



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: Passenger Demand Increased 5.2% in 2013.**

Global passenger demand increased by 5.2% in 2013, aligning with average annual growth rates of the past 30 years, reports the International Air Transport Association (IATA). Capacity rose 4.8% and load factor averaged 79.5%. Demand in international markets (5.4%) expanded slightly more than in domestic (4.9%). Strongest domestic and international growth combined was recorded by carriers in the Middle East (11.4%) followed by Asia-Pacific (7.1%), Latin America (6.3%) and Africa (5.2%). Slowest growth was in developed markets of North America (2.3%) and Europe (3.8%). . . . Addressing the Singapore Airshow Aviation Leadership Summit, IATA Director General Tony Tyler expressed concern about “the negative impact of growing regulatory divergence and the proliferation of ‘unique approaches’ to regulating the industry,” he said. “While they were created with the best of intentions, they often come with the unintended consequences of complexity and bureaucracy.” Tyler suggested five guiding principles for governments when developing regulations: (1) consult broadly, including industry and consumers; (2) ensure a rigorous process for analyzing costs and benefits of new regulation; (3) ensure regulations do not conflict with global standards where they exist; (4) harmonize so that regulations are not at cross-purposes with a global industry; and (5) think of what will deliver value to the passenger.

2. **Asiana Fined for Failing To Assist Families After Crash.**

The U.S. Department of Transportation (DOT) fined Asiana \$500,000 for failing to properly assist relatives of victims of the July 6 crash of Flight 214 at San Francisco International Airport, as mandated by the Foreign Air Carrier Family Support Act of 1997. For a day following the crash, the South Korean airline failed to widely publicize a phone number for family members. The reservations line did not include a separate crash-related menu. Asiana took two days to successfully contact most families and others were not contacted for five days. Asiana took two days to send a sufficient number of trained personnel to San Francisco, initially lacked enough staff able to communicate in languages spoken by passengers, and had no pre-existing contract for cleaning and returning passenger property. Five days after the crash Asiana had resources necessary to carry out its responsibilities under the Act.

3. **NTSB Holds UPS Crash Hearing.**

The National Transportation Safety Board (NTSB) held an investigative hearing on the August 14, 2013, crash of United Parcel Service (UPS) Flight

1354. The Airbus A300-600 crashed on approach to Birmingham from Louisville. The two pilots were killed and the airplane was destroyed. Among issues discussed were execution of non-precision approaches; fatigue and fitness for duty; and dispatch procedures, including training and limitations of dispatch-related software. The pilots did not get a "too low terrain" warning from the Enhanced Ground Proximity Warning System until after first sound of impact on descent. Both had complained of fatigue; the flight was the third and final of their shift, which included a four-hour layover in Louisville. . . . NTSB is investigating a turbulence accident involving a United Boeing 737, en route from Denver to Billings, Montana; three flight attendants and two passengers were taken to the hospital after the jet landed in Billings. One flight attendant was admitted, the other injured were treated and released. Separately, a Hong Kong-bound Cathay Pacific Boeing 747, en route from San Francisco, hit severe turbulence over Japan; six injured passengers were sent to hospitals in Hong Kong with one flight attendant said to be in serious condition.

4. **FAA Proposes Civil Penalty Against Amazon.**

The Federal Aviation Administration (FAA) proposed a \$78,000 civil penalty against Amazon Fulfillment Services of Nevada, for allegedly violating DOT hazardous materials regulations in August 2013, when they shipped paint, a Hazard Class 3 Flammable Liquid, on a FedEx aircraft. The shipment was not accompanied by papers or marked, labeled or packed in accordance with hazardous materials rules; contained no hazardous material inner packing, such as inserts or absorbent materials; and failed to protect against release of hazardous material into the environment under normal transportation conditions.

5. **Foxx on Congestion.**

Airport congestion and delays will cost the U.S. economy \$63 billion per year by 2040 without additional investment in NextGen, DOT Secretary Anthony Foxx told the Aero Club of Washington, quoting a report by the American Society of Civil Engineers. He said he is committed to aviation, despite current attention on a surface transportation bill, and will work with Congress to ensure that stable funding for FAA continues. The infrastructure deficit is particularly true when it comes to aviation, he said, and FAA is still operating at historically low funding levels. Foxx said the government is open to ideas on privatizing air traffic control, subject to agreement by industry stakeholders.

6. **FAA To Hire 10,000 Air Traffic Controllers in Next Decade.**

FAA plans to hire and train more than 10,000 air traffic control specialists in the next 10 years and has posted requirements on its website. More than 15,000 federal controllers are employed at 315 FAA air traffic facilities.

