



WASHINGTON AVIATION SUMMARY

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For further information, including documents referenced, contact:

Joanne W. Young
Kirstein & Young PLLC
1750 K Street NW
Suite 200
Washington, D.C. 20006
Telephone: (202) 331-3348
Fax: (202) 331-3933
Email: jyoung@yklaw.com

<http://www.yklaw.com>

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. Justice Department Sues to Block American-US Airways Merger.

The U.S. Department of Justice (DOJ) filed a civil antitrust lawsuit challenging the proposed merger of US Airways Group and American Airlines' parent AMR, charging it would create the world's largest airline, substantially lessen competition in U.S. markets and result in higher fares and less service. Among its findings, DOJ said US Airways and American compete directly on more than 1,000 one-stop routes, representing tens of billions of dollars in annual revenues. At slot-controlled Washington Reagan National Airport, the combined airline would control 69% of take-off and landing slots and have a monopoly on 63% of nonstop routes. The merger would result in four airlines controlling more than 80% of the U.S. domestic commercial air travel market, said DOJ in its complaint, and likely would result in higher ancillary fees. "Both airlines have stated they can succeed on a standalone basis," said DOJ, predicting that, "absent the merger, American is likely to exit bankruptcy as a vigorous competitor, with strong incentives to grow to better compete with Delta and United." Participating in the lawsuit are attorneys general from Texas, Arizona, Florida, the District of Columbia, Pennsylvania, Tennessee and Virginia. . . . The airlines and DOJ said they were open to a settlement. In the meantime, the airlines intend "to mount a vigorous and strong defense and pursue all legal options in order to achieve this merger." They requested a November 12 trial date, and were backed by pilot, flight attendant and other labor groups. DOJ proposed starting a trial on March 3, 2014, a date the airlines called "entirely unreasonable." A federal judge then set a tentative November 25 date and will try the case without a jury. . . . The merger has been approved by the European Commission, conditional upon the carriers releasing one daily slot pair at London Heathrow and "committing to induce entry on the London-Philadelphia route"; and by the airlines' shareholders and unions.

2. United Applies for DOT Authority to Operate SFO-Chengdu Flights.

United applied to the U.S. Department of Transportation (DOT) for authority to begin three weekly Boeing 787-8 nonstops from San Francisco to Chengdu, in June 2014. Chengdu, the capital of Sichuan, is China's fourth largest city.

3. Delta-Virgin Joint Venture Wins Tentative DOT Approval.

DOT granted tentative antitrust immunity to a Delta-Virgin Atlantic joint venture that would operate between North America and the UK. Delta will continue to operate the SkyTeam joint venture with Air France, KLM and Alitalia in the

U.S.-Europe market and beyond. Delta's 49% equity investment in Virgin Atlantic was cleared by the U.S. Department of Justice and the European Commission in June.

4. DOT Fines United, Ticket Agents.

DOT fined United \$350,000 for failing to make prompt refunds to consumers. The airline was also cited for filing inaccurate reports of mishandled baggage and oversales and failing to file timely reports of incidents involving animals in flight; no fine was assessed for these violations because United disclosed the reporting errors to DOT and took corrective action. . . . Three ticket agents were fined for violating code share disclosure rules. DOT issued a \$100,000 fine against Liberty Travel and \$40,000 fines against STA Travel and AAA Mid-Atlantic. Reservations agents for all three companies failed to disclose that certain flights were being operated under code share arrangements, in calls made during January and February of 2013.

5. FAA Issues Policy on Workplace Safety for Cabin Crew.

The Federal Aviation Administration (FAA), working with the U.S. Department of Labor Occupational Safety and Health Administration (OSHA), issued a final policy for improving workplace safety for cabin crew. Cabin safety issues that fall under OSHA standards include information on hazardous chemicals, exposure to blood-borne pathogens and hearing conservation programs, as well as recordkeeping rules and access to employee exposure and medical records. Procedures will be developed to ensure that OSHA does not apply requirements that could adversely affect aviation safety. Hailing the news, the Association of Flight Attendants-CWA (AFA) noted it has pursued legal and regulatory solutions to extend OSHA protections to airline workers since 1975 when FAA issued a notice claiming exclusive jurisdiction over workplace safety and health for crew.

6. NTSB Investigates UPS Crash; Both Pilots Killed.

The National Transportation Safety Board (NTSB) is investigating the August 14 crash of United Parcel Service (UPS) Flight 1354, which killed both pilots. The Airbus A300 was on approach to Birmingham International in Alabama.

7. Hersman Nominated for Another Term as NTSB Chair.

President Barack Obama nominated Deborah Hersman for a third term as NTSB Chairman. The nomination must be approved by the Senate; in the interim, Hersman is serving as Acting Chair. Former Vice-Chair Christopher Hart was nominated for another term as a Member of NTSB. In other news, NTSB reported that preliminary 2012 statistics show U.S. civil aviation accidents fell from 1,550 in 2011 to 1,539 in 2012. For the third year in row,

there were no fatal accidents involving scheduled Part 121 operations (commercial air transport). In addition, there were no fatal accidents involving scheduled Part 135 operations (commuter), the sixth year in a row that this segment of aviation experienced no fatalities.

