



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. **Travel Guidance Issued Related to Zika Virus.**

As the Centers for Disease Control and Prevention issued travel alerts for numerous countries where transmission of the Zika virus is ongoing, airlines allowed concerned customers to cancel or postpone trips to those areas. Transmitted by *Aedes* mosquitoes, Zika is linked to birth defects; no vaccine or medicine is currently available. The World Health Organization warned that Zika is “spreading explosively” in the Americas and that four million people could be infected by year’s end.

2. **IG Gives Poor Marks to FAA ATC Efforts.**

The Federal Aviation Administration (FAA) for two decades has had mandates from Congress to operate effectively and efficiently while improving delivery of air traffic services and expediting modernization efforts. However, a new report from the Department of Transportation Inspector General (DOT IG), finds, despite several reorganizations and cost-cutting measures, “FAA’s total budget, operations account, and total personnel compensation and benefits costs doubled while air traffic facility productivity declined”; and several Next Generation Air Transportation System programs “remain over budget and behind schedule due to overambitious plans, unresolved requirements, software development problems, ineffective contract management, and unreliable cost and schedule estimates.” House Transportation Committee Chairman Bill Shuster (R-PA) said the IG report shows that FAA “simply isn’t suited to successfully modernize our Nation’s antiquated air traffic control system.” . . . A new coalition, Americans Against Air Traffic Privatization, was formed to lobby Congress, as Shuster reportedly prepares to include in the next FAA reauthorization a proposal to “privatize” portions of the air traffic control system. Airlines for America (A4A) called coalition allegations “misleading” and “false,” and said, “Proponents of reform advocate for a not-for-profit organization that will be overseen by the FAA and governed by a board inclusive of all stakeholders.” House Aviation Subcommittee member Eleanor Holmes Norton (D-DC) joined with the coalition, saying, “An FAA reauthorization bill that includes severing and privatizing Air Traffic Control has not emerged [but] the long suspense has understandably fed fears for public safety, loss and downgrading of middle class jobs, and increased costs passed on to passengers.” Norton and Elijah Cummings (D-MD) added that Republicans should end their debate on FAA privatization and instead focus on renewing FAA funding by the March 31 deadline.

3. United Fined \$2.75 Million for Disability, Tarmac Delay Rule Violations.

DOT fined United Airlines \$2.75 million for violating rules protecting travelers with disabilities and prohibiting long tarmac delays. United was assessed \$2 million for disability-related complaints from consumers in 2014, including failure to provide prompt and adequate assistance with enplaning and deplaning and moving through terminals at Houston International, Chicago O'Hare, Denver, Newark and Washington Dulles. Of the \$2 million, \$150,000 will be used to improve quality assurance audits of United's wheelchair vendors, and \$500,000 to develop relevant technology. DOT credited United with \$650,000 for compensation provided to consumers who filed a disability-related complaint with the airline in 2014. United is also being fined \$750,000 for five lengthy tarmac delays that took place at O'Hare on December 8, 2013, due to United's gate mismanagement, and one for a flight diverted to Houston Hobby on May 20, 2015, in which DOT found no evidence that United attempted to deplane passengers before the delay reached the three-hour mark. Of the \$750,000, \$375,000 will go toward cost of an automated visual docking and guidance system.

4. FAA Proposes \$417,500 Civil Penalty Against FedEx.

FAA proposed a \$417,500 civil penalty against FedEx, for allegedly operating a Boeing 727 on at least 133 flights when it was not in compliance with Federal Aviation Regulations. FedEx failed to rebalance a horizontal stabilizer tab control surface on the aircraft after repainting the part.

5. U.S. Fines Egyptair \$140,000 for Sanctions Breach.

The U.S. Department of Commerce fined EgyptAir \$140,000 for violating U.S. trade sanctions against Sudan by leasing two Boeing 737-500s to Sudan Airways in 2010 and 2011 without required licenses. EgyptAir must pay the fine in four installments by November 1, 2016; failure to do so may result in loss of export privileges for one year. The U.S. trade embargo against Sudan was instituted in 1997 due to alleged terrorist involvement.

6. Passenger Airlines Employed 3.4% More Workers in November.

U.S. scheduled passenger airlines employed 3.4% more workers in November 2015 than in November 2014, reported DOT, and reached the highest monthly total (400,234) since August 2008. A 3.7% gain in employment was reported by the four network airlines, and a 6.4% gain by the six low-cost carriers; employment was down 2.1% for the 12 regional carriers.