7. DOT Seeks Public Comment on Inflight Voice Communications.

DOT asked for public comment on whether it should propose a rule to ban voice communications on passengers' mobile wireless devices on flights within, to and from the United States. The Advance Notice of Proposed Rulemaking is intended to address concerns raised by the public, airlines, flight attendants and members of Congress about a Federal Communications Commission (FCC) proposal that could give airlines the ability to allow passengers to talk on cellphones while flying above 10,000 feet. A recent FAA rule change allows passenger use of Portable Electronic Devices (PEDs) during all phases of flight, but does not include voice communications.

8. FAA Evaluates Airport Tower Lightning Protection Systems.

FAA is assessing lightning protection systems for airport towers. In September, a lightning strike at Baltimore/Washington International injured an air traffic controller and exposed a potential vulnerability at towers during storms. Documents obtained under the Freedom of Information Act showed that an investigation after the strike identified several electrical issues in Baltimore's tower, which was built in 1960 and renovated in 1983, reports The Associated Press. FAA told the AP the accident was the first of its kind and it has approved \$400,000 to address the tower's lightning protection systems. The agency will evaluate the condition of lightning protection systems at the 440 U.S. towers it is responsible for, particularly some 200 towers built prior to 1978, when FAA first issued standards for the protection systems.

9. FBI Program To Deter Laser Strikes.

A two-month public awareness program on consequences of illegal laser attacks on aircraft cockpits was launched in 12 U.S. cities by the Federal Bureau of Investigation (FBI), with a reward of up to \$10,000 for information that leads to the arrest of any individual who aims a laser at an aircraft. FAA and Air Line Pilots Association are collaborating on the effort, which will run in Albuquerque, Houston, Los Angeles, Philadelphia, Phoenix, Cleveland, Sacramento, San Antonio, San Juan, Washington, Chicago and New York. Since the FBI and FAA began tracking laser strikes in 2005, statistics reflect more than a 1,100% increase in the deliberate targeting of aircraft by people with handheld lasers. In 2013, 3,960 laser strikes were reported. Laser illuminations of aircraft are a federal crime, punishable by a fine of up to \$250,000 and up to five years' imprisonment; FAA also has the ability to impose civil fines of up to \$11,000 per laser incident.

10. Winter Storms Continue to Disrupt Operations.

Storms across the U.S. this year caused 76,400 flight cancellations by mid-February, according to media reports. United Airlines said its consolidated first quarter unit revenue will decrease by 0.5% to 2.5% this quarter, due to cancellations of 22,500 flights in January and February, mostly by regional partners; the carrier earlier had projected a rise of up to 2%.

11. DOT Air Travel Consumer Report for December.

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

	Dec.	Nov.	Full Year				
	'13 / '12	'13	2013	2012	2011	2010	2009
On-time arrivals %	68.9 / 76.6	83.5	N/A	81.85	79.6	79.8	79.5
Cancellations %	2.9 / 1.6	1	N/A	1.29	1.91	1.76	1.39
Mishandled baggage*	4.55 / 4.15	2.62	3.22	3.09	3.35	3.51	3.91
Consumer complaints:							
Airline service	1,114 / 902	755	13,168	15,338	11,546	10,988	8,821
Disability-related	47 / 35	52	679	741	628	572	519
Discrimination**	9/3	5	79	99	128	143	131

Note: Airlines reported 10 tarmac delays of more than three hours on domestic flights in December and four of more than four hours on international flights; most were at Chicago O'Hare due to a December 8 snowstorm.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Atlanta Remains World's Busiest Airport.

While many North American airports ended 2013 with robust growth rates in passenger traffic, Atlanta Hartsfield-Jackson, the world's busiest airport, contracted by 1.1%, reports ACI. Atlanta experienced a 4.1% increase in international passenger traffic, but domestic market declined 1.7%. The world's airports saw passenger traffic year-over-year growth of over 6% for the month of December, and 4% for the year.

2. Port Authority Announces \$8 Billion for New York-Area Airports.

Port Authority of New York and New Jersey will invest \$8 billion in New York-area airports, including redevelopment of LaGuardia's Central Terminal and Newark Liberty's Terminal A. Construction management of the \$3.6 billion LaGuardia project will be under New York Governor Andrew Cuomo's responsibility. A public-private partnership, with private-sector partner to be chosen by June, the LaGuardia project includes a new 35-gate terminal, 70 acres of aeronautical ramps, frontage roads and other facilities. A \$2 billion Newark Liberty project includes construction of a new 33-gate terminal (expandable to 45 gates), 144 acres of airfield work, a new roadway system and a 3,000 space parking garage. Stewart International will receive \$71 million to rehabilitate the two main runways.

