



## 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: Global Industry Expects \$18 Billion Net Profit This Year.

The global industry expects a net profit of \$18 billion this year, following earnings of \$6.1 billion in 2012 and \$10.6 billion in 2013, reports the International Air Transport Association (IATA). But airlines will see a net profit margin of only 2.4% and retain just \$5.42 per passenger carried, noted Tony Tyler, IATA Director General and CEO, due to taxes and other burdens. "There is a mismatch between the value that the industry contributes to economies and the rewards that generate for those who risk their capital to finance the industry," said Tyler. Global spending on air transport could reach \$746 billion in 2014, 1% of world GDP, according to the "Economic Performance of the Airline Industry" report, released at IATA's Annual General Meeting (AGM) in Doha. The airline industry will facilitate the \$621 billion in tourism spending and the \$6.8 trillion worth of goods delivered by air, and some 58 million jobs worldwide are supported by aviation.

### 2. IATA Addresses Problem of Unruly Passengers.

A resolution adopted at the IATA AGM calls on governments to ratify Montreal Protocol 2014, which would extend legal jurisdiction for unruly behavior events to the territory in which the aircraft lands. The resolution calls for airline corporate policies and training programs for cabin crew and ground staff to enable them to prevent or manage disruptive passenger behavior, including during check-in, security search and at the gate. Governments and airlines are urged to raise awareness of the consequences of unruly behavior, and airports and concessionaires, such as bars and restaurants, to implement procedures that could help prevent unruly behavior on flights. The definition of unruly behavior includes noncompliance with crew instructions, consumption of illegal narcotics, sexual harassment and physical or verbal confrontation or threats. In 2013, airlines voluntarily reported some 8,000 unruly behavior incidents to IATA. . . . In other AGM news, Air Canada President and CEO Calin Rovinescu assumed duties as Chairman of the IATA Board of Governors for a one-year term, succeeding Delta CEO Richard Anderson. Aeromexico CEO Andres Conesa succeeds Rovinescu in June 2015.

### 3. NTSB Determines Cause of Asiana Crash at SFO.

The National Transportation Safety Board (NTSB) has determined that Asiana Flight 214 crashed when the airplane descended below the visual glide path due to flight crew mismanagement of the approach and inadequate monitoring of airspeed. Complexities of the autothrottle and autopilot flight director

systems, and crew misunderstanding of those systems, contributed to the accident. The Boeing 777 was on approach at San Francisco International on July 6, 2013, when it struck the seawall at the end of the runway. Three of 291 passengers died; 40 passengers, eight of 12 flight attendants, and one of four crewmembers received serious injuries. Impact forces and a post-crash fire destroyed the airplane. NTSB recommended that the Federal Aviation Administration (FAA) convene a special certification design review to investigate how Boeing controls airspeed in the 777 automatic flight control system. Other recommendations to FAA, Asiana, Boeing, the Aircraft Rescue and Firefighting Working Group, and the City of San Francisco address the need for reinforced adherence to Asiana flight crew standard operating procedures, more opportunities for manual flying for Asiana pilots, a context-dependent low energy alerting system, improved emergency communications and staffing and training for aircraft rescue and firefighting personnel.

4. **President Nominates Christopher Hart as Chairman of NTSB.**

President Obama nominated Christopher Hart to be Chairman of NTSB for a term of two years. Hart has served as Acting NTSB Chair since Deborah Hersman left in April and was Vice Chairman from August 2009.

5. **Serbia Granted Category 1 Rating.**

The Category 2 rating held by the Republic of Serbia since 2006 has been raised to Category 1, announced FAA, meaning Serbia complies with International Civil Aviation Organization safety standards and its carriers can seek to establish service to the United States and carry the code of U.S. carriers. Serbia currently has no carriers providing service to the U.S. Flag carrier Air Serbia (formerly Jat Airways) is 49% owned by Etihad Airways.

6. **FAA Bans Recreational Drones Near Airports.**

FAA issued rules that immediately bar use of recreational drones weighing less than 55 pounds within five miles of an airport without notifying the airport operator and air traffic control tower. Compliance with these rules has been required since the 2012 FAA Modernization and Reform Act, and in the new notice FAA restates that model aircraft must not interfere with manned aircraft, and must be flown within sight of the operator and operated only for hobby or recreational purposes. The provisions do not authorize use of model aircraft for commercial operations. FAA may take enforcement action against model aircraft operators who operate in a manner that endangers safety of the national airspace system. In March a Bombardier CRJ-200 operated by a US Airways regional almost collided with a small, remote-control aircraft while preparing to land at Tallahassee Regional Airport. . . . "The emergence of increasingly autonomous unmanned aircraft poses serious questions about

how they will be safely and efficiently integrated into the existing civil aviation structure,” says a new report from the National Research Council, supported by NASA. “Many existing safety standards and requirements, which are focused on ensuring the safety of aircraft passengers and crew, are not well-suited to ensure the safety of unmanned aircraft operations, where the main concern is the safety of people in other aircraft and on the ground.”