7. Ban Proposed on Lithium Batteries as Passenger Plane Cargo.

The International Civil Aviation Organization (ICAO) Air Navigation Commission recommended that cargo shipments of rechargeable lithium

batteries be banned from passenger airplanes, reports the Associated Press, and proposed that the ban be lifted should packaging providing an acceptable level of safety become available. Many large carriers have voluntarily imposed restrictions on such shipments, as the batteries can cause fires.

8. FAA Registered 300,000 Drone Owners in First 30 Days.

FAA’s drone registration rule took effect December 21, and some 300,000 owners received a refund of the \$5 fee for registering their small unmanned aircraft online within 30 days.

9. DOT Air Travel Consumer Report for November.

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

	Nov. '15 / '14	Oct. '15	Full Year				
			2014	2013	2012	2011	2010
On-time arrivals %	83.7 / 80.6	87	76.9	78.34	81.85	79.6	79.8
Cancellations %	1.0 / 0.9	0.5	2.18	1.51	1.29	1.91	1.76
Mishandled baggage*	2.58 / 2.87	2.49	3.62	3.22	3.09	3.35	3.51
Consumer complaints:							
Airline service	1,308 / 912	1,527	15,532	13,176	15,338	11,546	10,988
Disability-related	96 / 45	99	774	683	741	628	572
Discrimination**	6 / 2	5	68	79	99	128	143

Notes: In November, airlines reported five tarmac delays of more than three hours on domestic flights and one of more than four hours on an international flight. Three of the domestic delays were related to equipment failure at New York City area airports on November 14.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Snowstorm Leads to Mass Cancellations.

Airport operations in New York Washington, Baltimore, Philadelphia and Charlotte were halted or severely hampered during a major snowstorm. More than 13,000 flights were cancelled, reported *USA Today*, citing FlightAware statistics.

2. Southwest Appeals Delta Victory at Love Field.

A federal judge issued a temporary injunction allowing Delta to continue to operate five daily flights to Atlanta from Dallas Love Field, using a gate Southwest subleases from United. Southwest is appealing.

3. United, Delta Seek Dismissal of Newark Slots Lawsuit.

United and Delta asked a federal judge to dismiss a Justice Department suit filed in November that challenges Delta's agreement to lease 24 Newark slots to United, in exchange for United's leasing 30 New York Kennedy slots to Delta. United, which already controls 902, or 73%, of Newark's 1,233 daily slots says antitrust concerns are speculative. In its filing, Delta said the Justice Department should not overrule DOT and FAA, which have primary oversight of slot assignments.

4. MIT Researchers Develop Method to Reduce Airport Congestion.

Massachusetts Institute of Technology engineers have developed a queuing model that may help air traffic controllers direct departures more efficiently, minimizing runway congestion. The model predicts how long a plane will wait before takeoff, given weather conditions, runway traffic, and incoming and outgoing flight schedules. In field tests, taxi time was decreased by 20% by holding aircraft back, said researchers; each gate-held aircraft saves 16 to 20 gallons of fuel. The team has tested the queuing model at Newark Liberty, Boston Logan, New York LaGuardia, Charlotte Douglas and Philadelphia. The research was supported, in part, by the National Science Foundation.

III. SECURITY AND DATA PRIVACY

1. DHS Announces Final Phase of Implementation of REAL ID Act.

Amid widespread misinformation, Department of Homeland Security (DHS) Secretary Jeh Johnson clarified a schedule for final phase implementation of the REAL ID Act, which requires states to incorporate anti-counterfeit technology into driver's licenses and non-driver identification cards. Effective January 22, 2018, air travelers with non-compliant state-issued identification must present an alternative acceptable to the Transportation Security Administration (TSA). . . . Airports Council International-North America (ACI-NA) applauded the DHS plan "to provide a reasonable time prior to initiating the enforcement of REAL ID requirements for passengers traveling on commercial aircraft." U.S. Travel Association said "rendering many Americans' drivers' licenses insufficient for travel would obviously have a chilling effect on our economy and way of life, but we're hopeful and confident that states and the federal government will solve these issues well before sending us over that precipice." And Montana delegations in the U.S. House and Senate introduced legislation repealing the federal mandates for driver's licenses, saying they violate the constitutional freedoms of law-abiding Americans, invade privacy and force local taxpayers to foot the bill.

