



## WASHINGTON AVIATION SUMMARY

March 2016 EDITION

---

### CONTENTS

I.	REGULATORY NEWS .....	1
II.	AIRPORTS .....	5
III.	SECURITY AND DATA PRIVACY .....	6
IV.	E-COMMERCE AND TECHNOLOGY .....	7
V.	ENERGY AND ENVIRONMENT .....	9
VI.	U.S. CONGRESS .....	11
VII.	BILATERAL AND STATE DEPARTMENT NEWS .....	14
VIII.	EUROPE/AFRICA .....	16
IX.	ASIA/PACIFIC/MIDDLE EAST .....	18
X.	AMERICAS .....	20

---

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](mailto: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.

©2016 Kirstein & Young PLLC.

## I. **REGULATORY NEWS**

### 1. **IATA: Global Passenger Traffic Rose 6.5% in 2015.**

Global passenger traffic rose 6.5% in 2015, compared to 2014, reports the International Air Transport Association (IATA), the strongest result since the economic rebound in 2010 and above the 10-year average annual growth rate of 5.5%. Demand was boosted by fares that were 5% lower than in 2014. Annual capacity rose 5.6%, with the result that load factor climbed 0.6% to a record annual high of 80.3%. All regions experienced positive traffic growth in 2015. Asia-Pacific carriers accounted for one-third of total annual increase in traffic. . . . The 2015 global jet accident rate was one major accident for every 3.1 million flights, reports IATA, a 30% improvement compared to the previous five-year rate of one major accident for every 2.2 million flights. There were no jet hull loss accidents that resulted in passenger fatalities. The 2015 losses of Germanwings 9525 (pilot suicide) and Metrojet 9268 (suspected terrorism) that resulted in 374 deaths are not included in the accident statistics, as they are classified as deliberate acts of unlawful interference.

### 2. **WHO Declares Zika a Public Health Emergency of International Concern.**

The World Health Organization (WHO), on February 1, declared Zika virus a Public Health Emergency of International Concern, citing possible association of microcephaly and other neurological disorders reported in Brazil, following a similar cluster in French Polynesia in 2014. WHO did not recommend travel or trade restrictions, but said standard WHO recommendations regarding use of insecticides for aircraft and airports should be implemented. Association of Flight Attendants-CWA urged implementation of “testing and validation of safe, mechanical (non-chemical) means for preventing the transport of disease-carrying mosquitoes on commercial airplanes,” rather than “outdated and unacceptable pesticide spraying.” Centers for Disease Control and Prevention (CDC), on February 8, elevated its Emergency Operations Center activation to a Level 1; as of February 24, CDC said 107 travel-associated Zika disease cases were reported in the United States. Department of Homeland Security is monitoring ports of entry, and said Customs and Border Protection personnel observe all travelers entering the United States for general overt signs of illness, as part of standard operations. The White House is seeking \$1.8 billion in supplemental funding from Congress to address the virus and government response efforts. Responding to reporters at Aviation Day, held at the Wings Club in New York City, IATA Director General Tony Tyler said effects of Zika virus on air travel likely will be reflected in regional numbers for January.

**3. Administration Proposes FY 2017 Budgets.**

President Obama's \$98.1 billion Fiscal Year 2017 budget request for the Department of Transportation (DOT) includes \$15.9 billion for the Federal Aviation Administration (FAA). Among provisions: \$1.3 billion for the FAA Aviation Safety Organization, including increases of \$2.9 million for integration of Unmanned Aircraft Systems and \$500,000 for the Hazard Tracking System; \$1 billion for the Next Generation Air Transportation System (NextGen); \$150 million for the Essential Air Service program to supplement \$104 million of mandatory funding from overflight fees collected by FAA; a \$2.9 billion obligation limitation for Grants-in-Aid for Airports (AIP) and elimination of guaranteed AIP entitlement funding for large hub airports; and an increase in the Passenger Facility Charge (PFC) limit from \$4.50 to \$8.00. . . . The FY 2017 budget requests \$40.6 billion for the Department of Homeland Security, including \$5.1 billion for the Transportation Security Administration and \$292 million for U.S. Customs and Border Protection. A4A took issue with increases in "the customs tax from \$5.50 to \$7.50 and the immigration tax from \$7 to \$9, costing \$430 million annually."

**4. ICAO Bans Lithium-Ion Cargo Shipments on Passenger Aircraft.**

The International Civil Aviation Organization (ICAO) approved an interim ban on shipments of lithium batteries as cargo on passenger aircraft, effective April 1. The measure will remain in force until ICAO adopts a new lithium battery packaging performance standard, expected by 2018. Lithium-ion batteries contained in personal electronic devices carried by passengers or crew are not affected. Prior to the ICAO statement, FAA and the National Transportation Safety Board (NTSB) issued recommendations regarding risk of a catastrophic aircraft loss due to damage resulting from a lithium battery fire or explosion. FAA urged U.S. and foreign commercial passenger and cargo airlines to conduct a safety risk assessment to manage risks associated with transporting lithium batteries as cargo. NTSB recommends that lithium batteries be separate from other flammable hazardous materials stowed on cargo aircraft and that maximum loading density requirements be established that restrict the quantities of lithium batteries and flammable hazardous materials. Air Line Pilots Association, Int'l reiterated its call for attention to "the situation of bulk shipments of lithium-metal and lithium-ion batteries on cargo aircraft. U.S. cargo airlines haul the bulk of lithium batteries to North America—and the important ICAO dangerous goods safe transport requirements are exempted from these bulk shipments. This is where the safety risk remains."

