



## WASHINGTON AVIATION SUMMARY

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

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## **I. REGULATORY NEWS**

### **1. ICAO Condemns Brussels Attacks.**

The International Civil Aviation Organization (ICAO) expressed strong condemnation of the March 22 bombings in Brussels, in the departures hall at Zaventem Airport and at Maelbeek metro station near European Union headquarters. “While the devices at Zaventem airport were detonated in public, landside airport areas which are not protected by civil aviation screening standards and related procedures, threats to international passengers at any stage in their journey are of tremendous concern to ICAO and the entire air transport community,” said ICAO Secretary General Fang Liu. ICAO maintains security provisions for airside and landside terminal areas, which are undergoing review through the Aviation Security Panel and Committee on Unlawful Interference, and will be subject to final review and adoption by ICAO’s 36-State Governing Council. (See also Section III, item 1.)

### **2. DOT Reports New Traffic Record for 2015.**

U.S. airlines and foreign airlines serving the United States carried an all-time high of 895.5 million systemwide scheduled service passengers in 2015, reports the U.S. Department of Transportation (DOT), 5% more than previous record high of 853.1 million in 2014. American Airlines carried more total system passengers in 2015 than any other U.S. airline, and British Airways on flights to the U.S. of any foreign airline. Atlanta led U.S. airports in system passengers, and New York Kennedy in international.

### **3. DOT to Award Daytime Slots at Tokyo Haneda.**

DOT launched a proceeding to award one new daytime and one new nighttime slot at Tokyo Haneda, and proposed to temporarily allocate four daytime Haneda slots to the four airlines currently providing nighttime services. A recent amendment to the U.S.-Japan Open Skies agreement allows the four existing U.S.-carrier nighttime slots to be transferred to daytime hours, but DOT intends to allocate the slots among interested carriers, saying “the public interest warrants a completely fresh look at the U.S.-Haneda market.” While DOT conducts the proceeding to award all of the Haneda rights on a long-term basis, daytime Haneda rights are tentatively allocated through the 2016/2017 winter traffic season to American for service from Los Angeles; Delta for service from Los Angeles; Hawaiian for service from Honolulu; and United for service from San Francisco. These daytime flights would replace the carriers’ existing nighttime Haneda flights. The temporary allocations are meant to

preserve a U.S. carrier presence at Haneda during the proceeding. Objections were due March 29; applications for longer-term allocations are due April 12.

4. **FAA Releases 2016-2036 Aerospace Forecast.**

Revenue passenger miles (RPMs) by U.S. mainline and regional carriers will grow at average 2.6% a year from 2016 to 2036, according to the Aerospace Forecast released by the Federal Aviation Administration (FAA). International RPMs will increase 3.5% a year, and domestic by 50%. In 2015, system RPMs rose 3.8%, from 857 billion to 889 billion. The forecast estimates that purchases of small, hobbyist unmanned aircraft systems, or drones, may grow from 1.9 million in 2016 to 4.3 million by 2020, and sales for commercial purposes from 600,000 in 2016 to 2.7 million. . . . FAA received pilot, air traffic controller and citizen reports of 600 drone sightings from August 22, 2015 through January 31, 2016, about 3.5 incidents per day compared to 2.7 in previous period. Among significant incidents this year, a Jet Blue pilot departing New York Kennedy reported a near-miss collision at 5,800 feet in January; in February, a drone came dangerously close to an Air France Airbus A320 near Paris Charles de Gaulle; and in March, the pilot of a Lufthansa A380-800, on approach to Los Angeles International, spotted a drone flying approximately 200 feet above the aircraft.

5. **IATA Files Formal Complaint in OEM Investigation.**

The International Air Transport Association (IATA) became a complainant in an investigation being conducted by the European Commission Directorate General for Competition into alleged abuses of dominant positions by original equipment makers (OEMs) with respect to their control of aftermarket repairs, including parts and services. “There are relatively few equipment vendors and our members are frustrated that there is little flexibility in negotiations for aftermarket services,” said Tony Tyler, IATA Director General and CEO. “Airlines do not have the leverage to resolve these concerns individually. So IATA is fulfilling its role as their global trade association and representing their interests as a complainant.” IATA makes no claims for monetary damages or other compensation for past conduct, but wants airlines “to be able to negotiate contract terms more effectively and with more options than the OEM community will entertain today.”

6. **Use of Electronic Cigarettes on Commercial Flights Banned.**

DOT announced a final rule that explicitly bans use of electronic cigarettes, in all forms, on all scheduled flights of U.S. and foreign carriers involving transportation in, to, and from the U.S. The ban extends to all charter (nonscheduled) flights of U.S. carriers and foreign air carriers where a flight attendant is a required crewmember. Studies have shown that e-cigarette

aerosol can contain harmful chemicals and DOT is concerned that vulnerable populations (children, the elderly, and passengers with respiratory issues) would be exposed to the aerosol within a confined space, without the opportunity to avoid the chemicals. DOT's Pipeline and Hazardous Materials Safety Administration in October 2015 issued an interim final rule prohibiting passengers from carrying battery-powered portable electronic smoking devices in checked baggage and prohibiting them from charging these devices or batteries on board aircraft.