2. U.S. Implements Visa Waiver Program Changes.

The United States began implementing changes to the Visa Waiver Program (VWP), mandated by the Visa Waiver Program Improvement and Terrorist Travel Prevention Act of 2015. Nationals of VWP countries who have traveled to or been in Iran, Iraq, Sudan or Syria on or after March 1, 2011 (with limited exceptions for diplomatic or military purposes) are no longer eligible to travel or be admitted to the United States under the VWP; nor are nationals of VWP countries who are also nationals of Iran, Iraq, Sudan, or Syria; they can apply for a visa using the regular immigration process at U.S. embassies or consulates. Electronic System for Travel Authorizations (ESTAs) will be revoked for travelers holding dual nationality with one of those four countries. The Secretary of Homeland Security may waive these restrictions, on a case-by-case basis. . . . Republicans in Congress charge that the Administration has unilaterally broadened exceptions to include individuals who traveled to Iran for legitimate business-related purposes following adoption of the international nuclear pact, and to Iraq for legitimate business-related purposes. Broadened exceptions also include individuals who traveled to Iran, Iraq, Sudan or Syria on behalf of international organizations, regional organizations,

and sub-national governments on official duty; on behalf of a humanitarian NGO on official duty; or as a journalist for reporting purposes.

3. **TSA PreCheck Surpasses Two Million Enrollees.**

TSA PreCheck enrollment has surpassed two million travelers. The expedited screening program began in October 2011 and now has more than 450 lanes at 167 U.S. airports.

4. **CBP Deploys New Airport Technologies.**

U.S. Customs and Border Protection (CBP) is using facial recognition technology to screen certain passengers arriving at New York Kennedy. Initial deployment applies to some first-time Visa Waiver Program travelers and returning U.S. citizens with ePassports. Images will be deleted to protect privacy and civil rights, unless further administrative or enforcement action is necessary. CBP successfully tested the technology last year at Washington Dulles. . . . CBP expanded its Mobile Passport Control (MPC) application to Fort Lauderdale-Hollywood International Airport. Prior to arrival, eligible travelers submit passport information and CBP declaration form to CBP via smartphone or tablet app, which does not require pre-approval, is free to use and does not collect any new information. The MPC app was developed in partnership with ACI-NA and is also in use at Atlanta, Miami, Seattle and Chicago, where it “has significantly cut the time in the customs line for thousands of eligible travelers entering the United States,” said CBP.

IV. E-COMMERCE AND TECHNOLOGY

1. Commission Approves Amadeus Acquisition of Navitaire.

The European Commission approved the acquisition of U.S.-based Navitaire by Spain-based Amadeus, concluding the companies' IT solutions target different types of airlines and are complementary. Both provide worldwide Passenger Service Systems (PSS), used by airlines to internally manage reservations, inventory and departure control. Amadeus' PSS is primarily designed for full service carriers, and Navitaire's for low cost carriers; both companies serve hybrid airlines, but with different degrees of complexity and functionalities, said the Commission. In addition, Amadeus is a leader in the global distribution system (GDS) market, while direct distribution is core to Navitaire's offering. The Commission found that the transaction is unlikely to reduce innovation for new distribution capability (NDC), the data transmission standard developed by the International Air Transport Association (IATA) to enhance communication capabilities between airlines and travel agents.

2. IATA Works to Reduce Fraudulent Payment Transactions.

IATA is expanding its activities to prevent payment fraud, which costs the air travel industry an estimated \$858 million annually, \$639 million borne by airlines and the remainder by other participants in the travel value chain. IATA is cooperating with Ypsilon Net to make IATA Argus Fraud Manager (IATA Argus) available to airlines and travel agents. By accessing information available in GDSs, IATA Argus is able to detect suspect transactions from as early as booking request stage, and flag or cancel them as appropriate. It can notify the agent or airline of a suspicious booking, and automatically take action to void, suspend or cancel a ticket. "You cannot segregate fraud occurring on airline direct channels from fraud generated through travel agency or online travel agency channels," said officials; "IATA Argus protects all channels effectively and provides full automation." IATA Argus can also integrate systems including, but not limited to, IATA Perseuss and Ethoca and uses the provided information to enhance fraud scoring.

3. FAA Approves Honeywell's Airborne Jetwave Hardware for Boeing 757.

FAA approved Honeywell Aerospace's JetWave™ wireless in-flight connectivity system for the Boeing 757. The hardware connects aircraft to Inmarsat's Global Xpress satellite network.

4. iPass Partners with Panasonic.

Under a new agreement with Panasonic Avionics, iPass Wi-Fi connectivity will be available on an additional 23 airlines, on any mobile device. iPass has agreements with several inflight connectivity providers, and offers service onboard more than 2,700 aircraft.

