with AAAE since 1991.

2. New Runway Opens at O'Hare.

A new 10,800-ft. runway opened at Chicago O'Hare, part of an \$8 billion modernization project. Officials said the arrival rate of 88 landings per hour during low cloud ceilings and rain was increased to 106 landings per hour on opening day.

3. Southwest Breaks Ground on Houston Hobby International Terminal.

Southwest broke ground on a new international terminal at Houston Hobby. The \$156 million, five-gate facility, fully funded by the carrier, will accommodate service to destinations in the Caribbean, Mexico and northern cities of South America, expected to begin in late 2015. The new terminal will bring an additional one million passengers a year to Hobby, according to a 2012 study commissioned by the Houston Airport System, which will construct a new multi-level parking garage and improve the existing roadway system. This will be Southwest's first international terminal.

4. Paulding Northwest Atlanta to Offer Commercial Service.

Paulding Northwest Atlanta, a general aviation airport located 24 miles northwest of Atlanta, will be developed for commercial service. Propeller Investments entered into long-term lease agreements with Paulding County Airport Authority (PCCA) for the terminal building and options for 60 acres of land for related facilities. The pact immediately gives Paulding County landing fees, taxes on based aircraft, percentage of gross revenue, ground rental income from Propeller and terminal sales tax revenue. The airport has been renamed Silver Comet Field and Propeller is in talks with carriers. In addition to a new 23,000 sq. ft. terminal, county, state and federal governments have invested more than \$50 million in airport infrastructure.

5. \$1.1 Billion Capital Improvement Plan Approved for Orlando.

Greater Orlando Aviation Authority approved a plan to nearly double Orlando International capacity to 45 million passengers per year. The \$1.1 billion project will include a second terminal complex that would support future multi-

modal travel connections. Key sources of funding include passenger facility charges and bonds.

6. GTAA, Air Canada Sign New Five-Year Pact.

Greater Toronto Airports Authority (GTAA) and Air Canada signed a five-year commercial agreement to further develop Toronto Pearson as a global hub. The agreement, which takes effect January 1, commits both parties to continued passenger service improvements, including baggage delivery and aircraft de-icing wait times. It includes annual fixed aeronautical fees for Air Canada, general terminal charges and apron fees. The fixed annual fees may be adjusted in certain circumstances, including instances when fees for all other carriers operating at Pearson are adjusted. The initial five-year term will be extended for a further five years, if agreed passenger volumes are met.

7. ASUR Q3 Passenger Traffic Up 10.66%.

Grupo Aeroportuario del Sureste (ASUR) reported a third-quarter rise in profit of 24.9%, as passenger traffic rose 10.66%. ASUR operates Cancun and eight other airports in southern Mexico. Domestic passenger traffic rose by 9.41% and international by 12.02%, mainly from a 12.55% increase at Cancun. ASUR also is a 50% joint venture partner in Aerostar, operator of Luis Munoz Marin International in San Juan, Puerto Rico.

8. UK CAA Proposes Caps on Airline Charges.

The UK Civil Aviation Authority (CAA) proposed caps on airline tariffs charged by London Heathrow and Gatwick from April 2014 that will not rise by more than inflation. Heathrow had called for a 4.6% annual increase over five years and airlines asked for a 9.8% per year cut. Gatwick price commitments, with average price to grow by inflation plus 0.5% per year for seven years, were deemed fair by CAA. Consultation on Stansted continues.

9. Global Joint Venture to Build Manchester's Airport City.

A joint venture to build a 150-acre international business district at Manchester Airport was formed by Manchester Airports Group, Beijing Construction Engineering Group, Carillion and the Greater Manchester Pension Fund. Argent was appointed as development manager. The £800 million Airport City project will include offices, hotels, advanced manufacturing, logistics and warehousing.

10. Scottish Government to Acquire Glasgow Prestwick.

The Scottish government plans to take Glasgow Prestwick into public ownership, and has entered into negotiations with New Zealand-based owner Infratil. Deputy First Minister Nicola Sturgeon cited the need to safeguard

airport-related jobs and Prestwick's "important resilience capabilities that provide alternative options to Glasgow and Edinburgh in the event of severe weather conditions."