**5. FAA Proposes Fines Against DHL, Atlas Airlines.**

FAA proposed seven civil penalties of \$65,000 each and totaling \$455,000 against DHL Express, for allegedly violating Hazardous Materials Regulations.

In each case, the company accepted shipments that were not properly prepared for air transportation, and failed to ensure employees or agents received required hazardous materials training. The shipments were discovered during inspections at the DHL Express package sorting facility in Erlanger, Ky. . . . A \$275,000 civil penalty was proposed against Atlas Airlines for allegedly operating a Boeing 747 on 24 flights over a 10-day period, after maintenance workers improperly repaired the plane's landing gear.

**6. Lasers Hit Pope's Plane, Virgin Atlantic Pilot.**

Laser strikes against passenger jets were in the news again, as an Alitalia Airbus A330 carrying Pope Francis was hit on approach to Mexico City. There were no injuries in that incident, but in a strike against a Virgin Atlantic A340 following takeoff from London Heathrow for New York, the first officer reported being dazzled by a laser and soon turned back. After a safe landing at Heathrow, the first officer reportedly required medical attention. "This is not an isolated incident," said British Air Line Pilots Association. "Modern lasers have the power to blind, and certainly to act as a huge distraction . . . We repeat our call to the Government to classify lasers as offensive weapons which would give the police more power to arrest people for possessing them if they had no good reason to have them." In the United States, lasing aircraft is punishable by up to five years in prison, and in 2014 the FBI offered up to \$10,000 for information leading to the arrest of any individual who intentionally aims a laser at an aircraft. Research just published by the Australian Transport Safety Bureau says laser strikes were the second most prevalent cause of pilot incapacitation in 23 occurrences reported per year on average during the 2010-2014 period; gastrointestinal illness was the first. Nearly 75% of the incapacitation occurrences happened in high capacity air transport operations (one in every 34,000 flights).

**7. FAA Forms ARC to Expand Safe Integration of Drones.**

FAA is establishing the Performance Standards and Requirements for Micro Unmanned Aircraft Systems (UAS) Aviation Rulemaking Committee (ARC) to develop recommendations for UAS that can be operated safely over people; identify how UAS manufacturers can comply with the requirements; and propose operational provisions based on the requirements. The ARC "will address potential hazards instead of a classification defined primarily by weight and speed," said Administrator Michael Huerta. Work begins in March and a final report is due April 1. . . . Separately, in what has become a serious safety concern and potential security issue, FAA receives more than 100 reports monthly from pilots and others who spot what appears to be a UAS flying close to an airport or manned airplane. The agency has partnered with

the Department of Homeland Security and CACI International to explore technology that may help detect these “rogue drones.”

**8. December 2015 U.S. Passenger Airline Employment Rises.**

U.S. scheduled passenger airlines employed 3.7% more workers in December 2015 than in December 2014, reports DOT, the highest monthly total (400,422) since August 2008. The four network airlines reported a 3.5% increase, the six low-cost carriers a 7.7% increase, and the 12 regionals reported 1.0% fewer workers.

**9. DOT Air Travel Consumer Report for December.**

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

	Dec. '15 / '14	Nov. '15	Full Year				
			2015	2014	2013	2012	2011
On-time arrivals %	77.8 / 75.3	83.7	79.9	76.2	78.34	81.85	79.6
Cancellations %	1.7 / 1.4	1.0	1.5	2.2	1.51	1.29	1.91
Mishandled baggage*	4.04 / 4.26	2.58	3.24	3.61	3.22	3.09	3.35
Consumer complaints:							
Airline service	1,565 / 1,065	1,308	20,170	15,539	13,176	15,338	11,546
Disability-related	81 / 67	96	939	784	683	741	628
Discrimination**	5 / 5	6	65	68	79	99	128

Notes: In December, airlines reported 11 tarmac delays of more than three hours on domestic flights and three of more than four hours on international flights. In 2015, there were 61 domestic flights with tarmac delays longer than three hours and 15 international flights with tarmac delays longer than four hours at U.S. airports.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. \$1.3 Billion Plan for O'Hare Includes New Runway.

City of Chicago, United and American signed an agreement to build a \$648.5 million, 11,245-ft. runway at O'Hare, part of a \$1.3 billion infrastructure plan that includes a centralized deicing facility and other airfield projects. Runway 9C/27C is scheduled to open in 2020. The city said sound insulation of eligible homes and schools will be completed before the runway opens. Additionally, American Airlines will build five new gates in Terminal 3 by 2018, the first major expansion of O'Hare gate capacity since Terminal 5 was built in 1993. Negotiations are underway for an airport use and lease agreement with airlines, to be finalized in 2018.

### 2. \$43 Million Expansion Planned for Orlando.

A \$43 million expansion of Orlando Sanford International will begin in 2017 and should be complete by 2020, reports the *Orlando Sentinel*. Last year, the airport served nearly 2.5 million passengers.