5. Passengers Place Highest Value on Cabin Comfort.

Cabin comfort is the most important aspect of a satisfying flight, more than entertainment, service and food and beverage combined, according to 70% of respondents to a survey conducted by Airline Passenger Experience Association (APEX), in collaboration with LRA by Deloitte. Extra leg room is the most desired amenity, followed by more comfortable seats and more distance between passengers; six in 10 fliers say they would pay for extra leg room, with one-third willing to pay \$10 or more. The survey also found that one-third of passengers used Internet or social networking during their last flight; 55% have downloaded an airline's mobile app, primarily to check flight status and rates, make reservations and check in for a flight; and in-seat entertainment remains the top preference for entertainment, compared with overhead or personal device. Heavier passengers tend to be less satisfied with the flight experience—71% of Asian passengers, who generally weigh under 150 pounds, have a significantly higher rate of satisfaction than North American fliers, who generally weigh more than 200 pounds. The APEX Global Passenger Insight Survey was conducted in May 2015, with 3,400 respondents in Australia, Brazil, Canada, Chile, China, France, Germany, India, Indonesia/Malaysia, Israel, Japan, Jordan, New Zealand, South Africa, Turkey, United Arab Emirates, UK and United States. APEX is a network of the world's leading airlines, suppliers and related companies.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on January 8 was \$44.4/barrel, down 14.1% on the month and down 32.8% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2015 was \$66.7/barrel. Impact on 2015 fuel bill was -\$91.1 billion.

2. **FAA Proposes Stage 5 Noise Standard for New Aircraft.**

FAA released a notice of proposed rulemaking that would establish a new noise standard, known as Stage 5, for new aircraft with takeoff weight of 121,254 pounds or more, on or after December 31, 2017; or less than 121,254 pounds, on or after December 31, 2020. The rule would harmonize noise certification standards for airplanes certificated in the United States with the ICAO noise standard published in March 2014. FAA noted that “adoption of the Stage 5 noise standard for new airplane type designs should not be interpreted as signaling the start of an action aimed at phasing out existing noise standards that apply to production or operation of current airplane models. There are no operational restrictions nor production cut-offs on use of Stage 3 or Stage 4 airplanes in the United States.” Comments due April 13.

3. **Oslo Offers Jet Biofuel to All Airlines.**

Lufthansa, SAS and KLM signed agreements to purchase jet biofuel being offered to all airlines that refuel at Oslo Airport, through a collaboration of Air BP and government-owned public company Avinor. Participating airlines are rewarded with lower CO2 taxes on domestic flights in Norway; biofuel is also exempted from the EU quota system. Air BP has entered into an agreement for delivery of 1.25 million liters to Oslo, with a goal of gradual increases and eventual regular commercial delivery. “This is the first time jet biofuel is being delivered through the normal supply mechanism, thus reducing logistics costs significantly,” said Air BP officials. “We want to demonstrate that airports can readily access biofuel with relative ease, utilizing existing physical infrastructure. We anticipate that this will increase interest and demand, as well as contributing to a sustainable biofuel future for the aviation sector.”

VI. U.S. CONGRESS

1. Senate, House Bills Would Amend Visa Waiver Program Restrictions.

Bipartisan companion bills introduced in the Senate and the House would amend the recently approved Immigration and Nationality Act. The Equal Protection in Travel Act of 2016 removes limitations on the ability of dual nationals of countries such as Iran, Iraq, Syria, and Sudan from participating in the Visa Waiver Program (VWP), but would not alter the travel ban for those who have actually traveled to specified countries. Bill sponsors said changes made to the VWP in December in the wake of the terror attacks in Paris send the wrong message to those fleeing violence in the Middle East, are fundamentally at odds with American values, and invite discrimination against American citizens who are dual nationals. The American Civil Liberties Union applauded the effort. Other groups maintain that the proposed legislation is meant to placate Iran, which claims new VWP restrictions would violate the recent international nuclear pact