11. Spain Seeks Investors for AENA.

Spain is seeking private investors to buy up to 60% of AENA, which operates 46 Spanish airports and London Luton and has stakes in Latin American airports. A 2011 sale was unsuccessful. AENA has debts of €13 billion.

12. JAL Contests Haneda Slot Allocation.

Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) announced an allocation of 20 international departure and arrival slots to be added from FY2014 at Tokyo Haneda, with five going to Japan Airlines (JAL) and 11 to All Nippon (ANA). "We sincerely regret that we cannot accept this," said JAL, which plans to "proceed to formally seek from MLIT a rational explanation and a correction of the content of this allocation." ANA had argued that a government bailout has given JAL a competitive edge.

13. Al Maktoum Terminal Opens for Passengers.

The new passenger terminal at Al Maktoum International at Dubai World Central opened its doors for business with the arrival of a Wizz Air flight from Budapest. The terminal has one Airbus A380 capable runway, 64 remote aircraft stands and capacity for up to 7 million passengers per year. Jazeera Airways will operate two weekly flights and Gulf Air intends to start daily operations in December. Once completed, the airport will have the capacity to handle 12 million tonnes of annual cargo capacity and 160 million passengers. Construction of cargo terminals is underway.

III. **SECURITY AND DATA PRIVACY**

1. **TSA Screening Spared by Federal Shutdown.**

Airport security activities continued unabated throughout the federal government shutdown. The Transportation Security Administration (TSA) reported it found 99 firearms in carry-on bags; 84 were loaded and 29 had rounds chambered. Among other discoveries were knives, a cane sword and a dagger hidden inside a comb. A stun gun disguised to look like lipstick was among 43 stun guns found. An inert training device discovered in checked baggage caused Fort Lauderdale International to be closed for 33 minutes.

2. **TSA Exiting Exit Lane Monitoring.**

A proposal by TSA to no longer monitor airport exit lanes was opposed by Airports Council International, which said TSA is attempting to abdicate its responsibility by imposing a costly unfunded mandate on U.S. airports. The Massachusetts congressional delegation in a letter to TSA Administrator John Pistole said the change would cost Boston Logan \$4.5 million per year. "Exit-lane monitoring is not a screening function, but rather an issue of access control," said TSA. . . . In related news, Port of Seattle Commission approved the expansion of automated exit lane technology at all exits of Sea-Tac, following successful testing, saying the alternative to physical staffing "will result in annual savings of \$1.8 million." The \$6.4 million project consists of three parallel, one-way doors with multiple lanes to funnel passengers out from the secure side of the airport. Sensors detect if a passenger changes direction or tries to enter from the wrong direction, triggering alarms and locking exit doors. Cameras provide additional tracking.

3. **McCain Seeks Answers on TSA Searches at Phoenix Sky Harbor.**

Senator John McCain (R-AZ) asked TSA Administrator John Pistole to explain why passengers with disabilities are filing formal complaints about TSA procedures at Phoenix Sky Harbor at a rate of more than two and a half times the national average, as reported by the *Arizona Republic*. "It is unfortunate that TSA subjects seniors, wounded veterans and passengers with special medical needs to excessive searches," wrote McCain, who asked for a response by November 13.

4. **Obama Nominates Jeh Johnson to Head Homeland Security.**

See Section I, item 3.

IV. E-COMMERCE AND TECHNOLOGY

1. Travel Groups Propose Distribution Standards.

The International Air Transport Association (IATA) promoted its New Distribution Capability (NDC) at the World Passenger Symposium in Dublin, encouraging airlines, travel agents and technology providers to join the pilot phase which is expected to continue through 2014. "The application for approval of Resolution 787, which is the foundation document for NDC, is before [DOT], and we are optimistic of a positive outcome in the fourth quarter that will permit adoption of schemas under development," said IATA Director General Tony Tyler. . . . Meanwhile, travel industry organizations announced a collaborative effort to develop open, neutral data standards to enhance distribution of airline products across all channels. The group invited IATA, Airlines for America and other relevant stakeholders to join the initiative, which they say "could effectively end the acrimony caused by IATA's unilaterally developed NDC, which has received harsh criticism from many parts of the travel industry and from government officials." Consumer-focused "Principles for the Future of Air Travel Distribution" include transparency, choice, competition, innovation and privacy. Organizations endorsing the initiative include American Society of Travel Agents, Business Travel Coalition, Consumer Travel Alliance, and Travel Technology Association in the U.S. and European Technology & Travel Services Association and European Federation of Travel Agents Associations.