### 3. Air France-KLM Sells Heathrow Slots to Emirates, Oman Air.

Air France-KLM reportedly sold London Heathrow slot pairs to Oman Air for \$75 million and to Emirates for a lower but undisclosed amount. The *Sunday Times* said the previous Heathrow slot purchase record was \$60 million.

### 4. London City Airport Sold to Investment Consortium.

Global Infrastructure Partners agreed to sell its 75% interest in London City Airport to a consortium comprised of AIMCo, OMERS, Ontario Teachers' Pension Plan and Kuwait's Wren House Infrastructure Management; Highstar Capital will sell its 25% interest, as well. The transaction is not subject to regulatory approvals and is expected to close on March 10. The airport serves 12 airlines and 46 destinations across the UK, Europe and the U.S. and handled 4.3 million passengers in 2015.

### 5. Dubai International Opens \$1.2 Billion Concourse D.

Dubai International increased capacity to 90 million with the opening of Concourse D. The \$1.2 billion project is linked to newly renovated Terminal 1 by an airport train. Dubai Airports owns and manages both of Dubai's airports—Dubai International and Dubai World Central.

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

#### **1. State of Homeland Security.**

In a State of Homeland Security speech, Secretary Jeh Johnson said the Transportation Security Administration (TSA) last fiscal year screened 695 million passengers and 450 million pieces of checked luggage; and seized a record 2,500 firearms from carry-on luggage, 84% of which were loaded. . . . The TSA Academy has been established to provide new hire and veteran employees two-week counter-terrorism courses. Located at the Federal Law Enforcement Training Center in Glynco, Georgia, it is staffed by 40 permanent trainers who rotate with 40 other TSA employees from throughout the country. . . . “We are a smaller organization than we were four years ago by somewhere around 5,500 or 5,600 people in the screening workforce,” noted TSA Administrator Peter Neffenger, in remarks to Aero Club of Washington, while industry is seeing tremendous growth, with passenger numbers rising 6-7% last year alone. “Given the pressures on the federal budget, even if the Hill loved me and gave me everything I asked for, it would never be enough to keep up with that kind of growth if it continues into the future.” Neffenger said innovations are planned, dependent upon resourcing and willingness of partners “to work with us. We are one component of a very large system, and we don't own all of security.”

#### **2. Visa Waiver Program Tightened Further.**

The Department of Homeland Security continued implementation of the Visa Waiver Program Improvement and Terrorist Travel Prevention Act of 2015, adding Libya, Somalia and Yemen as countries of concern. Individuals who have traveled to these countries since March 1, 2011 must apply for visas; waivers may be granted to those who traveled for business, humanitarian or journalistic reasons and the restriction does not apply to dual nationals. Iran, Iraq, Sudan and Syria also are subject to Visa Waiver Program restrictions.

#### **3. House Passes Security Bills.**

See Section VI, item 3.

#### **4. Hearing on TSA Oversight of Aviation Credentials.**

See Section VI, item 4.

## IV. E-COMMERCE AND TECHNOLOGY

### 1. JetBlue Forms Subsidiary to “Shape the Future Travel Experience.”

JetBlue Technology Ventures, a wholly owned subsidiary of the airline, has been formed to “invest in, incubate and partner with early stage startups at the intersection of technology, travel and hospitality.” The initiative will operate from the GSVLabs campus in Silicon Valley and “serve as a launch pad for innovations that improve customer and crewmember experiences, increase the airline’s operational efficiency and expand the JetBlue brand to new markets. Bonny Simi will serve as President, reporting to Eash Sundaram, Executive Vice President and Chief Information Officer of JetBlue.

### 2. NDC Innovation Fund Seeks New Investor.

Travel Capitalist Ventures (TCV) withdrew from the New Distribution Capability Innovation Fund (NDCIF), citing “severely deteriorating global economic and market conditions affecting early stage investments”; no NDCIF investments had been made. IATA is seeking a new investment partner.

### 3. Sabre Deploys NDC-Based Solution to Sell American’s Premium Seats.

American Airlines’ Preferred and Main Cabin Extra Seats are available through Sabre’s travel marketplace, using NDC technology standards. The launch represents both companies’ first implementation of NDC technology standards for ancillaries sold through a global distribution system (GDS).

### 4. Gogo, SES Sign Multi-GHz Capacity Contract.

Gogo signed a contract with SES for major High Throughput Satellite (HTS) spot beam and wide beam capacity aboard the SES-14 and SES-15 satellites, which are scheduled for launch in 2017, and will cover North, Central and South America, the Caribbean and the North Atlantic. Gogo also will have access to HTS capacity on an SES-12 HTS satellite with high-powered spot beam and wide beam coverage over Asia, the Middle East, North Africa and Russia. . . . Earlier, American Airlines reportedly was considering ending its Gogo wireless service contract to sign with a company that could provide faster satellite-based technology on some of its Boeing 737s. Gogo has partnerships with 12 airlines and is installed on more than 2,500 commercial and 6,800 business aircraft.