**7. DOT Air Travel Consumer Report for January.**

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

	Jan. '16 / '15	Dec. '15	Full Year				
			2015	2014	2013	2012	2011
On-time arrivals %	8.13 / 76.8	77.8	79.9	76.2	78.34	81.85	79.6
Cancellations %	2.6 / 2.5	1.7	1.5	2.2	1.51	1.29	1.91
Mishandled baggage*	3.32 / 4.01	4.04	3.24	3.61	3.22	3.09	3.35
Consumer complaints:							
Airline service	1,697 / 1,478	1,565	20,170	15,539	13,176	15,338	11,546
Disability-related	79 / 52	81	939	784	683	741	628
Discrimination**	7 / 6	5	65	68	79	99	128

Notes: In January, airlines reported no tarmac delays of more than three hours on domestic flights and eight of more than four hours on international flights.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. Atlanta Unveils \$6 Billion, 20-Year Airport Plan.

Details of a \$6 billion, 20-year capital plan in progress at Hartsfield-Jackson, unveiled by Atlanta Mayor Kasim Reed and airport General Manager Miguel Southwell, include a new sixth runway, cargo structures, a 400-room hotel and domestic terminal improvements. Nearly \$1 billion will be spent in 2017 alone. Southwell anticipates new air service to China, India and other fast-growing economies, and urged restoration of service to Israel. Atlanta is the world's busiest airport, handling 101 million passengers annually with nonstop service to 150 U.S. and 70 international destinations.

### 2. American to Build Additional Gates at O'Hare.

The Chicago City Council introduced an ordinance authorizing the Department of Aviation and American Airlines to enter into an agreement for development, construction and operation of five gates and related facilities in Terminal 3 at O'Hare. American will fund the project and anticipates completion by 2018.

### 3. Charlotte 10-Year Lease Agreement Approved.

A 10-year use and lease agreement between Charlotte Douglas International and American, Delta, JetBlue, Southwest and United was approved by the City Council. Among terms of the pact, which takes effect July 1, 40% of all airport revenue will continue to be shared with airlines on a prorated basis; American operates 90% of the airport's traffic. The agreement includes a commitment by airlines to support \$500 million worth of capital investments to expand facilities and make other improvements.

### 4. Long Beach Executive Named Oakland Director.

Port of Oakland named Long Beach Airport Director Bryant Francis as the new Director of Aviation and head of Oakland International, effective March 31. He replaces Deborah Ale Flint who left last June to become CEO of Los Angeles World Airports.

### 5. State Grant Promotes LAN Peru Service to Dulles International.

Metropolitan Washington Airports Authority will receive \$50,000 in matching funds this year to market new service between Lima, Peru and Washington Dulles. The grant is part of a fund administered by the Virginia Tourism Corporation. LAN Peru begins three weekly Boeing 767 nonstops to Dulles on May 2, to increase to four times weekly in July.

6. **First Phase of Southwest's LAX Project Completed.**

Westfield completed the first of three phases of redevelopment in Terminal 1 at Los Angeles International, part of a \$508 million overhaul spearheaded by Southwest and Los Angeles World Airports. Southwest is upgrading the customer gate areas in the project, which is slated for completion in 2018. When finished, the Terminal 1 retail and dining collection will span 25,242 feet, nearly double that of the old terminal.

7. **Alaska Airlines to Remodel 11 Terminals in Rural Alaska.**

Alaska Airlines plans renovations at 11 airport terminals in rural Alaska, within five years, reports *Alaska Dispatch News*. A company official said expansion needs stem from a growing Transportation Security Administration presence at the airports. The \$30 million project is part of an investment the airline is making in the state that could reach \$100 million.

8. **ACI Europe: Schengen Area of Free Movement Must Be Retained.**

Amid Europe's migration crisis and terror threats, lack of air border controls among the 26 Schengen States has been questioned. ACI Europe urged swift implementation of a European Commission agenda to reinforce Schengen's external borders to safeguard the internal area of free movement. "A reinstatement of air border controls between Schengen States would require a difficult restructuring of airport facilities, involving investments easily reaching hundreds of millions of euros for each of the largest Schengen airports," said ACI Europe Director General Olivier Jankovec. "The immediate impact would be unprecedented levels of congestion and flight disruptions, with potential spillover effects across the entire European airport network. Hubs would no longer be able to guarantee their current minimum connecting times between flights." Europe's airports last year handled 1.95 billion passengers, with 1.2 billion using one of 443 airports located within the Schengen area. ACI Europe also urged Schengen States to commit adequate resources for their airports, as increased staffing levels will be needed for expected systematic document and security checks of all persons, including citizens of Schengen States, against relevant databases.

9. **New Pier, Terminal Approved for Schiphol.**

Schiphol Group issued final approval of plans to develop a new pier and terminal at Amsterdam Schiphol. The terminal, scheduled for completion in 2023, will connect to the existing terminal and can serve 14 million passengers per year. The flexible pier will accommodate up to either three wide- and five narrow-body aircraft, or eleven narrow-body aircraft in total and is expected to be ready for use in late 2019.