2. Amadeus: Low-Cost Capacity Rises 6.8% in First Half 2013.

Global low-cost carrier (LCC) seat capacity increased 6.8% in first six months 2013, compared to same period 2012, reports Amadeus, with half of that growth coming from carriers in Indonesia, India, Thailand and Malaysia. Warsaw LCC seat capacity grew by 63%, while Madrid's declined by 27%. London maintains its position as the world's largest LCC city by capacity, with nearly 15 million available LCC seats in the time period, roughly 1.5 times the number of available seats at the next largest LCC city, Sao Paulo.

3. Battery Free Permanent Luggage Tag for Passengers.

A battery free permanent luggage tag has been developed by Vanguard ID Systems. The E-Ink based ViewTag® acts like a digital license plate that allows the customer to receive text messages telling where luggage is located throughout the journey. Vanguard holds numerous RFID (radio-frequency identification) related patents for RFID Tags.

4. SITA Lab Assesses Google Glass for Boarding Agents.

SITA Lab evaluated Google Glass and Vuzix M100 devices, and developed an application, SWIFT Boarding, using the smart headgear's built-in camera as a scanner and the heads-up display that would allow boarding agents to securely scan and verify a boarding pass and passport simultaneously. SITA Lab found that the devices are not fast enough yet to meet high speed passenger processing requirements and said for use in the air transport industry the technology needs to be more robust to avoid breakages, the cost will have to come down, camera quality needs to be enhanced, and bandwidth for widespread use, battery life and cultural and social issues for passengers and employees need to be addressed.

5. Airlines Spent \$7 Billion on Electronic Payment Fees in 2012.

Airlines spent nearly \$7 billion on electronic payment processing fees globally in 2012, reports PhoCusWright, which, in a new report "unravels the complexities of travel payments, highlighting key emerging technologies, practices and trends."

6. Passenger Mobile Usage Underutilized.

Although three quarters of passengers carry a smartphone, few use the devices for travel, such as check-in and booking, according to the 2013 SITA/Air Transport World Passenger IT Trends Survey; 69% of respondents booked their travel through a website and 20% used a kiosk for check-in on the day of travel, similar to last year's levels. The survey included 2,489 passengers from more than 70 countries who passed through six of the world's leading airport hubs: Abu Dhabi International; Beijing Capital; Chhatrapati Shivaji in Mumbai; Frankfurt International; GRU Sao Paulo International and Atlanta Hartsfield-Jackson. They comprised business and leisure travelers, and occasional and frequent flyers at all locations.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

Average price of aviation jet fuel, as of October 11, was \$125.1/barrel, down 0.9% on the month and down 9.1% year-on-year, reports the International Air Transport Association. Fuel price average for 2013 was \$124.5/barrel.

2. ICAO Climate Change Resolution Adopted.

The International Civil Aviation Organization (ICAO) 38th Assembly adopted a climate change resolution that focuses on technology, operations, infrastructure and alternative fuels as primary means for addressing aviation greenhouse gas emissions. The Assembly agreed to develop by 2016 a global market based mechanism (MBM) to tackle emissions, to come into force in 2020, with major efforts undertaken to address challenges and accommodate specific concerns of developing countries. The resolution reconfirms emissions goals established for the industry in 2010—annual average fuel efficiency improvements through 2020 and carbon neutral growth from 2020. The Assembly confirmed that the focus should be on global measures, and reconfirmed that local and regional MBMs, before a global measure is agreed to, are not particularly favored.

