



## 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. U.S. Limits Entry Points for Passengers From Ebola-Affected Nations.**

The first person to die of Ebola Virus Disease (EVD) in the United States was a Liberian, Thomas Eric Duncan, who had traveled on United Airlines flights from Brussels to Dallas via Washington Dulles. As health authorities maintained, he was not contagious during that period. . . . Upon learning that a nurse who had treated Duncan flew on Frontier and later tested positive for EVD, the airline placed crew on paid leave for 21 days “out of an abundance of caution” and alerted passengers; that nurse and a co-worker have since recovered. . . . The Department of Homeland Security designated New York Kennedy, Newark, Washington Dulles, Chicago O’Hare and Atlanta as the only air gateways for travelers from West African countries of Liberia, Sierra Leone and Guinea, and initiated EVD screening. Travelers from those countries with flights to other airports must rebook flights to make entry through a listed airport. There are no direct commercial flights to any U.S. airport from those countries, but travelers arrive via foreign hubs. . . . A healthcare worker returned to the U.S. from Guinea through Kennedy and received enhanced screening, but did not have fever or other symptoms; he later tested positive for EVD. The Centers for Disease Control and Prevention (CDC) then designated six states (New York, Pennsylvania, Maryland, Virginia, New Jersey and Georgia) where travelers “without febrile illness or symptoms consistent with Ebola will be followed up daily by state and local health departments for 21 days from date of departure from West Africa.” . . . CDC provided guidance to airlines and others for evaluating risk of exposure of persons coming from countries affected by EVD. CDC also issued guidance for airline crews, cleaners and cargo personnel regarding protective clothing, cleaning and disinfectant products and other precautions. CDC said “packages or luggage should not pose a risk. Ebola virus is spread through direct contact with blood or body fluids from an infected person. Don’t handle packages visibly dirty from blood or body fluids.” . . . As of October 29, CDC reported 7,606 laboratory-confirmed EVD cases in Liberia, Sierra Leone and Guinea with 4,910 deaths, and four in the U.S. with one death.

### **2. IATA: Passenger Numbers To Reach 7.3 Billion by 2034.**

The International Air Transport Association (IATA) released its first 20-year passenger growth forecast, projecting that passenger numbers could climb an average 4.1% annually to reach 7.3 billion by 2034, compared to 3.3 billion this year. Among report highlights, the United States will remain the largest market until around 2030, when China will overtake it. In 2034, flights to, from

and within China will account for 1.3 billion passengers, 856 million more than 2014, with 5.5% average annual growth rate. Traffic to, from and within the U.S. is expected to grow at an average annual growth rate of 3.2%, with 1.2 billion passengers by 2034 (559 million more than 2014). India will overtake the UK to become the third largest market by 2031. Japan will slip from fourth to ninth place by 2033. “The first century of air travel has seen about 65 billion passengers take to the sky,” said IATA Director General and CEO Tony Tyler. “The next 65 billion will fly in just the next 20 years.”

3. **Air Traffic Service Restored at Chicago Center.**

The Federal Aviation Administration (FAA) restored all critical systems and equipment at the Chicago En Route Center in Aurora, IL, which suffered significant damage from a September 26 fire that an employee deliberately set. During the outage, high traffic volumes at Midway and O'Hare were maintained, though initially thousands of flights were cancelled or delayed. FAA is reviewing contingency plans and security protocols for its major facilities. At the request of members of Congress, the Department of Transportation (DOT) Inspector General will conduct an audit of contingency plans and security protocols at Chicago air traffic control facilities, where, “since May 2014, two serious incidents involving a fire resulted in delays and cancellations of hundreds of flights at the area’s airports.” The IG will assess whether FAA has developed and implemented a business continuity plan for Chicago air traffic control facilities that provides for adequate levels of redundancy and resiliency; and evaluate whether security measures in place are maintained and sufficient to mitigate potential risks to the air traffic control system.

4. **American, Hawaiian Request Delta’s Tokyo Haneda Frequency.**

After Delta announced it is reducing Haneda service for the winter season, American told DOT in a filing that it “vigorously opposes any use of these valuable Haneda rights on a seasonal basis,” and requested a reallocation of the frequency for its own daily year-round Boeing 777 service from Los Angeles, beginning January 15. Hawaiian also asked for the frequency. Delta responded in its filing that it complies with DOT requirements.