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

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

	April '14 / '13	March '14	Full Year				
			2013	2012	2011	2010	2009
On-time arrivals %	79.6/77.3	77.6	78.34	81.85	79.6	79.8	79.5
Cancellations %	1.1 / 1.8	1.9	1.51	1.29	1.91	1.76	1.39
Mishandled baggage*	2.92/3.07	3.68	3.22	3.09	3.35	3.51	3.91
Consumer complaints:							
Airline service	1,259 / 1,085	1,119	13,168	15,338	11,546	10,988	8,821
Disability-related	68 / 61	65	679	741	628	572	519
Discrimination**	6/6	4	79	99	128	143	131

Note: Airlines reported no tarmac delays of more than three hours on domestic flights in April and one of more than four hours on an international flight.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. Passenger Killed as Pakistan Airports Attacked.

A gun attack killed a passenger and wounded two flight attendants on a Pakistan International Airbus A310 landing at Peshawar in northwestern Pakistan; the flight from Saudi Arabia had 196 passengers on board. Airlines including Emirates and Etihad suspended flights to Peshawar. The Pakistani Taliban had threatened to attack airlines in retaliation for military action against its North Waziristan stronghold. . . . Jinnah International Airport, in Karachi, briefly suspended service after two attacks; security and airport personnel were killed. Cathay Pacific said it would suspend flights to Karachi. . . . An Emirates flight to Islamabad was diverted to Lahore when Islamabad's airport was surrounded by supporters of a passenger claiming to lead a revolution against the government of Prime Minister Nawaz Sharif.

### 2. Port Authority Names New Leadership For Airports.

Port Authority of New York and New Jersey named five general managers to help implement \$8 billion in investment projects planned for Kennedy, Newark Liberty, LaGuardia, Stewart and Atlantic City airports; billions of dollars more in projects are planned by airlines over the next decade. A \$3.6 billion central terminal replacement at LaGuardia is among planned programs. . . . In other news, FAA told the Port Authority that two incidents related to runway lights may have occurred due to violation of federal rules. In May, a Delta aircraft bound for Tokyo dislocated a center-line runway light during takeoff, and in April another Delta plane dislodged a similar light at the same runway while landing. FAA strength requirements for runway lighting ensure that components do not come loose and strike a speeding aircraft. (The 2000 accident that destroyed an Air France Concorde at Paris Charles De Gaulle occurred after a wheel struck a titanium strip that had fallen off a Continental aircraft; all 109 people aboard and four on the ground died.) FAA asked for a detailed description of runway and taxiway lighting-inspection practices and pavement maintenance, and copies of self-inspection records.

### 3. Orlando Offers Financial Incentives To Lure New Airlines.

In an incentive plan to take effect in October, Orlando International will rebate up to 100% of landing fees, terminal rent and other fees for passenger and cargo airlines using the airport for a year, reports the *Orlando Sentinel*. Long-haul carriers could receive another \$750,000 in marketing costs.

4. **Propeller Airports To Build Paine Field Terminal for Commercial Flights.**

Propeller Airports submitted a letter of intent to Snohomish County to build a two-gate terminal for commercial flights at Paine Field in Everett, near Seattle. The proposal calls for Propeller to pay for construction costs and parking amenities, while paying rent to the county. FAA approved commercial passenger flights from Paine Field in 2012; opponents are challenging the FAA study that found noise, traffic and pollution would not harm nearby communities. New York-based Propeller Airports is also working with the Paulding County Airport Authority in Atlanta to develop an area for limited commercial aviation use and aerospace maintenance. Executives and advisors include Chairman of the Board Bob Aaronson, former head of the Air Transport Association of America (now A4A); and Hollis Harris, former President of Delta and CEO of Continental and Air Canada.

5. **Mexico City Airport Plan Revived.**

Mexico is reviewing design plans for a new \$9 billion Mexico City airport, which will replace Benito Juarez, Latin America's second busiest after Sao Paulo's Guarulhos. The new airport would begin operating by 2018. Consortia that have submitted design bids include one led by British architect Norman Foster and Fernando Romero, son-in-law of Mexican billionaire Carlos Slim.

6. **New Heathrow Terminal 2 Opens.**

United was the first airline to move into Heathrow's new Terminal 2; 23 Star Alliance members and Aer Lingus, Germanwings and Virgin Atlantic Little Red will move into "The Queens Terminal" in phases over the next six months. When fully occupied, Terminal 2 will have 332 daily flights to 54 destinations. The £2.5 billion project is the latest phase of an £11 billion private sector investment, said John Holland-Kaye, Heathrow Development Director and Chief Executive Designate.

7. **Spain To Sell 49% of Aena.**

Spain is set to sell 49% of Aena Aeropuertos, 21% to an investor group initially, then 28% in a public offering in November. Aena operates 46 airports in Spain and has interests in another 20 worldwide.

8. **Simferopol Opens for International Flights.**

Russian Prime Minister Dmitry Medvedev signed an order to open the airport in Simferopol, Crimea's capital, to international flights. Despite ICAO confirmation of Ukraine's right to provide air navigation services in international airspace over the Black Sea within the Simferopol flight information region (FIR), Russia has controlled the area since April.