8. June Passenger Airline Employment Down 2.4%.

U.S. scheduled passenger airlines employed 381,441 workers in June 2013, reports DOT, 9,482 fewer than in June 2012. The 2.4% decline was primarily due to two factors. First, American Airlines, the industry's third largest employer, filed for bankruptcy and reduced employment by 8.4%. Second, network carriers have responded to increased fuel costs by reducing contracts with regional airlines, which operate less fuel-efficient regional jets; consequently, regional airline employment dropped 4.4% year-to-year. The five network airlines reported 2.8% fewer employees in June, compared to June 2012. Three of the six low-cost carriers—Allegiant, Spirit and JetBlue—reported an increase in employees, while Southwest, Virgin America and Frontier reported declines.

9. Lower Rates Negotiated for Federal Air Travel.

The U.S. General Services Administration (GSA) said its pre-negotiated air travel contracts for 2014 will save taxpayers \$2.2 billion a year. Under GSA's City Pair Program, fares for federal workforce official travel are discounted by up to 59%, with ability to adjust or cancel flights at no additional cost. Available routes will increase by 25% to 6,300 destinations in 2014. Average one-way ticket prices for domestic flights dropped by 4% and international rates by 7%; nonstops expanded by 20% to 1,887 routes. The 2014 rates become effective October 1, 2013. In related news, most government travel budgets have been cut this year by 30%, due to sequestration, reported the *New York Times*. The United States Travel Association responded to the sequestration cuts by releasing a report that finds government travel for meetings and events had a total economic impact of \$24.4 billion in 2011, supported 343,800 U.S. jobs and \$14.5 billion in U.S. wages, and contributed \$5.5 billion in tax revenue.

10. Canada Fines LATAM for LAN Cargo Price-Fixing Case.

Canada's Competition Bureau announced that LATAM Airlines Group, parent of LAN Cargo, pleaded guilty to criminal conspiracy. LATAM was fined CAD975,000 by the Ontario Superior Court of Justice for its participation in an air cargo price-fixing cartel. LATAM's guilty plea relates to fuel surcharges that it imposed on international air cargo shipments from Canada to South America and elsewhere between March 2003 and February 2006. LATAM is the ninth party to be convicted in the ongoing investigation, which to date has secured CAD25 million dollars in fines. Air France, KLM, Martinair, Qantas, British

Airways, Cargolux, Korean Air, and Cathay Pacific have also pleaded guilty to fixing one or more air cargo surcharges for shipments on certain routes to and from Canada.

11. Boeing Forecasts Increased Global Demand for Airline Pilots.

Boeing projects that by 2032 the commercial aviation industry will need 498,000 new pilots and 556,000 new maintenance technicians. Overall, the demand is driven by steadily increasing airplane deliveries, particularly single-aisle airplanes. However, the introduction of more efficient and smarter airplanes will require fewer mechanics over time, as aging aircraft—which typically require more maintenance—are retired from service. New airplane technologies featuring more advanced components are likely to lead in some areas to lower maintenance requirements and corresponding lower technician demand. The Asia Pacific region will have the greatest need: 192,300 pilots and 215,300 technicians.

DOT Air Travel Consumer Report for June.

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

	June '13 / '12	May '13	Full Year				
			2012	2011	2010	2009	2008
On-time arrivals %	71.9 / 80.7	79.4	81.85	79.6	79.8	79.5	76
Cancellations %	1.8 / 1.1	1.1	1.29	1.91	1.76	1.39	1.96
Mishandled baggage*	3.83 / 3.35	2.96	3.09	3.35	3.51	3.91	5.26
Consumer complaints:							
Airline service	1,228 / 1,653	973	15,335	11,546	10,988	8,821	10,648
Disability-related	53 / 81	51	743	628	572	519	477
Discrimination**	5 / 10	5	99	128	143	131	115

Note: Airlines reported two tarmac delays of more than three hours on domestic flights and one of more than four hours on an international flight in June.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. FAA Restricts Charlotte Runway Over Safety Concerns.

FAA ordered Charlotte Douglas International to restrict use of its diagonal runway due to concerns about converging flight paths, reports the *Charlotte Observer*, causing landing capacity to decrease by more than 11%. Expansion plans call for building a 12,000-ft. parallel runway, with projected opening of 2017. . . . Regarding the ongoing battle for control of the airport, the *Observer* reports that a letter to FAA from the N.C. Department of Justice said a new airport commission created by General Assembly legislation would not entail a transfer of airport control from the city to a new entity, but merely redistributes governing authority within the city. The city won a court injunction to block the commission until FAA clarifies whether the airport's operating certificate would be valid under a commission, or until FAA issues a new certificate. The 13-member commission would control operations, which now are handled by an aviation director appointed by the city manager. The city would retain ownership of the airport and its land, power of eminent domain and custody of airport revenue bonds.