5. **FAA, Industry Announce Plan To Accelerate NextGen.**

Benefits of key NextGen initiatives will be accelerated over the next three years, according to a plan FAA and the NextGen Advisory Committee submitted to Congress. FAA will institute new procedures through use of Multiple Runway Operations at 36 airports to increase efficiency and reduce flight delays. Satellite-based Performance Based Navigation will be deployed in Northern California, Atlanta and Charlotte metropolitan areas to provide

more direct flight paths, improved arrival rates, enhanced controller productivity, increased safety due to repeatable and predictable flight paths, fuel savings and reduced environmental impact. Increased Surface Operation data sharing will raise predictability and provide actionable and measurable surface efficiency improvements at airports. FAA is accelerating work on Data Communications services, which upgrades communication between pilots, air traffic controllers and airline operations centers from voice to digital. Industry stakeholders are responsible for ensuring pilot awareness of new runway and airspace procedures, equipping aircraft with DataComm technology, collaborating with FAA on performance based navigation airspace redesign, and data sharing. In September, House Aviation Subcommittee Chairman Frank LoBiondo (R-NJ) and Ranking Member Rick Larsen (D-WA) asked DOT Secretary Anthony Foxx to meet an October 18 deadline for the plan.

6. **DOT Air Travel Consumer Report for August.**

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

	Aug. '14 / '13	July '14	Full Year				
			2013	2012	2011	2010	2009
On-time arrivals %	77.7 / 78.8	75.6	78.34	81.85	79.6	79.8	79.5
Cancellations %	1.2 / 1.0	1.6	1.51	1.29	1.91	1.76	1.39
Mishandled baggage*	3.69 / 3.12	3.55	3.22	3.09	3.35	3.51	3.91
Consumer complaints:							
Airline service	1,602 / 1,314	1,653	13,168	15,338	11,546	10,988	8,821
Disability-related	83 / 84	71	679	741	628	572	519
Discrimination**	7 / 5	7	79	99	128	143	131

Note: In August, airlines reported one tarmac delay of more than three hours on a domestic flight and none of more than four hours on an international flight.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. “The Wright Amendment Is Now History.”

As a Southwest flight departed Dallas Love Field for Denver on the morning of October 13, CEO Gary Kelly exclaimed, “The Wright Amendment is now history.” The 1980 federal regulation restricted long-haul flights from Love to protect Dallas/Fort Worth Airport, and was phased out over the past eight years with requirements including reduced number of gates from 32 to 20 and no international service. Of the 20 gates, Southwest leases 16. Virgin America acquired two American divested in its merger with US Airways. Delta had been subleasing no longer available gates and, after threatening to sue the city, secured the right to continue to operate at Love through the end of the year, sharing a Southwest gate. Perimeter rules still exist at New York La Guardia and Reagan Washington National.

### 2. New York Airport Initiative Announced.

New York Governor Andrew Cuomo and Vice President Joe Biden announced an initiative that will overhaul New York airports, including high-speed ferry and rail service for LaGuardia and a regional cargo distribution hub at Stewart. A design competition will begin in November, said Cuomo. Port Authority of New York and New Jersey, which is already working on a \$3.6 billion project to replace La Guardia’s Central Terminal Building, operates the airports. The new initiative includes a search for a new operator of general aviation and reliever facility Republic Airport, in East Farmingdale; Republic is managed by URS Corporation, which AECOM Technology just acquired. Tax-free zones would be established at Republic and Stewart.

### 3. City Retains Control of Charlotte Douglas.

A Superior Court judge issued a permanent injunction blocking the Charlotte Airport Commission from operating Douglas until it obtains FAA certification, leaving the city in control. In September, FAA said it would not consider a certificate transfer to the Commission because the city has not asked for a review. The dispute began last year, when the state General Assembly created the Commission to take control of the airport from the city. DOT Secretary Anthony Foxx formerly was Charlotte’s mayor. The current mayor called for an end to some \$1 million in legal battles.

