



## 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. IATA: \$10.6 Billion Profit for World's Airlines in 2013.

The International Air Transport Association (IATA) announced improvement in its 2013 financial performance outlook, as GDP growth forecasts have been upgraded to 2.4%, compared to 2.1% in 2012. The global airline industry this year will produce a net post-tax profit of \$10.6 billion profit, instead of the previously projected \$8.4 billion. "We are seeing a \$12 billion improvement in revenue, and a \$9-10 billion increase in costs—most of which is related to fuel," said Tony Tyler, IATA Director General and CEO. For the regional outlook, Asian-Pacific airlines will see average demand growth of 4.9%, North American 1.3%, European 2.6%, Middle Eastern 13.7%, Latin American 8.1% and African 6.5%.

### 2. U.S. Airlines Achieve 83% Load Factor, Highest Since 1945.

U.S. airlines achieved an 82.8% load factor in 2012, the highest level for scheduled service since 1945, reported the U.S. Department of Transportation (DOT). Airlines enplaned 736.6 million passengers, up 0.8% from 2011, including a record-setting 83.4 million international passengers; the all-time annual high was 769.6 million in 2007. Systemwide capacity, measured by available seat miles, rose 0.2%. . . . The Federal Aviation Administration (FAA) "Forecast for Fiscal Years 2013-2033" predicts total mainline and regional revenue passenger miles will increase from 822.3 billion in 2012 to 1.46 trillion in 2033, an average annual rate of 2.8%. U.S. mainline carrier international enplanements will increase 0.7% in 2013, then grow 4.1% per year to 180.9 million in 2033; fastest growing region is Latin America (4.5% per year), followed by Asia/Pacific (4.3%), and the Atlantic (3.2%).

### 3. FAA to Close 149 Air Traffic Facilities, Initiate Furloughs.

FAA will close 149 air traffic facilities to help meet the \$637 million in cuts required under budget sequestration. A four-week phased closure begins April 7. Airports selected are staffed by contract employees and have fewer than 150,000 annual flight operations, less than 10,000 of which are commercial passenger flights. FAA will keep 24 contract towers open that previously were proposed for closure "because doing so would have a negative impact on the national interest." Another 16 will operate with federal funds set aside yearly for them. Some communities will assume costs of continued ATC services. . . . Airlines for America (A4A) said airlines have no plans to cancel or suspend flights, since extensive and long-standing guidance, procedures and training allows them to fly into airports without an operating control tower. . . .

Members of Congress demanded safety analyses and documentation on how each closure decision was made. “FAA has the authority and the flexibility in its budget—not to mention transfer and reprogramming authorities—to find savings in other areas to avoid resorting to closing air traffic control towers,” wrote Senate Commerce Committee Ranking Member John Thune (R-SD) and House Transportation Committee Chairman Bill Shuster (R-PA), in a letter to Transportation Secretary Ray LaHood. . . . Lawmakers also took issue with FAA’s initiation of a hiring freeze and furloughs before consulting Congress. In a speech to American Association of Airport Executives, FAA Administrator Michael Huerta said nearly all of FAA’s 47,000 employees were notified that they could be furloughed for approximately one day every two weeks from April through September. The Airport Improvement Program is exempt from the sequester, he said, so it will carry on with business as usual.

4. **U.S. Airlines Compete for Expanded Brazil Service.**

U.S. airlines are competing for 14 weekly frequencies to Sao Paulo to become available this year and 14 more in October 2014, as a U.S.-Brazil open skies agreement is phased in by October 2015. American filed an application with DOT to add daily roundtrips from Los Angeles and Chicago in late 2014. Delta filed for additional nonstops from New York Kennedy and Atlanta in 2013, and approval to continue daily nonstops from Detroit; those rights transfer to US Airways in 2015 as part of the slot swap that allowed Delta to expand at New York LaGuardia. US Airways filed to operate daily, year-round service from its Charlotte and Philadelphia hubs.

5. **FAA Approves Boeing 787 Battery System Plan; Testing Begins.**

FAA approved Boeing's plan to test and certify improvements to the 787 battery system, which include a redesign of internal components to minimize initiation of a short circuit within the battery, better insulation of cells and a new containment and venting system. This was the first step in the process to evaluate a return to flight for the aircraft, which was grounded worldwide in January when a battery caught fire on a Japan Airlines (JAL) 787 parked in Boston and a smoking battery forced an emergency landing of an All Nippon (ANA) 787 in Japan. Boeing is conducting test flights of two 787s equipped with prototype versions of the new containment system. National Transportation Safety Board released an interim report on its investigation of the JAL incident, and in April will hold a forum on design, development and performance of lithium ion batteries; regulations and standards related to their manufacturing, use and transport; and application and safety aspects of lithium battery technology in transportation modes. Japan's transport ministry is investigating its certification process and the ANA incident. FAA is reviewing 787 design, production and manufacturing process.