2. Hearing Examines TSA Acquisition Reform Progress.

A hearing held by the House Transportation Security Subcommittee examined progress of the Transportation Security Acquisition Reform Act (TSARA), which mandated that TSA become more transparent and strategic in identifying technology investment needs, while working closely with industry stakeholders to develop and procure future technologies. As required, TSA in August submitted a five-year plan to Congress that lays out a vision for near-term technology investments, while providing a clearer vision of the agency's often opaque acquisitions strategy, said Subcommittee Chairman John Katko (R-NY), but "more must be done to build on this strategy and turn words on paper into a more efficient and streamlined procurement process." Katko said bureaucratic difficulties encountered by technology suppliers "and stagnation are preventing TSA and DHS from being responsive to legitimate security threats facing our nation [and] I am intent on holding both TSA and industry accountable to a reasoned, effective investment strategy. Among her remarks, TSA Assistant Administrator Jill Vaughan said screening prevented 119,000 dangerous items from being carried onto airplanes in Fiscal Year 2015. As for progress since TSARA enactment, TSA is developing a concept to enable early capability demonstration and allow industry access to data and real-time user feedback, which has been a frequent request from industry; plans to begin implementing the Third Party Test Program in a phased approach by December 31, to allow vendors to refine products with an outside entity; and has developed a Master Tracker to better manage and monitor testing events and information. Vaughan said a future system will be defined by enhanced

algorithms for explosive detection systems that decrease false alarm rates; dynamic algorithm switching and application of risk profiles; biometrics to enable real-time identity verification of passengers at the checkpoint; and next generation capabilities to more precisely screen carry-on baggage, improving detection capabilities and false alarm rates.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S. Authorizes Code Sharing, Leasing with Cuban Airlines.

The latest amendments to the Cuba Sanctions Regulations include authorization for entry into blocked space, code sharing and leasing arrangements, including entry into such arrangements with a national of Cuba, announced the U.S. Departments of Commerce and the Treasury. Commerce's Bureau of Industry and Security (BIS) "will generally approve license applications for exports and re-exports of items necessary to ensure the safety of civil aviation and the safe operation of commercial aircraft engaged in international air transportation, including the export or re-export of such aircraft leased to state-owned enterprises." Restrictions on payment and financing terms for authorized exports and re-exports, except for agricultural commodities and agricultural items, were removed, and U.S. depository institutions are authorized to provide financing. Restrictions on travel to Cuba by U.S. citizens are further eased, allowing visits for professional meetings, disaster preparedness and response projects, artistic productions, and other reasons. The amendments took effect on January 27, 2016.

2. Iran Nuclear Sanctions Lifted; U.S. Suppliers Approach Cautiously.

As nuclear-related economic sanctions were lifted against Iran on January 16, and billions of dollars of frozen assets unblocked, Airbus signed an agreement with Iran Air for acquisition of 73 wide-body and 45 single-aisle aircraft, with pilot and maintenance training and support services. A second agreement will support development of air navigation services, airport and aircraft operations, regulatory harmonization, technical and academic training, maintenance, repair and industrial cooperation. But caution reigned in the United States, which will continue to target sanctionable activities related to Iran's "support for terrorism, regional destabilization, human rights abuses, and ballistic missile development," said Treasury Secretary Jacob Lew. "The U.S. embargo broadly remains in place, meaning that U.S. persons, including U.S. banks, will still be prohibited from virtually all dealings with Iranian entities." Treasury's Office of Foreign Assets Control clarified official policy: "Specific licenses may be issued on a case-by-case basis to authorize U.S. persons and, where there is a nexus to U.S. jurisdiction, non-U.S. persons to (1) export, re-export, sell, lease, or transfer to Iran commercial passenger aircraft for exclusively civil aviation end-use, (2) export, re-export, sell, lease, or transfer to Iran spare parts and components for commercial passenger aircraft, and (3) provide associated services, including warranty, maintenance, and repair services and safety-related inspections, for all the foregoing, provided that licensed items and services are used exclusively for commercial passenger aviation." . . .

“Iran is a market with immense potential and huge pent-up demand for aircraft, equipment, technology, skills and capital, as well as airport and airspace infrastructure,” said CAPA, which held an Aviation Summit in Tehran. “There are also significant route development opportunities for foreign airlines, airports and national tourism authorities. And given the wealth of historical, cultural and natural attractions in Iran an expected surge in inbound tourism will drive investment in hotels and services.” . . . Iran’s Civil Aviation Organization will host an Airports & Aviation Forum, February 15-16. Airport development projects worth \$2 billion are planned for Tehran, Shiraz, Mashhad, Isfahan and Ahwaz, according to Iran Airports Company (IAC). . . . Several airlines announced plans to resume or start service to Iran, and Iran Air Chairman Farhad Parvaresh said bilateral negotiations would soon begin with the United States to reestablish direct flights.