**10. France to Sell Nice, Lyon Airports.**

France intends to sell its 60% stakes in Lyon Saint-Exupery and Nice Cote d'Azur airports, with offers to begin April 25 and a decision due end of July or early August, according to Reuters and local media. Nice has a potential value of at least €1.5 billion, and Lyon €900 million.

**11. EnergoStroy to Manage Sheremetyevo Expansion.**

Russian company EnergoStroy was named general contractor for a 107,000 square meter domestic terminal and two inter-terminal tunnels at Moscow Sheremetyevo. The terminal will have handling capability of 15 million passengers annually. Total Sheremetyevo annual capacity will be 50 million passengers by 2018. "Modernization of the terminal infrastructure will be held simultaneously with the commissioning of the third independent runway (R-3)," said officials. In other news, Moscow Domodedovo this year will complete work on the T1 terminal and a new 25,900 square meter international cargo terminal. Construction of a new T2 segment of the passenger terminal is underway. Total capacity of T1 and T2 will surpass 45 million passengers per year. Domodedovo served 30.5 million passengers in 2015. Russia will host the FIFA World Cup in 2018.

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

#### 1. **TSA Adds Security Following Brussels Explosions.**

Following the terrorist bombings in Brussels in the Zaventem Airport departures hall and at Maelbeek metro station near European Union headquarters, the U.S. Department of Homeland Security (DHS) announced that the Transportation Security Administration (TSA) “is deploying additional security to major city airports in the United States, and at various rail and transit stations around the country [and] working closely with state and local law enforcement, airport and transit authorities and the aviation industry in order to augment that security.” DHS Secretary Jeh Johnson added, “There are also a number of other security measures we are taking that are not suitable for public disclosure.” More than 30 people were killed and dozens injured in the Brussels attacks, which were carried out by the Islamic State. Enroute flights to Zaventem were diverted and airlines rerouted passengers, as Brussels traffic was suspended. “The simple fact is that a restart in the short term is not possible in the devastated infrastructure,” posted Brussels Airport on its website on March 27. The Department of State advised U.S. citizens that Belgium is at a threat rating of Level 4, or “serious and imminent attack”; a State Department Travel Alert warns of potential risks of travel to and throughout Europe following several terrorist attacks, and anticipates “near-term attacks throughout Europe, targeting sporting events, tourist sites, restaurants and transportation.”

#### 2. **Egyptair Flight Hijacked; Passengers Freed Unharm.**

An Egyptair Airbus A320 traveling from Alexandria to Cairo was hijacked and diverted to Larnaca airport in Cyprus, where all onboard eventually were freed unharm. The hijacker, an Egyptian national, surrendered and was arrested. Authorities said his motives were unclear and he appeared to be unstable. The incident set off new concerns about Egyptian airport security, as it follows the October 31 bombing of a Russian jet near the Red Sea resort of Sharm el Sheikh that killed all 224 people on board.

#### 3. **TSA Publishes Rule for AIT Use.**

TSA complied with a court order to engage in notice-and-comment rulemaking on use of advanced imaging technology (AIT) for passenger screening and published a regulation in the Federal Register. The full-body scanners have been in use since 2008. Since May 2013, they have been equipped with automatic target recognition (ATR) software, which presents a generic outline rather than an individual image. The final rule adopts definitions of AIT and

ATR, and requires equipment with ATR software. There are approximately 793 AIT machines deployed at nearly 157 U.S. airports. TSA has determined that AIT is the most effective technology currently available to detect metallic and non-metallic threat items concealed on passengers and, despite opposing views from privacy and health advocates, maintains that “the technology meets all national health and safety standards [and] passengers generally may decline AIT screening and opt for a pat-down.”

4. **Alaska Frequent Fliers Can Use Miles for TSA Precheck Membership.**  
Alaska Airlines is the first airline to offer frequent fliers the ability to redeem miles or points for TSA Precheck membership. Through the end of April, Alaska Airlines Mileage Plan members can redeem 10,000 miles to waive the \$85 application fee for five years of TSA Precheck membership. Customers applying are responsible for ensuring they are Precheck-eligible.
5. **House Committee Passes Anti-Terror Legislation.**  
See Section VI, item 3.
6. **Senate Hearing on “Security of U.S. Visa Programs.”**  
See Section VI, item 4.
7. **Senate Hearing on DHS Management and Acquisition Reform.**  
See Section VI, item 5.

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

### 1. **Lufthansa Sues Sabre.**

Lufthansa Group filed a lawsuit against Sabre after being accused by the global distribution system (GDS) of breach of contract, and asked a Tarrant County, TX, court to clarify the contract. The airline imposed a €16 surcharge on the GDS's bookings last year; Sabre says the charge should also apply to other distribution channels, including the airline's direct connection. Lufthansa said the lawsuit has no impact on business between the two parties and Lufthansa tickets will still be available through the Sabre system. . . . Lufthansa said its direct connect distribution strategy, begun last year with Google Flights in the United States, is "very successful." The pilot project has been expanded to include France, Sweden, Norway, Denmark, Poland and Canada. Partners using direct booking interfaces to Lufthansa Group include Aerticket, a unit of Germany's largest consolidator.

