



WASHINGTON AVIATION SUMMARY

February 2014 EDITION

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

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I. REGULATORY NEWS

1. Extreme Weather Affects Air Travel in U.S.

Nearly 35,000 flights were cancelled or delayed at U.S. airports in January, as record cold temperatures, snow and ice affected airline operations and equipment. From January 4-7, the three major New York-area airports accounted for over 5,300 delays and 2,100 cancellations; Chicago's two major hubs showed 3,100 delays and 4,600 cancellations; and Houston, Philadelphia, Detroit, Boston and Cleveland combined reported 7,000 delays and 3,000 cancellations, reported New York area's Global Gateway Alliance, using data from FlightAware.com. JetBlue shut down operations at New York Kennedy, LaGuardia and Newark and at Boston Logan for 17 hours during the period to protect aircraft and personnel from freezing temperatures and icy ground conditions. Disruptions continued throughout the month, with frigid temperatures spreading to the Gulf of Mexico.

2. FAA Assigns Category 2 Rating to India.

The U.S. Federal Aviation Administration (FAA) announced that India has been assigned a Category 2 rating under its International Aviation Safety Assessment program, meaning India's civil aviation safety oversight regime does not comply with standards set by the International Civil Aviation Organization. However, said FAA, India has made significant progress in addressing issues identified in September and December audits, and in January hired 75 additional full-time inspectors. With a Category 2 rating, India's carriers can continue existing U.S. service, but may not establish new service to the United States. Indian Aviation Minister Ajit Singh told reporters that FAA's concerns will be resolved by March.

3. State of the Union Address Calls for Infrastructure Investment.

In his State of the Union speech, President Barack Obama said he will "slash bureaucracy and streamline the permitting process" for key infrastructure projects. In response, Kevin Burke, the new CEO of Airports Council International-North America, urged dedicated investment in airports "so that they exceed the rest of the world." U.S. Travel Association also called for airport upgrades and long-term funding solutions.

4. Supreme Court Rules for Airline in Defamation Case.

The U.S. Supreme Court threw out a \$1.4 million defamation judgment awarded to a pilot who sued his employer, Air Wisconsin, for telling federal officers he was mentally unstable and possibly armed, as he boarded a flight.

Airlines cannot be sued when they report security threats to the Transportation Security Administration if information provided is “materially true,” ruled the court, interpreting the 2001 Aviation and Transportation Security Act, which grants airlines immunity from possible defamation suits so long as reports are not intentionally false or misleading. “Congress wanted to ensure that air carriers and their employees would not hesitate to provide the TSA with the information it needed,” wrote Justice Sonia Sotomayor.

5. DOT Fines Qantas for Tarmac Delay Violation.

The U.S. Department of Transportation (DOT) fined Qantas \$90,000 for violating the tarmac delay rule. The airline failed to inform passengers on a delayed aircraft at Dallas/Fort Worth, in March 2013, that they could leave the plane as it sat at the gate for an extended period of time with the door open; such announcements must come every 30 minutes after scheduled departure time. . . . Ticket agent Airtrade International (Vayama) was fined \$80,000 for violating DOT’s unfair and deceptive trade practices rule by advertising fares that failed to distinguish between government taxes and fees and charges imposed by the airline. Vayama also violated DOT’s full fare advertising rule by advertising fares that were rounded down below the actual total fare amount. . . . DOT fined WK Travel (OneTravel) \$95,000 for violating code share disclosure rules when agents identified only the name of the airline marketing the flight and not the name of operator, even when prompted by the caller. Since the beginning of 2013, DOT has issued eight fines for code share disclosure violations, totaling \$555,000.

6. 10 New Members Appointed to FAA Management Advisory Council.

DOT Secretary Anthony Foxx appointed 10 new members to the FAA Management Advisory Council (MAC). They are: Steve Alterman, President, Cargo Airline Association; Bill Ayer, former Chairman, Alaska Air Group; Montie Brewer, former President/CEO, Air Canada; Ray Conner, President/CEO, Boeing Commercial Airplanes; Craig Fuller, former President, Aircraft Owners and Pilots Association; Jane Garvey, former FAA Administrator; Denver Mayor Michael Hancock; Lee Moak, President, Air Line Pilots Association; Jack Potter, President/CEO, Metropolitan Washington Airports Authority; and Gwynne Shotwell, President/COO, Space X. Created by the Federal Aviation Reauthorization Act of 1996, the MAC advises FAA on management, policy, spending and regulatory matters. By law the MAC has 13 members; incumbents are DOT Acting Deputy Secretary Victor Mendez; Department of Defense Brig. Gen. Steven Shepro and Paul Rinaldi, President, National Air Traffic Controllers Association.

7. FAA Proposes \$150,000 Civil Penalty Against Talon Air.

FAA proposed a \$150,000 civil penalty against Talon Air, of Farmingdale, New York, for allegedly allowing four pilots to fly without proper training or examinations. Collectively, the pilots flew at least 64 times between October 2011 and July 2012, while unqualified to serve as on-demand flight crew.