**9. Greece To Build €800 Million Crete Airport.**

Greece is seeking private sector proposals to finance, build, operate and maintain an €800 million airport on Crete. The New International Airport at Heraklion is expected to be completed by 2019 and would replace the existing facility. Bids are due November 11.

**10. TAV in Talks To Build Istanbul Terminal.**

TAV hopes to build a €100 million international terminal at Istanbul Ataturk. The Turkish airport operator wants to build capacity to 65 or 70 million, said CEO Sani Sener. A government plan to build a new Istanbul airport has been delayed amid financial and environmental concerns.

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

#### **1. Court Rules No-Fly List Process Unconstitutional.**

A federal judge found that current procedures for people on the No-Fly List to challenge their inclusion are “wholly ineffective” and a violation of the Fifth Amendment guarantee of due process, and ordered the government to create a new process. The ruling from the U.S. District Court in Oregon came in an American Civil Liberties Union (ACLU) lawsuit brought on behalf of 13 plaintiffs who, said ACLU, “found themselves on the list without notice, reasons or meaningful way to get off it.” The court said international travel is a necessary aspect of liberties sacred to members of a free society, and plaintiffs’ inclusion on the No-Fly list constitutes a significant deprivation of their liberty. House Intelligence Committee Chairman Mike Rogers (R-Mich.) called the decision a “recipe for disaster” given the present heightened threat of terrorism.

#### **2. TSA Revises Definition of One-Way Trip.**

Transportation Security Administration (TSA) fees will increase in July from \$2.50 for a nonstop flight, or \$5 for flights with connections, to a flat \$5.60 each way, as mandated by the Bipartisan Budget Act of 2013. Under a new proposal, TSA redefines “one-way trip” as continuous air transportation, during which a stopover does not occur; there may be multiple one-way trips on an itinerary. “The definition of ‘passenger enplanement’ is being removed as it is no longer relevant to imposition of the fee,” said TSA. A new one-way trip will be triggered by a break in travel of more than four hours for continental interstate or intrastate air travel, or 12 hours for foreign. Comments are due August 19, but the rule goes into effect on July 21.

#### **3. FBI Offers \$10,000 Reward for Laser Threats to Aircraft.**

The Federal Bureau of Investigation (FBI) is offering rewards of up to \$10,000 for information leading to the arrest of an individual who aims a laser at aircraft, a violation of Federal Aviation Regulations. Incidents rose from 384 in 2006 to 3,960 in 2013, says FAA, which instituted a formal reporting system in 2005 to collect information from pilots, and imposes civil penalties of up to \$11,000 per violation.

#### **4. GAO Finds U.S. Passport Fraud “Concerning But Not Pervasive.”**

A review by the Government Accountability Office (GAO) of 28 million passports issued by the Department of State in 2009 and 2010 found that more than 30,000 were issued to applicants who used false identification, had active felony warrants or used an incorrect Social Security number (SSN).



GAO said it found no evidence of pervasive fraud. State, which issued over 13.5 million passports during fiscal year 2013, has improved detection of passport applicants using identifying information of deceased or incarcerated individuals, modified its process for identifying applicants with active warrants, and expanded measures to verify SSNs in real time.

5. **CLEAR Program Coming to Las Vegas McCarran.**

CLEAR security lanes and enrollment kiosks will launch in August at Las Vegas McCarran, the tenth U.S. airport to offer the biometric fast-pass system. CLEAR members pay an annual fee for a card that verifies their identity using fingerprint and iris recognition.

6. **Airports Participating in 'Smart Security' Pilot.**

Heathrow, Schiphol and Doha airports are participating in a Smart Security pilot, a joint project of Airports Council International and IATA that focuses resources based on risk, using advanced screening technologies for pre-cleared travelers and process innovations.

7. **U.S. Pre-Clearance in UAE Could Extend to Dubai.**

U.S. Ambassador to the United Arab Emirates Michael Corbin said Dubai is being considered as a Customs and Border Patrol pre-clearance venue, reported *Arabian Business*. A controversial pre-clearance facility in Abu Dhabi has been operational since January.

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

### **1. Airlines Invest In Technology To Manage Flight Disruptions.**

By 2017, 90% of airlines plan to use business intelligence solutions to manage flight disruptions, or irregular operations (IROPs), and 87% plan to use self-service technologies to improve passenger services during periods of disruption, according to a survey released at the Air Transport IT Summit hosted by SITA and *Airline Business* magazine. Informing passengers of disruptions in real-time via mobile is now offered by just over half of airlines surveyed, and 92% plan to do so; more than one-third currently use social media to keep passengers informed, and 80% plan to do so. Currently, just 14% let passengers use kiosks to manage flight changes caused by disruption, but this could rise to 63%, when 73% also plan to offer this service on mobiles, up from 11% today. Senior IT personnel at the top 200 carriers were surveyed. . . . Speaking at the Summit, IATA Director General Tony Tyler said IATA's Fast Travel program aims to offer passengers more control through self-service options covering check-in, self-tagging of baggage, document check, flight rebooking, self-boarding and bag recovery. According to IATA's 2013 Global Passenger Survey, two-thirds of travelers would prefer to check in online or automatically via a text message or email from the airline, and 63% would prefer a self-boarding gate rather than current procedure.