### 4. Heathrow Sells Aberdeen, Glasgow, Southampton.

Heathrow Airport Holdings agreed to sell Aberdeen, Glasgow and Southampton airports to a consortium formed by Ferrovial and Macquarie,

leaving the company with Heathrow as its only airport. The £1.05 billion sale “enables us to focus on improving Heathrow and winning support for Heathrow expansion,” said CEO John Holland-Kaye. Subject to EU clearance, the transaction is expected to close by January 2015.

5. **Spain Sells 21% Stake in Aena.**

Spain will sell a 21% stake in airport operator Aena to Spanish holding company Alba (8%), Ferrovial (6.5%) and British investment fund TCI (6.5%); each will hold one seat on the 15-member board. A public offering for another 28% share in Aena is planned.

6. **IFM Global Bids for Stake in Flughafen Wien.**

Melbourne-based IFM Global Infrastructure Fund plans to acquire a 20% to 29.9% share of Vienna Airport operator Flughafen Wien. Most IFM investors are institutional pension funds; price per share will be €80, representing 29.7% over closing share price on October 10, 2014. IFM also owns stakes in Manchester Airports Group, which owns London Stansted, and in Australian airports including Melbourne, Perth and Adelaide.

7. **China Approves Airport Projects.**

China approved construction of five airports and three rail projects worth \$24.4 billion. The airport projects are in Jilin, Qinghai, Yunnan, Guizhou and the Inner Mongolia Autonomous Region. The government is boosting infrastructure investment in the country's less developed central and western regions to support faltering growth, reports Xinhua.

8. **Thailand Approves \$1.9 Billion Suvarnabhumi Expansion.**

Thailand approved a \$1.9 billion expansion plan at Bangkok Suvarnabhumi and will also build three provincial airports.

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

#### 1. **Pistole To Leave TSA.**

Transportation Security Administration (TSA) Administrator John Pistole will leave government service at yearend to become President of Anderson University in Indiana. Prior to his TSA appointment by President Barack Obama, Pistole served as Deputy Director of the Federal Bureau of Investigation in the Bush and Obama Administrations. At TSA, he introduced TSA PreCheck and the move toward a risk-based, intelligence-driven counterterrorism agency.

#### 2. **TSA Seeks Contractors for PreCheck.**

TSA plans to contract with the private sector to expand the population of travelers using TSA PreCheck. “By leveraging private-sector best practices in business operations, marketing, and algorithm optimization, TSA hopes to provide a better travel experience for an increased number of ‘trusted travelers’ while focusing our attention on unknown and potentially higher-risk passengers,” said Administrator John Pistole. While qualified companies will market the program and pre-screen passengers, TSA will determine final eligibility. A Request for Proposals is expected in late November, with contract awards to follow in February.

#### 3. **IATA’s AVSEC Addresses Crucial Issues in Aviation Security.**

IATA’s AVSEC World 2014, held in Washington DC, focused on creating a sustainable aviation and border security system and the need for greater regulatory flexibility, recognition of measures between countries and alignment of border and aviation security. Subjects covered included cargo and mail security, cyber security, emerging threats, insider threats and security on the ground. . . . In his opening remarks, IATA CEO and DG Tony Tyler said current passenger security procedures are not sustainable for the long term because rapid global air traffic growth threatens to overwhelm the capacity of screening checkpoints. He urged governments to: foot the bill for processing passenger data as part of a broader national security program; eliminate collection of passenger and cargo data on paper forms; and create a single harmonized window through which airlines can submit electronic data to governments instead of having them provide bits of data separately to each department within the same government. Referring to the disappearance of Malaysia Airlines (MAS) Flight MH370, which exposed gaps in border control after revelations that two passengers boarded with bogus passports, he said industry goes to great effort and expense to ensure that governments requiring