### 5. Air Serbia Selects Sabre Software Solutions.

Under a new agreement with Sabre, Air Serbia will move to a single connected platform for passenger reservations, check-in and boarding, and all other



critical operations. The airline also will implement Sabre's airport technology to enhance service offered by Air Serbia Ground Services at Belgrade's Nikola Tesla Airport. Sabre will provide consulting services across all Air Serbia business areas during the migration process, which is scheduled to be completed by second quarter 2017. CEO Dane Kondic said Ethiad, which owns 49% of Air Serbia, and Ethiad partners airberlin and Alitalia "already use or are planning to migrate to Sabre, and having a common platform will enable Air Serbia to improve customer service for guests on codeshare flights."

**6. Survey: Passengers Would Pay to Swap Seats.**

Air travelers would pay to swap for a better airline seat, according to a survey commissioned by Seateroo. "Currently, air travelers' seat options for a flight are limited to unsold inventory," said President Brad Pursel. "Our study indicates that air travelers would embrace expanded options for obtaining a preferred seat before and after boarding, including options to pay other passengers to swap seats." The recently launched app has "introduced the sharing economy to air travel by creating an online market where ticketed passengers who are unhappy with their seat location can use Seateroo to find and pay passengers willing to swap seats."

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on February 5 was \$42.9/barrel, down 0.9% on the month and down 40.5% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2016 was \$41.2/barrel. Impact on 2015 fuel bill was -\$104.6 billion.

### 2. **ICAO Panel Finalizes CO2 Standard for Aircraft.**

Carbon dioxide (CO<sub>2</sub>) certification standards for aircraft were finalized by the ICAO Committee on Aviation Environmental Protection. After formal adoption by the ICAO Council, the standards will be implemented by national civil aviation authorities. The CO<sub>2</sub> Standard will apply to new aircraft designs from 2020, and to new deliveries of current in-production aircraft types from 2023. A cut-off date of 2028 for production of aircraft that do not comply with the standard was recommended.

### 3. **easyJet to Test Designs for Hybrid Plane.**

easyJet will trial a hybrid plane concept that utilizes a hydrogen fuel cell stowed in the aircraft's hold. The zero-emissions system allows energy to be captured as the aircraft brakes on landing and is used to charge the system's lightweight batteries when the aircraft is on the ground. The energy can then be used by the aircraft—for example when taxiing—without using the jet engines. Due to the high frequency and short sector lengths of easyJet operations, around 4% of the airline's total fuel consumed annually is used during taxiing. easyJet's aircraft average 20 minutes of taxi time per flight, equivalent to around four million miles a year. The hybrid plane concept is being developed with Cranfield University, where aerospace students also designed dynamic wings which change shape in flight, a super-efficient 'shark skin' coating to reduce surface drag and ultra-light weight carbon fiber seats with wireless phone and tablet charging panels. easyJet operates 240 Airbus A319s and A320s and will take delivery of A320neo aircraft starting next year.

### 4. **JetBlue First U.S. Airline to Join Roundtable on Sustainable Biomaterials.**

JetBlue is the first U.S. airline to join The Roundtable on Sustainable Biomaterials (RSB), a global coalition working to create a market and standard for sustainable biomass and bio-based products. JetBlue will participate in discussions relating to the aviation sector. RSB Executive Director Rolf Hogan hopes "other airlines follow JetBlue's commitment and leadership by becoming members."

**5. Boeing, Mexico Collaborate on Aviation Biofuel R&D.**

Boeing, Aeromexico and Mexico's Airports and Auxiliary Services (ASA) will collaborate with a biojet program supported by Mexico's Sector Fund for Energy Sustainability (SENER-CONACYT) to advance research and development of sustainable aviation biofuel in Mexico. Through the agreement, Mexico's Potosinian Institute of Scientific and Technological Research (IPICYT) will lead a broader aviation biofuel development effort involving 17 institutions including Aeromexico and Boeing; nine CONACYT research centers; Mexican companies Pemex, QENER and Tratamientos Recicladados del Sureste; the Mexican Petroleum Institute; Masdar Institute of Science and Technology in United Arab Emirates; and the U.S. Joint BioEnergy Institute. The Mexican government and participating institutions will fund the effort for four years, aiming to develop a self-sustaining business model. Research will be conducted on biomass sourcing, fuel production, sustainability and lifecycle assessment, and aviation biofuel market development. Aviation biofuel feedstocks in Mexico are expected to include jatropha, salt-tolerant Salicornia and sewage sludge. The initiative's projects are expected to meet sustainability criteria established by the Roundtable on Sustainable Biomaterials.

**6. Climate Change Will Increase London-New York Flight Time.**

Changes in high-altitude winds resulting from a doubling of carbon dioxide in the atmosphere will add an average of just one minute to a round trip from London Heathrow to New York, according to research from the University of Reading, UK. Due to a stronger jet stream, trips back to the UK from the U.S. will be quicker but outward trips slower. Transatlantic aircraft may be in the air for an extra 2,000 hours each year. With around 600 crossings of the North Atlantic flight corridor per day, the extra 7.2 million gallons of jet fuel burned as a result of the atmospheric changes would emit 70 million kg of carbon dioxide. The findings were published in Environmental Research Letters.