3. Virgin America Wins Eight Washington National Slots

Virgin America won the final eight takeoff and landing slots at Reagan Washington National in the American-US Airways divestiture; 54 were awarded to Southwest and 40 to JetBlue, including 16 that JetBlue had been leasing. Southwest returned a Sunday-only slot pair at National, which it received for free and does not intend to use. Virgin America earlier won 12 LaGuardia slots, while Southwest won 22. In related news, American won rights to 24 takeoff and landing slots at New York Kennedy in a swap with JetBlue, which, in exchange, received the 16 slots at Washington National.

4. Cleveland Seeks To Replace Lost United Service.

With United planning to reduce Cleveland Hopkins operations by 64%, mostly on commuter routes, city officials announced an effort to attract additional air service. "We have long recognized that this was one possible consequence of the United-Continental merger," said the Greater Cleveland Partnership, and "will now mount an aggressive effort to replace as many lost routes as possible." United said the schedule cuts would be phased in from April through

June, noting the Cleveland hub has lost tens of millions of dollars in recent years. United also said its timing was accelerated by new pilot rest rules, which have caused mainline airlines to hire regional pilots, limiting regional partners' ability to fly their schedules due to reduced new pilot availability. Frontier announced it is expanding flights from Cleveland with four weekly year-round nonstops to Orlando, and three weekly seasonal nonstops to Seattle; the Airbus A320 services begin June 13. And Delta will add daily nonstops to Indianapolis and Raleigh/Durham from Cleveland.

5. **Dubai January Passenger Traffic Rises 15.1%.**

Dubai International reported record monthly traffic, exceeding 6.4 million passengers in January, up 15.1% from 5,559,760 in January 2013.

6. **"Eco-Warriors" Protest Planned Nantes Airport.**

See Section V, item 3.

III. **SECURITY AND DATA PRIVACY**

1. **TSA Allows Duty-Free Liquids Through Checkpoints.**

The Transportation Safety Administration (TSA) now allows passengers traveling internationally into the United States with a connecting flight to carry liquids in excess of 100 ml in carry-on baggage, provided they were purchased in duty-free shops and placed in secure, tamper-evident bags (STEBs). Excluded are liquids in opaque, ceramic or metallic bottles that cannot be effectively scanned. . . . The European Commission issued similar guideline revisions for liquids, aerosols and gels (LAGs) purchased outside the European Union.

2. **Light Sensory Network Installed at Newark Airport.**

Newark Liberty has installed a lighting system in Terminal B that connects to sensors and video cameras which gather and transmit data for automated analysis, reports the *New York Times*. The software can spot long lines, recognize license plates and identify suspicious activity, sending alerts to appropriate staff. Privacy advocates are concerned about what Port Authority of New York and New Jersey will do with collected data, but the airport operator says no other agencies will have access to it and a law enforcement agency can obtain it only through a subpoena or written request. The platform was developed by Sensity Systems, which uses energy-efficient LED lighting as the foundation for the high-speed, sensor-based Light Sensory Network (LSN), and hopes to establish an LSN industry standard. LSN-ready luminaires can help cities, businesses and other entities “generate valuable data to better understand and manage their physical environment for greater productivity, efficiency, and security,” says the company.

3. **Airlines Alerted to Shoe Bomb Threat.**

The Department of Homeland Security (DHS) issued a warning to airlines with international flights bound for the U.S. to be alert for terrorists planning to attack passenger jets using explosives concealed in shoes. Liquids and certain cosmetics also were of concern. Earlier, among terrorist threats surrounding the Sochi Olympics, airlines were alerted to potential bombs in toothpaste tubes on flights to and from Moscow. DHS Secretary Jeh Johnson and other officials told news media that the agency routinely updates advisories or modifies procedures to ensure vigilance.

IV. E-COMMERCE AND TECHNOLOGY

1. Orbitz, Amadeus Partner in North America.

Amadeus has entered into a new multi-year agreement with online travel company Orbitz Worldwide. Madrid-based Amadeus will deliver its technology and global distribution system services to support Orbitz brands in North America, including Orbitz.com and CheapTickets.com.