**6. DOT Fines Alitalia.**

DOT fined Alitalia \$125,000 for providing inaccurate information on its website regarding its policy on compensation to passengers on delayed and cancelled flights which conflicted with provisions in its filed Tariffs.

**7. Liability for Lost Baggage Raised.**

DOT raised the minimum limit on carrier liability for lost domestic baggage from \$3,300 to \$3,400, to reflect changes in the Consumer Price Index since a 2008 revision.

**8. January Passenger Airline Employment Down 2.3%.**

U.S. scheduled passenger airlines employed 379,816 workers in January, reported DOT, 8,962 or 2.3% fewer than in January 2012, and down 9.3% from the recent high of 418,702 in January 2008. The five network airlines that collectively employ two-thirds of scheduled passenger airline employees reported a reduction of 3.1%.

**9. ICAO and UNWTO to Cooperate on Aviation, Tourism Goals.**

The International Civil Aviation Organization (ICAO) and the World Tourism Organization (UNWTO) agreed to cooperate more closely on issues of common priority, such as visa facilitation, taxation, modernization of aviation regulations and development of convergent rules for traveler and enterprise protection. Areas for future cooperation could include passenger flow management at airports, air capacity for least developed countries and continued reduction of environmental impacts resulting from international air travel and tourism. Due consideration will be maintained on the importance of air transport to tourism development in long-haul destinations and landlocked or island states. The Joint Statement on Aviation and Tourism was signed by ICAO Secretary General Raymond Benjamin, and UNWTO Secretary General Taleb Rifai at the ICAO Sixth Worldwide Air Transport Conference (ATConf/6). Liberalized international air transport and airline ownership and control were among issues proposed for further work by ICAO. . . . ICAO said 2012 was one of the safest years on record for global aviation, with 3.2 accidents per million departures, reflecting 99 accidents over 31 million flights. Fatalities were down to 372, from 414 in 2011, the lowest number reported since 2004. ICAO adopted a new Safety Management Annex to the Chicago Convention, the first new Annex in over three decades. Annex 19 supports ICAO's global safety strategy, which calls for improved standardization, increased collaboration among aviation stakeholders, new information sharing initiatives and prioritization of investments in technical and human resources required to ensure safe operations in the future.

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

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

	Jan. '13/'12	Dec. '12	Full Year				
			2012	2011	2010	2009	2008
On-time arrivals %	81 / 83.7	76.6	81.85	79.6	79.8	79.5	76
Cancellations %	1.5 / 1.5	1.6	1.29	1.91	1.76	1.39	1.96
Mishandled baggage*	3.41 / 3.3	4.15	3.09	3.35	3.51	3.91	5.26
Consumer complaints:							
Airline service	1,368 / 935	901	15,335	11,546	10,988	8,821	10,648
Disability-related	56 / 41	35	743	628	572	519	477
Discrimination**	6 / 10	3	99	128	143	131	115

Note: Airlines reported two tarmac delays of more than three hours on domestic flights in January, but none of more than four hours on international flights.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. Delta Upgrading Los Angeles Facilities.

Delta facilities at Los Angeles International are undergoing significant renovations, as the carrier adds 12% more daily seats in the market with daily year-round and seasonal service to 14 destinations, including eight new markets. By summer, Delta will operate 118 peak-day departures at LAX to 40 nonstop destinations, including Sydney and Tokyo.

### 2. Boston Logan to Receive Additional \$54 Million for Terminal B.

Massachusetts Port Authority (Massport) approved an additional \$54 million to fully fund improvements at Terminal B at Boston Logan. In September, the Board authorized an initial \$70 million to partially fund the project that includes building secure concourses, baggage claim carousel, 24 ticket counter positions, renovated security checkpoint with additional lanes, eight departure lounges and concession space. The project will provide a new home for United, which currently operates out of Terminals A and C, as a result of the merger with Continental. Airports have had to accommodate new alliances to allow passengers to more easily and conveniently connect between flights, said Massport CEO Thomas Glynn.

### 3. Orlando Seeks New Terminal Amid Airline Opposition.

Orlando saw a 15.1% increase in international travelers in January, following record international growth in 2012. US Airways, JetBlue, Frontier and TAM were among 20 airlines reporting increased capacity over last January. As airport officials push to build a new \$2.1 billion terminal with 16 gates, an *Orlando Sentinel* analysis “shows 29 gates at the existing terminal have been shuttered or are rarely used.” Airlines oppose the expansion.