## VI. U.S. CONGRESS

### 1. Committee Passes ATC Nonprofit Corporation Provision.

The House Transportation and Infrastructure Committee approved the Aviation Innovation, Reform, and Reauthorization (AIRR) Act of 2016, which would reauthorize FAA for six years and transfer operation of air traffic control (ATC) services to a nonprofit corporation that would collect fees from system users. Committee Chairman Bill Shuster (R-PA) said ATC would transition over three years to a new entity governed by representatives of major airlines, airplane owners and unions. “FAA remains absolutely responsible for regulating the airspace and aviation safety,” said Shuster. “Non-commercial general aviation is exempted from fees or charges, and the corporation can’t tie airspace access to what users pay.” Democrats opposed the ATC proposal. Ranking Member Peter DeFazio (D-OR) said spinning off ATC, while leaving the rest of FAA’s critical safety programs to the perils of the General Fund, shutdowns, and sequestration, is irresponsible. The full House reportedly has rejected the ATC proposal and Senate reauthorization is not expected to include the provision. New stopgap funding for FAA likely will replace current short-term funding that expires March 31. . . . The AIRR Act funds the Airport Improvement Program and rejects efforts to increase the \$4.50 Passenger Facility Charge to \$8.50. It addresses FAA aviation equipment and aircraft certification processes, training and other cockpit issues, cybersecurity vulnerabilities, safe integration of unmanned aircraft systems and lithium ion battery safety, and it calls for minimum rest times for flight attendants between flights to be increased from eight to 10 hours. As to consumer rights, the AIRR Act requires airlines to refund baggage fees for bags delayed more than 24 hours on domestic flights; bans inflight use of cell phones for voice communications on scheduled passenger flights; and requires airlines to provide notice, before booking, if family members are assigned separated seats. An amendment would reverse the DOT full-fare advertising rule and allow airlines and agents to post base fares on websites and in ads, if other costs are separately disclosed; airlines say customers deserve to know how much of the advertised ticket price is actually going to federal taxes, while still knowing the full price of air travel before they purchase a ticket; travel associations oppose the reversal. . . . The independent ATC structure was supported by National Air Traffic Controllers Association (NATCA) and Airlines for America (A4A), but Delta, which recently broke from A4A, warned that any attempt to remove ATC services from FAA “carries serious risks, offers speculative benefits, and is not necessary.” Air Line Pilots Association, Int’l said the bill creates an unfair funding system for the new air traffic

organization. Regional Airline Association said the bill leaves unanswered questions about charges and fees, with variables like the role of weight, distance, or other factors unclear; moreover, member airlines operate 45% of daily flights, yet have no voice in the governance or operation of the new ATC corporation. National Business Aviation Association said this “sweeping transfer of authority” is “breathtaking in its magnitude” and “potentially deadly in its consequences.”

**2. Bill Would Combat Human Trafficking.**

A provision that would require airlines to train flight attendants, pilots and dispatchers to identify and report human trafficking was added to the House AIRR Act. Introduced by Dina Titus (D-NV) and Barbara Comstock (R-VA), the Secure our Skies (SOS) Act is strongly supported by the Association of Flight Attendants-CWA and builds on the Blue Lightning campaign of DHS and DOT, a voluntary training program for airline personnel established in 2013. According to the International Labor Organization, 21 million people worldwide, including 5.5 million children, are victims of human trafficking; \$150 billion in illegal profits are generated in this way every year.

**3. House Passes Security Bills.**

The House passed the National Strategy to Combat Terrorist Travel Act of 2016 (H.R. 4408) and the Transportation Security Administration Reform and Improvement Act of 2015 (H.R.3584). H.R. 4408 requires creation and implementation of a plan from the President to ensure that U.S. defenses against terrorist travel are streamlined and existing security gaps are closed. H.R.3584 ensures several Congressional oversight priorities for TSA are addressed, including authorization of the PreCheck program, advancement of risk-based security initiatives, enhancement of aviation worker vetting, and improved airport screening technologies.

**4. Hearing on TSA Oversight of Aviation Credentials.**

The House Subcommittee on Transportation and Public Assets held a hearing to examine aviation security issues, including weaknesses in airmen certificates and airport credentials. Among his remarks, Darby LaJoye, a TSA Deputy Assistant Administrator, said TSA now requires airports and airlines to conduct fingerprint-based criminal history records checks every two years for all employee badge holders; increased the number of employee screenings from 2.1 million in 2014 to 12.9 million in 2015 over a similar time period; and 88% of U.S. airports have reduced the number of access points, eliminating nearly 500 access points nationwide. . . . In his testimony, DHS Inspector General John Roth said a recent audit found that TSA’s multi-layered process to vet aviation workers for potential links to terrorism was generally effective.

However, 73 individuals with terrorism-related category codes were not identified because TSA was not authorized to receive all terrorism-related information under the interagency watch listing policy. TSA had less effective controls in place for ensuring that aviation workers 1) had not committed crimes that would disqualify them from having unescorted access to secure airport areas, and 2) had lawful status and were authorized to work in the United States. In general, TSA relied on airport operators to perform criminal history and work authorization checks, but had limited oversight over these commercial entities. Also, thousands of records used for vetting workers contained potentially incomplete or inaccurate data, such as an initial for a first name and missing social security numbers. TSA did not have appropriate edit checks in place to reject such records from vetting. TSA is in the process of taking corrective actions.