3. U.S. Big 3 See Decline in International Bookings Due to Rise of Gulf 3.

In the ongoing dispute between the U.S. Big 3—American, Delta and United—and the Gulf 3—Emirates, Etihad and Qatar—a new report charges that following the most recent entry by a Gulf carrier, passenger bookings for international itineraries on U.S. carriers and their joint venture partners declined an average of 13.3% in Orlando, 13.1% in San Francisco and 8.8% in Chicago; previously released data found an average drop of 21.4% in Seattle, 14.3% in Washington, D.C., 10.8% in Boston and 7.6% in Dallas-Fort Worth. The report was published by Partnership for Open & Fair Skies, a coalition composed of the U.S. Big 3 and unions, who have petitioned the U.S. government to re-examine open skies agreements with Qatar and the United Arab Emirates, which allegedly “have provided more than \$42 billion in subsidies and other unfair benefits to their state-owned airlines.” . . . Qatar Airways CEO Akbar Al Baker said his airline will leave oneworld and form a new alliance if American Airlines continues to participate in attempts to limit Gulf airline access to the United States. Another oneworld member, International Airlines Group (IAG), parent of British Airways and Iberia, is allied with the Gulf 3 in the dispute. Qatar holds a 10% stake in IAG. American and IAG have a transatlantic joint venture. In other news, Al Baker is now a member of the IATA Board of Governors; his newly-created position is meant to increase representation for Middle East carriers.

VIII. EUROPE AND AFRICA

1. Europe's Largest Carriers Form A4E Alliance.

A new alliance, Airlines for Europe (A4E), was formed by Lufthansa, Air France-KLM, IAG, EasyJet and Ryanair to represent their interests in European aviation issues, such as excessive airport charges and taxes. In related news, IATA condemned a sudden increase in the Italian Council Tax levied on air passengers. Passengers are paying €10 in tax each time they fly from airports near Rome, and €9 for flights from other Italian airports, said IATA. "None of the revenue raised from the tax is re-invested in aviation, instead it is diverted for general purposes." . . . Transport Commissioner Violeta Bulc said she welcomed the creation of A4E, "as we begin to implement the aviation strategy," which will include comprehensive agreements with China and the Gulf and ASEAN regions, new measures to ensure a level playing field for EU airlines internationally, and action to overcome capacity and efficiency constraints.

2. JetBlue, Icelandair Expand Partnership.

Under an expanded partnership, the JetBlue code is on Icelandair-operated flights to Reykjavik from New York Kennedy, Boston Logan, Orlando, Washington Dulles and Newark. In the future, the JetBlue code will be placed on additional Icelandair routes between the U.S. and Reykjavik and on flights beyond Iceland to select destinations in Europe.

3. Lufthansa Cabin Crew Agrees to Arbitration.

Lufthansa and its flight attendants signed a mediation agreement that rules out strikes until end of June, and reached preliminary accord on a 2.2% wage increase through September 30, 2016, and one-time payment of €3,000 for 2015. Other details will be negotiated until February 15, then transferred to arbitration if agreement is not reached. . . . Chairman Carsten Spohr said 4,000 new employees will be hired this year, including 2,800 flight attendants and 240 pilots, for Lufthansa Group airlines.

4. Air France to Expand Long-Haul Network.

Air France Chairman and CEO Frederic Gagey proposed strategic guidelines for 2017– 2020 that include expansion of the long-haul network by 2 to 3% per year during the period and a 10% increase in capacity and flight hours. Sustainability of the growth plan for Transavia France, which will operate up to 40 aircraft in 2020, "is based on an improvement of the company's competitiveness, particularly on lower unit costs according to a phased

schedule.” Air France management suggested launching negotiations with pilot and cabin crew unions. Ground workers signed a three-year agreement, and Air France said it will not make any forced redundancies for economic reasons among ground staff until June 30, 2018.

5. German Court Resolves Etihad-airberlin Code Share Dispute.

A German court reversed an earlier judgment and allowed Etihad and airberlin to continue operating 26 out of 31 code share flights until the end of the winter schedule on March 26. In all, 76 of 81 code shares are now approved; the outstanding five are on German domestic routes. We remain strongly committed to airberlin, said Etihad CEO James Hogan, “and will redouble our efforts to provide a strong competitive alternative to the dominant German carrier, Lufthansa.” Etihad holds a 29.2% stake in airberlin.

6. Adria Airways sold to Germany's 4K Invest.

Slovenia sold a 91.58 % stake in Adria to German investment fund 4K for €100,000. Slovenian Sovereign Holding said the transaction, subject to regulatory approvals, includes a capital increase by the government of €3.1 million into Adria, while 4K Invest will contribute €1 million.

7. fastjet CEO to Step Down.