### 4. Dutch-French Team to Bid on Rio Airport.

Schiphol Group and Aeroports de Paris are said to have teamed with a Brazilian construction company and others to bid for a stake in Rio de Janeiro's Galeao airport. Brazil hopes to sell 51% of Galeao and Belo Horizonte Confins, as it prepares for the 2014 World Cup and 2016 Olympics.

### 5. Heathrow Completes Sale of Stansted.

Heathrow Airport Holdings completed the sale of Stansted to Manchester Airports Group (MAG) for £1,500 million. As part of the transaction, Industry Funds Management (IFM) acquired a 35.5% equity interest in MAG; Manchester City Council is also a MAG shareholder. MAG will handle 42

million passengers through ownership and operation of Manchester, Stansted, East Midlands and Bournemouth. In 2012, Australia-based IFM's airport investments exceeded A\$1.8 billion in equity value. . . . In other news, a World Economic Forum report finds the UK "has the highest aviation taxes and charges in the world, ranked 139th out of 140 and rubbing shoulders with countries like Chad, Senegal and the Dominican Republic," said the CEOs of British Airways parent IAG, easyJet, Ryanair and Virgin Atlantic, in a joint statement, demonstrating "the unjustified level of Air Passenger Duty."

6. **New CEO of Berlin Brandenburg.**

Hartmut Mehdorn was named CEO of Berlin Brandenburg, the opening of which has been delayed numerous times. He held senior executive positions with Airbus, Deutsche Bahn and Air Berlin, and, said airport officials, "will put the airport back on track towards a successful opening."

7. **Soft Opening for Qatar's New Airport.**

Qatar's new Hamad International begins soft opening operations April 1 for 10 passenger airlines, which no longer will have a presence at Doha International. By yearend, Qatar Airways will move all operations from Doha to Hamad (formerly New Doha International). Built on reclaimed land adjacent to the Arabian Gulf, the new 6.46 million sq. ft. airport will have annual handling capacity of 28 million passengers, with 41 contact and 20 remote-stand gates, two runways able to accommodate the Airbus A380 superjumbo, a public mosque, two hotels, a health spa, a 3,450-car parking garage, three central utility plants and a 700,000 sq. ft. flight catering facility.

8. **New Terminal for Amman.**

A new \$750 million terminal opened at Queen Alia International in the Jordanian capital of Amman. Designed by architect Foster + Partners, the facility will increase airport capacity from 3.5 million to 9 million passengers per year, and 12 million in the final stage. Royal Jordanian currently accounts for about 60% of traffic at the airport.

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

#### **1. TSA Prohibited Items List Changing.**

The Transportation Security Administration (TSA) as of April 25 will relax restrictions on certain previously prohibited carry-on items, including knives that do not lock and have blades up to 2.36 inches long and 1/2 inch wide, novelty-sized and toy bats, billiard cues, ski poles, hockey sticks, lacrosse sticks and two golf clubs. TSA said there have been no incidents involving these items, and the initiative aligns with ICAO and European standards. “With reinforced cockpit doors, improved terrorist watch lists and willingness of fliers to intervene in an attack, a small pocketknife is simply not going to result in catastrophic failure of an aircraft,” said TSA Administrator John Pistole. In Congressional testimony, Pistole said the aviation threat is from nonmetallic improvised explosive devices. Flight attendants said the changes will endanger lives; they repeated demands for mandatory training on how to “recognize and defend others against attacks aboard the aircraft.”

#### **2. Passenger Security Screening Evolving.**

“Risk and Regulation - Striking the Right Balance” was the theme of IATA’s AVSEC World Conference held in New York. Speakers included Homeland Security Secretary Janet Napolitano, TSA Administrator John Pistole and IATA Director General Tony Tyler who said IATA’s Checkpoint of the Future (CoF) program has moved into implementation, with 10 trials planned for this year. The fully realized CoF, in 2020, will allow passengers to walk through screening without having to remove clothing or separate laptops and liquids from hand luggage. Napolitano said initiatives like Global Entry and TSA Pre-Check will enable one in four passengers to qualify for expedited screening by yearend, up from one in 12 last year.

#### **3. NPRM Issued for Passenger Screening Using AIT.**

TSA issued a notice of proposed rulemaking to comply with an order by the U.S. Court of Appeals for the District of Columbia Circuit to engage in notice-and-comment rulemaking on use of advanced imaging technology (AIT) for airport screening. The Court did not require TSA to stop using AIT, saying “vacating the present rule would severely disrupt an essential security operation,” and that the rule is “otherwise lawful.” Comments are due June 24.