## VII. BILATERAL AND STATE DEPARTMENT NEWS

### 1. United States and Cuba to Restore Scheduled Air Service.

U.S. and Cuban officials signed an agreement that will restore commercial airline service between the two countries for the first time in more than 50 years. DOT then invited U.S. air carriers to apply for authority to operate up to a total of 110 daily roundtrip flights—up to 20 to Havana and up to 10 to each to Cuba’s nine other international airports. The arrangement does not limit charter services, meaning that no DOT allocation procedures are needed and charter flights can continue as before. Applications from U.S. carriers are due March 2, answers to applications are due March 14, and replies to those answers are due March 21. American, Delta, JetBlue and United were among airlines stating intent to apply. . . . President Barak Obama will travel to Cuba in March to hold a bilateral meeting with Cuban President Raul Castro, the first visit by a sitting U.S. President in nearly 90 years. Obama then will travel to Buenos Aires to meet with new Argentine President Mauricio Macri; it has been nearly two decades since the last bilaterally focused visit by a U.S. President to Argentina.

### 2. Agreement Brings Daytime Transpacific Flights to Tokyo Haneda.

The United States and Japan negotiated an amendment to their Open Skies agreement that allows U.S. carriers to fly into and out of Tokyo Haneda during daylight hours; the flights are expected to begin as early as fall 2016. U.S. airlines currently have four slot pairs (four arrivals and four departures) for Haneda service, which are restricted to nighttime use. Under the proposed amendment, these four slot pairs would be transferred to daytime hours. Also, a fifth daytime slot pair for scheduled service to and from Haneda would be added and U.S. airlines would be able to continue operating one nighttime slot pair. Several U.S. carriers expressed strong interest in offering daytime service to Haneda, which is Japan’s busiest airport and the closest to downtown Tokyo. American said it would change departure and arrival times for its just-launched, daily nonstops from Los Angeles to Haneda to utilize nighttime slots when they become available. Delta opposed the pact and “is deeply disappointed with the final agreement.” A Delta official said, “Tokyo Haneda will remain a severely restricted airport with limited competition. Delta is committed to doing our best to maintain the viability of our current Asian route structure and our Tokyo Narita hub for as long as possible, recognizing that commercial impacts are imminent. Delta will make a careful assessment and adjust our network accordingly.”

3. **Collective Approach Required to Address Aviation Security.**

U.S. Attorney General Loretta Lynch and U.S. Secretary of Homeland Security Jeh Johnson jointly hosted the Five Country Ministerial and the Quintet of Attorneys General meetings with their counterparts from Australia, Canada, New Zealand and the UK. Topics included information sharing for counterterrorism purposes while respecting privacy, countering violent extremism, cybercrime, encryption and foreign investment in critical infrastructure. They agreed on the importance of expanding efforts to counter the threat of Daesh (ISIS), al-Qaeda and their affiliates by strengthening border and aviation security.

4. **U.S.-China Tourism Year Launched.**

The 2016 U.S.-China Tourism Year was launched in Beijing, with a goal to increase travel between the two countries by enhancing traveler experience, increasing cultural understanding, and expanding appreciation of natural landscapes in both countries.

5. **EU, China Launch Aviation Cooperation Project.**

A five-year EU-China Aviation Partnership Project was launched to foster cooperation in areas including aviation safety and security, general aviation, air traffic management/air navigation services, airports, airworthiness, environmental protection, economic policy and regulation, legislation and law enforcement. The €10 million project is funded by the Partnership Instrument of the European Union and supported by the Civil Aviation Administration of China, and is managed by the European Aviation Safety Agency and partners.



## VIII. EUROPE AND AFRICA

### 1. TAP Portugal, JetBlue Announce Partnership.

TAP Portugal will begin daily Airbus A330 nonstops between Lisbon and Boston Logan on June 11 and New York Kennedy on July 1, with JetBlue providing feeder service from more than 20 U.S. cities under a new partnership. TAP will operate from JetBlue's Terminal 5 at Kennedy and Terminal C at Logan. TAP routes from Lisbon to Miami and Newark will grow to daily service this summer; TAP also serves Oporto twice weekly from Newark. JetBlue founder and former CEO David Neeleman is CEO of DGN, a partner in the Atlantic Gateway consortium which recently took a 45% stake in TAP; 5% is held by employees and 50% by the Portuguese government. Neeleman is also founder and CEO of Azul Airlines in Brazil. Officials said "TAP plans to promote Portugal vigorously as a vibrant and exciting tourism destination, and Lisbon as a prime gateway into Europe for North American travelers" Additionally, TAP announced an order for 53 new Airbus aircraft; €60 million for cabin retrofit of the current fleet; €11 million to retrofit 12 A320-family aircraft with sharklet devices and complete renewal of the TAP Express regional fleet.