### **2. SITA Governance Review Responds to Airline Concerns.**

The SITA Council voted to support a governance review by a committee comprised of senior representatives from member companies, following criticism voiced by airlines at the IATA AGM in Doha. Qatar Airways CEO Akbar Al Baker said SITA must concentrate on serving the industry, airlines must ensure that the global IT specialist is owned by airlines, and individuals who are not in the industry should not be on the Board. IAG CEO Willie Walsh said current SITA structure is too complex and does not ensure full oversight and control by shareholders. SITA Chairman Paul Coby was replaced by Bill Miller of United Airlines; CEO Francesco Violante will remain until June 2015. SITA is owned by the air transport community; membership comprises 90% of the world's airlines. The not-for-profit organization announced record revenue of \$1.63 billion for 2013.

### **3. Few Flyers Pay for Inflight Wi-Fi.**

According to a TripAdvisor survey of 4,300 air travelers, during first quarter this year, 69% used mobile devices to check flight status, 55% to check in, and 48% to research flight prices. But 90% rarely or never purchase inflight

WiFi, and 81% are opposed to allowing inflight cellphone use. Respondents' top complaint was lack of seat comfort and limited legroom (73%), followed by fees and ticket prices (66%), unpredictable flight delays (45%), long security lines (35%) and loud or crying children (32%).

4. **American Adds Gogo Inflight Internet on Regional Jets.**

Gogo is installing its ATG connectivity service on 30 new American Airlines Bombardier CRJ-900 NextGen aircraft. More than 850 aircraft in American's fleet are equipped with Gogo's inflight Internet services.

5. **American, Fareportal Sign New Distribution Agreement.**

Fareportal will distribute American Airlines and US Airways content including ancillaries through CheapOair and OneTravel. An extension of the current agreement, this is the first post-merger online travel agency pact signed by American Airlines Group. Support for distribution in all Fareportal existing and future geographies is included, and through multiple channels and partners. Access will be available to Fareportal's customer base in multiple countries.

6. **Sabre Launches Capability To Sell United Economy Plus Seating.**

United's Economy Plus seats now are available for sale through U.S. travel agents using the Sabre global distribution system. Detailed seat characteristics and expanded cabin layouts, which include flat-bed seats, can be viewed via Sabre's enhanced interactive seat map.

7. **Inmarsat To Deliver Inflight Connectivity Across EU.**

Inmarsat will deploy an integrated telecommunications network delivering high-speed broadband services to commercial and business aviation passengers across the European Union (EU). The company has ordered a new S-band satellite, Europasat, and expects to complement it with a fully integrated air-to-ground network. "These capabilities will be offered alongside Inmarsat's Global Xpress aviation services, extending Inmarsat's service coverage for European aviation passengers seamlessly across the rest of the globe." British Airways will be the launch customer.

## V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel, as of June 13, was \$124/barrel, up 0.6% on the month and up 3.9% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2014 is \$123/barrel.

### 2. **No-Go for New Burbank Curfew.**

The U.S. House of Representatives defeated an amendment to an appropriations act that would have allowed Burbank Bob Hope Airport to adopt a mandatory curfew. The issue was defeated in a 2011 vote, as well, but those seeking noise relief continue to press for action. The airport currently has a voluntary 10 p.m. to 7 a.m. curfew, but cargo carriers have some inbound flights before 7 a.m., to enable on-time deliveries.

### 3. **Climate Change Threatens Tourism.**

Climate change will have a severe impact on the tourism industry, according to a study by Cambridge University's Institute for Sustainability Leadership (CISL) and its Judge Business School and the European Climate Foundation. Warmer winters are shortening winter sports seasons and threatening viability of ski resorts. Coral reefs are under threat from warmer sea temperatures, rising sea levels, and acidification caused by carbon dioxide build-up in the atmosphere. A three-foot rise in sea level would damage up to 60% of resort properties in the Caribbean and flood many airports and ports. CISL notes that the tourism industry accounts for 9% of global GDP and generates \$6 trillion in revenues each year. Calculations of the contribution of tourism to global carbon dioxide emissions range from 3.9% to 6% of human emissions. As the world becomes more affluent, the sector is expected to grow by 4% annually and reach 10% of global GDP within 10 years. The sector's emissions are on course to grow 130% between 2005 and 2035.

## VI. U.S. CONGRESS

### 1. Amendment Threatens Norwegian Air Application.

An amendment to the House fiscal year 2015 Transportation appropriations bill “prohibits funding from being used to approve certain new foreign air carrier permits or exemption applications except those in compliance with existing law.” The language refers to a Norwegian Air International (NAI) application to DOT to begin low-cost transatlantic flights, which is contested by airlines and labor unions, and, said NAI, has been pending “four times longer than the average application by a European carrier since the U.S.-EU open skies Agreement took effect.” European Commission Transport Vice President Siim Kallas said failure to grant the license would be entirely against the spirit of the open skies agreement. Norway is not an EU member, but NAI holds an operating license from Ireland so its application can only be treated based on the EU-U.S. agreement, said Kallas.