2. London Luton Sold to Consortium Headed by Aena

London Luton was sold by abertis to a consortium formed by Aena (51%) and AXA Private Equity (49%). The €502 million transaction is subject to approvals by competition authorities, the Luton contracting authority and the Spanish Board of Ministers. Luton has been part of abertis' portfolio since 2005, when the company and Aena purchased British operator TBI. . . . abertis also reached agreement with ADC & HAS Airports Worldwide regarding sale of Belfast International and Stockholm Skavsta airports, the terminal concessions for Orlando Sanford and TBI's airport management business in the U.S. Last March, abertis agreed to sell Cardiff airport to the government of Wales. abertis' remaining airport business—a stake in Grupo Aeroportuario del Pacifico (GAP) in Mexico and the concession for Montego Bay airport in Jamaica—are for sale.

3. Singapore Changi Expansion.

The 3.5-hectare plot of land currently housing a car park near Terminal 1 (T1) at Singapore Changi Airport will be used to construct a mixed-use complex, said Changi Airport Group (CAG). Designed by a consortium led by Moshe Safdie, "Project Jewel" will serve as a node linking Terminals 1, 2 and 3. T1 will be expanded to allow more space for the arrival hall, baggage claim areas and taxi bays, bringing handling capacity to 24 million passenger movements

per annum. A basement car park will be constructed and there are plans for “a central communal facility for the 32,000-strong airport community.” CAG and CapitaMalls Asia are exploring a joint venture partnership to develop and manage the completed project; this process is expected to be concluded by yearend. CAG also is in final stages of planning Terminal 4, to be built on the old Budget Terminal site, with capacity to handle 16 million passengers a year; construction to begin by yearend. Together the two terminals will boost Changi Airport's handling capacity to 85 million passengers a year. Airport staff will be increased by 180 over the next four years, with 80 new employees to be recruited this year.

4. Incheon Leading Bidder on New Myanmar Airport.

A group led by Incheon International Airport Corp. leads the bidding to operate Myanmar's new \$1.1 billion air hub. Hanthawaddy International Airport, expected to open in 2018, will be capable of handling about 12 million passengers per year, says Myanmar's Department of Civil Aviation. The former Burma has become a destination for both tourists and business travelers. Groups led by Singapore's Yongnam Holdings, Japan's Taisei and France's Vinci are also bidding for the 50-year contract. Separately, a group including Mitsubishi and Japan Airlines won the final tender for a project to upgrade Mandalay International to an airfreight logistics hub in central Myanmar. Vinci was selected as back-up for the project.

5. Fire Destroys Nairobi Airport Terminal.

A massive fire temporarily closed Jomo Kenyatta International, in Nairobi, which handles 16,000 passengers a day. There was no loss of life. Officials said work on a new terminal already under construction has been expedited to bring it into partial operation by the end of the year. Meanwhile, other airport buildings are being used to handle passengers and a temporary terminal is under construction. The cause of the fire has not been determined. Authorities did not suspect a terror link, though the event coincided with the 15th anniversary of a twin attack by Islamist militants on the U.S. embassy in Nairobi and Dar es Salaam in neighboring Tanzania. Managing director Stephen Gichuki, whose contract ends in October, was placed on leave; Lucy Mbugua assumed his duties while Kenya Airports Authority seeks a replacement. Kenya Airways, Emirates, British Airways, Etihad, South African, Ethiopian and Rwanda Air use the airport.

III. **SECURITY AND DATA PRIVACY**

1. **Napolitano Farewell Speech Calls for Flexible, Agile DHS.**

In a farewell speech at the National Press Club in Washington, Janet Napolitano reviewed her four-and-a-half year tenure as Secretary of Homeland Security. If there is one one object lesson and core operating principle I've learned, she said "it is this: in a world of evolving threats, the key to our success is the ability to be flexible and agile, and adapt to changing circumstances on the ground—whether that is across the globe, or here at home." Among aviation-related initiatives, she noted her "If You See Something, Say Something" campaign, encouraging the public to play an active role in reporting suspicious activity. The Christmas Day plot, which involved a Nigerian citizen who purchased his ticket in Ghana, flew from Lagos to Amsterdam, and attempted to ignite a bomb en route to America, led to making relevant U.S. Customs and Border Protection information available overseas at last point of departure for the United States; to adapting screening technology and tactics to counter non-metallic devices; and to 190 countries signing a historic agreement to improve aviation security standards and technology and information sharing. Following the 2010 air cargo threat, which involved bombs hidden in printer cartridges on U.S.-bound planes, an initiative was launched to work with international partners and the private sector to ensure effective screening of inbound air cargo. Napolitano said she will advise her as-yet-unnamed successor to continue to move toward a more risk-based, intelligence-driven security system at airports. Napolitano is leaving her post to become the first woman to be President of the University of California system.