Advance Passenger Information (API) for flights to or from their territory receive reliable data; vetting of passports against the INTERPOL Stolen and Lost Travel Documents database is a responsibility of States and they should share results with carriers. He also said data required for flights passing through a State's airspace should not be the same as data States require for flights landing at airports. "Let's use some common sense," he said. "Data for data's sake doesn't make anybody safer." . . . Calin Rovinescu, CEO of Air Canada and Chairman of IATA's Board of Governors, said airlines receive confusing and contradictory information about potential dangers in flying over conflict zones, referring to the downing of Flight MH17 over Ukraine, and should establish more reliable ways to distribute security concerns and data to replace the current word-of-mouth method. . . . James Clapper, Director of National Intelligence, a position created post-9/11 to act as the President's senior intelligence advisor and to ensure joint action among federal intelligence agencies, said his office is working with TSA and the aviation sector to expand voluntary intelligence and threat sharing information. He differentiated between "threats to" aviation and "threats enabled by" aviation; the latter including the potential for spreading Ebola globally and using the air transport system to move money and goods illegally. Terrorism is the major "threat to" aviation and is spreading globally and morphing into franchises. There is also a potential for lone-wolf recruits who work in the industry and have knowledge about how to conduct an attack, as well as access to planes, aviation systems and airport secured areas. Clapper noted that an ISIL fighter killed in Syria was formerly an aircraft cleaner and refueler at Minneapolis-St. Paul International Airport. Other concerns include aviation IT systems vulnerable to cyber theft and attack and advances in plastic and non-metallic explosives. "Shoulder-launched surface-to-air missiles have proven deadly," he said. "We've seen more than 50 deliberate attacks on civilian planes with those missiles, mostly in Africa and Asia, and mostly just after takeoff. Thirty of those have resulted in 1,000 civilian deaths." . . . IATA launched its Aviation Cyber Security Toolkit, which provides detailed analysis of current cyber threats and helps airlines and aviation security stakeholders identify ways to protect critical IT infrastructures, including reservation systems, departure control, aircraft maintenance, crew planning and flight management, as well as technologies for electronic flight bags, e-enablement of aircraft and air traffic management.

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

### **1. IATA Launches NDC Innovation Fund.**

IATA has partnered with Travel Capitalist Ventures to create the NDC Innovation Fund to support airline distribution advances using the New Distribution Capability (NDC) standard. NDC is an IATA-led program for the development and market adoption of a new XML-based data transmission standard. . . . In other news, a European Commission (EC) advisory body Article 29 Data Protection Working Party's (WP29) review of NDC's potential implications for passenger data privacy identified nothing to warrant action at this time. "Efforts to bring to the market new and more competitive services implying personal data processing must comply with European and national legal frameworks and ensure the effective exercise of individual's privacy and data protection fundamental rights," said the group, which will monitor implementation of the standard. . . . And IATA DG Tony Tyler, in remarks at the World Passenger Symposium in San Diego, called DOT's proposed Consumer Rule III, which would require airlines and travel agents to display ancillary services and fees on their websites, a "yesterday solution," since 50 airlines have signed agreements with global distribution system providers for distribution of ancillaries; he said NDC "sets us all on a course to far greater transparency and granularity in the marketing of air transportation."

### **2. Amadeus Plans Global Merchandising System.**

Amadeus is developing a Global Merchandising System that would enable airlines to sell ancillary services through any point of sale of any channel, direct or indirect and through any device. The Global Merchandising System and Amadeus' retailing and distribution systems will be integrated with the Amadeus Altéa PSS Suite, and be "connectivity agnostic." Amadeus "envisages that the systems will be compatible with planned NDC XML industry standards" and "unlock more than \$130 billion in additional airline revenue annually by 2020."

### **3. Travelport Offers New Merchandising Tool.**

Travelport updated its Smartpoint desktop technology with the Rich Content and Branding merchandising solution and other new features to simplify booking, make comparisons, and allow the agent to better understand what is included in the ticket price and what upgrades and ancillaries are available. More than 70 carriers have signed on. UK-based Travelport recently completed its initial public offering on the New York Stock Exchange.

4. **British Airways, Iberia Drop/Reinstate Fares on eDreams Sites.**

British Airways and Iberia withdrew their fares from three of eDreams' 67 travel sites, saying final ticket prices shown did not comply with European and Spanish transparency rules. They reinstated the fares a day later. "The airlines' actions were not about any form of non-compliance with the law," said eDreams, "but instead about non-compliance with the terms they want to impose on travel agents which would reduce consumer choice and the ability of consumers to access better prices." Barcelona-based eDreams says it is Europe's largest e-commerce business and largest online travel agency, in terms of margins over sales.