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

### **1. IATA Files for DOT Approval of NDC.**

IATA filed with DOT for approval of its New Distribution Capability (Resolution 787), as a means to modernize distribution communications technology with a new XML standard. In addition to XML, airlines still use a pre-Internet message protocol when selling through the indirect channel which does not support personalization and customization. Business Travel Coalition maintains that “NDC is nothing less than an ill-considered public and government-relations nightmare” that would “terminate, by agreement among horizontal competitors, the current transparent model for pricing of tickets, where fares are published and publicly available for comparison-shopping and purchase by all consumers on a non-discriminatory basis. To accomplish this goal, airlines would demand consumers’ personal data and put their privacy, security and mobility at risk.” DOT has extended the initial comment revised to May 1, 2013. IATA states that it will file a substantive reply after the initial comment period.

### **2. Travelport, American Resolve Litigation.**

American Airlines and Travelport resolved all litigation between themselves, reaching a long-term, full-content agreement under which Travelport will sell prime seating and other ancillaries through American's XML-based direct connect interface.

### **3. United, Priceline Sign New Contract.**

Priceline signed a new long-term agreement to sell ancillary products via United's direct connect system, which it already uses to book tickets. The travel site announced that review of its merger with Kayak by the UK Office of Fair Trading is expected in May.

### **4. Thomas Cook Sells North American Business.**

Red Label Vacations (Red Tag) agreed to acquire Thomas Cook North America (TCNA) for C\$5.3 million, subject to approvals. TCNA operates in Canada and the United States. Red Tag is a privately owned online travel agent based in Toronto.

## V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel, as of March 15, was \$127.2/barrel, down 8.4% on the month and down 7.9% year-on-year, reports the International Air Transport Association. Fuel price average for 2013 was \$132.8/barrel.

### 2. **EU Agrees to Suspend ETS.**

The European Union (EU) provisionally agreed to suspend its Emissions Trading Scheme (ETS) for one year for intercontinental flights. Last year Climate Commissioner Connie Hedegaard proposed the temporary exemption (“stop the clock”). The new law would take effect in April. It does not apply to flights operated within Europe. A timetable for development of a global market-based measure will be discussed at the 38th ICAO Assembly this fall.

### 3. **Boeing-KLM Demonstration Flights Powered by Cooking Oil.**

Boeing and KLM are conducting commercial flights to demonstrate how advanced technologies, fuels and concepts can significantly improve operational efficiency, save fuel and reduce carbon and noise emissions, through all aspects of a flight – preflight, takeoff, cruise, descent and post-landing. Each of the 26 flights planned for the Optimal Flight program will be powered in part by sustainable aviation biofuel sourced from used cooking oil. The flights also feature new services that provide advisories directly into the aircraft's flight management computer and mobile device in the flight deck.

### 4. **Global Clean Energy Acquires Camelina Biofuels Producer.**

Global Clean Energy has acquired Sustainable Oils, which generated more than \$20 million of revenues during the past four years from its camelina operations, including the sale of camelina oil for use as jet fuel. Camelina is the only non-food based crop approved by Environmental Protection Agency as an advanced biofuel.

### 5. **Neighbors Protest LAWA Runway Project.**

Neighborhoods near Los Angeles International are protesting a \$750 million project approved by Los Angeles World Airports (LAWA) that would shift a runway to improve safety. Alliance for a Regional Solution to Airport Congestion is soliciting petition signatures to stop the action, and has threatened legal action against LAWA for failing to follow terms of a 2006 legal settlement. The alliance was one of five plaintiffs in a lawsuit that stalled earlier LAWA modernization projects.

**6. ACI Reports More Airports Working on Active Carbon Reduction.**

European airports handling 56% of European passenger traffic each year are now Airport Carbon Accredited, reports ACI Europe. Activities undertaken by the 71 airports to reduce emissions include investments in heating and lighting efficiency technology; electric, hybrid or gas-powered vehicles; public transport incentive schemes; and less corporate travel.

## VI. U.S. CONGRESS

### 1. Senate Bill Doubles TSA Passenger Security Tax.

The House and Senate approved budget schemes that next go to formal conference. A provision in the Senate bill doubles the TSA passenger security tax to \$5 per one-way trip, and triples the tax to \$7.50 per one-way trip by 2017, which, said A4A, would cost airlines and their customers \$2.5 billion annually over the next ten years.