### 2. Hearing on Airport Financing and Development.

At a hearing before the House Aviation Subcommittee on the future of airport infrastructure development, American Association of Airport Executives (AAAE) and other airport groups called for increasing the federal cap on local passenger facility charges (PFCs) to \$8.50. AAAE CEO Todd Hauptli asked lawmakers “to look at the long-term interests of the country rather than the 90-day window to the next quarterly report that drives airline policy formulation.” Airlines for America (A4A) said, “Every \$1 increase in the PFC would cost passengers an additional \$700 million annually and increasing the PFC to \$8 or higher would cost in excess of \$2.5 billion.”

### 3. Bill Sets Conditions for Establishing CBP Preclearance Facilities.

The House Homeland Security Committee passed the U.S. Customs and Border Protection (CBP) Authorization Act, saying Congress has never authorized CBP and “will spend significant time this year authorizing other key DHS components.” The Committee also passed legislation to set prerequisites for establishing preclearance facilities. Any new location must be served by U.S. carriers, and A4A notes the bill would require CBP to consult with stakeholders, including airlines, before establishing the facilities at new locations; address issues at U.S. gateways where customs wait times exceed those at facilities in foreign countries; and consider and report on economic, competitive and job impacts that new locations would have. Among other bills passed by the Committee, the Airport Security Enhancement Act of 2014 would improve intergovernmental planning for and communication during

security incidents at domestic airports; the bill responds to the shooting last November of a TSA Officer at Los Angeles International.

4. **House Appropriations Approves FY 2015 Homeland Security Bill .**

The House Appropriations Committee approved the fiscal year 2015 Department of Homeland Security Appropriations bill, which provides \$39.2 billion in discretionary funding, \$50 million below FY 2014 enacted level, but \$887.8 million above the President's request. The bill "prioritizes security operations and enforcement, and promotes strong oversight and fiscal discipline."

5. **House Passes Bill to Reform DHS Acquisition Management.**

The House passed the DHS Acquisition Accountability and Efficiency Act, which requires greater oversight of the purchasing process, which has been on the GAO "High-Risk List" for programs vulnerable to waste, fraud, abuse and mismanagement for nearly a decade. In April, GAO noted continued weaknesses in DHS's acquisition planning process and portfolio management. In 2013, the DHS Inspector General found the Department mismanaged a \$3 billion DHS-wide contract to modernize its radio systems, and in 2012 GAO reported that 21 of 68 IT contracts totaling \$1 billion were not meeting cost and schedule obligations.

6. **Delta, Boeing Testify in Ex-Im Bank Reauthorization Hearing.**

As Congress decides whether to reauthorize the Export-Import Bank of the United States, Delta CEO Richard Anderson and Boeing were among those providing testimony. Anderson said, in a speech to Aero Club of Washington and before Congress, that significant reforms are needed to ensure the bank's assistance in financing sales of widebody aircraft does not tilt the playing field in favor of global competitors. Boeing officials said the demise of the Ex-Im Bank would help Airbus, which receives financing aid from European agencies, and could lead to a loss of tens of thousands of U.S. manufacturing jobs. The Administration has asked for Ex-Im Bank to be reauthorized for five years, with a 14% increase in its lending cap.

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

### **1. State Department Travel Warnings and Alerts.**

The U.S. State Department issued new Travel Alerts for Thailand and the Russian Federation in June. . . Martial law remains in effect in Thailand and U.S. citizens are cautioned to avoid protest sites, demonstrations and large gatherings. . . Russia declared a state of emergency in nine districts of the Rostov Oblast bordering Ukraine.

Travel Warnings were issued for Honduras, Kenya, Iraq, South Sudan, Djibouti, Ukraine and Venezuela. . . Honduras has the highest murder rate in the world; tourist destinations and resorts have a lower crime rate, but thefts, break-ins, assaults and murders are high by international standards. . . The U.S. Embassy in Kenya instituted restrictions on government personnel travel to coastal counties and coastal portion of Tana River County, due to a June 15 terror attack on Mpeketoni, and is relocating some staff to other countries. In the past 18 months, over 100 people have been killed and hundreds injured in terror attacks in Kenya. . . U.S. citizens in Iraq remain at high risk for kidnapping and terrorist violence; U.S. Embassy has extremely limited ability to respond to situations in which U.S. citizens face difficulty. . . U.S. citizens are warned against all travel to South Sudan, due to instability and a poor security situation resulting from civil conflict which erupted in December. . . In May, suicide bombers attacked a restaurant popular with Westerners in Djibouti's city center, killing one and severely injuring others. Al Shabaab claimed responsibility and warned it would conduct similar attacks in Djibouti. . . Violent clashes in Ukraine continue between pro-Russian groups and Ukrainian forces in Donetsk and Luhansk. Armed separatist groups have established illegal checkpoints and threatened, detained or kidnapped individuals, including U.S. citizens. Russian military forces occupy the Crimean Peninsula and are present on Ukraine's eastern border; the U.S. and Ukraine do not recognize Russia's claim of Crimean annexation. Groups advocating closer ties to Russia have taken on a more strident anti-American tone. Commercial air travel to and from Ukraine's eastern regions may be delayed or suspended. Crimean commercial air travel has been available only for the Russian Federation. . . U.S. citizens in Venezuela should be vigilant due to pervasive violent crime, with a homicide rate among the highest in the world. In 2013, 625 kidnappings were reported; 80% go unreported. Frequent demonstrations have resulted in at least 42 fatalities since February.