5. **United Adds Wi-Fi, PED Entertainment to Regional Jets.**

United will outfit more than 200 two-cabin United Express regional jets with Wi-Fi and personal device entertainment. The airline intends to install Gogo's ATG-4 advanced air-to-ground Wi-Fi product on E170, E175 and CRJ700 aircraft by next summer. Customers will be able to select movies and television shows to view on their Wi-Fi-enabled personal electronic devices (PEDs) using United's mobile app.

## V. ENERGY AND ENVIRONMENT

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

Average price of aviation jet fuel, as of October 24, was \$101.8/barrel, down 8.8% on the month and down 16.2% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2014 is \$122.9/barrel; impact on 2014 fuel bill is -\$7 billion.

### 2. FAA Awards \$10.2 Million in Environmental Grants to Airports.

FAA awarded \$10.2 million to six airports to reduce emissions and improve air quality through its Voluntary Airport Low Emission (VALE) program. Airports to receive grants include: Albuquerque International (\$431,479) to help upgrade infrastructure to low-emission technology by replacing four boilers in the airport's central utility plant; Atlanta Hartsfield-Jackson (\$102,456) to purchase two alternative-fuel garbage trucks and convert two passenger vans from diesel to cleaner burning fuel; Chicago O'Hare (\$2 million) to install underground fuel-hydrant system, eliminating need for diesel-powered fuel trucks; Dallas-Fort Worth (\$2 million) to install 12 electric gates and install and connect seven pre-conditioned air units for parked aircraft; Seattle-Tacoma (\$2 million) to install 43 charging units for electric ground support equipment; and Yeager Airport in West Virginia (\$3.6 million) to fund gate power units and pre-conditioned air units at seven gates.

### 3. Boeing, China Convert Cooking Oil to Biofuel.

Boeing and Commercial Aircraft Corp. of China (COMAC) opened a demonstration facility that will turn waste cooking oil, or "gutter oil," into sustainable aviation biofuel. The project will examine feasibility and cost of producing biofuel on a commercial scale. The companies are sponsoring the China-U.S. Aviation Biofuel Pilot Project using technology Hangzhou Energy & Engineering Technology developed to clean contaminants from waste oils and convert to jet fuel at a rate of 650 liters (160 gallons) per day. They estimate that 1.8 billion liters of biofuel could be made annually from used cooking oil in China.

### 4. Air France-KLM Uses Biofuel on Paris-Toulouse Route.

Air France-KLM is using 10% sugar cane-based biofuel added to standard kerosene on one flight a week on the Toulouse-Paris Orly route until September next year. . . . In other news, Air France signed a memorandum of understanding (MOU) with Israel Aerospace Industries and TLD Group to evaluate use of the TaxiBot system with its widebody fleet at Paris Charles de

Gaulle. The semi-robotic, pilot-controlled vehicle transports airplanes from airport gate to the runway and back, with a substantial reduction in fuel consumption, noise and CO2 and NOx emissions; it does not increase the airplane's weight or reduce its cargo space, as no modification to the airplane systems is required. TaxiBot completed narrowbody certification tests at Frankfurt International on a Lufthansa Boeing 737.

## VI. U.S. CONGRESS

### 1. A4A, FAA Address FAA Reauthorization.

In a speech to the International Aviation Club in Washington, DC, Airlines for America (A4A) President and CEO Nick Calio called on Congress to ensure that next year's FAA Reauthorization "addresses tax, regulatory and infrastructure challenges impeding U.S. airlines." Citing growing competition from foreign carriers, he said differences caused by favorable foreign government financing and local policies "should be in part neutralized by the U.S. government normalizing our aviation policies and taxes." Calio also said A4A is assessing privatization of the U.S. air traffic control system and will release findings as Congress drafts the funding bill. . . . In a speech before the Aero Club of Washington, FAA Administrator Michael Huerta called for an end to "a constrained and unpredictable fiscal environment" and "unity in reauthorization," lauding industry cooperation during the "devastating" shutdown in September of the Chicago En Route Center. "There is simply no way the FAA can implement NextGen, recapitalize our aging infrastructure, and continue to provide our current level of services without making some serious tradeoffs," he said; "we need consensus across the entire industry."