### 2. Bill to Reverse New TSA Knives Policy.

Congressmen Ed Markey (D-Mass.) and Michael Grimm (R-N.Y.), a former federal law enforcement agent, introduced the “No Knives Act,” which would overturn TSA’s decision to allow some knives to be carried into aircraft cabins. The House Homeland Security Transportation Subcommittee held a hearing on the matter and expressed concern that TSA did not first consult stakeholders, including the Aviation Security Advisory Committee. “Developing policies in a vacuum that will impact millions of passengers and thousands of front-line workers is a disservice to the American public,” said Ranking Member Bennie Thompson (D-Miss.). Thompson, Grimm and Eric Swalwell (D-Calif.) in a letter urged TSA Administrator John Pistole not to implement the change. But Committee Chairman Michael McCaul (R-Texas) supports the new policy amid efforts to make TSA more passenger-friendly and threat-focused. . . . In the Senate, John McCain (R-Ariz.) called for hearings, and Charles Schumer (D-N.Y.) wants a reversal of the policy.

### 3. Bill Introduced to Invest in Transportation System.

Senate Commerce Committee leaders introduced the “American Infrastructure Investment Fund Act of 2013,” which would establish within DOT a fund that would be authorized at \$5 billion for fiscal years 2014 and 2015, to incentivize private, state and regional investments in transportation projects. “All options need to be on the table,” said Committee Chairman Jay Rockefeller (D-WV). . . . The action followed an American Society of Civil Engineers (ASCE) report, which estimates a cumulative five-year investment need of \$2.2 trillion to meet infrastructure needs. Grading aviation at a “D,” ASCE said airport congestion and delays cost the national economy \$24 billion in 2012, which could rise to \$34 billion in 2020 and \$63 billion by 2040. Among ASCE solutions: Accelerate efforts to implement NextGen to meet the 2021 deadline and select a dedicated funding source, such as the existing Aviation Fuel Tax; avoid new fees that would compromise use of the system or public safety. Increase or eliminate the Passenger Facilities Charge cap. Manage the Airport

and Airway Trust Fund to maximize investment in aviation infrastructure and preclude its being used to pay for security costs.

4. **Senate Hearing on Proposed American-US Airways Merger.**

At a hearing held by the Senate Judiciary Antitrust Subcommittee, Chair Amy Klobuchar (D-Minn.) questioned US Airways Chairman and CEO Doug Parker; American Chairman, President and CEO Tom Horton; and antitrust experts about the impact of the proposed American-US Airways merger on airline prices and services for consumers, and pressed for a commitment to continue serving small- and mid-sized metropolitan areas and address growing fees for passengers. Parker and Horton said creation of the New American Airlines would be good for competition, consumers and choice; among advantages, moving US Airways from the Star Alliance to oneworld would increase transatlantic competition with three alliances offering a comparable number of airline seat miles. Ranking Republican Mike Lee (R-Utah) defended the merger, saying it could produce cost savings by combining complementary assets and reducing duplicative operating expenses. Absent evidence that a transaction will substantially reduce competition and harm consumers, said Lee, government intervention on merger proposals is usually unwarranted. Klobuchar asked the Government Accountability Office to conduct a thorough study of the airline industry to examine the impact airline consolidation has had on consumers and competition. . . . At an earlier hearing on congressional oversight of the Department of Justice (DOJ), Klobuchar asked Attorney General Eric Holder about the impact of past airline mergers on consumer prices, airline competition and service. She also urged DOJ and DOT to use all available data to examine past airline mergers and assess whether merged airlines have realized the efficiencies they promised to both agencies. . . . The House Judiciary Antitrust Subcommittee held a hearing on the proposed merger in February, although Congress has no formal role in the Justice Department's merger review process.

5. **Bill Would Require Inflight Entertainment Captions.**

Senator Tom Harkin (D-Iowa) introduced an amendment to the Air Carriers Access Act that would require airlines to make captioning and video description available for inflight visually-displayed entertainment. Where programming is available only through use of an individual touchscreen or other contact-sensitive controls, the bill would authorize the U.S. Access Board to promulgate accessibility standards so that individuals with disabilities, including the blind or visually impaired, can operate the displays independently.

**6. Congress Addresses Privacy Issues in Domestic Drone Use.**

As FAA prepares to open U.S. airspace for commercial use of drones for surveillance by September 2015, Congress is studying the issue. The Senate Judiciary Committee held a hearing entitled “The Future of Drones in America: Law Enforcement and Privacy Considerations.” Before we allow widespread commercial use of drones in domestic airspace, we need to carefully consider the impact on privacy rights of Americans, said Chairman Patrick Leahy (D-Vt.). Civil liberties and privacy organizations said unmanned aircraft pose a serious threat to Americans; current privacy policy does not define how long government authorities may keep video and other data collected or limit how it can be used or shared. . . . In the House, Joe Barton (R-Texas) and Ed Markey (D-Mass.) introduced a bill to limit data-gathering by drones, requiring licensed drone pilots to publicly state their mission and how the information would be used, among other protections.