2. **In-Bound Cargo Delayed During Terror Alert.**

The Department of Homeland Security (DHS) ordered airlines to increase inbound cargo inspections in early August, causing some backlogs and delays. The action was related to a worldwide terror alert, during which the White House closed 21 U.S. embassies and consulates across the Muslim world. Al Qaeda in the Arabian Peninsula (AQAP) was said to be involved in communications leading to the alert. "Our security posture, which at all times includes a number of measures both seen and unseen, will continue to respond appropriately to protect the American people from an ever evolving threat picture," said a statement from DHS.

3. **Pistole: “Migration to Nonmetallic Threats.”**

In an interview with *The Tampa Tribune* about TSA strategies, John Pistole, Administrator of the Transportation Security Administration, said a migration to nonmetallic threats, including liquid and plastic explosives, has resulted in a focus at the checkpoint on detecting improvised explosive devices (IEDs) and components that could be used to construct IEDs. “The gold standard for terrorists is to get into the U.S. aviation system and blow up a plane. The attempted attacks in the 12 years since 9/11 have all originated overseas: the shoe bomber in December 2001; the August 2006 liquids plot to bring down multiple aircraft flying to the U.S. from Europe; the underwear bomber on Christmas Day in 2009; and the October 2010 Yemen cargo plot using toner cartridge IEDs. The Anarchist Cookbook (which contains information on how to make explosives) has inspired online material from Yemen showing how devices can be made. The FBI recently demonstrated in a video how about five inches of liquids in a plastic water bottle could be turned into a device that explodes and ruptures the skin of an aircraft.”

4. **New Jersey Strengthens Penalty for Airport Security Breach.**

A new law in New Jersey establishes that unauthorized persons who enter restricted areas at public airports are guilty of a fourth degree crime, punishable by a fine of up to \$10,000 and up to 18 months in jail or both. The legislation stems from a 2010 incident at Newark Liberty in which a visitor slipped under a security ribbon to a secure area. Although he had no ill intent, his actions resulted in the terminal being shut down for six hours. He was sentenced to 100 hours of community service and ordered to pay a \$658 fine. The legislation sets forth two restricted areas. The first, a “sterile area,” is defined as any portion of an airport that provides passengers access to boarding aircraft and to which the access generally is controlled by the Transportation Security Administration, an aircraft operator or an air carrier, through the screening of persons and property. The second, an “operational area,” is defined as any portion of a public airport from which access by the public is prohibited by fences or appropriate signs.

5. **N.J. Bill Would Ban Laser Pointers.**

The New Jersey Senate approved a bill to ban sales of laser pointers that exceed one milliwatt in output power; current federal regulations allow sale of laser pointers with output power of up to five milliwatts. Violators would face \$500 fines for first offense and up to \$1,000 for subsequent offenses. Laser pointers intended to be affixed to a firearm do not fall under the bill's general prohibition. The legislation is designed to reduce risk of lasers pointed at aircraft, which can temporarily blind pilots. More than 2,200 laser incidents were reported nationally through August 2. In August, FAA reported that two

commercial airliners on approach to Newark Liberty, and a privately operated helicopter, were illuminated by lasers.

6. Muslims Challenging U.S. No-Fly List Win Partial Victory.

A U.S. District Judge in Portland found that 13 Muslim Americans challenging the U.S. government's No-Fly List have a constitutionally protected right to foreign travel by air. The judge will decide whether the government violated their rights to due process under a policy that excludes individuals from commercial air travel if they are suspected of having ties to terrorism, and has asked both the plaintiffs and the Department of Justice for more information. The plaintiffs, all U.S. citizens, deny any links with terrorism and say they were placed on the No-Fly List without notice or any realistic avenue of appeal. The American Civil Liberties Union (ACLU), which is representing the 13 plaintiffs, claimed victory, saying the court took a critically important step toward placing a check on the No-Fly List, in recognizing that "the Constitution applies when the government bans Americans from the skies."

7. Clear Program Expands to Dallas-Fort Worth Airport

Private expedited screening program Clear is now available at Dallas-Fort Worth, Denver Intl, Orlando, San Francisco and Westchester County airports. Clear automates the identity check process for pre-qualified flyers using biometrics (fingerprints and iris).

IV. E-COMMERCE AND TECHNOLOGY

1. Hackers Breach US Airways Frequent Flier Accounts.

US Airways said hackers breached 7,700 accounts in its frequent-flier program and deducted mileage credits from a “very limited” number of users, reports Bloomberg. The compromised accounts were deactivated, and U.S. law enforcement officials are investigating. The breach was discovered in July. Hackers also gained access to the last four digits of some customers’ credit cards, but the airline said it had no reason to believe that full credit card information was accessed. Affected customers received a free one-year membership to a credit monitoring program, to help detect misuse of their personal information.