### 2. **Gogo Partners with Intelsat.**

Under a long-term agreement, Gogo's next generation inflight connectivity technology will be powered by a shared network featuring multi-layered Ku-band capacity on Intelsat EpicNG high throughput geosynchronous (GEO) satellites, combined with OneWeb's planned low earth orbit (LEO) satellite constellation. OneWeb is building a communications network with a constellation of LEO satellites that will provide connectivity around the world. With more than 10 terabits per second of new capacity, it will transparently extend networks of mobile operators and ISP's to serve new coverage areas.

### 3. **Routehappy Integrates Happiness Factors into Google Flights Results.**

Routehappy and Google signed a worldwide data licensing agreement for use of Routehappy Happiness Factors in Google Flights search results. The integration will allow Google Flights users to see and compare amenities by flight, including seat type, in-seat power, and Wi-Fi. Routehappy recently announced partnerships with Sabre, Expedia and Asia-Pacific online booking tool Serko. United is using the Routehappy Hub, an SaaS platform that enables airlines to create, manage and deliver targeted product and fare attribute content wherever flights are displayed, in Routehappy's proprietary Universal Product Attribute (UPA) standard.

## V. ENERGY AND ENVIRONMENT

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

The average price of aviation jet fuel on March 4 was \$45.2/barrel, up 5% on the month and down 40% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2016 was \$41.9/barrel. Impact on 2015 fuel bill was -\$103.4 billion.

### 2. United Using Renewable Jet Fuel on LAX–SFO Flights.

United is using a blend of 30% renewable and 70% petroleum jet fuel to power 12,500 flights from Los Angeles to San Francisco, with plans to purchase 15 million gallons over a three-year period. The fuel is produced by AltAir Paramount using Honeywell Green Jet Fuel™. Honeywell UOP's proprietary process converts non-edible animal fats and oils into renewable fuels and can replace as much as 50% of petroleum-derived jet fuel used in flight without changes to the aircraft technology, while meeting current ASTM jet fuel specifications for flight. Depending on the biofeedstock, Honeywell Green Jet Fuel can offer a 65% to 85% reduction in greenhouse gas emissions compared with petroleum-based fuels.

### 3. South Africa Opens Solar-Powered Airport.

Africa's first solar-powered airport opened in tourist destination George, South Africa. George lies halfway between Cape Town and Port Elizabeth. George Airport handles 600,000 passengers each year and is a national distribution hub for cargo such as flowers, fish, oysters, herbs and ferns. Most of the airport's energy needs will be supplied through 200 square meters of photovoltaic (PV) panels. PV technology generates electricity from solar radiation providing a renewable and clean energy source. In its first phase, 750kw will be generated through this clean energy source, which is sufficient to meet the airport's daily needs.

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

### **1. Congress Passes Short-Term FAA Extension.**

As it works toward a long-term bill, Congress passed the “Airport and Airway Extension Act of 2016,” which extends authorization of FAA programs through July 15, 2016 and revenue provisions through March 31, 2017. “Without an extension, the authority to collect aviation taxes will lapse, and the Airport and Airway Trust Fund will be deprived of more than \$30 million per day—funding which is for air traffic control, airport development, and other aviation programs,” said House Transportation Committee Chairman Bill Shuster (R-PA) and Ways and Means Committee Chairman Kevin Brady (R-TX). “In addition, airports will be unable to receive grant money that’s already been awarded to them, putting dozens of construction projects across the country at risk of delay, cost overrun, or cancellation.”

### **2. Senate Commerce Approves FAA Reauthorization Bill.**

The Senate Committee on Commerce, Science, and Transportation approved bipartisan legislation that would reauthorize FAA through September 30, 2017. The “FAA Reauthorization Act of 2016” addresses, among other things, drone safety and privacy, aircraft certification, consumer protections and pilot protection. S. 2658 would maintain the cap on passenger facility charges at \$4.50, and direct DOT to require airlines to use a standard format to display ancillary fees. The “Forbidding Airlines from Imposing Ridiculous (FAIR) Fees Act,” introduced by Senate Democrats Edward Markey and Richard Blumenthal, is self-explanatory. New York Senator Charles Schumer said reauthorization must require FAA to set minimum seat size standards for airplanes; the “Seat Egress in Air Travel (SEAT) Act” failed as an amendment to the House FAA reauthorization, but is a stand-alone bill. “It is my hope that the full Senate will be able to turn to this bill in early April and I then look forward to working with Chairman Shuster of the House Transportation and Infrastructure Committee to find common ground with his innovative proposal,” said Commerce Committee Chairman John Thune (R-S.D.), referring to the FAA reauthorization bill in the House, which proposed to privatize the air traffic control system. Airlines for America (A4A) urged the Senate to “move forward with air traffic control reform.”