## **VIII. EUROPE AND AFRICA**

### **1. Etihad To Take 49% Stake in Alitalia.**

The Alitalia Board approved an Etihad proposal to take a 49% stake in Italy's flag carrier for a reported €400 million. The Board also "approved provisions and asset write-downs for €233 million, in preparation for future strategies." The transaction is subject to final regulatory approvals.

### **2. EU Consumer Rights Directive Enters Into Force.**

A new EU Consumer Rights Directive ensures that consumers EU-wide have 14 days to cancel online purchases, up from seven days. The new rules ban pre-ticked boxes on websites for charging additional payments, for example, when buying plane tickets online; and ban surcharges for credit card use. The directive harmonizes national consumer rules and guidance will be published for national authorities, including an optional model for essential consumer information to be displayed on digital products. The new rules are "putting an end to consumer rip-offs online," said the EU.

### **3. US Airways Code Shares With airberlin, Iberia.**

US Airways is placing its code on airberlin flights from Chicago, Miami and New York Kennedy to Berlin, and from Fort Myers, Los Angeles, Miami and New York to Dusseldorf, with access from Berlin and Dusseldorf to 16 destinations in Europe. airberlin customers can book code share travel on US Airways flights from Frankfurt to Charlotte and Philadelphia, Zurich-Philadelphia, and Munich-Philadelphia, and connecting service to Chicago, Los Angeles, Miami, New York and Phoenix. . . . A phased-in code share with transatlantic joint business partner Iberia initially includes all of their transatlantic flights and eventually will add 16 destinations beyond Madrid. Code share agreements with other oneworld members are expected for US Airways, which became an affiliate member of oneworld and the Atlantic joint business with British Airways, Iberia and Finnair after merging with American.

### **4. Lufthansa Lowers Profit Expectations.**

Lufthansa lowered operating profit expectations for current financial year to €1 billion compared to forecast of €1.3 to €1.5 billion, citing excess capacity on American and European routes, which will be reduced during winter timetable period; and "strong capacity growth by state-owned Gulf carriers [which] are advancing ever further into the European market [and investing] in European airlines." An April strike by pilots had a negative results impact of €60 million, and "impairments on receivables denominated in Venezuelan Bolivar have



burdened the result of the current year by €60 million so far.” To boost competitiveness, structural measures will be implemented at a higher pace, with details to be presented in July by new Chairman and CEO Carsten Spohr.

5. **Kenya Airways Names New CEO.**

Kenya Airways Chief Operating Officer Mbuvi Ngunze was named Managing Director and CEO, effective December 1. He will succeed retiring Titus Naikuni. The company posted second-half 2013 loss of \$43 million largely driven by reduced passenger revenues after a fire at Kenyatta Airport in August that destroyed the international arrivals terminal, an attack on a Nairobi mall that killed at least 67 people, and travel advisories by foreign countries including the United States. Kenya Airways received its second Boeing 787 and expects four more Dreamliners by yearend. Flights to Nigerian capital Abuja began, “as the airline works towards realizing its dream of growing its footprint in all African capitals by the year 2016.”

6. **Serbia Granted Category 1 Rating.**

See Section I, item 5.

7. **Star Alliance Approves Air India Membership.**

See Section IX, item 2.

8. **Airbus Invests in Shariah-Compliant Aircraft Leasing Fund.**

See Section IX, item 11.

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

### **1. MH370: New Search Area Announced.**

A priority underwater area for the next phase of the search for Malaysia Airlines Flight MH370 was announced by the Australian Transport Safety Board (ATSB). The new area of up to 60,000 square kilometers is located in the southern Indian Ocean and, like previous searches, where the missing aircraft last communicated with a satellite. The new phase includes a bathymetric survey of the sea floor, which is underway, and a comprehensive search of the mapped sea floor. A public request for tender, seeking a primary contractor to bring together and manage expertise, equipment and vessels to carry out the search, closed on June 30. The Boeing 777-200ER lost contact with air traffic control during a transition of airspace between Malaysia and Vietnam on March 8. Analysis of radar data and satellite communication system signaling messages placed the aircraft in the Australian search and rescue zone on an arc in the southern Indian Ocean, considered to be the location where the aircraft's fuel was exhausted. No debris associated with Flight MH370 was identified in the subsequent surface, acoustic or ocean floor search. Comparing the event to other losses, the ATSB report observes that passengers and crew may have died from hypoxia as the aircraft followed an orderly path into the ocean on autopilot.