**7. House Appropriations Hears DOT IG Testimony.**

DOT has made progress meeting new requirements to advance voluntary safety programs and improve pilot rest requirements, said the Inspector General, in testimony before the House Appropriations Transportation Subcommittee, but has not done enough to maximize use of existing data to identify trends and root causes of safety issues, enhance risk-based oversight at carriers and repair stations and mitigate air traffic controller fatigue and a rising number of serious errors made by controllers. The Department “is faced with challenges to fine-tune how it collects, verifies and uses safety data, and to bolster its industry oversight with respect to aircraft maintenance, inspector resources and pilot performance and training,” said the IG. Similar concerns were raised about data collection and analysis at FAA.

## **VII. BILATERAL AND STATE DEPARTMENT NEWS**

### **1. U.S. Signs Open Skies Agreement with Guyana**

The United States and Guyana formalized the liberalization of their bilateral aviation relationship. U.S. Ambassador to the Co-operative Republic of Guyana Brent Hardt and Guyana's Minister of Public Works Robeson Benn signed the open skies agreement in Georgetown, Guyana.

### **2. U.S.- Russia Meeting in Moscow.**

U.S. and Russian Federation representatives met in Moscow in February to discuss civil aviation services between the two countries, and an expansion of opportunities with respect to overflights and code sharing. Among points discussed were visa facilitation improvements, participation of a Russian airline in the Civil Reserve Air Fleet, and the intention of a Russian airline to start fifth freedom operations between Shannon and Miami on Miami-Moscow service. Another meeting is scheduled to take place in late August.

## **VIII. EUROPE AND AFRICA**

### **1. EC Proposes New Air Passenger Rights Measures.**

Under new revisions to passenger rights legislation proposed by the European Commission (EC), airlines must tell passengers why a flight is cancelled within 30 minutes of scheduled departure, acknowledge complaints within a week and respond within two months. Passengers will have the right to food and drink after two hours instead of four. During tarmac delays, airlines must provide water and air conditioning within a half-hour and return passengers to the terminal after five hours. If carriers cannot re-route passengers within 12 hours, they will have five hours instead of three to find another airline or train transportation. Charging passengers to correct a name misspelling will be illegal, and rights for mishandled baggage will be strengthened. The unused first half of a return ticket would allow use of the return leg without penalty. If approved by states and the European Parliament, the revisions take effect in 2015. . . . “The proposals recognize that delays come with a high cost on airline operations, that passenger impact varies with journey-length, and that airlines cannot be held indefinitely responsible to provide assistance in circumstances completely beyond their control,” said IATA; but some “will be difficult for governments to enforce, add unnecessary costs and incentivize behaviors by industry that will be ultimately detrimental.”

### **2. Delta–Virgin Atlantic JV to Offer 21 Daily Heathrow Flights.**

Delta and Virgin Atlantic expect to jointly offer 21 daily flights from London Heathrow to the U.S. by yearend. Last year, Delta acquired a 49% share of the UK airline and joint venture plans await regulatory approvals. Delta has a separate JV with Air France-KLM and Alitalia. This is the first JV for Virgin Atlantic, which is majority-owned by Sir Richard Branson. . . . In March, Delta added a third daily Atlanta-Heathrow service for a total of nine current daily nonstops to five U.S. cities.

### **3. Spinetta, van Wijk to Leave Air France-KLM on July 1.**

Air France-KLM announced that Jean-Cyril Spinetta and Leo van Wijk will step down as Group Chairman and CEO and Vice Chairman and Deputy CEO respectively, on July 1, as planned when they assumed these positions in 2011. Alexandre de Juniac will succeed Spinetta as Group Chairman and CEO, Peter Hartman will succeed Wijk as Vice Chairman and Frédéric Gagey will succeed de Juniac as Air France Chairman and CEO. The Transform 2015 recovery plan “is now bearing fruit,” said the company; new labor agreements have been signed, net debt decreased in 2012. . . . In other news, Air France

and KLM agreed to terminate alleged cargo cartel practices under investigation since 2006 by Brazil's Administrative Council for Economic Defense and to pay a \$7 million fine.

4. **Strike Halts 40% of Lufthansa Flights.**

Lufthansa cancelled 40% of its flights amid a one-day strike and failed to settle a wage dispute with cabin crew and ground staff. In other news, Lufthansa said it may partner with a Middle East or Asian carrier or create a new low-cost venture to better compete with Persian Gulf-based rivals in Asia.

5. **Ryanair Fined €370,000 by Netherlands.**

Ryanair was fined €370,000 by the Netherlands Consumer Authority for violations in its online booking system, including failing to post all fees and surcharges with fare prices.

6. **British Airways A380 Los Angeles Route.**

Los Angeles will be the inaugural destination for British Airways' first Airbus A380, on October 15 from London Heathrow.