2. Travelport To Sell United Economy Plus in the U.S.

Travelport-connected agents in the U.S. can now sell United Economy Plus seating, access availability and prices within the agent workflow, and book complimentary Economy Plus seats for qualified MileagePlus customers. The airline said it is working closely with Travelport to improve its ability to sell ancillary products.

3. TripAdvisor Adds Airline InFlight Insights, Amenities.

TripAdvisor redesigned its flight search to include inflight insights, such as cramped leg room or spacious seats, and amenities information, traveler photos and the ability to scan for the lowest prices for airlines globally. TripAdvisor manages and operates websites under 21 travel media brands.

4. Antitrust Suit Against Gogo.

A suit by passengers claiming Gogo violated antitrust laws by cooperating with airlines to force up Wi-Fi prices was granted class-action status by the U.S. District Court of Northern District of California. Gogo, the largest inflight Wi-Fi provider, installs equipment on planes, including those of American and Delta, sets fees and pays airlines a commission, and plaintiffs maintain that the contracts are not easily terminated.

5. Online Booking Service Accepts Bitcoins.

AirFastTickets is the first online travel booking service to accept Bitcoins. According to the Bitcoin website, the virtual currency allows for “peer-to-peer anonymous payments, is open-source, its design is public, nobody owns or controls Bitcoin and everyone can take part.”

V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel, as of February 14, 2014, was \$125.6/barrel, up 1.9% on the month and down 9.5% year-on-year, reports the International Air Transport Association. Fuel price average for 2014 is \$124.5/barrel.

2. **United First To Fly With Fuel-Efficient Split Scimitar Winglets.**

United was the first airline to fly a commercial flight on an aircraft retrofitted with Split Scimitar winglets that reduce fuel consumption by up to 2% per aircraft. The Boeing 737-800 flew from Houston to Los Angeles. Aviation Partners Boeing (APB) received Supplemental Type Certification from FAA for the technology, which adds strengthened spars, aerodynamic Scimitar tips and a large ventral strake to existing blended winglet structures. APB will develop and certify the modification for Boeing 737-700, 800 and 900 series aircraft and expects “a dozen airlines will be operating Split Scimitar winglets in revenue service within the next few months.” Certification on the 737-900ER is expected by late July 2014. APB estimates that blended winglets have saved airlines worldwide 4.1 billion gallons of jet fuel, thus eliminating over 43 million tons of carbon dioxide emissions.

3. **“Eco-Warriors” Protest Planned Nantes Airport.**

Environmental activism reached a crescendo in Nantes, where authorities in 2008 approved construction of a new airport for western France with construction due to begin this year. Protesters charge that the €580 million airport will damage wetlands and wildlife. Some clashed violently with riot police, smashing store windows and hurling objects. Prime Minister Jean-Marc Ayrault, who is from Nantes and was its mayor, has been an advocate of the project.

VI. U.S. CONGRESS

1. Senator Calls for Passage of Safe Skies Act.

Following the NTSB hearing on the August 14 crash of UPS Flight 1354 in Birmingham, Senator Barbara Boxer (D-CA) called for enactment of the Safe Skies Act, which was introduced in both the House and Senate. The bill would require rest rules for pilots of cargo flights to equal those of passenger flights. The hearing disclosed a conversation between the UPS pilots, both of whom were killed in the crash. "They clearly knew the dangers they faced due to the lack of safe work hours for cargo pilots and in their names we should pass the Safe Skies Act," said Boxer, who co-sponsored legislation that directed DOT to write new rules to address pilot fatigue after the 2009 crash of Colgan Flight 3407 near Buffalo; those rules, which took effect in January, limit flying time only for pilots of passenger planes.

2. Bill Would Prohibit Inflight Voice Communications.

The Prohibiting In-Flight Voice Communications on Mobile Wireless Devices Act of 2013 was approved by the House Transportation Committee. H.R. 3676 prohibits use of cell phones for voice communications during the inflight portion of any scheduled domestic commercial flight. The bill contains exemptions for on-duty members of flight and cabin crews, and federal law enforcement personnel acting in an official capacity. Passengers can use mobile devices for non-voice activities.