3. EC Proposes EU ETS for EU Airspace January 1, 2014.

The European Commission proposed amending the EU emissions trading system (EU ETS) to include emissions from flights between airports in the European Economic Area (EEA)—28 EU Member States plus Norway and Iceland—from January 1, 2014 until the ICAO-planned global MBM takes effect in 2020. From 2014 to 2020, flights to and from countries outside the EEA would be exempted for emissions that take place outside EEA airspace. Flights to and from third countries which are not developed countries and which emit less than 1% of global aviation emissions would be fully exempted. “The Commission would like to see the proposal agreed by the European Parliament and Council by March 2014 to provide clarity for aircraft operators, who would otherwise have to surrender allowances for emissions on flights in 2013 to and from third countries by 30 April 2014,” said Connie Hedegaard, EC Commissioner for Climate Action. Airlines for America urged reconsideration, and said, “requiring foreign carriers to participate in the EU trading scheme without the agreement of the airlines’ country of registry ‘flies in the face’ of the ICAO agreement that was just reached.”

4. **JAL Qualified at SFO for Emission Reduction.**

Asia and Pacific Initiative to Reduce Emissions (ASPIRE) implemented operational procedures at San Francisco International Airport that include user preferred route, continuous descent operations and oceanic separation minima. Japan Airlines was the first Japanese airline to be qualified for its performance on the route. The measures aim to yield total annual savings in fuel burn of 460,000 lbs. (250,000 liters) or 658,000 kg less CO₂ emissions.

5. **Avianca Brasil, Byogy Collaborate on Aviation Biofuels.**

Sao Paulo-based Avianca Brasil will test Byogy Renewables' Alcohol to Jet fully renewable aviation biofuel process on an Airbus A319, powered by CFM56 engines. Byogy Renewables, headquartered in California with a subsidiary in Brazil, has developed a catalytic platform that converts any source of hydrous ethanol, or butanol, into full replacement, drop-in, and cost competitive biofuels including gasoline, diesel and jet fuel. "Brazil, a world leader in the production of sugarcane ethanol, can leverage the Byogy ATJ process and lead the world in the development of a truly sustainable renewable aviation fuel industry," said officials.

6. **GOL to Use Renewable Jet Fuel From Brazilian Sugarcane.**

GOL Linhas Aéreas Inteligentes signed a memorandum of understanding to use Amyris renewable jet fuel produced from Brazilian sugarcane, following regulatory approvals and validation by standard-setting bodies, including ASTM International and Brazil's Oil, Gas and Biofuels Agency. The partnership is under auspices of industry and government-supported Brazilian Biofuels Platform. Lifecycle analysis indicates the Amyris product could reduce greenhouse gas emissions by 80% or more, compared to conventional fossil-derived jet fuel. Amyris has applied for certification under the Roundtable of Sustainable Biomaterials and is a member of Bonsucro, a sugarcane sustainability standard. Amyris operates a production facility near the Paraíso sugarcane mill in Brotas, Sao Paulo, to convert sugars into a renewable hydrocarbon, farnesene, which can be processed into a drop-in renewable jet fuel compliant with Jet A/A-1 specifications. In September, GOL participated in the launch of the Céus Verdes do Brasil Project (Brazilian Green Skies), which aims to improve efficiency of Brazilian airspace.

7. **First Commercial Biofuel Flight in Colombia.**

A LAN Airbus A320 traveled with 174 passengers from Bogota to Santiago de Cali, Colombia, with one of two engines powered by a 30/70 blend of Honeywell Green Jet Fuel and petroleum-derived jet fuel. The renewable fuel was made with natural oils from camelina, an inedible plant that grows in conditions where food crops cannot be grown. Depending on feedstock,

Honeywell Green Jet Fuel can offer a 65% to 85% reduction in greenhouse gas emissions relative to petroleum-based fuels, said Honeywell unit UOP.

8. Boeing, South African Airways Launch Biofuel Effort.

Boeing and South African Airways announced they will develop and implement a sustainable aviation biofuel supply chain in Southern Africa, a first for the continent, saying, “new developments in technology will enable the conversion of biomass into jet fuel in a more sustainable manner without competing with other sectors for food and water resources.” The World Wildlife Fund-South Africa will monitor and ensure compliance.