7. **Iberia Launches Transatlantic A330 Service.**

Iberia initiated transatlantic Airbus A330 service on Madrid-Boston flights and will offer the upgraded product on Miami, New York and Chicago as part of its Joint Business Agreement with American and British Airways. . . Most Iberia unions called off strikes after parent International Airlines Group (IAG) offered fewer job cuts than originally threatened and higher severance pay, but pilots rejected the plan and called for 24 new strike days in March, April and May. . . . Iberia CEO Rafael Sánchez-Lozano left the company and was replaced by Iberia Express CEO Luis Gallego. . . IAG increased its offer to acquire Barcelona-based Vueling after an earlier bid was rejected as too low.

8. **Finnair to Join American, British Airways, Iberia Venture.**

Finnair intends to join the transatlantic joint business established in 2010 by American Airlines, British Airways and Iberia.

9. **SAS to Eliminate Business Class in Europe.**

SAS in June will eliminate business class in Europe to better compete with low-cost operators, and instead will offer "SAS Go for customers who want to have a lot and SAS Plus for customers who want to have more." SAS Go includes a checked bag, coffee and mobile check-in. SAS Plus includes two checked bags, SAS Fast Track, lounge access, meals and drinks.

**10. TNT to Sell China, Brazil Units, Cut 4,000 Jobs.**

In a reorganization meant to achieve €220 million in savings by 2015, TNT Express intends to focus on Europe and sell operations in China and Brazil; 4,000 jobs will be cut through attrition and options to reduce exposure to intercontinental capacity include capacity-sharing agreements, subleases and lease terminations. The Dutch company's "Deliver!" program includes investing in infrastructure and IT solutions, said interim CEO Bernard Bot; proposed CEO is Tex Gunning. In January, United Parcel Service terminated an attempt to take over TNT, due to EU objections.

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

### **1. Air China Expands North America Service.**

Air China is adding services from Beijing to New York (11 weekly), Los Angeles (twice daily), and Vancouver (11 weekly). A new Beijing - Houston route will start in July.

### **2. Virgin America, Singapore Airlines Expand Partnership.**

Virgin America and Singapore Airlines expanded their code share agreement to include a reciprocal frequent flyer partnership. The code share agreement signed in December covers travel between Asia and multiple Virgin America U.S. destinations. The new pact enables Virgin America frequent fliers to tap into “an extensive route network across Asia.”

### **3. Malaysia Code Shares With American to Five U.S. Cities.**

Through a code share arrangement with oneworld partner American Airlines, Malaysia Airlines is offering one-stops between Kuala Lumpur and Chicago, Dallas, New York, Miami and Raleigh-Durham, via London, Paris or Frankfurt. All Europe–U.S. code share services will be marketed as Malaysia Airlines.

### **4. FedEx Decreases Capacity to Asia.**

FedEx revised its 2013 outlook after a lower-than-expected quarterly profit and announced a capacity decrease to and from Asia beginning April 1. Chairman Fred Smith said losses were “due to continued weakness in international air freight markets, pressure on yields due to industry overcapacity and customers selecting less expensive and slower-transit services.”

### **5. UPS Acquires 49% Share of Vietnam Post Express.**

UPS acquired a 49% interest of VN [Vietnam] Post Express. Separately, UPS named Cindy Miller President of UPS Europe and Derek Woodward President of Emerging Markets.

### **6. Middle East Travel Growth Accelerates.**

The Middle East travel market rose 12% in 2012 and will sustain double-digit growth through 2014, according to a PhoCusWright report, following 2011 growth of 3% amid unrest in the region. Online bookings will nearly double between 2011 and 2014, when the region's online leisure/unmanaged business travel market will approach \$16 billion.

**7. JetBlue to Code Share with Qatar Airways.**

JetBlue and Qatar Airways announced a one-way code share agreement for JetBlue-operated connections in 26 markets between New York Kennedy and Washington Dulles, subject to government approval. The airlines have been interline partners since 2011. . . . Separately, Qatar will launch three weekly passenger nonstops to Chicago on April 10, rising to daily on June 15, as it adjusts capacity due to the Boeing 787 groundings.

**8. Qantas-Emirates Alliance Wins Conditional Authorization.**

The Australian Competition and Consumer Commission granted conditional authorization for a five-year Qantas-Emirates alliance that involves coordination of passenger and cargo operations and related services and joint procurement of goods and services, such as aviation fuel. The airlines must maintain at least pre-alliance aggregate capacity on their four overlapping trans-Tasman routes, which accounted for 65% of total Australia-New Zealand passenger capacity in year to June 30, 2012.