3. House Bill Requires Rulemaking Process for FAA OSA Decision.

The House passed legislation to ensure FAA conducts an open rulemaking process before making changes to medical certification requirements for pilots with disorders, including Obstructive Sleep Apnea (OSA). The measure must be approved by the Senate. FAA planned to require that aviation medical examiners calculate body mass index (BMI) for each pilot and air traffic controller; applicants with a BMI of 40 or more would be evaluated by a physician who is a board certified sleep specialist. "This single-criteria approach should be replaced by one which takes into account the pilot's medical history, and one which provides ample time for a pilot who suffers from OSA to address it before putting his or her medical certificate at risk," said Air Line Pilots Association, Int'l (ALPA); "a medical certificate for a commercial airline pilot is their livelihood, and any actions taken to change or alter the requirements to acquire or retain one need to be thoroughly discussed in advance with leading industry stakeholders including ALPA."

4. Hearing on FAA Modernization and Reform Act Progress.

The House Subcommittee on Aviation held a hearing to examine ongoing implementation of the FAA Modernization and Reform Act of 2012, and, said Transportation Committee Chairman Bill Shuster (R-PA), “to look ahead and begin planning for the next reauthorization.” . . . In his testimony, FAA Administrator Michael Huerta said the agency has completed or is on track to complete more than 80% of 200 deliverables contained in the reauthorization, including “finalizing the software and hardware updates to our air traffic control system that will form the foundation of NextGen.” . . . The DOT Inspector General testified that FAA has yet to meet certain Reform Act provisions, will not meet a September 2015 deadline for integration of unmanned aircraft systems into U.S. airspace, and “has not effectively maximized use of key segments of its aviation safety inspector workforce or developed metrics to determine whether its new air traffic controller scheduling policies will reduce controller fatigue.” . . . Government Accountability Office (GAO) testimony noted that FAA's budget planning does not fully account for impact on operating costs of NextGen systems in future years, nor need for operation and maintenance of systems and facilities, and recommended improvements to budget–planning and infrastructure-condition data.

5. Johnson Testifies on Vision for DHS.

In his first appearance before Congress, Jeh Johnson, Secretary of the Department of Homeland Security, testified before the House Homeland Security Committee on his “Vision for the Future – Challenges and Priorities.” Among challenges are the evolving terror threat, cyber attacks on critical infrastructure, employee morale and gaps in senior leadership. Johnson defended use of pre-clearance sites, such as the controversial one recently opened in Abu Dhabi, but said he would look at the possibility of rescreening in the U.S.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. North American Trusted Traveler Program Planned.

The United States, Canada and Mexico will establish a North American Trusted Traveler Program this year, beginning with mutual recognition of the three countries' NEXUS, Global Entry, SENTRI and Viajero Confiable programs, announced U.S. President Barack Obama, President Peña Nieto of Mexico and Prime Minister Stephen Harper of Canada, at the North American Leaders Summit in Toluca, Mexico. Among other initiatives are an expanded regional freight plan, with streamlined procedures and harmonized customs data requirements.

2. Canada-Mexico Air Transport Agreement Signed.

An expanded Canada-Mexico Air Transport Agreement was signed, with Canada's Prime Minister Stephen Harper and Mexico's President Enrique Peña Nieto in attendance. The pact, reached in 2011, will provide a completely open framework for direct flights between Canada and Mexico. Once ratified by both countries, it will allow airlines from both countries to offer more services between Canadian and Mexican cities, and will provide greater flexibility to adjust prices according to market conditions, and modernize safety and security provisions.

3. EU-ASEAN Open Skies Proposed.

The European Commission and Association of Southeast Asian Nations (ASEAN) proposed to negotiate a comprehensive air transport agreement, during talks at the first EU-ASEAN Aviation Summit, held in Singapore. EC Transport Vice President Siim Kallas will ask the Commission "to seek authorization from the Council of the European Union at the earliest possible to start negotiations." ASEAN is developing a Single Aviation Market by 2015 and has signed an air transport agreement with the People's Republic of China and initiated discussions with Japan and the Republic of Korea. The EU has comprehensive air transport agreements with the United States, Canada, Morocco, the Western Balkan countries, Jordan, Georgia, Moldova and Israel and an agreement is expected to be signed in March with Ukraine; negotiations are underway with Brazil, Azerbaijan, Tunisia and Lebanon. EU-ASEAN air traffic nearly doubled over the last 15 years to reach more than 10 million passengers in 2012 and is expected to grow 5% per year over the next 20 years. However, notes Air Council International (ACI), "an increasing share of that traffic has leaked into indirect routings via competing airport hubs in between the two blocs [and] growth on direct routings has been sub-optimal in

recent years, with seat capacity actually decreasing by -0.3% per annum since 2009. An EU-ASEAN air services agreement “is about upping our game in response to increasing competitive pressures from other regions, ” said ACI Europe Director General Olivier Jankovec.