### 2. Congress Seeks Ban on Travel From Ebola-Affected Countries.

House Transportation Committee Chairman Bill Shuster (R-PA) and Senate Commerce Committee Ranking Member John Thune (R-SD) called for a temporary ban on travel from West African countries affected by Ebola, and urged President Obama to deliver aid and resources to the region using the Civil Reserve Air Fleet (CRAF), a voluntary program involving the Department of Defense, DOT and U.S. commercial air carriers. They also asked DOT Secretary Anthony Foxx and Homeland Security Secretary Jeh Johnson "to provide an accounting of their plans to help protect the public from the transmission of the Ebola virus or any other infectious disease via the nation's transportation network." House Speaker John Boehner was among many other members of Congress who urged the President to consider a temporary ban on travel to the U.S. from countries where the Ebola virus is widespread. Some called for the resignation of Centers for Disease Control and Prevention Director Thomas Frieden, saying he mishandled the cases of two health-care workers in Texas who contracted Ebola. Frieden told the House Energy and Commerce Committee the virus is not a significant public health threat to the United States and can be stopped with rapid diagnosis, appropriate triage and meticulous infection-control practices in American hospitals.

3. **Quiet Skies Caucus Created in Congress.**

A Quiet Skies Caucus was created in Congress to raise awareness of and reduce aircraft noise. The caucus consists of about a dozen members whose constituents are adversely affected by airplane and helicopter noise.

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

### 1. **EU Requests Meeting on Norwegian Air's DOT Application.**

The EC requested an urgent meeting with the United States on behalf of the European Union (EU), as a party to the U.S.-EU open skies agreement, to discuss Norwegian Air International's pending application before DOT for a foreign air carrier permit. The airline hopes to fly to the U.S from several cities in Europe. Some airlines and labor oppose the application, which has been pending since early this year.

### 2. **United States, Malaysia Sign MOU on Immigration Security.**

The United States and Malaysia signed an MOU on immigration security, including collection and use of passenger security related information. Secretary of Homeland Security Jeh Johnson and the Malaysian Minister of Home Affairs signed the MOU, which builds on a comprehensive partnership announced by President Obama in April.

### 3. **UAE, Sierra Leone Sign Open Skies Agreement.**

The United Arab Emirates (UAE) and Sierra Leone signed an open skies agreement, under which their airlines may perform scheduled air services between the two countries. The MOU allows full flexibility on routes, capacity, frequencies and aircraft types, in passenger or cargo service, and includes the exercise of fifth freedom traffic rights. Both parties also agreed to allow unrestricted non-scheduled/charter operations between the two countries. The UAE now has air services agreements with 164 countries, of which 87 are open skies agreements.

## **VIII. EUROPE AND AFRICA**

### **1. Netherlands Steps Up MH17 Investigation.**

The Netherlands contributed an additional €1.88 million to the Organization for Security and Cooperation in Europe (OSCE), to send more monitors to eastern Ukraine to investigate the July downing of MAS flight MH17. Total Dutch contribution is now €2.8 million. The Boeing 777, en route from Amsterdam to Kuala Lumpur, was hit by what may have been a surface-to-air missile amid combat between Ukrainian government and separatist forces. The Dutch Safety Board is leading the international team of aircraft accident investigators, since 196 of the 298 passengers and crew killed were Dutch nationals. Dutch relatives of victims are suing their government for damages, charging that it mishandled the investigation and is proceeding too slowly. They were newly aggrieved when Dutch Foreign Minister Frans Timmermans publicly revealed that an oxygen mask had been found on one of the victims, suggesting that they had been alive longer than previously believed; he apologized and said all next of kin have now been informed of the matter. Malaysian Transport Minister Liow Tiong Lai said victims' belongings have been retrieved from the crash site.

### **2. EU Rules on Public Support to Airports, Airlines.**

Following investigations of public support granted to airports and airlines in Belgium, Germany, Italy and Sweden, the EC said airports of Zweibrücken (Germany) and Charleroi (Belgium) must recover illegal state aid; and approved state aid granted to airports of Frankfurt-Hahn and Saarbrücken in Germany, Alghero in Italy and Västerås in Sweden. An investigation was opened into a Belgian scheme, in which €19 million of public money per year over 2014-2016 would be granted to the manager of Zaventem, who would redistribute the funds to Brussels Airlines.