**9. AirAsia India Investment Proposal Cleared.**

India's Foreign Investment Proposal Board cleared a Tata Sons - AirAsia Joint Venture, with initial investment of \$15 million, subject to regulatory permissions. Malaysian AirAsia will manage and own 49% of Chennai-based AirAsia India, with Tata Sons holding 30% and Arun Bhatia the remainder.

**10. India to Create Civil Aviation Authority.**

India's Directorate General of Civil Aviation will be replaced by a Civil Aviation Authority, subject to parliamentary approval, with responsibility for safety, airspace regulation, standards, licensing and consumer protection, and authority to call for financial data, investigations, seizure and penalties. A special fund will cover all expenses of the Authority.

**11. Japanese Freight Forwarders Guilty of Price-Fixing.**

Two Japanese companies agreed to plead guilty and pay criminal fines for their roles in a conspiracy to fix fuel and security fees in connection with provision of air freight forwarding services for air cargo shipments from Japan to the United States from 2002 to 2007. The U.S. Department of Justice said K Line Logistics will pay \$3,507,246 and Yusen Logistics \$15,428,207.

**12. TNT to Sell China, Brazil Units, Cut 4,000 Jobs.**

See Section VIII, item 10.

## **X. AMERICAS**

### **1. Bankruptcy Court Approves American-US Airways Merger.**

The U.S. Bankruptcy Court in New York approved the American Airlines-US Airways merger agreement, and granted American's request for an extension through May 29 to file a reorganization plan. In response to objections by the Department of Justice Trustee overseeing the merger, Judge Sean Lane did not approve a \$19.9 million exit package for American CEO Tom Horton, saying it should be in the reorganization plan. The merger still needs clearance by creditors and antitrust regulators. . . . On the labor front, International Association of Machinists and Aerospace Workers (IAM) asked the National Mediation Board (NMB) to release US Airways mechanic-related members from negotiations and initiate a 30-day countdown to a strike, saying "CEO Doug Parker has been too busy negotiating with employees from another airline to bother with his own employees." Pilots and flight attendants from both airlines support the merger. Pilots at US Airways subsidiaries Piedmont and PSA ratified new five-year contracts. . . . A letter to Attorney General Eric Holder and DOT Secretary Ray LaHood from travel companies and associations, coordinated by Business Travel Coalition, outlined concerns over growing U.S. airline concentration and urged "a thorough forensic postmortem evaluation of the supportive analyses, projections and promises made" regarding the Delta-Northwest and Continental-United mergers.

### **2. Southwest, AirTran Connect Networks.**

Southwest and AirTran completed connecting their networks, enabling customers to purchase itineraries to their combined 97 destinations in one transaction. Transition to a single ticketing system is expected to be completed in 2014. Southwest acquired AirTran in May 2011.

### **3. Aeromexico Adds U.S. Services.**

Starting in June, Aeromexico will provide Boeing 737-800 summer service from Cancun and Huatulco to Los Angeles, in a joint effort with Apple Vacations. Passengers can travel beyond to other U.S. cities via an Alaska Airlines code share agreement. Aeromexico will also begin service from Puerto Penasco to Las Vegas in June.

### **4. LATAM Chooses Oneworld; TAM to Withdraw From Star.**

LATAM Airlines Group, parent of TAM and LAN, has chosen oneworld as its global alliance. TAM will withdraw from the Star Alliance during second quarter 2014. LAN Colombia will become a oneworld affiliate member later this year,

joining other LAN affiliates LAN Argentina, LAN Ecuador and LAN Peru. With the choice of oneworld, LATAM “continues to comply, within the required timeframe, with one of the conditions imposed by the Chilean and Brazilian antitrust authorities for the merger between LAN and TAM.”

5. **U.S. Airlines Compete for Expanded Brazil Service.**  
See Section I, item 4.
6. **Delta–Virgin Atlantic JV to Offer 21 Daily Heathrow Flights.**  
See Section VIII, item 2.
7. **British Airways A380 Los Angeles Route.**  
See Section VIII, item 6.
8. **Iberia Launches Transatlantic A330 Service.**  
See Section VIII, item 7.
9. **Finnair to Join American, British Airways, Iberia Venture.**  
See Section VIII, item 8.
10. **TNT to Sell China, Brazil Units, Cut 4,000 Jobs.**  
See Section VIII, item 10.
11. **Air China Expands North America Service.**  
See Section IX, item 1.
12. **Virgin America, Singapore Airlines Expand Partnership.**  
See Section IX, item 2.
13. **Malaysia Code Shares With American to Five U.S. Cities.**  
See Section IX, item 3.
14. **FedEx Decreases Capacity to Asia.**  
See Section IX, item 4.
15. **JetBlue to Code Share with Qatar Airways.**  
See Section IX, item 7.