VI. U.S. CONGRESS

1. Congress Funds Government Through January 15.

To end the shutdown, Congress agreed to fund the government through January 15, keeping sequestration cuts in place. FAA will receive \$9.2 billion to prevent the furlough of air traffic controllers and safety inspectors.

2. Committee Passes Bill to Improve TSA Acquisition Process.

The House Homeland Security Committee passed the Transportation Security Acquisition Reform Act (H.R. 2719), which requires more accountability and improved transparency from TSA with regard to technology acquisition programs. . . . The Committee also approved H.R. 1095, which directs the TSA Administrator to transfer unclaimed money recovered at airport security checkpoints to nonprofit organizations that provide places of rest and recuperation at airports for Armed Forces members and their families, rather than applying it toward TSA.

3. Travel Industry Urges Congress to Pursue Long-Term Fiscal Plan.

“The best thing our federal policymakers can do for our economy is to pursue a long-term fiscal plan that includes commitments to invest in our country's aging travel infrastructure,” said U.S. Travel Association CEO Roger Dow, who cited an estimated loss of \$152 million per day in travel-related economic output during the shutdown. Though services such as security screening and air traffic control were largely unaffected, closure of national parks and historic sites severely harmed local economies. Countries such as Germany, the UK and China—which together account for more than five million visitors to the U.S. annually—issued warnings to their citizens about possible shutdown-related problems and delays when traveling to and within the U.S. Dow warned the shutdown likely will have long-term consequences for the United States' brand in the competitive international travel market.

4. McCain Seeks Answers on TSA Searches at Phoenix Sky Harbor.

See Section III, item 3.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S.–India Aviation Summit Held in Washington.

The U.S. Trade and Development Agency sponsored a dialogue on bilateral aviation issues that will promote U.S. technical solutions to support the rapid growth of India's aviation sector. Held in cooperation with the U.S.-India Aviation Cooperation Program and the government of India, the U.S.-India Aviation Summit covered the integrated technical, policy and commercial elements of air traffic management technologies and procedures, air traffic control capacity and efficiency, safety certification, aviation security, airport sustainability and general aviation development in India. India's aviation market is forecasted to be among the world's five largest—and the third largest in terms of domestic size—by 2020. U.S. Secretary of Transportation Anthony Foxx and India's Minister of Civil Aviation Ajit Singh attended the Summit's opening. . . Separately, at a late September White House meeting, India's Prime Minister Manmohan Singh and U.S. President Barack Obama decided to significantly expand information sharing and intelligence cooperation, including strengthening the bilateral relationship to exchange information on known and suspected terrorists. India welcomed the U.S. offer of membership in the U.S. Global Entry Trusted Traveler Network Program, to facilitate expedited entry of Indian travelers to the United States.

2. Travel Warnings for U.S. Citizens.

The U.S. Department of State warned U.S. citizens traveling to the Democratic Republic of the Congo (Congo-Kinshasa) (DRC) to avoid the city of Goma and the province of North Kivu, and all but essential travel to the province of South Kivu and the Ituri region in the province of Orientale, due to ongoing instability and violence, saying consular services in these regions is extremely limited. Domestic air travel on Congolese or other local airlines in the DRC is not recommended due to several recent incidents causing deaths and injuries. . . . U.S. citizens were urged to avoid all travel to the Darfur region of Sudan, the Blue Nile and Southern Kordofan states, and to consider carefully the risks of travel in other areas of Sudan, as the terrorist threat level remains critical. Risks of travel to the Republic of South Sudan include violent crime and medical threats such as measles and cholera.

VIII. EUROPE AND AFRICA

1. **Air France to Fly A380 to San Francisco.**

Air France will offer daily Airbus A380 service from Paris Charles de Gaulle to San Francisco from March 30 for the summer season. The super jumbo is equipped with 516 seats, in four cabin classes.