2. Expedia, Travelocity Strategic Marketing Agreement.

Expedia and Travelocity entered into an exclusive, long-term strategic marketing agreement, whereby Expedia will power technology platforms for Travelocity’s existing websites in the U.S. and Canada, while providing Travelocity access to Expedia’s supply and customer services. Travelocity will remain wholly-owned by Sabre Holdings and independent of Expedia. Travelocity-owned lastminute.com in Europe and the Travelocity Partner Network are not included in the marketing arrangement. “We have elected to evolve and strengthen our business model in the U.S. and Canada by working with Expedia to offer a top-notch booking platform and a more robust supply of travel options,” said Carl Sparks, President and CEO, Travelocity Global, “allowing us to focus increased resources on building our competitive strengths in marketing and retailing.” Both parties plan to begin development and implementation immediately, with an expected launch in 2014. Expedia brands include hotels.com, hotwire, expedia and eLong.

3. Rockwell Collins to Purchase ARINC.

Rockwell Collins will acquire ARINC from The Carlyle Group for \$1.39 billion, subject to regulatory approvals. Annapolis-based ARINC provides communications and information processing solutions for the commercial aviation industry. The acquisition “accelerates our strategy to develop comprehensive information management solutions by building on our existing information-enabled products and systems and ARINC’s ground-based networks and services to further expand our opportunities beyond the aircraft, said Rockwell Collins, which develops avionics and cabin technologies. ARINC also provides communications and information processing for the rail,

industrial security and public safety segments; 2013 revenues are expected to be \$600 million.

4. Slight Increase in U.S. Ticket Sales July 2013 vs. July 2012.

Consolidated dollar value of airline tickets sold by U.S.-based travel agencies increased 0.25% in first seven months 2013, compared to same period last year, reports ARC, totaling \$53.3 billion vs. \$53.1 billion in 2012 and \$50.5 billion in 2011. Sales for July 2013 were up 6.86% at \$7.1 billion, compared to July 2012 at \$6.7 billion and July 2011 at \$6.5 billion. Ticket transactions for first seven months 2013 decreased -0.96% to 87.5 million over same period 2012 at 88.4 million; passenger segments decreased -2.1% to 215.3 million, compared to 219.9 million in seven months of 2012 and 219.6 million in 2011. Ticket sales results are based on monthly sales data ending July 31, 2013 from 13,701 U.S. retail and corporate travel agencies, satellite ticket printing offices and online travel agencies. Results do not include sales of tickets purchased directly from airlines. Total sales are equal to the total amount paid for a ticket, which includes taxes and fees.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

Average price of aviation jet fuel, as of August 16, was \$126.8/barrel, up 1.7% on the month and down 5.7% year-on-year, reports the International Air Transport Association. Fuel price average for 2013 was \$124.1/barrel. At month's end, price of crude oil rose on speculation that tensions in Syria will disrupt oil supplies. West Texas Intermediate crude for October delivery climbed \$3.09 (2.9%), to \$109.01 a barrel on New York Mercantile Exchange, reported Bloomberg. Syria produced 164,000 barrels a day of the 28.3 million pumped in the Middle East last year. Jet fuel is refined from crude oil.

2. Pre-Conditioned Air Debuts at Sea-Tac.

Port of Seattle implemented Pre-Conditioned Air to heat or cool aircraft during boarding and deplaning at Seattle-Tacoma International, allowing airlines to shut down auxiliary power units for annual savings of five million gallons of fuel and reduction in greenhouse gas emissions by 40,000 metric tons. A central plant delivers pre-conditioned air through 15 miles of pipe to the airport's 73 jet gates. Sea-Tac obtains 90% of its power from hydro-electric dams and 10% from renewable energy and nuclear sources. The project was paid for by an FAA Voluntary Airport Low Emissions Grant and airline fees.

3. San Diego \$900 Million Green Build Expansion Opens.

The Green Build expansion at San Diego International opened to passengers. Designed to achieve Leadership in Energy and Environmental Design (LEED) Silver certification from the U.S. Green Building Council, the Green Build was funded by user fees, airport revenue bonds, airport cash and FAA grants. The project is expected to finish \$45 million under budget at a total cost of \$907 million. The largest project in the airport's history, it includes 10 new gates; a dual-level roadway for arriving and departing passengers; curbside check-in allowing passengers to print boarding passes, check baggage and view gate information before entering the terminal; a 12-lane security checkpoint; a new ticket lobby with 32 airline check-in positions and 10 self-service kiosks; and an expanded concessions area.

VI. U.S. CONGRESS

1. Senate Confirms Obama Nominees to NLRB.

Before adjourning for summer recess, the Senate confirmed all five of President Obama's nominees to the National Labor Relations Board (NLRB). Nancy Schiffer, Kent Hirozawa, Harry Johnson III, Philip Miscimarra and Mark Pearce, who will continue to serve as Chairman. This is the first time since August 21, 2003 that NLRB has a full complement of Board members confirmed by the Senate.

2. USTA: Immigration Bill Benefits Travel Industry, U.S. Economy.

Immigration reform legislation passed by the Senate "recognizes the power of travel to deliver jobs and economic opportunity to communities across the nation," said the U.S. Travel Association. The bill includes provisions to improve the security and efficiency of the U.S. visitor entry and air travel experience, such as increased staffing at customs and border checkpoints, requirements to speed visitor processing times, more visa-free travel and expedited visa processing.