8. NTSB Investigations.

The National Transportation Safety Board (NTSB) is participating in the investigation of a smoking main battery of a Japan Airlines Boeing 787 that occurred while the aircraft was parked at Tokyo Narita on January 14; Japan Civil Aviation Bureau is lead investigator. Last year, regulators worldwide grounded the newly launched Dreamliner due to battery smoke and fire incidents; Boeing redesigned the battery system, but cause has yet to be determined. . . . NTSB is investigating an incident involving a Southwest Boeing 737-700 that landed at a general aviation airport in Hollister, Missouri, rather than Branson Airport, on January 13. The pilots are on paid leave, pending conclusion of investigation. There were no injuries and Southwest “reached out to each customer directly to apologize, refund their tickets, and provide future travel credit.” . . . NTSB continues to investigate the July 6 Asiana Flight 214 crash, which left three people dead when the Boeing 777-200ER hit a seawall at San Francisco International and burst into flames. . . . NTSB will hold an investigative hearing on February 20 into the August crash of a UPS Airbus A300-600 on approach to Birmingham; both pilots were killed and the airplane was destroyed.

9. New Eastern Air Lines Files Application With DOT.

Eastern Air Lines Group filed an application with DOT for a Certificate of Public Convenience and Necessity, and will soon begin its Part 121 certification with FAA. The passenger airline will operate Airbus A320s from Miami International, where it is headquartered. It is not affiliated with the former Eastern Air Lines, a major U.S. carrier that operated from 1928 to 1991. President/CEO is industry veteran Ed Wegel.

10. D Grade for Aviation in Report Card for U.S. Infrastructure.

Aviation again earned a D in the 2013 Report Card for America’s Infrastructure, issued every four years by the American Society of Civil Engineers. Among observations: FAA has been developing the Next Generation Air Transportation System (NextGen) since 2003 to improve efficiency and safety of air traffic flow. Capital investment is anticipated to be over \$11 billion by 2018, and full implementation at least \$32 billion by 2025; this does not include research, airport and associated airfield improvements,

or aircraft equipment. The cost of airport congestion and delays to the national economy was \$21.9 billion (2010 dollars) in 2007. If current funding levels are maintained, FAA estimates the cost will rise from \$24 billion in 2012 to \$34 billion in 2020 and \$63 billion by 2040, when the U.S. airport system will carry more than one billion passengers and air freight tonnage could grow by 200%.

11. November 2013 Passenger Airline Employment Down Slightly.

U.S. scheduled passenger airlines employed 381,224 workers in November 2013, DOT reported, 415 fewer than in November 2012. The five network airlines reported 0.4% fewer workers. Of the six low-cost carriers, Spirit, Allegiant, JetBlue and Virgin America reported employment increase, while Frontier and Southwest reported declines. Among regionals, Republic and Mesa reported the largest increases; Endeavor (formerly Pinnacle), Chautauqua and Air Wisconsin reported reduced employment levels.

12. DOT Air Travel Consumer Report for November.

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

	Nov.	Oct.	Full Year				
	'13 / '12	'13	2012	2011	2010	2009	2008
On-time arrivals %	83.5 / 85.7	84.1	81.85	79.6	79.8	79.5	76
Cancellations %	1 / 1	0.6	1.29	1.91	1.76	1.39	1.96
Mishandled baggage*	2.62 / 2.64	2.52	3.83	3.35	3.51	3.91	5.26
Consumer complaints:							
Airline service	755 / 988	857	15,335	11,546	10,988	8,821	10,648
Disability-related	52 / 56	49	743	628	572	519	477
Discrimination**	5 / 7	8	99	128	143	131	115

Note: Airlines reported 11 tarmac delays of more than three hours on domestic flights and four of more than four hours on international flights in November; all flights arrived at Los Angeles International after a shooting there.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Southwest, JetBlue Acquire DCA Slots.

Southwest won its bid for 54 slot pairs at Washington Reagan National (DCA) and JetBlue won 12, all made available due to divestitures mandated by the U.S. Department of Justice (DOJ) in the American-US Airways merger. Subject to final DOJ approval, Southwest's DCA service will increase from 17 daily departures to 44, and JetBlue's from 18 to 30. Eight additional DCA slot pairs owned by American that JetBlue has been operating temporarily since 2010 will be permanently transferred. . . . Meanwhile, American announced network adjustments resulting from the required divestitures at DCA and New York LaGuardia (LGA). At DCA, American will no longer operate daily nonstops to 17 destinations, among other changes. At LGA, American will no longer operate nonstops to Atlanta, Cleveland and Minneapolis.

2. Record Passenger Growth for Reagan National.

Federal regulatory decisions have prompted some airlines to switch flights from Dulles to DCA, said Jack Potter, President/CEO of Metropolitan Washington Airports Authority (MWAA). "This is putting significant strain on Reagan's facilities and continues to negatively impact the number of domestic passengers at Dulles." In 2013, DCA passenger traffic exceeded 20 million for the fourth consecutive year. Over the past decade the airport has seen a 14% increase, largely due to new slots and larger aircraft. Dulles passenger traffic declined in 2013 for the fourth consecutive year; Dulles domestic travel is down 32% over the past decade. As a result of the mandated slot reallocation in the US Airways-American merger, two million additional passengers may use DCA each year, largely at the expense of Dulles, said MWAA officials.

3. Bob Aaronson Named Chairman of Propeller Airports.

Robert Aaronson was named Chairman of Propeller Airports, the company overseeing development and operation of Silver Comet Field at Paulding Northwest Atlanta Airport, 24 miles northwest of Atlanta. Aaronson led Air Transport Association of America and Airport Operators Council International and was responsible for management and development of six major U.S. airports; at FAA he had oversight for standards, safety and development for all U.S. airports. Propeller is working with Paulding County Airport Authority and the Paulding Aerospace Alliance to develop Silver Comet and surrounding area for limited commercial aviation use and aerospace maintenance, operations and repairs.