2. **US Airways Adds Service to Europe From Charlotte.**

US Airways will launch new nonstops between its Charlotte hub and Barcelona, Brussels, Lisbon, and Manchester this spring, bringing the number of international destinations it serves from Charlotte to 38.

3. **Finnair's Inclusion in Japan Airlines-British Airways JV Approved.**

Finnair's inclusion in the joint business between Japan Airlines and British Airways was approved by Japan's Ministry of Land, Infrastructure, Transport and Tourism. The revenue-sharing agreement, expected to launch next Spring, will allow the three oneworld partners to cooperate commercially on flights between Europe and Japan. Finnair flies daily from Helsinki to Tokyo, Osaka and Nagoya; British Airways operates from Heathrow to Tokyo Narita and Haneda; and Japan Airlines operates daily from Tokyo to London, Paris, Frankfurt and Helsinki.

4. **Aegean Completes Acquisition of Olympic Air.**

Aegean completed its acquisition of Olympic Air from Marfin Investment Group for €72 million in cash. Olympic will be an Aegean subsidiary. In clearing the acquisition, the European Commission cited a 26% drop in demand for domestic passenger transport from Athens, from 6.1 million passengers in 2009 to 4.5 million in 2012 and a further 6.3% decline in first half 2013.

5. **Air Serbia to Join Etihad's 'Equity Alliance.'**

Air Serbia, successor to JAT Airways, launched service from its Belgrade hub to Abu Dhabi, and will become a member of Etihad's 'equity alliance,' which will include code sharing, joint procurement and shared training and staff development. Subject to regulatory approval, Etihad will make available a \$40 million loan facility to be converted into a 49% equity stake in January 2014, to be matched by the Serbian government. Etihad also will provide a loan of up to \$60 million. New routes to Banja Luka, Bucharest, Ljubljana and Prague will be launched this year, with another seven by April. Eight Airbus A319s and two A320s have been leased, the first part of a two-phase fleet modernization. Air Serbia CEO is Dane Kondic.

6. Aeroflot Introduces Low-Cost Dobrolet.

Aeroflot Group now includes budget airline Dobrolet, which will be based near Moscow and will fly one-class Boeing 737-800NGs “to the most popular destinations in the European part of Russia.” Operations are expected to begin in 2014. Vladimir Gorbunov is Director General. “A low-cost carrier in Russia will not fly unless we harmonize our legislation with the existing norms of the global industry, such as non-refundable tickets, meals on board for a fee, baggage fees, the ability to hire pilots—residents of foreign countries,” said Aeroflot CEO Vitaly Saveliev. “We expect the appropriate legislative decisions to be taken by the end of this year. By doing so, the state will contribute greatly to the launch of the project of such huge importance for Russia.”

7. Transaero Launches Flights to Havana.

Transaero will launch a weekly Boeing 767-300 scheduled flight between Moscow and Havana in December. In other news, Transaero CEO Olga Pleshakova was included in the Fortune magazine list of the 50 Most Powerful Women in Business for the second year in a row.

8. Fastjet Begins International Service.

The South African Department of Transport issued an updated Foreign Operator Permit to Fastjet, and the low-cost carrier launched three-times-weekly flights from its Dar es Salaam base to Johannesburg.

9. Qatar Airways Joins oneworld.

See Section IX, item 1.

10. LAN Colombia Joins oneworld.

See Section X, item 9.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Qatar Airways Joins oneworld.

Qatar Airways became a oneworld member, the first Gulf carrier to join a global airline alliance. The Doha-based carrier code shares with oneworld partners American Airlines and Malaysia Airlines. . . . In other news, Miami will be the sixth U.S. destination for Qatar, with the start of four weekly Boeing 777 nonstops on June 10. Qatar currently operates to Chicago, Houston, New York and Washington, and will add Philadelphia in April.

2. Emirates Adds New York Via Milan Service.

Emirates began Dubai-Milan-New York service. "With the Milan-New York connection, Emirates becomes triple daily into New York, home to the largest Italian community in America," said President Tim Clark.