### **2. Star Alliance Approves Air India Membership.**

The Star Alliance approved the membership of Air India, the first Indian airline to join a global airline alliance. Reciprocal frequent flyer and lounge benefits become effective on July 11.

### **3. Delta Begins Seattle Nonstops to Seoul, Hong Kong.**

Delta began nonstops from Seattle to Seoul and Hong Kong. . . . Under a new agreement, code sharing with SkyTeam partner Garuda Indonesia on Delta-operated Boeing 767-300ER flights from Tokyo Haneda to Los Angeles and Seattle will begin pending final government approvals.

### **4. American Begins Dallas Service to Hong Kong, Shanghai.**

American began daily Boeing 777 nonstops from Dallas/Fort Worth to Hong Kong and Shanghai Pudong. The routes are operated as part of American's joint business agreement with oneworld partner Japan Airlines.

**5. United Offers First Nonstop U.S.-Chengdu Service.**

United began three weekly Boeing 787-8 services between San Francisco and Chengdu, China's fourth-largest city. This is the first nonstop from the U.S. to mainland China beyond Beijing and Shanghai and United is the first U.S. carrier to serve Chengdu. Star Alliance and code share partner Air China flies to 62 cities from Chengdu.

**6. Air China Begins Beijing-Washington Dulles Service.**

Air China introduced four weekly Boeing 777-300ER nonstops from Beijing Capital to Washington Dulles. The carrier's other North American gateways are Los Angeles, San Francisco, New York Kennedy, Houston, Honolulu and Vancouver. Air China is the world's largest airline by market capitalization, according to IATA.

**7. Hainan Begins Beijing-Boston Service.**

Hainan launched four weekly Boeing 787 nonstops between Beijing and Boston, to increase to daily for July and August. Other Hainan North American destinations are Seattle, Chicago and Toronto .

**8. Etihad Begins Los Angeles Flights.**

Etihad began daily Airbus 340-500 service to Los Angeles from Abu Dhabi, where passengers are processed through U.S. immigration, customs and agriculture inspections before boarding, eliminating the need to do so on arrival in the U.S. In July, the service will transition to the Boeing 777-200 LR, with additional business class flatbed seats. Etihad also serves New York, Chicago and Washington, D.C., and will add Dallas/Fort Worth in December.

**9. Qatar Adds U.S. Destinations.**

Qatar Airways began Boeing 777-200 service to Miami International from Doha and will begin flights to Dallas/Fort Worth in July. The Miami route is expected to generate 536 new jobs and \$78.3 million in additional revenue for the community, said CEO Akbar Al Baker.

**10. Emirates To Increase San Francisco, Houston Capacity.**

Emirates will add passenger and cargo capacity to San Francisco and Houston in December when it switches from the Boeing 777-300ER to the Airbus A380.

**11. Airbus Invests in Shariah-Compliant Aircraft Leasing Fund.**

Airbus and Jeddah-based Islamic Development Bank (IDB) are anchor investors and strategic partners in a new sharia-compliant aircraft leasing

fund, ALIF, to be managed by International Airfinance Corporation (IAFC). Dubai-based Quantum Investment Bank and Palma Capital are the exclusive placement agents for ALIF, which will acquire new and used Airbus aircraft to be leased to airlines in the Gulf Cooperation Council (GCC) and Organization of Islamic Conference (OIC) member countries. Habib Fekih, President of Airbus Group MENA, is ALIF Chairman. The objective of the Fund is to achieve a risk adjusted medium to long-term capital appreciation while generating a quarterly cash dividend to investors. According to the IDB website, Islamic finance is “a moral system” that “emphasizes the balance between for-profit activities, or the market, and not-for-profit activities, including social and philanthropic activities.”

**12. AirAsia India Launches With \$17 Fares.**

AirAsia India entered service with an Airbus A320 Bangalore-Goa flight, which, according to CEO Mittu Chandilya, sold out in 10 minutes with fares as low as \$17. A joint venture of Malaysian budget airline AirAsia and Tata Sons and Telstra, AirAsia India is the first airline with foreign investment to operate in India. Nine destinations are planned for this year.

**13. NTSB Determines Cause of Asiana Crash at SFO.**

See Section I, item 3.