4. **China, Taiwan Hold First Formal Meeting Since 1949.**

Another 158 weekly cross-strait flights could start by April, under a new Taiwan-China aviation agreement. . . . Taiwan and China held their first formal talks since the island nation broke away from the mainland in 1949, and agreed to establish a regular communication channel. Since the early 1990s the two sides have engaged through non-governmental organizations—mainland-based Association for Relations Across the Taiwan Straits and the Straits Exchange Foundation in Taiwan; those talks produced agreements to lift a ban on direct shipping, air transport and postal services and the Economic Cooperation Framework Agreement.

5. **New Israel-Russia Aviation Agreement.**

Civil aviation authorities in Israel and Russia signed a new agreement that removes restrictions on most routes between the two countries. The agreement allows each country to operate up to 36 weekly scheduled flights between Tel Aviv and Moscow, compared with the current 21.

VIII. EUROPE AND AFRICA

1. Europe Adopts New Guidelines for State Aid to Airports, Airlines.

The European Commission adopted new guidelines on how member states can support airports and airlines in line with EU state aid rules. The guidelines, expected to take effect in March, “promote sound use of public resources for growth-oriented initiatives [and] limit distortions of competition that would undermine a level playing field in the Single Market, in particular by avoiding overcapacity and the duplication of unprofitable airports.” Among key features, state aid for investment in airport infrastructure is allowed if necessary to ensure accessibility of a region. Guidelines define maximum permissible aid intensities depending on size of airport, to ensure the right mix between public and private investment, so possibilities to grant aid are higher for smaller airports than for larger ones. Operating aid to regional airports (with less than 3 million passengers a year) will be allowed for 10 years under certain conditions. Start-up aid to airlines to launch a new route is permitted provided it remains limited in time; compatibility conditions for start-up aid to airlines have been streamlined and adapted to recent market developments.

2. British Airways Set To Begin Austin Nonstops.

British Airways will begin five weekly Boeing 787 nonstops between Austin and London Heathrow on March 3, increasing to daily in May. This is the first regular transatlantic service for Austin, which is British Airways' 25th North American gateway and third in Texas (Houston, Dallas).

3. Air France-KLM To Invest \$100 Million in Gol.

Air France-KLM announced a \$100 million partnership with Gol, subject to regulatory approval, which includes a \$52 million equity investment and code sharing rights on their European and Brazilian routes. Gol has a 40% market share in Brazil. Separately, Air France-KLM returned to profitability in 2013, attributable to its Transform 2015 restructuring plan and lower fuel costs.

4. Lufthansa Appoints Carsten Spohr as CEO.

Carsten Spohr will become Lufthansa Group Chairman and CEO on May 1. He has held several executive positions at the company and currently is CEO of Lufthansa Passenger Airlines.

5. Norwegian Air Wins Irish License.

Norwegian was granted an Irish Air Operator's Certificate (AOC) for its Dublin-based subsidiary Norwegian Air International (NAI). U.S. airlines and pilots

had urged Ireland to refuse the license, which places NAI in the EU, allowing it to operate under EU open skies pacts; Norway is not a member of the EU. NAI seeks DOT authorization to add U.S. destinations, and plans to offer low-fare Boeing 787 flights between the U.S., Europe and Asia. While other carriers have asked DOT to refuse Norwegian authorization, FedEx in its submission said barring Norwegian from the U.S. marketplace will result in a crisis of confidence in the U.S. push for air services liberalization. Norwegian also holds AOCs granted by Norway's Civil Aviation Authority for Norwegian Air Norway, which operates from Scandinavian bases, and for Norwegian Air Shuttle (NAS).

6. **EU-ASEAN Open Skies Proposed.**
See Section VII, item 3.
7. **New Israel-Russia Aviation Agreement.**
See Section VII, item 5.
8. **Qatar To Launch All-Premium Service to London.**
See Section IX, item 8.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Qantas Embarks on \$2 Billion Cost Reduction Program.

Qantas reported an A\$252 million loss for six months ended December 31, 2013, and announced a \$2 billion cost reduction program that includes cutting 5,000 jobs by FY 2017 and deferring or selling more than 50 aircraft. The carrier also will return its Brisbane Airport terminal lease and related assets to the airport owner at a cash value of \$112 million. "Qantas' competitors have increased capacity to Australia by 46% since 2009, more than double the world average, at a time of record fuel costs and economic volatility," said CEO Alan Joyce. "The Australian domestic market has been distorted by current Australian aviation policy, which allows Virgin Australia to be majority-owned by three foreign government-backed airlines [Ethiad, Air New Zealand, Singapore Airlines], yet retain access to Australian bilateral flying rights." . . . Prime Minister Tony Abbott said the government will do what it can to give Qantas a level playing field and is drafting changes to the Qantas Sale Act to revise the current 49% foreign ownership limit.