4. **N.Y. Governor Proposes To Manage Airport Projects.**

In his State of the State address, New York Governor Andrew Cuomo suggested the state should assume airport construction management responsibility from operator Port Authority of New York and New Jersey, particularly for a stalled LaGuardia project that includes a new central terminal. Kennedy and LaGuardia “are consistently rated among the worst airports in the country in terms of design and overall passenger experience,” said Cuomo, who also wants to upgrade cargo operations at Kennedy. . . . Separately, Port Authority said it will use \$257 million in post-Hurricane Sandy funds to install tide gates and drainage, new emergency generation capabilities and elevated fuel facilities, and a flood wall at LaGuardia. . . . And, combined passenger total of 111 million for Kennedy (est. 50 million), LaGuardia (est. 27 million), Newark Liberty (est. 34 million) and Newburgh/Stewart (est. 320,000) set a record in 2013.

5. **Contract Awarded for LAX Central Terminal Curbside Appeal Project.**

Los Angeles World Airports awarded an \$80 million contract for construction of a \$118 million Central Terminal Area Curbside Appeal Project at Los Angeles International to Myers & Sons Construction and J. Banicki Construction, a joint venture. The enhancement is part of the multi-billion dollar LAX Development Program, which includes the completed New Tom Bradley International Terminal, renovation of Terminal 6 and major airfield improvements to accommodate new large aircraft. The projects are funded by operating revenues, capital improvement program funds, fees from airlines, passenger facilities charges and airport revenue bond proceeds; no money from the Los Angeles City General Fund will be used for the project.

6. **United, SFO Unveil \$138 Million Boarding Area Renovation.**

San Francisco International opened Boarding Area E in Terminal 3, a \$138 million renovation with 10 gates for United, which accommodates 50 arrivals and 50 departures daily. United anticipates moving Terminal 1 Boarding Area B operations to Terminal 3 by mid-May.

7. **New Orleans Plans \$826 Million Terminal Complex.**

The design for a 650,000-square-foot North Terminal complex at Louis Armstrong New Orleans was unveiled. The \$826 million project, to include two concourses with 30 gates, a consolidated checkpoint, seamless connections between concourses, an on-site hotel and 2,000 garage spaces, has a 2018 target completion date.

8. Record Year for Orlando Sanford.

Orlando Sanford handled a record-breaking 2 million passengers in 2013, up 12% from 2012. Allegiant was responsible for 77% of total traffic, with 1.577 million passengers and 10 new destinations; Allegiant will add two destinations in February. Total international traffic was down 8%, to 417,858, in 2013, and scheduled international traffic was up 8%. ArkeFly and Icelandair both saw passenger increases. UK charter passenger traffic was down 10% with 323,318 passengers in 2013; UK charter Thomson Airways inaugurated the first regularly operated Boeing 787 Dreamliner flight to Florida. Sanford projects a 10% increase in total passenger traffic in 2014.

9. \$74.39 Million Released for Hawaii's Airports.

Governor Neil Abercrombie announced the release of \$74.39 million for capital improvement projects at Hawaii's airports. Among allotments, Honolulu International will receive \$45.7 million for phase one of three phases to widen and strengthen taxi lanes to the existing maintenance facility and related improvements, and \$15 million for demolition of remaining Aloha Air Cargo facilities and new construction. . . . In related news, Hawaiian Airlines set a new record in its 84-year history with nearly 10 million passengers transported in 2013, 4.8% over previous year. In addition to mainland service, Hawaiian flies from Honolulu to Japan, South Korea, Taiwan, Australia, New Zealand, American Samoa and Tahiti, and will begin nonstops to Beijing in April, subject to government approvals.

10. Detroit Metro a Boon to Michigan Economy.

In bankrupt Detroit, Metropolitan Airport is a commercial engine that contributed \$10.2 billion dollars to Michigan's economy during 12 months ending June 2013, according to a study by Wayne County Airport Authority and University of Michigan-Dearborn. The airport produced 86,000 jobs, with 18,000 at the airport. Number of passengers have averaged 32 million annually since 2010, with half connecting to other flights.

11. CAA Finalizes Prices at London Airports.

The UK Civil Aviation Authority (CAA) announced final decisions on economic regulation at Heathrow, Gatwick and Stansted that includes licenses to "ensure that issues like cleanliness, queuing times, seating availability and information provision are addressed in the passenger interest," as well as a requirement for "robust plans to ensure they are better prepared for disruption and can manage it effectively." Heathrow prices will fall by 1.5% below inflation per year between 2014 and 2019. For Gatwick, regulation is based on the airport operator's commitments to its airline customers; but the license allows

CAA to step in to protect users, ensure fair prices and service quality, and provide scrutiny of second runway costs before they can be passed on to airlines and passengers. Since it does not have substantial passenger market power, Stansted will not be economically regulated after April 2014. Stansted operator Manchester Airports Group welcomed CAA's "endorsement of the changes we've made," saying long term growth deals with airlines—including Ryanair, easyJet and Thomas Cook—will see Stansted continue to grow rapidly. But Heathrow charged CAA with imposing a "draconian" cap on its prices and may appeal. Ryanair criticized CAA's "false claim" that Stansted does not have substantial market power, noting a doubling of charges in 2007 "caused a five-year 27% traffic collapse at Stansted while Heathrow and Gatwick were growing." But easyJet claimed to be "supportive" of the Stansted and other CAA decisions.