### **3. House Committee Passes Anti-Terror Legislation.**

Following the terrorist attacks in Brussels, the House Committee on Homeland Security passed the “Securing Aviation from Foreign Entry Points and Guarding Airports Through Enhanced Security Act” (SAFE GATES). H.R.

4698 directs TSA to conduct and implement a security coordination enhancement plan to improve passenger and airline safety at Last Point of Departure (LPD) Airports, airports that have direct flights to the United States; authorizes TSA to donate security equipment to foreign LPD Airports, and functions to increase cooperation between partner nations to ensure safe skies. If an LPD Airport does not meet standards, TSA will have authority to quickly fill security gaps with screening assistance. The bill also requires an assessment of foreign cargo security programs to ensure that U.S. federal law enforcement agencies and Congress are informed of the current security environment to prevent any shipment of nefarious materials via air cargo. . . . The Committee also approved the “Treating Small Airports with Fairness Act of 2016” (H.R. 4549), which requires TSA to provide security screening at certain small airports; and the “Department of Homeland Security Strategy for International Programs Act” (H.R. 4780), which requires DHS to develop a strategy for expanding screening and vetting programs overseas.

**4. Senate Hearing on “Security of U.S. Visa Programs.”**

The Senate Homeland Security and Governmental Affairs Committee held a hearing to discuss the security of U.S. visa programs. Citing a report from the DHS Office of Inspector General (OIG), Committee Chairman Ron Johnson (R-Wis.) said hundreds of green cards may have been sent to the wrong people as a result of a flawed U.S. Citizenship and Immigration Services (USCIS) database. Among DHS OIG findings: USCIS estimates it will take three more years and another \$1 billion to transform paper-based processes into automated immigration benefits processing; and known human traffickers used work and fiancé visas to bring victims to the U.S. using legal means. Johnson noted that a perpetrator of the terrorist attack in San Bernardino, Calif., in December, had immigrated to the United States legally from Saudi Arabia on a fiancée visa; the attack resulted in 14 dead and 22 wounded.

**5. Senate Hearing on DHS Management and Acquisition Reform.**

The Senate Homeland Security and Governmental Affairs Committee held a hearing, “DHS Management and Acquisition Reform.” Among findings in a DHS OIG report: DHS continues to lack a strong central authority and uniform policies and procedures; most major acquisition programs continue to cost more than expected, take longer to deploy than planned, or deliver less capability than promised; and DHS routinely approves moving forward with major acquisition programs without appropriate internal oversight. The OIG recommended stronger departmental oversight and authority and “increased commitment by the components to effect real and lasting change [including] adhering to departmental acquisition guidance, adequately defining

requirements, developing performance measures before making new investments, and dedicating sufficient resources to contract oversight.”

**6. Aviation Groups Seek \$159 Million for FAA Contract Tower Program.**

Several aviation associations urged House and Senate Appropriations Committee leaders to provide not less than \$159 million in dedicated funding for FAA's Contract Tower Program, in the fiscal year 2017 appropriations bill. The program has been in place for more than 30 years and currently serves 253 smaller airports in 46 states. The letter was signed by the U.S. Contract Tower Association, an affiliate of the American Association of Airport Executives; Regional Airline Association; National Business Aviation Association; Aircraft Owners and Pilots Association, National Air Transportation Association; Airports Council International; National Association of State Aviation Officials; Air Traffic Control Association; Air Carrier Association of America; and Cargo Airline Association.

## VII. BILATERAL AND STATE DEPARTMENT NEWS

### 1. EU Presses U.S. on NAI Foreign Air Carrier Permit Request.

During meetings in Washington, EU Transport Commissioner Violeta Bulc reiterated concerns regarding the Norwegian Air International (NAI) application to U.S. authorities for a foreign air carrier permit, which has been pending for more than two years. Transatlantic cooperation has been very positive for our respective aviation industries and should not be put at risk by the failure of U.S. authorities to take a decision on NAI, said Bulc, adding, "I hope that actions will rapidly be taken to ensure compliance with the EU-US Air Transport Agreement and lead to a positive outcome for both parties. The EU is seriously considering all available options to swiftly solve the issue." . . . The UK Department of Transport wrote to DOT in support of the application for a foreign air carrier permit by Norwegian Air UK, another subsidiary of Norwegian Air Shuttle. . . . Norwegian launched Boston-London in March and will start Boston-Oslo on April 2; Oakland/San Francisco-London on May 12; Boston-Copenhagen on May 17; New York-Paris on July 29; Los Angeles-Paris on July 30; and Fort Lauderdale-Paris on August 4. Direct service to Las Vegas from Oslo begins November 1, with fares starting at \$179 one-way, including taxes; nonstops from Copenhagen and Stockholm to Las Vegas began last November.