## **X. AMERICAS**

### **1. American Reaches Labor Agreements.**

American Airlines reached three tentative agreements with the International Association of Machinists (IAM) covering US Airways mechanics, fleet service agents and maintenance training specialists. IAM said the three-year accords “provide for substantial wage hikes, significant job security improvements and maintain industry-best healthcare benefits.” If ratified, the pacts will lead to joint collective bargaining negotiations with Transport Workers Union (TWU) members at the new American Airlines. . . . Association of Professional Flight Attendants (APFA) and Association of Flight Attendants-CWA (AFA) jointly petitioned the National Mediation Board (NMB) for single carrier determination. APFA will represent the combined work group; until then, AFA continues to administer the US Airways/AFA contract. . . . American will build a combined-operations center near its Dallas/Fort Worth headquarters, to open third quarter 2015. The US Airways’ operations center near Pittsburgh will close. . . . Compass will provide regional service for American, operating 20 new 76-seat Embraer E175s under the American Eagle brand, beginning first quarter 2015, with options for future additional E175 placements. Minneapolis-based Compass is a subsidiary of Trans States Holdings, which also owns GoJet and Trans States and provides US Airways Express, United Express and Delta Connection service. . . . American will acquire a London-Heathrow landing slot from Cyprus Airways for \$31 million, effective September 13; Cyprus will transfer its Larnaca-London nonstop to Stansted on September 14.

### **2. Southwest Co-Founder Rollin King Dies.**

Southwest co-founder Rollin King died in Dallas, at 83. He and Herb Kelleher revolutionized the airline business in 1971 with no-frills, low-fare flights. King served as Executive Vice President of Operations, was a Southwest pilot until 1978 and a Board member from 1967 until May 2006.

### **3. United Adds Central America, Caribbean Service.**

United will introduce daily Boeing 767-300 service to Santiago, Chile, from Houston Bush, and year-round weekend service from Houston to Punta Cana, Dominican Republic, in December, and Chicago-Belize, with Saturday service scheduled through early May 2015, subject to government approvals. . . . United dispatchers ratified a new joint labor agreement. United is “starting an expedited negotiations process with Association of Flight Attendants and expects to enter back into negotiations with the International Brotherhood of Teamsters, representing United’s technicians to reach joint agreements to

become a fully combined workforce.” . . . Beginning March 1, United frequent flyers will earn award miles based on ticket price (base fare and carrier-imposed surcharges) and MileagePlus status, rather than distance flown.

4. **JetBlue Premium Service Begins.**

JetBlue's premium service Mint was launched on Airbus A321 New York Kennedy to Los Angeles flights, and on October 26 will expand to the Kennedy to San Francisco route. Mint features “the widest seat and longest fully-flat bed in the U.S. domestic market and four private suites.”

5. **Virgin America Reports Year-Over-Year Improvement.**

San Francisco-based Virgin America reported a first quarter operating loss of \$13.1 million, a \$1.9 million improvement over prior year. “With 30% of our revenue generated by New York markets alone, we bore the brunt of this year's winter storms with a significant increase in cancellations,” said President and CEO David Cush.

6. **David Abney Named CEO of UPS.**

UPS Chief Operating Officer David Abney was named CEO, effective September 1. He succeeds Scott Davis who will become non-executive Chairman. Abney began his UPS career in 1974 as a package loader.

7. **American Cuts 48 Weekly Venezuela Flights to 10.**

American Airlines is reducing weekly flights to Venezuela from 48 to 10, effective July 2, joining at least 10 other airlines that have cut Venezuela service because of the nation's failure to release funds owed to them. The Venezuelan government requires airlines to sell tickets in bolivars, but does not allow them to repatriate the revenue in dollars. IATA has estimated the loss to airlines at more than \$4 billion. American flies to Caracas and Maracaibo from New York, Miami, Dallas/Fort Worth, and San Juan, Puerto Rico; under the new schedule it will fly only from Miami. The airline said it will continue to work with the government to resolve the problem.

8. **WestJet Begins Transatlantic Service.**

WestJet began transatlantic service with a Toronto to Dublin flight with a brief stop in St. John's, Newfoundland. The seasonal service is heavily booked and was extended to October 25.

9. **Azul Applies for U.S. Frequencies.**

Brazilian airline Azul applied with the U.S. Department of Transportation to begin daily Airbus A330-200 nonstops from Sao Paulo Campinas to Fort

Lauderdale, Orlando and New York. This would be the first international service for the carrier, which was started in 2008 by JetBlue founder David Neeleman. Last year, Azul merged with TRIP to create the third largest airline in Brazil after TAM and GOL.

10. **US Airways Code Shares With airberlin, Iberia.**  
See Section VIII, item 3.
11. **Star Alliance Approves Air India Membership.**  
See Section IX, item 2.
12. **Delta Begins Seattle Nonstops to Seoul, Hong Kong.**  
See Section IX, item 3.
13. **American Begins Dallas Service to Hong Kong, Shanghai.**  
See Section IX, item 4.
14. **United Offers First Nonstop U.S.-Chengdu Service.**  
See Section IX, item 5.
15. **Air China Begins Beijing-Washington Dulles Service.**  
See Section IX, item 6.
16. **Hainan Begins Beijing-Boston Service.**  
See Section IX, item 7.
17. **Etihad Begins Los Angeles Flights.**  
See Section IX, item 8.
18. **Qatar Adds U.S. Destinations.**  
See Section IX, item.
19. **Emirates To Increase San Francisco, Houston Capacity.**  
See Section IX, item 10.
20. **Airbus Invests in Shariah-Compliant Aircraft Leasing Fund.**  
See Section IX, item 11.