12. Berlin Brandenburg Airport Delayed Until 2015.

Berlin Brandenburg opening was delayed again, to 2015. Costs now stand at more than €4 billion.

13. China Harbour Signs Contract for Khartoum Phase Two.

Sudan Airports signed a \$680 million agreement with China Harbour Engineering to build phase two of the Khartoum New International Airport. A phase one engineering, procurement and construction agreement worth \$700 million was financed by Export-Import Bank of China.

14. Mumbai's Terminal 2 Opens.

International operations began in a new terminal at Mumbai's Chhatrapati Shivaji; domestic operations will be added next year. The first major upgrade to the airport in nearly 30 years, the new Terminal 2 will have passenger handling capacity of 40 million a year.

III. SECURITY AND DATA PRIVACY

1. TSA Issues Final Aircraft Repair Station Security Rule.

The Transportation Security Administration (TSA) issued final security rules for foreign and domestic repair stations with large aircraft under their control. “The focus is on the risk of stealing an unattended, large (over 12,500 pounds) aircraft capable of flight,” said the Aeronautical Repair Station Association (ARSA). Effective February 27, the regulations codify the scope of TSA’s existing inspection authority and require part 145 certificated repair stations to allow TSA and Department of Homeland Security (DHS) officials to enter, conduct inspections, and view and copy records as needed to carry out TSA’s security-related statutory and regulatory responsibilities; require compliance with TSA security directives; require certain repair stations to implement security measures; establish procedures for TSA to notify repair stations of deficiencies and determine an immediate risk to security; and include a process for a repair station to seek review of a determination by TSA that the station has not adequately addressed security deficiencies or poses an immediate risk to security. “The regulations will break a log jam that had prevented more than 80 repair stations from receiving certification review by FAA [since] Congress had prohibited the certification of new foreign repair stations until issuance of this rule by TSA,” said Aerospace Industries Association. But AFL-CIO’s Transportation Trades Department (TTD) expressed “extreme disappointment” that the rule “further rolls back already weak security requirements TSA proposed in 2009, fails to address security loopholes in the proposed rule identified by TTD, and runs counter to the congressional requirement that TSA ensure the security of maintenance work performed at contract repair stations.”

2. TSA PreCheck Application Center Opens at Washington Dulles.

TSA PreCheck application centers opened at Washington Dulles and Los Angeles International. The first center opened at Indianapolis International in December and TSA plans 300 more across the country. The process allows U.S. citizens to complete an online application, schedule an appointment and visit an application center to pay an \$85 fee and provide valid government I.D. and fingerprints. TSA PreCheck is available at over 100 airports and on nine major U.S. airlines. . . . As part of its risk-based screening approach, TSA introduced Managed Inclusion, in which Behavior Detection Officers (BDOs) select passengers in regular screening lines to move to the PreCheck lane.

3. U.S. Customs Preclearance Facility Opens in Abu Dhabi.

A U.S. Customs and Border Protection (CBP) preclearance facility opened in Abu Dhabi, United Arab Emirates (UAE), despite criticism from U.S. pilots and members of Congress, who warned the move threatens U.S. jobs by encouraging travelers to use foreign airlines rather than U.S. carriers. Air Transport Association and U.S. Travel Association want CBP to resolve lengthy wait times at U.S. gateway airports before opening new overseas preclearance facilities

4. Legal Setbacks to No-Fly List.

In recent decisions, judges rejected or expressed skepticism about U.S. government arguments “for secrecy and against a meaningful process for people to challenge their inclusion on the blacklist that bans them from travel to or from the United States or over American airspace,” reports the American Civil Liberties Union (ACLU). In the case of a Stanford PhD student and Malaysian citizen prevented from boarding a return flight to the U.S., who was handcuffed and detained due to mistaken placement on the No Fly List, U.S. District Judge William Alsup concluded the government’s internal administrative redress procedures violate due process because they do not provide a meaningful opportunity to contest or expunge erroneous information that forms the basis for inclusion on the list. He required the government to disclose to the plaintiff whether she is on the No Fly List and to cleanse and/or correct its lists of mistaken information about her. In another ruling, U.S. District Judge Anthony Trenga rejected the government’s request to dismiss a case brought by a naturalized U.S. citizen who alleges he was prevented from returning to the U.S. from Kuwait because he appeared on the No Fly List, and was subjected to beatings and mistreatment while in detention in Kuwait. “Placement on the No Fly List is life defining and life restricting across a range of constitutionally protected activities and aspirations,” wrote Judge Trenga. “Terror watch lists remain pointlessly overbroad, with more than 875,000 names scattered among about a dozen lists,” said a *New York Times* editorial. The No-Fly list had 16 names pre-9/11 and about 21,000 in early 2012.