3. Bill Limits Government Spending on Travel, Conferences.

The House passed the Government Spending Accountability Act of 2013, which requires each federal agency to post on its public website detailed information on employee conference presentations and quarterly reports on each conference for which travel expenses were paid during preceding three months; limits to \$500,000 amount any agency may spend to support a single conference; prohibits an agency from paying travel expenses for more than 50 employees stationed in the U.S. to attend any international conference, unless the Secretary of State determines attendance is in national interest; limits agency travel expenses for fiscal years 2014-18 to 70% of that spent in fiscal 2010; requires Director of the Office of Management and Budget to establish guidelines for determining what expenses constitute travel expenses for purposes of ceiling imposed. Travel organizations called the legislation arbitrary and unnecessary; the U.S. Travel Association said it inadvertently reduces federal efficiency and productivity and restricts important government functions. H.R. 313 next goes to the Senate next for consideration.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S.-Bangladesh Open Skies Agreement Initialed.

A U.S.-Bangladesh open skies agreement was initialed in Washington, D.C. by delegations representing both countries. The agreement will enter into force upon signature.

VIII. EUROPE AND AFRICA

1. Ryanair Ordered to Sell Down Aer Lingus Share to 5%.

Ryanair Holdings was ordered by the UK Competition Commission (CC) to sell its 29.8% stake in Aer Lingus Group down to 5% and refrain from seeking or accepting board representation or acquiring further shares. In a final report, the CC confirmed its provisional findings that Ryanair's shareholding "had led or may be expected to lead to a substantial lessening of competition between the airlines on routes between Great Britain and Ireland [and] was likely to impede or prevent Aer Lingus from being acquired by, or combining with another airline [and] was likely to affect Aer Lingus's commercial policy and strategy by allowing Ryanair to block special resolutions, restricting Aer Lingus's ability to issue shares and raise capital and to limit Aer Lingus's ability to manage effectively its portfolio of Heathrow slots [and] increased the likelihood of Ryanair mounting further bids for Aer Lingus." Ryanair is Aer Lingus's largest shareholder. . . . Ryanair CEO Michael O'Leary countered that the European Commission's February 2013 ruling found that competition between Ryanair and Aer Lingus has intensified, and said he will appeal the "manifestly unjust" CC ruling. Ryanair is also appealing a European Commission decision to block its attempt to acquire Aer Lingus.

2. JetBlue, British Airways Interline Agreement.

JetBlue and British Airways announced an interline agreement to connect their networks at New York Kennedy, Boston Logan, Orlando and Washington Dulles. The carriers initially plan to interline on 18 daily transatlantic British Airways flights, more than 50 U.S routes on the JetBlue network and more than 100 British Airways routes beyond London.

3. Virgin America, Transaero Interline Agreement.

Virgin America and Transaero began an interline agreement for travel between Moscow and Virgin America U.S. routes via Los Angeles and New York. A special pro-rate agreement (SPA) allows passengers to buy tickets for flights on certain routes at special competitive prices. The Russian carrier flies scheduled nonstops to New York, Miami and Los Angeles. Transaero code shares with Virgin Atlantic between Moscow and San Francisco, Boston and Orlando via London, and with Singapore Airlines between Moscow and Houston, and has an interline agreement with United for most U.S. destinations. San Francisco-based Virgin America has 26 interline partners.

4. IAG Expands Vueling Fleet.

International Airlines Group (IAG) secured firm orders and options for up to 220 Airbus A320s, up to 120 of which will be used by recently acquired Vueling. The Barcelona-based subsidiary “has managed to successfully expand its business profitably by targeting both growth markets and those areas where weak competitors are reducing capacity,” said IAG CEO Willie Walsh. “These new aircraft will enable Vueling to continue that expansion and replace some of its older fleet with modern, fuel efficient aircraft, leading to further unit cost reductions.”

5. Lufthansa Reports Improving Results.

Lufthansa Group reported an operating increase for first half 2013 of €233 million, after adjusting for restructuring costs and one-off effects, and said its restructuring effort “is gaining speed.” Operating results for Lufthansa German Airlines, which accounts for most of Group revenue, were down €91 million, compared to previous year losses of €268 million, mainly due to optimized capacity management. Income per revenue seat-kilometer declined slightly, but costs per seat-kilometer fell more steeply, which contributed to the improvement in earnings. Other Group holdings include Germanwings, SWISS, Austrian Airlines, Lufthansa Cargo, Lufthansa Technik, LSG SkyChefs and Lufthansa Systems. Group revenue for 2013 is expected to be higher than previous year’s reported earnings of €524 million.

6. Etihad to Acquire 49% of Serbian Airline.

Abu Dhabi-based Etihad Airways plans to acquire 49% of Jat Airways (to be renamed Air Serbia), and was awarded a five-year contract to manage the airline. A strategic partnership agreement signed by Etihad and the government of Serbia calls for each entity to inject \$40 million into Air Serbia, subject to regulatory approval, then up to \$60 million in further funding. Dane Kondic was named CEO of Air Serbia; he has held senior positions with Malaysia Airlines, Qantas, Sabre and Travelport. Service between Belgrade and Abu Dhabi begins October 2013. The current fleet will be retired from scheduled operations, and replaced by new narrowbodies. Other Etihad equity partners are airberlin (29.21%), Air Seychelles (40%), Virgin Australia (10.5%), Aer Lingus (2.99%) and Jet Airways (24%, subject to regulatory approval).