Ed Winter is stepping down as fastjet launch CEO, but will remain until a replacement is appointed and then in an advisory capacity. In its four-year quest to become the first low-cost, pan-African airline, fastjet has opened hubs in Tanzania and Zimbabwe and won international rights to fly from Tanzania to South Africa, Zambia, Zimbabwe, Uganda and Malawi, and most recently to and within Kenya. The company was founded by easyjet founder Stelios Haji-loannou.

8. Bohai Leasing Completes Avolon Acquisition.

See Section IX, item 4.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. United to Operate San Francisco-Singapore Dreamliner Service.

United will introduce daily San Francisco-Singapore Boeing 787-9 nonstops on June 1, subject to government approval. This will be the only nonstop service to the U.S. from Singapore and the longest scheduled flight operated by any U.S. carrier, at 8,446 miles. United will terminate service between Singapore and Tokyo Narita effective June 2. The carrier is also launching San Francisco service to Tel Aviv, Xi'an and Auckland this summer.

2. China to Allow Transit Stops in Taiwan.

Mainland China for the first time will allow its citizens to transit through Taiwan's Taoyuan International Airport to third countries. The opening is limited to travelers from Nanchang, Kunming and Chongqing. Taiwan's Central News Agency reports the fully implemented plan is expected to bring an annual \$290 million in benefits to Taiwan's airlines.

3. HNA Launches Low-Fare U-FLY Alliance.

U-FLY, the world's first low-cost carrier alliance, was launched by HK Express (Hong Kong), Lucky Air (Kunming), Urumqi Air (Urumqi) and West Air (Chongqing), all units of Hainan Airlines Group (HNA). HK Express CEO Andrew Cowen is CEO of U-FLY, which serves 85 destinations in the Asia-Pacific region. Separately, Hainan Airlines began twice-weekly Dreamliner service between Changsha and Los Angeles, its eighth North American route.

4. Bohai Leasing Completes Avolon Acquisition.

Bohai Leasing completed its acquisition of Irish lessor Avolon. Avolon has assumed management of Hong Kong Aviation Capital (HKAC) with a total fleet of over 400 aircraft, and is now the core aircraft leasing brand for Bohai Leasing and its parent, HNA Group.

5. ANA Group to Acquire Stake in Vietnam Airlines.

ANA Group signed a Memorandum of Understanding to acquire an 8.8% stake in Vietnam Airlines valued at \$108 million, subject to necessary approvals. The partnership will also provide for the airlines "to take maximum advantage of the increasing demand for air services in the Asian market and, in particular, in the Cambodia-Laos-Myanmar-Vietnam group of countries." ANA Group will hold one seat on the Vietnam Airlines board and provide "operational and management knowhow to help support service quality." Vietnam Airlines

operates 66 flights weekly on 10 routes between Japan and Vietnam; ANA operates 14 flights weekly on two routes.

6. Hawaiian, Turkish Sign Code Share Agreement.

Hawaiian Airlines and Turkish Airlines signed a code share agreement, under which Turkish will put its code on Hawaiian's daily flights between Osaka and Honolulu and its five-times weekly service between Honolulu and Seoul. Turkish operates seven weekly flights between Istanbul and Osaka and eleven weekly flights between Istanbul and Seoul. The pact is subject to approvals from civil aviation authorities. The carriers are considering an extension of their agreement to include each carrier's flights from New York Kennedy.

7. Emirates Increases Los Angeles Service.

Emirates plans to launch a second daily Airbus A380-800 service from Dubai to Los Angeles International on July 1. The carrier has partnerships with Virgin America and Alaska Airlines and operates two weekly Boeing 777-200F freighters to Los Angeles.

8. Qatar Airways Expands U.S. Service.

Qatar Airways began daily Boeing 777-200 nonstops to Los Angeles and converted Philadelphia service to the Airbus A350. The airline will double flights to New York Kennedy on April 1, and launch daily nonstops to Boston on March 16 and Atlanta on June 1.

9. Gulf Air Confirms Boeing, Airbus Orders.

Total order value at the Bahrain International Airshow reached \$9 billion, more than triple the 2014 figure. This includes contracts to support Bahrain's Airport Modernization program and restructured Boeing and Airbus orders for national carrier Gulf Air. Airshow organizers said future expositions will alternate with Dubai, in a format similar to Paris and Farnborough. In other news, Gulf Air CEO Maher Al Musallam has resigned.

10. Oman to Establish First Budget Airline.

Oman's Public Authority for Civil Aviation awarded an air services operator license to Muscat National Development and Investment for establishment of the country's first budget airline.