IV. E-COMMERCE AND TECHNOLOGY

1. Open Allies Withdraws Objection to New Distribution Capability

Open Allies for Airfare Transparency withdrew its objection to the New Distribution Capability (NDC) resolution proposed by the International Air Transport Association, subject to implementation of conditions that clarify IATA's commitment to the core principles of Resolution 787 regarding anonymous shopping, data privacy and a voluntary open data standard available to all current and future travel technology suppliers; they supplement IATA's June 2013 filing with DOT which sought to further define the original IATA submission. In a joint motion filed by the two parties, IATA Director General Tony Tyler urged DOT to approve Resolution 787 "in a timely manner so that consumers may benefit from the greater choice and transparency in air travel shopping that the NDC standard will enable." IATA, Open Allies and other stakeholders agreed to establish an industry forum to support a collaborative approach on distribution issues going forward. NDC is an IATA-led initiative to develop an XML-based data transmission standard for communications between airlines and travel agents. The NDC standard will be open to any third party, intermediary, IT provider or non-IATA member, to implement and use. Open Allies is a coalition of 400 independent distributors and sellers of air travel, corporate travel departments, travel trade associations and consumer organizations "that believe airline fares and fees should be transparent to, and purchasable by, the traveling public, enabling consumers to comparison shop on an "all-in" (fares+taxes+fees) basis across airlines"; Andrew Weinstein is Executive Director.

2. Amadeus Launches Ancillary Content in North America.

Amadeus announced the launch and availability in North America of ancillary services for 14 airline partners; development projects are underway at American, United and Delta. Globally, 23 airlines are distributing ancillary services via the Amadeus System.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

Average price of aviation jet fuel, as of January 10, 2014, was \$123.5/barrel, down 2.4% on the month and down 5.7% year-on-year, reports the International Air Transport Association. Fuel price average for 2013 was \$124.6/barrel.

2. Boeing Finds Green Diesel a Price-Competitive Sustainable Jet Fuel.

Boeing identified “green diesel,” a renewable fuel used in ground transportation, as a significant source of sustainable aviation biofuel that emits at least 50% less carbon dioxide than fossil fuel over its lifecycle. The company is working with FAA and others to gain approval for aircraft to fly on green diesel, which is made from oils and fats. If approved, the fuel could be blended with traditional jet fuel. Significant green diesel production capacity exists in the U.S., Europe and Singapore that could supply 1%, about 600 million gallons, of global commercial jet fuel demand. Wholesale cost, \$3 a gallon with U.S. government incentives, is competitive with petroleum jet fuel.

3. BIOjet Abu Dhabi to Grow Biofuel Supply Chain in UAE.

Boeing, Etihad Airways, Takreer, Total and the Masdar Institute of Science and Technology will collaborate on a new initiative to support a sustainable aviation biofuel industry in the United Arab Emirates. BIOjet Abu Dhabi will focus on research and development and investments in feedstock production and refining capability in the UAE and globally. Etihad flew a 45-minute demonstration flight in a Boeing 777 powered in part by UAE-produced sustainable aviation biofuel, which was partially converted from plants by Total and refined into jet fuel by Takreer, a wholly-owned subsidiary of Abu Dhabi National Oil. Boeing and Etihad are also among founding partners of the Sustainable Bioenergy Research Consortium, hosted by the Masdar Institute in Abu Dhabi. The consortium has been researching and developing salt-tolerant plants that would be raw material for the same refining processes used to produce renewable fuel for the Etihad flight. Etihad operated the Gulf region's first biofuel flight in 2011 with a Boeing 777 delivery from Seattle to Abu Dhabi powered by a blend of petroleum-based and certified plant oil-based jet fuel.

VI. U.S. CONGRESS

1. Congress Agrees on FY 2014 Federal Funding Bill.

The House and Senate approved, and President Obama signed, a \$1.1 trillion spending bill that provides funding for federal agencies until September 30, 2014.

The legislation includes \$17.8 billion in discretionary appropriations for the Department of Transportation and allows \$53.5 billion in non-discretionary funding; this is \$164 million below FY 2013 enacted level and \$4.9 billion below the President's request. It includes \$12.4 billion for the Federal Aviation Administration, \$168 million below FY 2013 enacted level, and preserves funding for NextGen. In addition, \$3.35 billion in funding is provided for airport construction projects. The bill extends war risk insurance for U.S. air carriers through September 30 against catastrophic loss due to terrorism or other acts of war, while Congress considers longer-term reauthorization of this program.

The bill provides \$39.3 billion in discretionary funding for the Department of Homeland Security, \$336 million less than FY 2013. TSA is funded at \$4.9 billion, \$225 million below FY 2013, for security enforcement, cargo inspections, intelligence functions, and Federal Flight Deck Officers, increases funding for canine teams and privatized screening, and caps full-time screening personnel at 46,000. The bill includes \$10.6 billion for Customs and Border Protection, up \$110.6 million, for highest operational force levels in history—21,370 Border Patrol agents and 24,800 CBP officers, including 2,000 additional CBP officers for busiest U.S. ports of entry. The bill requires CBP to address wait times and staffing and work with industry to improve travel and trade efficiency. The bill includes a reduction of \$42.8 million in administrative overhead costs and denies construction funding for three new headquarters buildings. It also requires that DHS submit comprehensive spending plans to Congress to increase transparency and oversight. Airlines for America raised concern that the bill permits the February 1 opening of the Abu Dhabi preclearance facility. And the American Federation of Government Employees said the cap on federal screeners "is an effort by some extremist lawmakers who want to return airport security to the pre-9/11 era."

2. Bill Introduced To Exempt Hawaii, Alaska From TSA Fee Increase.

Legislation that would exempt Hawaii, Alaska and communities that rely on essential air service from the increase in TSA fees approved in December was

introduced in the House and Senate by delegates from both states. The fee is rising from \$2.50 per leg of a trip, capped at \$5, to \$5.60 each way.