3. Emirates, Virgin America Launch Frequent Flyer Partnership.

Emirates became the fifth airline to join Virgin America's frequent flyer program, which also includes Virgin Atlantic, Virgin Australia, Singapore Airlines and Hawaiian Airlines. The partnership allows members of both airlines' programs to earn and redeem points or miles for travel across their networks.

4. Etihad to Launch Los Angeles Service.

Etihad will begin daily Boeing 777-200LR nonstops between Abu Dhabi and Los Angeles on June 1, 2014, subject to regulatory approvals. . . . Etihad's equity stake in Virgin Australia Holdings reached 19.9%, the threshold approved by Australia's Foreign Investment Review Board in June 2013. The two airlines signed a 10-year strategic partnership agreement in 2010 that includes code sharing, joint sales and marketing activities, and reciprocal frequent flyer programs. Combined, they operate 28 flights a week between Abu Dhabi and Australia. Etihad plans to operate services to Perth in Western Australia in the future. Etihad also holds equity investments in airberlin, Air Seychelles, Virgin Australia and Aer Lingus, and will acquire 49% of Air Serbia and 24% of India's Jet Airways. . . . Etihad reported record growth in third quarter, with revenue from passenger services exceeding \$1 billion and passenger numbers passing 3 million.

5. India Clears Jet Airways Share Sale to Etihad.

India's Cabinet Committee of Economic Affairs approved a plan by Jet Airways (India) to sell a 24% stake to Etihad Airways. The sale had been delayed for

nearly six months amid concern that Etihad intended to control the Indian airline.

6. India Panel Approves Tata SIA Airlines Joint Venture.

The Indian Foreign Investment Promotion Board approved a Singapore Airlines (SIA) proposal to establish a full-service airline in the country in partnership with Tata Group. SIA plans an initial \$49 million investment in Tata SIA Airlines and Tata Sons will control 51% of the joint venture. Further regulatory approvals needed.

7. Finnair's Inclusion in Japan Airlines-British Airways JV Approved.

See Section VIII, item 3.

8. Air Serbia to Join Etihad's 'Equity Alliance.'

See Section VIII, item 5.

9. LAN Colombia Joins oneworld.

See Section X, item 9.

X. AMERICAS

1. AMR Bankruptcy, Merger News.

U.S. Bankruptcy Judge Sean Lane approved a reorganization plan for American Airlines and parent AMR, but noted that the confirmation order should not be construed as an adjudication of any causes of action asserted in the U.S. Department of Justice (DOJ) case against the proposed merger with US Airways. DOJ and six states and the District of Columbia filed a lawsuit August 13 alleging that a merger would violate federal antitrust laws; Texas has since dropped out, but Michigan has joined the lawsuit. American, US Airways and DOJ have agreed to discuss settlement of the case. If no settlement is reached, the case will go to trial on November 25. Request to submit friend-of-the-court briefs were filed in support of the merger by pilot, flight attendant and other unions; the Official Committee of Unsecured Creditors; and four airports—Dallas-Fort Worth, Charlotte Douglas, Phoenix Sky Harbor and Philadelphia International. Letters supporting the merger were sent to DOJ by leaders of 26 local Chambers of Commerce; mayors of hub cities Charlotte, Chicago, Dallas, Fort Worth, Miami-Dade, Philadelphia and Phoenix; and 66 Democratic members of Congress.

2. JetBlue Adds Caribbean Nonstops From Fort Lauderdale.

JetBlue will add daily nonstops to Port of Spain, Montego Bay and Punta Cana from Fort Lauderdale/Hollywood on May 1. . . . In other news, JetBlue announced a deferral of 24 Embraer 190s from 2014-2018 to 2020-2022, conversion of 18 Airbus A320 positions to A321s, and an incremental order for 15 A321ceo and 20 A321neo aircraft. The company reported record third quarter operating revenues of \$1.4 billion.