11. German Court Resolves Etihad-airberlin Code Share Dispute.

See Section VIII, item 5.

X. AMERICAS

1. United CEO Oscar Munoz Recovering from Heart Transplant.

United President and CEO Oscar Munoz underwent a heart transplant and is expected to return to work by second quarter. In other news, United pilots voted to ratify a two-year contract extension. And, the company reached an agreement to acquire 40 new Boeing 737-700s, with deliveries beginning mid-2017, replacing a portion of capacity currently operated by regional partners; United expects to reduce its 50-seat fleet by more than half by 2019.

2. LATAM Plans Joint Businesses with American, IAG.

LATAM Airlines Group is seeking regulatory approvals to enter into separate joint business (JB) agreements with oneworld partners American and IAG. The JB with American would coordinate schedules on flights between the United States and Canada and six South American countries—Brazil, Chile, Colombia, Paraguay, Peru and Uruguay. “Customers will have access to nearly 330 destinations, including 100 more South American destinations than American’s network serves today,” said American Chairman and CEO Doug Parker. Under the JB with IAG, British Airways, Iberia and LATAM would expand their code share arrangements on flights between and within Europe and South America; the combined route network would serve more than 100 destinations in South America and 87 in Europe.

3. oneworld CEO Bruce Ashby to Step Down.

Bruce Ashby will step down as oneworld CEO later this year, but remain until June to enable a seamless handover to his successor. During his five-year tenure, “oneworld added more than 15 carriers as full or affiliate members, expanding the alliance’s capacity by almost 60% and annual passenger carryings by 75%.” Ashby is a former CEO of IndiGo and Saudi Arabian start-up SAMA, and held senior positions with US Airways, United and Delta.

4. JetBlue, Hawaiian Expand Code Share Agreement.

In an expansion of their partnership, JetBlue is placing its code on Hawaiian-operated nonstops between New York Kennedy and Honolulu, and on select connecting flights from JetBlue’s east coast network to Honolulu via Los Angeles, San Francisco and Las Vegas and onward to Hawaiian’s island network. Hawaiian’s code, which has been on select JetBlue flights since 2012, is expanding to additional destinations in JetBlue’s network.

5. Atlas Air Worldwide to Acquire Southern Air

Atlas Air Worldwide Holdings agreed to acquire privately held Southern Air Holdings, parent of Worldwide Air Logistics Group and its subsidiaries, Southern Air and Florida West International Airways. The all-cash, debt-free transaction, valued at \$110 million, is subject to DOT and other approvals. Atlas Air Worldwide, a global provider of outsourced aircraft and aviation operating services, is the parent of Atlas Air and Titan Aviation Holdings, and majority shareholder of Polar Air Cargo Worldwide, and operates the world's largest fleet of Boeing 747 freighters. Southern Air operates Boeing 777 and 737-400s and Florida West operates Boeing 767-300s.

6. Frontier Adds 14 Domestic Routes.

Frontier will launch service in Colorado Springs, Columbus, Pittsburgh and San Antonio in April, May and June, and expand service from Denver. Introductory fares from \$19 one-way were offered on the 14 new routes.

7. Ben Baldanza Steps Down at Spirit.

Robert Fornaro was named President and CEO of Spirit Airlines, effective immediately, succeeding Ben Baldanza, who said he is “focused on supporting a seamless transition.” Fornaro was AirTran President and CEO until the merger with Southwest, and earlier held executive positions with US Airways and Northwest. . . . Spirit is adding nonstops to Orlando, Boston and Detroit from Baltimore/Washington.

8. Allegiant Offers New Routes with Starting Fares at \$39.

Allegiant announced 19 new routes and service to three new cities including Baltimore/Washington; Destin, Florida; and El Paso this spring; introductory fares from \$39 one-way were offered. In other news, Allegiant announced the resignation of Chief Operating Officer Steve Harfst and a restructuring of management to “strengthen its operation and place a renewed emphasis on customer experience.” The company posted 2015 net income of \$220.4 million, compared to \$87 million in 2014.

9. U.S. Authorizes Code Sharing, Leasing with Cuban Airlines.

See Section VII, item 1.

10. JetBlue, Icelandair Expand Partnership.

See Section VIII, item 2.

11. United to Operate San Francisco-Singapore Dreamliner Service.

See Section IX, item 1.

12. Hawaiian, Turkish Sign Code Share Agreement.

See Section IX, item 6.

13. Emirates Increases Los Angeles Service.

See Section IX, item 7.

14. Qatar Airways Expands U.S. Service.

See Section IX, item 8.