### 2. U.S. Further Eases Restrictions on Travel to Cuba.

Restrictions on travel to Cuba were further eased for U.S. citizens, as the Obama Administration announced it would allow individuals to travel on their own to Cuba for educational activities without special permission from the U.S. government. In addition, vessels are generally authorized to transport authorized cargo from the U.S. to Cuba and then sail to other countries with any remaining cargo that was onloaded in the U.S. Other regulatory changes expand Cuban and Cuban nationals' access to U.S. financial institutions and the U.S. dollar from Cuba, and the ability for Cubans legally present in the U.S. to earn stipends and salaries beyond living expenses. The U.S. embargo against Cuba remains in effect.

### 3. U.S. Airlines Submit Cuba Route Applications.

The U.S. government in February signed an arrangement with Cuba that will allow designated U.S. carriers to operate a total of 20 daily round-trip flights between the U.S. and Havana and 10 daily round-trip flights to nine other Cuban cities. Service to Cuba is expected to resume this year and several U.S. carriers have submitted formal applications to DOT for route authority.

American Airlines' proposal includes 10 daily frequencies to Havana from Miami, additional service to Havana from Charlotte, Dallas/Fort Worth, Los Angeles and Chicago, and daily service between Miami and five other Cuban cities. Delta proposed service to Havana from New York, Atlanta, Miami and Orlando. United proposed daily nonstop service from Newark and Saturday nonstops from Houston Bush, Washington Dulles and Chicago O'Hare. Southwest proposed daily service to Havana from Ft. Lauderdale-Hollywood, Tampa and Orlando, and Varadero and Santa Clara from Ft. Lauderdale. JetBlue requested 15 daily frequencies, including Havana from New York Kennedy, Ft. Lauderdale, Orlando, Tampa, Newark and Boston, and to additional cities from Ft. Lauderdale. Alaska Airlines is seeking approval to fly two daily nonstops from Los Angeles to Havana. Spirit proposed two round-trip flights to Havana from Fort Lauderdale. Frontier's request includes Denver-Havana, Miami-Havana, Miami-Santiago, Miami-Camaguey, Miami-Santa Clara, Chicago O'Hare-Varadero and Philadelphia-Varadero. Silver Airways proposed turboprop service to Havana from Key West, West Palm Beach, Fort Lauderdale, Jacksonville and Fort Myers/Naples, with additional one-stop service to both Tampa and Orlando.

## VIII. EUROPE AND AFRICA

### 1. BEA Germanwings Report Emphasizes Pilot Mental Health.

In its final report on the Germanwings crash that occurred on March 24, 2015, France's air accident investigation agency, BEA, recommended regular testing of pilots for psychological or psychiatric problems and clearer rules on easing medical confidentiality if pilots show signs of psychological problems. Among other comments in the report, BEA noted reluctance of pilots to declare problems and seek medical assistance due to fear of losing their jobs. The Airbus A320 was deliberately flown into the French Alps by the co-pilot, who had been treated for depression and psychosis for years, information that was not passed on to aeronautical authorities or to Germanwings, BEA said. The co-pilot had locked the pilot out of the cockpit; all 144 passengers and six crew were killed. Germanwings is a subsidiary of Lufthansa, which stated it will continue to cooperate with authorities and support possible implementation of measures in the report. Since the crash, European aviation authorities have recommended two persons in the cockpit at all times during flights and increased medical and psychological testing for pilots.

### 2. JetBlue, SAA Expand Code Sharing.

JetBlue and South African (SAA) introduced code sharing on four weekly SAA-operated flights between Washington Dulles and Accra, Ghana, using Airbus A330s and A340s. Code share destinations previously introduced are Johannesburg, Cape Town, Durban, Port Elizabeth and East London in South Africa and Dakar, Senegal in West Africa. SAA operates daily nonstops from New York Kennedy and flights from Dulles via Accra and Dakar to Johannesburg; the Star Alliance member also code shares with United and Air Canada.

### 3. Azul Acquires \$100 Million in TAP Portugal Securities.

Azul acquired \$100 million worth of securities in TAP Portugal, which can be converted into preferred shares equivalent to a 40% stake, subject to approval from Portuguese authorities. The investment is a term of Azul's earlier announced \$450 million agreement with HNA Group, which gave the Chinese company a 23.7% stake in Azul. An Azul cost-reduction plan includes capacity and flight cuts, return of certain leased aircraft and a phased-in transfer of up to 1,700 flight crew to HNA units.

**4. IATA Proposes Agenda for Russia.**

IATA signed a cooperation agreement with the Russian Association of Air Transport Operators, and proposed “an agenda to strengthen aviation in Russia based on the further implementation of global standards and best practices.” IATA’s 11 Russian airline members are Aeroflot, Air Bridge Cargo, Donavia, JSC Nordavia-RA, LLC Nord Wind, Orenair, Rossiya, S7, Ural, UT Air and Volga-Dnepr. “These are difficult times for Russian aviation and there is no silver bullet solution to invigorating the sector,” said Tony Tyler, IATA Director General and CEO, at the first IATA Aviation Day Russia. Among IATA proposals for the Russian government: Continue to recognize benefits of lowering and eventually removing VAT for domestic air transport. Ensure that airport charges and infrastructure developments are agreed to by airlines and airport operators with a focus on cost-efficiency and aligned with global principles agreed by governments through ICAO, including transparency, meaningful consultation and non-discrimination. Adopt Montreal Convention 1999 to provide global standard risk coverage for passengers and shippers and facilitate e-cargo implementation. Ratify Montreal Protocol 2014 of the Tokyo Convention to close gap in international law with respect to growing problem of disruptive passengers. Accelerate adoption of global standard for special and atmospheric referencing to deliver greater safety and cost benefits as Russia modernizes its air traffic management system. Join the Smart Security initiative of IATA and Airports Council International to improve airport security and reduce passenger hassle by combining new technology with regulatory best practices. Support a global agreement through ICAO on a market-based measure to manage aviation’s carbon footprint.