7. Delta-Virgin Joint Venture Wins Tentative DOT Approval.

See Section I, item 3.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Cathay Pacific Announces New CEO, New U.S. Service.

Ivan Chu will become Cathay Pacific CEO in March 2014. Chu will replace John Slosar, who will succeed Christopher Pratt as Chairman of the airline and of John Swire & Sons (H.K.) Ltd, Swire Pacific, Swire Properties and Hong Kong Aircraft Engineering. Pratt is retiring. Chu currently is the airline's Chief Operating Officer. In other news, Cathay Pacific will launch daily Boeing 777-300ER service from Hong Kong to New York Newark on March 1, subject to government approval. Current North America service includes Chicago, Los Angeles, New York Kennedy, San Francisco, Toronto and Vancouver.

2. Delta Launches Seattle Service to Seoul, Hong Kong.

Delta will introduce daily nonstops from Seattle to Seoul Incheon and Hong Kong, both subject to government approval, in June. The Seoul flight will operate a 210-seat Boeing 767-300ER; Hong Kong service will operate a 234-seat Airbus 330-200.

3. AirAsia Japan Renamed Vanilla Air.

AirAsia Japan will be renamed Vanilla Air, said ANA Holdings, which dissolved its budget joint venture with Malaysia-based AirAsia in June; operations will begin in late December, mostly to Asian tourist destinations; current CEO is Tomonori Ishii. ANA also holds a stake in Japanese budget airline Peach Aviation. . . . ANA will expand capacity on routes between Japan, Asia and North America in second half fiscal 2013 and increase Chicago and New York frequencies. . . . ANA flight attendants will no longer be hired on a contract basis, in line with government employment reforms. Under the present recruitment system, flight attendants become regular employees after working on a contract basis for three years; 1,600 of 6,000 ANA attendants currently are on contract.

4. ANA Acquires Pan Am Flight Academy, Stake in Myanmar Airline.

ANA Holdings acquired Pan Am International Flight Academy and Pan Am Holdings from American Capital, with plans to provide training to other Asian airlines, partner firms and subsidiaries. The Miami-based company was the original training division of Pan American World Airways. . . . ANA also will acquire a 49% stake in domestic Myanmar airline Asian Wings Airways, conditional upon obtaining approvals from authorities in Myanmar and signing a final agreement with the Yangon-based carrier and its shareholders, and plans to improve operational and on-time performance and expand into

international markets. The acquisition represents the first investment in a Myanmar-based commercial carrier by a foreign airline.

5. **JAL Improves U.S. Services.**

Japan Airlines will introduce its fully revamped Boeing 777-300ERs (JAL SKY SUITE 777) on flights from Tokyo Narita to Los Angeles in November, and Chicago in January 2014.

6. **Korean Air Begins Trans-Pacific Service to Atlanta.**

Korean Air is the first airline to offer trans-Pacific flights to Asia from Atlanta. The 407-seat Airbus A380 service operates three times weekly. The airline said its traffic between Atlanta and Seoul has been growing at 10% per year.

7. **UPS Expands Logistics in China.**

UPS added contract logistics distribution facilities in Chengdu and Shanghai, bringing the total in China to more than 130, covering 87 cities.

8. **Iraq Commercial Aviation News.**

Iraqi Airways took delivery of a Boeing Next-Generation 737-800, the first of 30 ordered in 2008. Another 39 Boeing airplanes are on order, including 29 NG 737-800s and 10 787s. The airline has new Airbus A330, A321 and A320 planes and in March resumed the first regularly scheduled service from Baghdad to London since the outbreak of the 1990-1991 Gulf War. . . . Qatar began four weekly Airbus A320 nonstops to Sulaymaniyah, an oil and agriculture market in the Kurdistan Region, and the Doha-based airline's fifth destination in Iraq. . . . Nasser Hussein, Director General of Iraq's Civil Aviation Authority, said a \$2.5 billion airport will be constructed in Karbala, south of Baghdad, and another is under construction in Kurdish region of Duhok. . . . Gulf Air, which has been flying from Bahrain to Al Najaf and Baghdad since last September, collaborated with Sabre Travel Network Middle East on a service that allows Gulf Air authorized travel agents in point-of-sale locations throughout Iraq to offer local ticketing services.

9. **United Applies for DOT Authority to Operate SFO-Chengdu Flights.**

See Section I, item 2.

10. **Etihad to Acquire 49% of Serbian Airline.**

See Section VIII, item 6.