### 2. Norwegian Ramps Up U.S. Services.

Norwegian will launch Boeing 787 nonstops to three U.S. airports from Paris Charles de Gaulle on July 29, with introductory fares starting at \$175 one-way, including taxes. Service will begin with four weekly flights to New York Kennedy, two weekly to Los Angeles International and one weekly to Fort Lauderdale. This will be Norwegian's first de Gaulle operation; the airline currently operates flights between Paris Orly and five Scandinavian destinations. Norwegian also will launch Boston-London on March 27, Boston-Oslo on April 2, Oakland-London on May 12, and Boston-Copenhagen on May 17. . . . Plans for Irish subsidiary Norwegian Air International (NAI) to launch Cork to Boston service in May are deferred, however, due to delays at DOT. The airline said it will "continue to fight for our clear and legitimate right for a foreign carrier permit and we welcome any steps by the Irish and European authorities to help resolve this issue." The application to DOT for authority to operate transatlantic routes, filed about two years ago, is undecided amid strong objections from U.S. carriers and unions.

### 3. Air France-KLM Posts Annual Profit.

Air France-KLM posted a net profit of €118 million euros for 2015, its first in years, compared with a €225 million net loss for 2014. The net result "included

notably the non-current result related to the capital gain on the sale of Amadeus shares (+€218 million) and the London Heathrow slots (+€230 million), offset by the change in value of the hedging portfolio (-€225 million), the unrealized foreign exchange loss (-€360 million) and restructuring costs (-€159 million).” Fourth quarter net profit fell to €276 million from €308 million a year earlier, attributed to November terror attacks in Paris. “In spite of the favorable environment created by lower fuel prices,” said Chairman and CEO Alexandre de Juniac, “we confirm our ambition to improve our competitiveness within an economic and geopolitical context that remains very uncertain.”

**4. TNT to Sell Airlines After FedEx Acquisition.**

TNT Express will sell TNT Airways and Pan Air to Dublin-based ASL Aviation Group, conditional upon completion of FedEx’s acquisition of the Dutch company, to comply with EU airline ownership and control rules. ASL will maintain contracts with partner airlines, contractors and suppliers, and has entered into a multi-year service agreement to operate flights for the FedEx-TNT combination.

**5. Norwegian, Finnair Join A4E.**

Norwegian and Finnair joined Airlines for Europe (A4E), which was formed in January by Air France KLM, easyJet, International Airlines Group, Lufthansa and Ryanair. A4E Managing Director Thomas Reynaert said the lobbying group “is open for business and ready to represent the interests of all European airlines. We will grow our member base over the next months, uniting more European airlines to take forward changes that will increase our competitiveness and result in lower fares and more choice for passengers.”

**6. EU, China Launch Aviation Cooperation Project.**

See Section VII, item 5.

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

### **1. ACCC Reauthorizes Qantas-American Alliance.**

Qantas and American Airlines were authorized to continue coordinating operations on transpacific routes for another five years, by the Australian Competition and Consumer Commission. The alliance, which also needs DOT approval, covers marketing and sales, freight, pricing, scheduling, distribution strategies, yield and inventory management, frequent flyer programs, lounges, joint procurement, and product and service standards.

### **2. Dragonair Renamed Cathay Dragon.**

Cathay Pacific's wholly owned Dragonair unit is to be rebranded as Cathay Dragon; the two will remain separate airlines. Combined annual passenger numbers grew from 22 million to 34 million last year.

### **3. Hawaiian, Turkish Sign Code Share Agreement.**

A code share agreement was signed by Hawaiian and Turkish, under which the latter will put its code on Hawaiian-operated daily flights between Osaka and Honolulu and five weekly Honolulu-Seoul services, subject to regulatory approvals. Turkish operates seven weekly flights between Istanbul and Osaka and eleven weekly between Istanbul and Seoul. An extension to include each carrier's flights from New York Kennedy is under consideration.

### **4. Egypt Update.**

Egyptian President Abdel Fattah El-Sisi said for the first time that terrorists shot down the Russian Metrojet in the Sinai region in October, according to Reuters, and the region is "under control." . . . Russia and Western authorities concluded early that terrorists brought down the Airbus A321 as it departed Sharm el-Sheikh, and ISIS claimed responsibility; all 224 people on board perished. Following the crash, Russia and other countries canceled flights to the Egyptian resort, and in January the government said tourism receipts dropped by 15% in 2015 and that the sector had lost \$280 million per month since the event. . . . Airlines have been unable to transfer earnings out of the country and Air France-KLM has urged Egypt to release the revenue it is unable to repatriate. . . . The Ministry of Tourism is working with the Ministry of Civil Aviation, the Private Aviation Association and the tourism private sector to develop new markets that EgyptAir does not support. . . . EasyJet is planning to resume twice-weekly service from London Stansted to Sharm el-Sheikh in May, if the UK ban is lifted; summer flights from Manchester, Gatwick and Luton will not resume due to low demand, but are scheduled for

the winter season. . . .Privately owned Egyptian carrier Leisure Airlines signed a memorandum of understanding for purchase of four SSJ-100s with an option for six more. The transaction with Sukhoi Civil Aircraft reportedly includes creation of a tour agency to restore flights between the two countries. Egypt's Civil Aviation Minister Hossam Kamal told reporters that Russian flights would resume in first half of this year.

5. **Agreement Brings Daytime Transpacific Flights to Tokyo Haneda.**

See Section VII, item 2.

6. **U.S.-China Tourism Year Launched.**

See Section VII, item 4.

7. **EU, China Launch Aviation Cooperation Project.**

See Section VII, item 5.