3. **Updated Trade Promotion Authority Introduced.**

Legislation that would re-establish Trade Promotion Authority (TPA) for the Administration was introduced in the Senate and House. The Bipartisan Congressional Trade Priorities Act of 2014 (TPA-2014) addresses competition from state-owned enterprises, localization barriers to trade, and restrictions on cross-border data flows. It updates labor and environment provisions to reflect recent trade agreements, strengthens oversight by Congress and the public by adding consultation and reporting requirements, and sets out a clear directive on currency manipulation. Authors called the bill a “vital tool,” as the U.S. continues Trans-Pacific Partnership and EU trade talks, and is negotiating the Trade in Services Agreement.

4. **Hearing on TSA Screening Partnership Program.**

The House Subcommittee on Oversight and Government Reform held a hearing to examine TSA's Screening Partnership Program (SPP). Subcommittee members were concerned about rude behavior of TSA screeners and Chairman John Mica (R-Fla.) said he plans to introduce legislation that would privatize all federal screeners unless TSA improves its treatment of travelers. There are now 14 airports with private contractors as screeners, with federal oversight. Another six have been approved, but await contract awards; Mica noted that Orlando has been waiting for two years. Mark Bell, of the Homeland Security Office of the Inspector General, referred to SPP audits conducted for Congress in 2013 and 2012. Among other findings, TSA has taken steps to fully document its decisions on SPP applications and procurements and to improve its quality assurance procedures, including cost estimating and application document reviews.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. State Department Travel Alerts.

The U.S. Department of State issued travel alerts for Ukraine due to ongoing political unrest and violent clashes between police and protesters, which have resulted in deaths and injuries, particularly in Kyiv; and for Thailand, particularly Bangkok, due to political and social unrest ahead of Thai parliamentary elections, scheduled to take place nationwide in February. . . . U.S. citizens attending the 2014 Olympic Games in Sochi, Russia, from February 7 to March 16, were alerted to acts of terrorism, including bombings and hostage takings, particularly in the North Caucasus region; past bombings have occurred at Russian airports and on subways, buses, trains and scheduled commercial flights. . . . The State Department continues to warn U.S. citizens of risks of travelling to Egypt due to political and social unrest, and to avoid travel to North Sinai. Travelers were urged to avoid all demonstrations. In June, a U.S. citizen was killed during a demonstration in Alexandria and U.S. citizens have been arrested and deported for proximity to demonstrations and for taking pictures of demonstrations, police and military. The security situation in most tourist centers has been calm. . . . U.S. citizens were warned against all travel to the Republic of South Sudan and the State Department recommended that U.S. citizens currently in South Sudan depart immediately. Most U.S. government personnel were removed from South Sudan on January 3.

VIII. EUROPE AND AFRICA

1. European Majors Added 5.6 Million Passengers in 2013.

Association of European Airlines members boarded 375 million passengers in 2013, up 5.6 million year-on-year. The U.S. remains the largest long-haul destination, with nearly 12 million passengers in 2013, and 330 daily transatlantic flights in peak season.

2. Norwegian Opens U.S. Crew Bases.

Norwegian Air International is establishing crew bases in New York and Fort Lauderdale and will hire 300 American crew members this year. The Norwegian Air Shuttle subsidiary started long-haul operations in 2013 with flights between Thailand and the U.S. and Europe, and currently offers service from Europe to New York, San Francisco, Fort Lauderdale, Los Angeles and Orlando. “Norwegian’s goal is to bring innovative service at a low fare to the U.S. market with brand new Boeing 787 Dreamliners,” said CEO Bjørn Kjos. Air Line Pilots Association continued to urge DOT to deny Norwegian’s foreign air carrier permit application, saying the carrier “seeks to compete unfairly with U.S. airlines for international passengers by sidestepping its national laws and regulations and creating a race to the bottom on labor and working conditions.” ALPA says Norwegian’s proposed operation is contrary to U.S. aviation statutes and to the intent of the U.S.-EU Air Transport Agreement.

3. Swiss Competition Body Fines Airlines Over Freight Cartel.

Switzerland's Competition Commission (COMCO) fined 11 airlines a total of 11 million Swiss francs, saying they agreed on surcharges between 2000 and 2005. COMCO fined Korean Air, Atlas (Polar Air Cargo), American, United Continental, SAS, Japan Airlines, Singapore Airlines, Cathay Pacific, Cargolux, British Airways and Air France-KLM. Lufthansa was granted immunity because it “triggered the legal proceedings by self-denunciation”; subsidiary Swiss also has full immunity. After initiation of legal proceedings, Cargolux, Japan Airlines, British Airways and Air France-KLM submitted leniency applications and received substantial reductions of the sanctions.

4. Cargolux Stake Acquired by Chinese Company.

See Section IX, item 3.

5. Qatar Airways, IAG Cargo Commercial Agreement.

See Section IX, item 4.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Air China Expands U.S. Service From Beijing.

Air China will increase Beijing-Houston Boeing B777-300ER nonstops from four weekly to daily on March 30, saying, “Strong demand from business and leisure travelers to China and destinations in Asia has accelerated the implementation of our growth strategy for Houston and the south central region of the United States.” The service began in July. Air China started nonstop Beijing-Honolulu service in January and will increase Beijing-New York Kennedy nonstops from 11 per week to double daily on March 31, and will launch nonstop Beijing-Washington Dulles service in June. Aircraft for nonstop San Francisco flights will be upgraded to the B777-300ER.