X. AMERICAS

1. AMR Bankruptcy News.

U.S. Bankruptcy Judge Sean Lane declined to approve American Airlines parent AMR's plan to emerge from Chapter 11 bankruptcy protection, citing the lawsuit filed by the Justice Department against the proposed merger with US Airways. In ensuing separate filings, AMR said failure to approve the restructuring would add a destabilizing factor to its merger proposal; creditors said it would exacerbate uncertainty; and DOJ said it took no position as to whether the judge should confirm the bankruptcy exit plan. At a later hearing, Judge Lane found arguments in favor of confirmation persuasive, but said he needed more time to reflect; the next hearing is September 12. . . . In other AMR news, July consolidated passenger revenue per available seat mile (PRASM), for American and AMR Eagle, increased 4% versus last year, to a record high for any month. . . . American launched large regional jet flying with 76-seat Embraer E-175 two-class service from Chicago O'Hare to Albuquerque, New Orleans and Pittsburgh. Acquired through a 12-year agreement with Republic Airways Holdings, the jets will be branded with American Eagle livery and operated by Republic Airlines. American plans to transition out of smaller regional aircraft by the end of 2013.

2. US Airways Labor News.

US Airways reached a tentative collective bargaining agreement with the Airline Customer Service Employee Association, an alliance between the Communication Workers of America (CWA) and the International Brotherhood of Teamsters (IBT). Once ratified, the new agreement will be in place for 18 months. The International Association of Machinists and Aerospace Workers (IAM) won the right to continue to represent US Airways mechanics and related employees, after a battle with IBT; the election was overseen by the Nation Mediation Board.

3. Delta Offers Hourly Los Angeles-San Francisco Shuttle.

Delta begins hourly Shuttle service between Los Angeles International and San Francisco on September 3. The 14 daily two-class, 76-seat E-175 flights will be operated by Delta Connection partner Compass Airlines.

4. JetBlue Offers Premium Transcontinental Option.

JetBlue will debut fully customized lie-flat seats on new Airbus A321s in second quarter 2014 on New York Kennedy to Los Angeles and San Francisco routes. A separate single suite seat with door will also be offered.

Industry-wide revenue from the two transcontinental markets is 50% higher than any other U.S. route, as airlines have dedicated more premium seats and charged much higher fares on them on a per-mile basis, said JetBlue. There are more than 6,000 passengers each day on the two routes combined.

5. Spirit Adds Nonstops From Minneapolis.

Spirit is starting seasonal service between Minneapolis-St. Paul and Los Angeles International, Orlando, Phoenix and Tampa on November 7. In other news, Spirit Airlines Dispatchers, represented by the Transport Workers Union (TWU), voted to ratify a new five-year agreement that provides improved pay and “the economics that allow Spirit Airlines to remain the leading Ultra Low Cost Carrier of the Americas.” And, the Spirit Board of Directors elected H. McIntyre Gardner as Chairman, replacing Bill Franke of Indigo Partners, who resigned. John R. Wilson, also of Indigo Partners, resigned from the Board. Gardner has been a member of Spirit's Board of Directors since July 2010.

6. Allegiant Announces 18 New Routes.

Allegiant announced new nonstop jet service on 18 routes, adding 10 cities to its network of vacation destinations. The Las Vegas-based carrier will now offer service to travelers in the New York City area to Southwest Florida via Long Island MacArthur and Stewart International.

7. American, TAM Launch Code Share Agreement.

American and TAM began code sharing on their flights between the United States and Brazil, as well as on TAM flights from Rio de Janeiro and Sao Paulo to eight other destinations in Brazil, and on American flights from Miami, New York and Orlando to 25 U.S. cities, including Atlanta, Los Angeles and Washington, D.C. Separately, American plans to begin Brazilian service to Curitiba and Porto Alegre from Miami on November 21, pending government approval, and to Sao Paulo from Los Angeles on December 16.

8. First International Route for Haiti's Sunrise Airways.

Sunrise Airways began international service, flying from Cap-Haitien on Haiti's northern coast to the Turks and Caicos capital of Providenciales. The Port-au-Prince-based carrier has offered commercial service since November and, said President Philippe Bayard, plans additional international flights.

9. Justice Department Sues to Block American-US Airways Merger.

See Section I, item 1.

10. United Applies for DOT Authority to Operate SFO-Chengdu Flights.

See Section I, item 2.

11. **Delta-Virgin Joint Venture Wins Tentative DOT Approval.**
See Section I, item 3.
12. **Canada Fines LATAM for LAN Cargo Price-Fixing Case.**
See Section I, item 10.
13. **JetBlue, British Airways Interline Agreement.**
See Section VIII, item 2.
14. **Virgin America, Transaero Interline Agreement.**
See Section VIII, item 3.
15. **Cathay Pacific Announces New CEO, New U.S. Service.**
See Section IX, item 1.
16. **Delta Launches Seattle Service to Seoul, Hong Kong.**
See Section IX, item 2.
17. **JAL Improves U.S. Services.**
See Section IX, item 5.
18. **Korean Air Begins Trans-Pacific Service to Atlanta.**
See Section IX, item 6.
19. **UPS Expands Logistics in China.**
See Section IX, item 7.