## **X. AMERICAS**

### **1. Bastian to Replace Anderson as Delta CEO.**

Richard Anderson will retire as Delta CEO, effective May 2, and become Executive Chairman of the Board. Current President Ed Bastian will succeed Anderson as CEO, and current Executive Vice President Glen Hauenstein will become President.

### **2. United Mechanics Threaten Strikes.**

Mechanics voted down United's contract proposal by 93% and are petitioning the National Mediation Board for a strike release. "When United was in bankruptcy, it terminated employees' pensions with the promise that it would make workers whole with profit sharing when good times returned. Now United is earning record profits and spending billions to buy back stock, yet it is slashing mechanics' profit sharing by two-thirds and offering mechanics only a 73-cent-per-hour net wage increase annually," said the Teamsters Airline Division. . . . United reached a tentative agreement with the Professional Airline Flight Control Association, which extends the current contract for dispatchers through the end of 2021. The carrier has joint collective bargaining agreements covering most represented work groups, including pilots, and is in mediated negotiations with the Association of Flight Attendants.

### **3. Republic Files for Chapter 11 Reorganization.**

Republic Airways Holdings and certain subsidiaries filed voluntary petitions for relief under Chapter 11 in the U.S. Bankruptcy Court for the Southern District of New York. Chairman, President and CEO Bryan Bedford said the filing "is a result of our loss of revenue during the past several quarters associated with grounding aircraft due to a lack of pilot resources, combined with the reality that our negotiating effort with key stakeholders shows no apparent prospect of a near term resolution." Normal flight operations continue and the company said it has sufficient assets and liquidity to meet working capital and operating expenses during restructuring. Lars Arnell was named Senior Vice President and Chief Restructuring Officer. Republic Airways Holdings includes Republic Airline and Shuttle America; they offer Republic's fixed-fee code share agreements under major airline brands of American Eagle, Delta Connection and United Express.

### **4. CommutAir Finalizes Jet Flying Agreement with United.**

CommutAir received regulatory approvals for its agreement to increase the number of aircraft flown under the United Express brand by adding 50-seat

Embraer E145 jet operations to the existing fleet of Bombardier turboprops. The first of 40 E145s is expected to enter service in April. The agreement includes a program that offers pilots the option to transition to United. Consultant Subodh Karnik guided the entry into service plan, as a consultant, and now has been named President and CEO, effective immediately. Karnik has held senior positions at Delta, Continental and Northwest, among other aviation firms. CommutAir is majority owned by Champlain Enterprises.

5. **JetBlue Launches Flights to Ecuador.**

JetBlue began daily Airbus A320 service from Fort Lauderdale-Hollywood to Quito's Mariscal Sucre International, in Ecuador, the 22nd country served by the airline, which operates nearly a third of its capacity in the Caribbean and Latin America.

6. **Southwest Ground Service Employees Ratify Agreement.**

Southwest's Ramp, Operations, Provisioning, and Cargo Agents approved a five-year agreement that provides wage increases and work rule improvements; negotiations began in 2011. . . . Southwest Flight Instructors approved the tentative agreement that was reached with negotiators in late January. The four-year contract contains across-the-board pay raises, bonus opportunities, and "mutually beneficial work-rule changes that meet the needs of instructors and the company."

7. **New Spirit CEO Vows to Improve Customer Service.**

In remarks to Washington's International Aviation Club and elsewhere, Spirit's new President and CEO Bob Fornaro reiterated a vow to improve on-time performance and customer satisfaction, while there are no plans to change the underlying profitable business model. Net income for fourth quarter 2015 increased 33.1% year over year to \$74.4 million.

8. **Virgin America Launches Los Angeles to Hawaii Daily Flights.**

Virgin America will begin daily Airbus A320 nonstops from Los Angeles International to Honolulu on May 5, and to Maui on June 14; initial one-way fares started at \$169. The carrier also offers daily service to both islands from San Francisco. . . . Virgin America reported 2015 full year net income, excluding special items, of \$201.5 million, a 138.8% increase over 2014 and the highest in the company's history.

9. **Island Air Sale Approved.**

The Ohana Airlines Holdings (OAH) plan to sell a controlling interest in Hawaii Island Air was approved by DOT. OAH, owned by Larry Ellison, will retain a non-controlling interest in Island Air and will continue to partner with new local

owners PaCap Aviation Finance and Malama Investments, which are managed by PacifiCap. Island Air plans to acquire additional aircraft and expand interisland service. Les Murashige resumes his role as President and CEO. Island Air will restore service to Lihue Airport with six daily round-trip flights to Honolulu, effective March 15

10. **United States and Cuba to Restore Scheduled Air Service.**  
See Section VII, item 1.
11. **Agreement Brings Daytime Transpacific Flights to Tokyo Haneda.**  
See Section VII, item 2.
12. **U.S.-China Tourism Year Launched.**  
See Section VII, item 4.
13. **TAP Portugal, JetBlue Announce Partnership.**  
See Section VIII, item 1.
14. **Norwegian Ramps Up U.S. Services.**  
See Section VIII, item 2.
15. **TNT to Sell Airlines After FedEx Acquisition.**  
See Section VIII, item 4.
16. **ACCC Reauthorizes Qantas-American Alliance.**  
See Section IX, item 1.
17. **Hawaiian, Turkish Sign Code Share Agreement.**  
See Section IX, item 3.