2. Etihad, JetBlue To Code Share.

JetBlue and Etihad will offer code share operations, subject to government approvals. Initially, Etihad will code share on 40 JetBlue U.S. routes and later to Dominican Republic, Jamaica and Colombia. The United Arab Emirates flag carrier flies to New York Kennedy, Chicago O’Hare and Washington Dulles from Abu Dhabi and will begin service to Los Angeles (daily from June) and Dallas/Fort Worth (three weekly from December). A second daily flight to New York (March 1) will be operated by Etihad using two tri-class Boeing 777-300ERs leased from strategic partner, India’s Jet Airways; from May 1, Jet Airways plans to operate these flights. . . . In other news, Etihad will place its code on new service operated by Air Europa between Madrid and Abu Dhabi in late 2014. Until then, Etihad will code share on Air Europa-operated flights to Madrid from Amsterdam, Brussels and Milan Malpensa and beyond Madrid to Barcelona and Palma de Mallorca. Air Europa will place its code on Etihad flights from Amsterdam, Brussels and Milan Malpensa to Abu Dhabi. This summer, both airlines plan to expand code share destinations to new cities in Spain and South America via Madrid, and beyond Abu Dhabi across the Gulf region, Africa, Asia, and Australia. “As one of the most important operators to the American continent, especially Central and South America via our hub in Madrid, for Air Europa the agreement between the two airlines is a step forward in a global market,” said Air Europa CEO Juan José Hidalgo; all plans subject to regulatory approvals. . . . Etihad and airberlin will expand joint sales operations this year. The partnership, begun two years ago, operates 42 weekly flights between Germany and Abu Dhabi, to increase to 49 with a second daily Munich flight. . . . With 12 million passengers and 486,753 tons of freight and mail, Etihad saw double-digit growth in 2013.

3. Cargolux Stake Acquired by Chinese Company.

Henan Civil Aviation Development and Investment Co. is acquiring 35% of Cargolux from Luxembourg, pending approval by Chinese authorities. Cooperation plans will “enable Cargolux to be well positioned to profit from the trade movements generated by one of the world’s most dynamic and fastest developing economies and a province with an accelerating domestic appetite for goods transported by air,” said Cargolux Chairman Paul Helminger.

4. Qatar Airways, IAG Cargo Commercial Agreement.

IAG Cargo signed a long-term commercial agreement to purchase capacity on Qatar Airways-operated freighters, effective May 1; the companies are oneworld partners. Qatar will operate five Boeing 777F flights a week between Hong Kong and London via Doha, on behalf of IAG Cargo, which is transferring all freighter operations from current provider, Global Supply Systems. “Qatar Airways Cargo is undergoing significant development and growth with the induction of new aircraft and freighter routes,” said CEO Akbar Al Baker. “The opening of our brand new facility at Hamad International Airport will soon see 1.4 million tons of cargo being handled annually.”

5. Startup SaudiGulf Places \$1.21 Billion Bombardier Order.

Dammam-based Al Qahtani Aviation signed a firm purchase agreement for 16 Bombardier CS300s valued at \$1.21 billion, to be operated by startup SaudiGulf Airlines, with options for another 10. Both companies are owned by Al-Qahtani Group, a consortium of privately owned companies in Saudi Arabia. SaudiGulf will serve the domestic market, the Gulf and Middle East, said Chairman Sheikh Tariq Al Qahtani; growth plans include the Indian subcontinent and Europe. . . . In other Saudi news, Qatar Airways resolved differences regarding price caps for domestic flights and fuel subsidies for flag carrier Saudi Arabian, and plans to launch Al Maha Airways from primary markets like Riyadh and Jeddah. And flydubai will begin twice-weekly service to Hofuf, the largest city in Al-Ahsa, on February 6, bringing the total number of destinations served by the carrier in the Kingdom to 11.

6. Bahrain International Airshow.

Transactions at the third annual Bahrain International Airshow reached almost \$3 billion, tripling 2012 results. Show organizers—Bahrain Ministry of Transportation, Royal Bahrain Air Force and Farnborough International—confirmed participation of 100 international and domestic companies and 130 delegations from 32 countries. Transactions included a construction agreement for Khartoum International Airport. The next Bahrain International Airshow will take place in January 2016.

7. India Approves Airbus A380 Operations.

India's Ministry of Civil Aviation removed restrictions on Airbus A380 flights to airports equipped to handle them, i.e., Delhi, Mumbai, Hyderabad and Bangalore, and subject to traffic entitlements within bilateral agreements. "The operation of A380s will help airports generate more revenue, give more comfortable and luxurious travel to passengers, liberalize the civil aviation milieu in India and boost the image of Indian civil aviation in the international market," said Transport Minister Shri Ajit Singh. "Singapore Airlines, Emirates and Lufthansa are interested in operating A380 aircrafts in India on various international routes," he added.

8. FAA Assigns Category 2 Rating to India.

See Section I, item 2.

9. Swiss Competition Body Fines Airlines Over Freight Cartel.

See Section VIII, item 2.