### **3. EC Seeks Comment on Air France/KLM, Alitalia, Delta Cooperation.**

The EC called for public comment on proposals by Air France/KLM, Alitalia and Delta that address concerns that their transatlantic cooperation may harm competition for premium passengers on the Paris-New York route and for all passengers on the Amsterdam-New York and Rome-New York routes, in breach of EU antitrust rules. The three airlines have offered to make landing and take-off slots available at both ends of the Amsterdam-New York and Rome-New York routes to facilitate market entry of competitors. They also are prepared to enter into agreements which would enable competitors to offer tickets on their flights, and provide access to connecting traffic as well as their

frequent flyer programs on all three routes. If the market test confirms that the proposed commitments remedy the competition concerns, the EC may legally bind them on the companies.

**4. Delta, Virgin Atlantic Begin London to Los Angeles, Atlanta Flights.**

Delta and Virgin Atlantic launched services from London Heathrow to Los Angeles and Atlanta, the first transfer of operations between the two airlines since their joint venture began earlier this year. Delta is flying nonstop from London to California for the first time with one of two daily Heathrow-Los Angeles flights Virgin Atlantic previously operated. Virgin Atlantic is operating its first ever flights into Atlanta, having taken over one of Delta's three daily services. . . . In other news, Virgin Atlantic plans to stop its short-haul service, Little Red, in 2015. Launched in 2013 "as an attempt to reintroduce consumer choice on key domestic services after British Airways' takeover of bmi," demand has been predominantly point to point rather than connections to Virgin Atlantic's long haul network, said CEO Craig Kreeger, who added, "the totally inadequate number of slots made available by the European Commission did not deliver close to BA's network position, even when supplemented by our own slots to fly between Heathrow and Manchester." Virgin Atlantic's services from Manchester to Orlando, Barbados and Las Vegas will continue, and a new daily flight between Manchester and Atlanta begins next summer; seasonal service from Glasgow to Orlando will continue with eight extra return flights for summer 2015, and a new five rotation operation between Glasgow and Las Vegas. The airline intends "to grow to record levels of sustained profitability by 2018."

**5. Air France, Pilots Reach Tentative Agreement.**

Air France reached a tentative agreement with pilots' union SNPL, resolving some issues that led to a 14-day strike in September that resulted in an estimated Q3 negative impact of €416 million on revenue. Pilots agreed to an expansion of low-cost unit Transavia France beyond its current 14 Boeing 737s, from summer 2015. Two contracts (Transavia France and Air France) will be implemented for mainline pilots flying for the subsidiary; there will be a single seniority list. . . . In other news, Air France-KLM executive Bruno Matheu will become Chief Operating Officer of Etihad Equity Partners in December. Pieter Elbers was appointed President and CEO of KLM, replacing Camiel Eurlings whose current term expires in April. Elbers has been with KLM since 1992, most recently as COO and deputy CEO. . . . Air France-KLM will reduce point-to-point short and medium-haul capacity for winter season by 11.3%, while Transavia units' capacity will increase 13.3%, with growth concentrated on the French market (+56%).

**6. Lufthansa Expects €1 Billion Profit Despite Strikes.**

Lufthansa Group posted a nine-month operating profit of €849 million, despite strike action eroding €170 million from its earnings results; strong competitive pressures and associated yield declines also affected results. An operating profit of €1 billion for the year is projected, excluding the impact of further strike action.

**7. Ethiopian Flights to Los Angeles via Dublin Begin in June.**

Ethiopian will begin three weekly Boeing 787 flights from Addis Ababa to Los Angeles via Dublin in June 2015. Los Angeles is the carrier's fourth route in the Americas, in a network that includes 85 destinations across five continents, said CEO Tewolde Gebremariam.

**8. Etihad Airways Partners Launched.**

See Section IX, item 7.

**9. Qatar To Launch Frankfurt as First A350 Route.**

See Section IX, item 8.