2. US Airways-Asiana Code Share Terminated.

US Airways and Asiana will terminate code sharing, effective March 30. Affected routes include Asiana flights from Seoul Incheon to destinations in Japan and the United States, and US Airways flights from Los Angeles, San Francisco, Seattle and Chicago to several U.S. destinations. In other news, the South Korean airline is changing its pilot training program and encouraging better crew communication, said CEO Kim Soo-cheon, to change corporate culture that NTSB investigators said may have been a factor in the July 6 crash that killed three people in San Francisco.

3. Korean To Offer Houston Service.

Korean Air will begin four weekly B777-200 nonstops between Houston Bush and Seoul Incheon on May 2, the carrier's 14th gateway in the Americas.

4. United To Launch Los Angeles-Melbourne Nonstops.

United will introduce six weekly Boeing 787-9 nonstops from Los Angeles International to Melbourne, Australia, on October 26, subject to government approval. The airline will end service between Melbourne and Sydney and seek to retime daily departures from San Francisco and Los Angeles to Sydney. United is the 787 North American launch customer and now has nine Dreamliners in its fleet with a further 56 on order.

5. Hawaiian To Begin Beijing Service in April.

Hawaiian Airlines will begin three weekly nonstop flights between Honolulu and Beijing on April 18. Company officials said the number of Chinese visitors to Hawaii has risen by around 40% a year since 2012, with daily spending the highest out of all visitors to Hawaii at just under \$400 a person. China Eastern and Air China fly to Honolulu. In other news, interisland operation, 'Ohana by Hawaiian, will launch with three daily flights to Moloka'i on March 11 and twice daily service to Lana'i on March 18, all operated by Empire Airlines on new 48-passenger ATR-42s from Honolulu International.

6. China Southern Guangzhou-New York Service Announced.

China Southern will launch four weekly Boeing 777-300ER flights from its Guangzhou Baiyun base to New York Kennedy in August, the only direct connection between Guangzhou and New York. The SkyTeam member introduced 787 Dreamliner service on its daily Guangzhou-Vancouver route.

7. Emirates Set To Begin Boston, Chicago Flights.

Emirates will begin daily service to Boston on March 10 and to Chicago O'Hare on August 5, bringing its U.S. gateways to nine.

8. Qatar To Launch All-Premium Service to London.

Qatar Airways will begin daily all-premium service from Doha to London Heathrow on May 15, with a 40-seat Airbus A319. Qatar currently operates five daily flights to Heathrow, where it operates a premium lounge in Terminal 4. Among other route plans, Qatar will launch service to Philadelphia (April 2), Miami (June 10) and Dallas/Fort Worth (July 1), and, said CEO Akbar Al Baker, is in talks with British Airways about code sharing, would consider revenue-sharing partnerships with other oneworld partners, and is seeking opportunities to invest in European carriers. Qatar also announced a pact with oneworld member Cathay Pacific on the Hong Kong-Doha route, with each carrier operating one daily flight. Separately, Baker was presented with Fellowship of the Royal Aeronautical Society in the UK.

9. India Update.

Air India, Jet Airways and SpiceJet are expected to post combined losses of USD1.2 billion in Fiscal Year 2014, with Jet Airways and SpiceJet likely to report record full-year losses, according to a preview of CAPA's India Aviation Outlook FY2015, due out in June. IndiGo will be the only carrier to report full year profitability. Capital infusions of USD1.6 billion will be needed; USD1 billion of which will go to Air India. . . . In other news, Directorate General of Civil Aviation (DGCA) gave final clearance to low-cost Tata Sons-AirAsia joint

venture. The Cabinet is reviewing a proposal to allow startups to offer overseas flights. And, DGCA officials grounded a United Boeing 777 in Mumbai, after finding what it termed a badly damaged engine cowl; United said the damage was minor. The dispute may be related to FAA's downgrade of India to Category 2, on January 31, after which Civil Aviation Minister Ajit Singh said authorities will hire 75 flight operation inspectors and provide more training.

10. **Asiana Fined for Failing To Assist Families After Crash.**

See Section I, item 2.

11. **China, Taiwan Hold First Formal Meeting Since 1949.**

See Section VII, item 4.