X. AMERICAS

1. American, US Airways Begin Code Sharing.

As American and US Airways integrate following the December merger, they continue to operate separately, with individual loyalty programs, reservations systems and websites. Code sharing was launched on the US Airways Shuttle and at Dallas/Fort Worth, Los Angeles, New York Kennedy, Miami, Chicago O'Hare, Charlotte Douglas, Philadelphia and Phoenix, with reciprocal mileage and club benefits. Co-location of ticket counters and gates began at New York Kennedy, with Miami, Phoenix and others to come by end of first quarter. US Airways exits Star Alliance on March 30 and enters oneworld on March 31. American plans a phased closing of US Airways' Pittsburgh flight operations center; 600 employees will be offered positions in Fort Worth. Association of Flight Attendants (US Airways) and Association of Professional Flight Attendants (American) agreed on bargaining for joint contract and plan "to be reaping the merger's benefits by February 2015." . . . American reached agreement with Sabre for the combined airline's single reservation system. Sabre is the platform currently used at American. System integration is expected to take up to two years. . . . A new incentive plan will pay mainline employees of both airlines \$50 for each number-one ranking in DOT's monthly Air Travel Consumer Report, for on-time arrival, baggage performance and customer satisfaction, with maximum monthly payout of \$150. US Airways offered similar employee incentives. . . . 'American Eagle Airlines' will be renamed 'Envoy' to distinguish it from the 10 carriers that provide regional service for American and US Airways. American Eagle pilots agreed to a 10-year contract that freezes pay until 2018 and allows the airline to upgrade its fleet with 60 new Embraer 175s beginning first quarter 2015, with options for 90 more.

2. American Settlement With Cantor Fitzgerald Approved.

A U.S. federal judge approved a \$135 million settlement between American Airlines and Cantor Fitzgerald, less \$2.5 million from insolvent insurers, for losses suffered in the 9/11 attacks on the World Trade Center; 658 Cantor employees were killed when American Airlines Flight 11 struck the North Tower. The agreement averted a trial and was one of the last instances of litigation stemming from the attacks. In the lawsuit, filed in 2004, Cantor accused American of negligence for failing to prevent hijackers from boarding the flight at Boston Logan. American said it could not have done what the government could not do—prevent the terrorist attacks—and would forever honor the memory of the victims and heroes of September 11.

3. **ALPA Settles Lawsuit With Former TWA Pilots.**

Air Line Pilots Association will pay \$53 million to settle a lawsuit filed in 2002 by former TWA pilots. Under the settlement agreement, the union will pay pilots who had won their suit in a jury trial, alleging that the union did not adequately represent them during seniority integration after American purchased TWA. The settlement of Brady v. ALPA closes a difficult chapter in ALPA's history, said union leaders. "With initial damages sought in the billions, this settlement, while significant, is far less than what the plaintiffs pursued."

4. **Southwest-AirTran Integration in Final Phase.**

Southwest will begin scheduled international nonstops on July 1 from Atlanta to Aruba and Montego Bay; Baltimore to Aruba, Nassau and Montego Bay; and Orlando to Aruba and Montego Bay. In phase one of international conversion plans, subsidiary AirTran will continue Atlanta-Nassau and Chicago Midway-Montego Bay service, and to/from Cancun, Los Cabos, and Mexico City, and Punta Cana, Dominican Republic. By yearend Southwest will fly to the remaining four of 96 international destinations in six countries.

5. **Spirit Announces New Oakland-Chicago Service.**

Spirit announced new daily nonstops between Oakland and Chicago O'Hare starting May 1. The ultra-low-cost carrier will offer seasonal service from Minneapolis-St. Paul to Houston Bush and Baltimore, and from Boston to Atlantic City, has extended dates of its second seasonal flight from Boston to Fort Myers, and announced resumption of seasonal nonstops to/from Myrtle Beach from nine cities.

6. **Air Canada Eliminates Pension Deficit.**

Air Canada said its Canadian registered pension plans are in a small surplus position, compared to a \$3.7 billion deficit a year ago, attributable to a 13.8% return on investments in 2013, implementation of pension benefit amendments that decreased the solvency deficit by \$970 million, corporate contributions for the year of \$225 million, and application of an estimated prescribed discount rate of 3.9% to calculate future pension obligations. Canadian government regulations require Air Canada to make payments of at least \$150 million annually, with an average of \$200 million per year, to contribute an aggregate minimum of \$1.4 billion for the 2014-2020 period in solvency deficit payments, in addition to current service payments.

7. **Former Frontier Executive Named President of Canada Startup.**

Startup Canada Jetlines named James Young President; he most recently was a Frontier executive. Jim Scott is CEO of the ultra-low cost carrier, which

hopes to launch by fall with Airbus A319s and A320s flights from Vancouver to secondary and under-served markets.

8. **Brazil Approves 2,000 New Flights for World Cup Traffic.**

Brazil's civil aviation authority, ANAC, approved nearly 2,000 new flights, mostly domestic, to help meet demand during this summer's World Cup and control fares. The new flights will be operated primarily by TAM, Gol, Avianca and Azul. Anac said airlines will be fined for poor performance, regarding passenger rights.

9. **Norwegian Opens U.S. Crew Bases.**

See Section VIII, item 2.

10. **Swiss Competition Body Fines Airlines Over Freight Cartel.**

See Section VIII, item 2.

11. **Air China Expands U.S. Service From Beijing.**

See Section IX, item 1.

12. **Etihad, JetBlue To Code Share.**

See Section IX, item 2.