**5. EU Presses U.S. on NAI Foreign Air Carrier Permit Request.**

See Section VII, item 1.

**6. Delta Code Shares with Jet Airways, KLM.**

See Section IX, item 2.

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

### **1. FlyDubai B-737 Crashes in Russia; No Survivors.**

A FlyDubai Boeing 737-800 with 62 people onboard crashed on landing at Rostov-on-Don in southern Russia in stormy conditions on March 19; there were no survivors. The Russian Interstate Aviation Committee said preliminary analysis of information obtained from flight recorders revealed no system malfunctions, aircraft component defects or power system failures. Pilot error is being considered. The International Federation of Air Line Pilots' Associations urged avoidance of speculation and offered technical expertise to Russian Accident Investigation Agency MAK to help gather information which may be pertinent. United Arab Emirates is assisting with the investigation, along with specialists from the United States and France.

### **2. Delta Code Shares with Jet Airways, KLM.**

Under a new arrangement, Mumbai-based Jet Airways will place its code on KLM flights from Amsterdam to 30 cities across Europe, and on KLM and Delta flights to 11 points across North America. KLM and Delta will place their codes on Jet Airways flights between Amsterdam and Mumbai and Delhi and beyond. Subject to government approvals, KLM and Delta will also code share on flights to Kathmandu and Dhaka. Jet Airways is an Etihad Airways Partner; Delta is in a transatlantic joint venture with Air France-KLM and Alitalia, and a joint venture with Virgin Atlantic. . . . Delta signed a code share agreement with KLM subsidiary Transavia covering onward destinations offered by Delta from the United States via its Amsterdam Schiphol hub, subject to government approvals. Transavia serves 110 destinations in Europe and North Africa with 43 Boeing 737s.

### **3. China Update.**

American and Delta submitted proposals to DOT to begin daily nonstops from Los Angeles to Beijing on December 16. . . . American is booking Los Angeles to Hong Kong nonstops; the Boeing 777-300ER service will operate as part of its joint business with Japan Airlines, subject to regulatory approval. . . . United will launch nonstops from San Francisco to Xi'an on May 8, and to Hangzhou on July 13, subject to government approval. . . . United and Air China extended their partnership and established a joint strategic initiative; they operate code share flights on 47 routes in China, 72 in the U.S. and Mexico, and 16 nonstop routes between China and the United States. . . . Air China will launch another nonstop to San Jose from Shanghai this summer and strengthen Beijing-San Francisco capacity in early August. . . . China Eastern

began three weekly Boeing 777-300ER nonstops from Shanghai Pudong to Chicago O'Hare, its fifth U.S. destination. . . . Xiamen Airlines will offer its first service to North America, with three weekly Boeing 787-8 nonstops between Xiamen Gaoqi and Vancouver beginning July 25, subject to final government approvals. . . . Airlines for America signed a memorandum of understanding with China Air Transport Association to bolster air transport development and promote air travel and tourism between the United States and China. . . . Nearly three quarters of mainland China airports (72%) are investing in new technology, compared to 58% globally, reports SITA; airlines in China are spending 38% of their IT budget on innovation compared to a global average of 32%; and 93% of passengers have smartphones and want to use them for identification purposes and access.

**4. United Begins San Francisco-Tel Aviv Service.**

United is offering three weekly Boeing 787-9 flights from San Francisco to Tel Aviv, the first-ever nonstops between the two cities. The service will operate in June and July with Boeing 777s. The company said thousands of customers petitioned for the service, and Israeli officials said "it will be a boon for the vast numbers of travelers in the high-tech industry who virtually commute between the Silicon Valleys of California and Israel. Last year was a record year for tourism from the United States to Israel." United also offers twice-daily Boeing 777 nonstops between Newark and Tel Aviv.

**5. El Al Rebounds with 2015 Net Profit.**

El Al posted a \$106.5 million net profit for 2015, compared to 2014 net loss of \$28 million. Number of passengers in 2015 increased by 8% compared to previous year. CEO David Maimon anticipates a wage efficiency agreement with pilots. The company received three new 737-900, which were financed by Israeli banks.