12. **New Israel-Russia Aviation Agreement.**

See Section VII, item 5.

X. AMERICAS

1. American, US Airways Expand Code Share.

American and US Airways expanded their code share to all flights across the combined global network, except for a few international markets due to regulatory requirements that should be resolved by end of first quarter. . . . American Eagle Master Executive Council, represented by Air Line Pilots Association, Int'l, voted to reject an agreement that would have provided contract concessions in return for American Airlines Group re-fleeting the regional with new Embraer 175 regional jets. American Eagle CEO Pedro Fábregas said American will seek other carriers to operate the E175s. . . . Mesa reached an agreement with US Airways to extend the term covering its original 38 CRJ-900s currently in operation until 2021 and for another four for eight years.

2. United, Flight Attendants Reach Agreement.

United reached an agreement with its flight attendants that averts furloughs through improved voluntary options. The pact also provides employment for flight attendants originally slated to lose their jobs by offering an enhanced crossover agreement to pre-merger Continental Airlines, said Association of Flight Attendants-CWA. . . . In other news, United plans to operate daily Boeing 737-900 flights between New York Newark and Santiago in the Dominican Republic this summer, subject to government approval.

3. JetBlue Adds Caribbean Service.

JetBlue added a daily nonstop to Port of Spain, Trinidad and Tobago from New York Kennedy, and on May 1 will add another nonstop from Fort Lauderdale, bringing service in the Caribbean to 25 destinations. . . . JetBlue pilots filed authorization cards with the National Mediation Board (NMB) to hold an election for representation by Air Line Pilots Association. An Internet/telephone secret ballot is expected to be conducted in March, if NMB confirms there are sufficient cards filed.

4. Spirit Announces New Nonstop Service.

Spirit announced new daily nonstop seasonal services between Chicago O'Hare and Baltimore/Washington and Portland, Oregon, and between Minneapolis-St. Paul and Detroit Metro; and new service from Chicago to Oakland and from Baltimore/Washington to Minneapolis-St. Paul.

5. **Republic Reaches Tentative Agreement with Pilots.**

Pilots for Chautauqua, Republic and Shuttle America reached tentative agreement on a new four-year contract, which includes, said Republic Airways Holdings, pay increases “that will place Republic pilots at or near the top of its airline peers,” improvements in work rules, quality of life enhancements, more flexibility in scheduling and “a significant signing bonus if ratified.” Formal ratification vote is expected in March.

6. **ALPA Denies U.S. Pilot Shortage.**

Amid reports of a pilot shortage, Air Line Pilots Association said thousands of highly qualified and experienced U.S. airline pilots are either furloughed or working overseas because those airlines’ stability, pay and benefits are much greater than those offered by U.S airlines. For example, the average copilot starting salary at 14 U.S. regionals is \$21,285/year plus benefits and Delta and United start copilots at \$61,000/year plus benefits; while new-hire copilots receive \$82,000/year at Emirates and \$72,000 at Cathay Pacific, plus a housing allowance and other “extraordinary” benefits. ALPA maintains that recent FAA rest rules and higher minimum qualification requirements for copilots have had minimal effect on pilot staffing. . . . A Government Accountability Office (GAO) report anticipates need for 1,900 to 4,500 pilots per year over the next decade, but says supply may be insufficient, due to accelerating costs of pilot education and training and low entry-level pay at regional airlines. Regional airlines reported difficulties finding sufficient numbers of qualified entry-level first officers, said GAO; some mainline airlines expressed concerns that entry-level hiring problems could affect their regional airline partners' ability to provide service to some locations.

7. **North American Trusted Traveler Program Planned.**

See Section VII, item 1..

8. **Canada-Mexico Air Transport Agreement Signed.**

See Section VII, item 2.

9. **British Airways Set To Begin Austin Nonstops.**

See Section VIII, item 2.

10. **Air France-KLM To Invest \$100 Million in Gol.**

See Section VIII, item 3.

11. **Norwegian Air Wins Irish License.**

See Section VIII, item 5.

12. **US Airways-Asiana Code Share Terminated.**
See Section IX, item 2.
13. **Korean To Offer Houston Service.**
See Section IX, item 3.
14. **United To Launch Los Angeles-Melbourne Nonstops.**
See Section IX, item 4.
15. **Hawaiian To Begin Beijing Service in April.**
See Section IX, item .
16. **China Southern Guangzhou-New York Service Announced.**
See Section IX, item .
17. **Emirates Set To Begin Boston, Chicago Flights.**
See Section IX, item