3. Republic to Sell Frontier to Indigo Partners.

Republic Airways Holdings agreed to sell Frontier Airlines to an affiliate of Indigo Partners in an all-cash transaction valued at \$145 million. Indigo Partners, established by managing partner William Franke, was a significant investor in Singapore-based Tiger Airways and Ft. Lauderdale-based Spirit Airlines and maintains lead investments in Europe-based Wizz Air and Mexico-based Volaris. Subject to conditions of the agreement, Republic expects the transaction to close in December. Frontier offers service to 75 destinations in the United States, Mexico, Costa Rica, Jamaica and the Dominican Republic from its hub at Denver International Airport.

4. **Air Canada to Expand European Service.**

Air Canada will expand services to Europe next summer, including introduction of up to five weekly nonstops from Toronto to Milan. Toronto-Istanbul nonstops will increase to daily from three weekly. Subsidiary Air Canada rouge will launch seasonal nonstops from Toronto to Lisbon and Manchester, and from Montreal to Barcelona and Nice.

5. **New York-Mexico City Partnership via Aeromexico.**

Mexico City and New York City announced a partnership to stimulate travel between the two destinations. The one-year asset-sharing agreement, valued at \$250,000 each, includes multimedia marketing and a special fare on Aeromexico's four daily flights.

6. **VivaAerobus Places Order for 52 Airbus A320s.**

VivaAerobus ordered 52 Airbus A320-family jets from Airbus (40 A320neo and 12 A320ceo), the largest Airbus aircraft order by a single airline in Latin American history. The Mexican low-cost airline is owned by Grupo IAMSA and Irelandia, the investment vehicle of Ryanair founders.

7. **Aeromar Begins Mexico City-Austin Nonstops.**

Aeromar began five weekly CRJ-200 nonstops to Austin-Bergstrom International from Mexico City. Passengers of the Mexican regional airline can earn frequent flyer miles of marketing partner United Airlines.

8. **U.S. Visitors to Cuba Reach Record Numbers**

More than 98,000 U.S. citizens visited Cuba in 2012, up from 73,500 in 2011 and twice the number of five years ago, according to Cuban government figures, which do not include 350,000 Cuban Americans considered nationals by Cuba. The rise comes with a loosening of travel restrictions by the Obama Administration. In other news, Cuba has authorized state-run tourism agencies to contract out lodgings, meals, excursions and other activities to private businesses.

9. **LAN Colombia Joins oneworld.**

LAN Colombia became an official member of oneworld, and TAM, also part of LATAM Airlines Group, announced that it will join oneworld as of March 31, 2014. LAN Airlines has been a member of oneworld since 2000 and LAN affiliate passenger airlines have joined as affiliate members, including LAN Argentina, LAN Ecuador and LAN Peru; TAM Airlines Paraguayan affiliate will join at a date to be announced.

10. Avianca Files to Raise \$500 Million in Share Sale.

Avianca Holdings filed to raise \$500 million in a share sale in the U.S., to fund purchase of new planes, including Boeing 787 Dreamliners. Bogota-based Avianca is owned primarily by German Efromovich and his brother Jose, through Synergy Aerospace. Airlines in Avianca Holdings include Avianca, TACA, Aerogal and Tampa Cargo.

11. Aerolineas Argentinas, Boeing Sign \$1.8 Billion Order.

Boeing and Aerolineas Argentinas completed an agreement for 20 Next-Generation 737-800s valued at \$1.8 billion. The state-owned carrier is also adding next-generation Embraer E-190 ERJs to the fleet. With domestic subsidiary Austral, the flag carrier this year expects to transport 8.4 million passengers, compared to 7 million in 2012. Frequencies have increased from 24,633 in 2008, to 46,369 in 2013. The Skyteam member flies from Buenos Aires to 18 international and 35 domestic destinations.

12. Air France to Fly A380 to San Francisco.

See Section VIII, item 1.

13. US Airways Adds Service to Europe From Charlotte.

See Section VIII, item 2.

14. Transaero Launches Flights to Havana.

See Section VIII, item 7.

15. Qatar Airways Joins oneworld.

See Section IX, item 1.

16. Emirates Adds New York Via Milan Service.

See Section IX, item 2.

17. Emirates, Virgin America Launch Frequent Flyer Partnership.

See Section IX, item 3.

18. Etihad to Launch Los Angeles Service.

See Section IX, item 4.