## **X. AMERICAS**

### **1. Investors Move to Supplant United Board.**

Altimeter Capital Management and PAR Capital Management, which collectively own 7.1% (\$1.5 billion) of United stock, announced they were nominating six new directors to the United Continental Board, among them former Continental CEO Gordon Bethune, “after years of watching the incumbent Board supervise United's chronic underperformance.” The current Board termed the move “hostile.” In response to backlash from United labor, the fund CEOs clarified that they support United President and CEO Oscar Munoz, who has resumed his duties after heart transplant surgery, and aim to maximize his “probability of achieving success” with “support, experience, and expertise in critical areas—such as airline operations, industry and corporate best practices, revenue management, marketing, technology, turn-around experience, and stockholder perspectives.” . . . United's dispatchers, represented by Professional Airline Flight Control Association, ratified an agreement that extends current contract through 2021. United has joint collective bargaining agreements with most represented work groups, including pilots, and is in mediated negotiations with Association of Flight Attendants (AFA) and Teamsters. AFA held protests at numerous airports to press for conclusion of negotiations. Meanwhile, the new United Flight Attendants Association was created by workers from United subsidiaries, to “reclaim our professional power, rights, salaries, and dignity!” . . . The company announced an order for 25 new Boeing 737-700s, in addition to previously announced order of 40 B-737-700s, with deliveries to begin end of 2017, as the airline reduces 50-seat regional fleet.

### **2. American Initiates Profit-Sharing for Employees.**

American Airlines began a profit-sharing fund for employees, with first payout to begin early next year. The company increased pay for flight attendants by about 6%, effective April 1, and reached tentative agreement on a new joint collective bargaining agreement with Transport Workers Union Local 549 for Dispatchers and Operational Specialists.

### **3. JetBlue, Azul Expand Partnership.**

JetBlue and Azul are expanding their partnership through a unilateral codeshare agreement, subject to government approval. Azul will place its code on JetBlue flights between multiple destinations and JetBlue's focus cities in Fort Lauderdale-Hollywood and Orlando. From both Florida gateways Azul

operates nonstop service to Viracopos/Campinas International in Sao Paulo. JetBlue plans an expansion of winter service at Fort Lauderdale-Hollywood.

4. **Spirit, Flight Attendants Reach Tentative Agreement.**

Spirit reached a tentative five-year agreement with Association of Flight Attendants, which contains wage increases and healthcare and other benefits.

5. **Delta, Republic Reconcile.**

Delta agreed to enter into a Debtor-In-Possession Credit Agreement that will provide \$75 million in liquidity to bankrupt Republic Airways Holdings, in support of its restructuring plan. In addition, Delta agreed to a full settlement of litigation that charged Republic with breach of contract, and a restructuring of their code share relationship. The new agreements, subject to court approval, “secure Delta as a long-term strategic partner, provide significant benefits to our airline, and will preserve schedule integrity and a high quality of service for Delta’s customers,” said Republic Chairman, President and CEO Bryan Bedford.

6. **Frontier Names Barry Biffle President, CEO.**

Frontier Airlines named Barry Biffle President and CEO; he has been President of the airline since July 2014 and previously held numerous airline senior executive and management roles. “With Barry's continued leadership, we are committed to creating the most customer-friendly and focused ultra-low cost airline serving North America,” said Bill Franke, Frontier Chairman and managing partner of Indigo Partners, which purchased the carrier from Republic Airways Holdings in 2013.

7. **ATSG to Operate Air Cargo Service for Amazon.**

Amazon.com selected Air Transport Services Group (ATSG) to operate air cargo service to supplement its existing delivery network and ensure one and two-day delivery for U.S. customers. ATSG CEO Joe Hete said the companies have worked together since last summer. New agreements include leasing 20 Boeing 767 freighters, with operation by ATSG airlines ABX Air and Air Transport International, and logistics services by ATSG’s LGSTX Services. Duration of the 20 leases will be five to seven years, and five years for operation of aircraft. ATSG also agreed to grant Amazon warrants to acquire up to 19.9% of ATSG common shares over a five-year period at \$9.73 per share, based on February 9 closing price; Amazon later acquired a 9.99% stake in ATSG.

8. **Southern Airways Express Acquires Sun Air Express.**  
Southern Airways Express will acquire Sun Air Express, which operates essential air service on several routes.
9. **Brazil to Raise Foreign Ownership Level.**  
Brazil's President Dilma Rousseff signed a provisional measure allowing foreign companies to own up to 49% of a Brazilian airline, compared to current 20%. In related news, state airport operator Infraero plans an initial public share offering this year for a holding company that would own domestic airport assets including Sao Paulo Congonhas and Rio's Santos Dumont.
10. **EU Presses U.S. on NAI Foreign Air Carrier Permit Request.**  
See Section VII, item 1.
11. **U.S. Airlines Submit Cuba Route Applications.**  
See Section VII, item 3.
12. **JetBlue, SAA Expand Code Sharing.**  
See Section VIII, item 2.
13. **Azul Acquires \$100 Million in TAP Portugal Securities.**  
See Section VIII, item 3.
14. **Delta Code Shares with Jet Airways, KLM.**  
See Section IX, item 2.
15. **China Update.**  
See Section IX, item 3.
16. **United Begins San Francisco-Tel Aviv Service.**  
See Section IX, item 4.