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

### **1. MH370 Search Continues.**

The Australian Transport Safety Bureau said recent analysis indicates that the Indian Ocean search for MAS flight MH370 should be prioritized further south within the wide search area for the next phase. The Boeing 777 disappeared on March 7 with 239 passengers on board. Survey vessels completed a bathymetric study of the seafloor to ensure equipment can be operated safely. Underwater search vessels fitted with towed sidescan sonar vehicles, jointly funded by Malaysia and Australia, are surveying the search area. . . . In related news, the National Transportation Safety Board held a forum on flight data and locator technologies. Airbus said it is close to being able to equip A350s and A380s with deployable data and cockpit voice recorders that can float to the ocean surface after a crash. Boeing is concerned about accidental ejections.

### **2. JAL, American Expand Code Share.**

Japan Airlines (JAL) and American Airlines strengthened their joint business partnership, increasing the number of JAL code share flights available on American-operated flights to Brazil via New York and Dallas/Fort Worth, and adding new Los Angeles-San Paulo flights. . . . Separately, American began code sharing on services operated by Jetstar Japan between Tokyo Narita and Fukuoka, Matsuyama, Okinawa (Naha), Osaka (Kansai) and Sapporo (Shin Chitose). A partnership of Qantas Group, JAL, Mitsubishi and Century Tokyo Leasing, Jetstar Japan operates 18 Airbus A320s across 10 destinations in Japan. . . . And, JAL increased its 14.5% share in Sapporo-based scheduled domestic airline Hokkaido to 51.2%.

### **3. Virgin America, China Airlines Launch Code Share Flights.**

Virgin America and China Airlines implemented a code share arrangement for travel between Taiwan, elsewhere in Asia and multiple U.S. destinations. China Airlines is placing its code on Virgin America-operated flights, including Los Angeles and/or San Francisco to Boston, Chicago, Dallas Love Field, Fort Lauderdale, Las Vegas, Newark, New York Kennedy, Seattle and Washington Dulles. An interline agreement has been in place since May 2012. China Airlines is Virgin America's fourth code share partner.

4. **Delta, Virgin Australia Expand Code Share.**

Delta and Virgin Australia are expanding their North America partnership with new flights from Los Angeles: daily to Brisbane; twice daily to Sydney; daily to Nashville; twice daily to Kansas City; and 10 weekly to Raleigh/Durham.

5. **United Adds Pacific Routes.**

United added four new Pacific routes, including nonstop Boeing 787-9 Los Angeles-Melbourne; daily San Francisco-Tokyo Haneda; daily Guam-Seoul; and twice-weekly Guam-Shanghai, the first nonstop service from Guam to mainland China.

6. **Asiana Pays \$55 Million in Price-Fixing Settlement.**

Asiana agreed to pay \$55 million to settle claims that it conspired with other airlines to fix rates for shipping air cargo, in a case filed in U.S. District Court in Brooklyn. To date, plaintiffs have entered into settlements with 22 airlines totaling \$903 million. Litigation is pending against six airlines.

7. **Etihad Airways Partners Launched.**

Etihad unveiled Etihad Airways Partners, a brand initially comprised of airlines in which it has acquired minority shareholdings, including airberlin, Air Serbia, Air Seychelles, Darwin and India's Jet Airways, and promising "improved networks and schedules and enhanced frequent flyer benefits." The Abu Dhabi-based carrier said any airline can become an Etihad Airways Partner, even if it is part of an existing alliance; e.g., airberlin is a member of oneworld. "The Etihad Airways Partners logo is a seal of excellence and global cooperation," said Etihad President and CEO James Hogan. Air France executive Bruno Matheu was named COO of Etihad Equity Partners, effective December 2014, reporting directly to Hogan.

8. **Qatar To Launch Frankfurt as First A350 Route.**

Frankfurt will be the first route for Qatar Airways' Airbus A350 Xtra Wide Body, for which it is the global launch operator. The nonstop daily service will begin in January. Qatar has 80 Airbus A350s on order and took delivery of its first A380 in September, which it operates daily to London Heathrow and will see Bangkok service in January.

## **X. AMERICAS**

### **1. American and US Airways Cargo Units Fully Integrated.**

The American and US Airways cargo divisions are the first operations to be fully integrated since the merger. The new entity brings in \$800 million annually and moves one billion pounds of freight and mail. . . . The US Airways Dividend Miles program will merge into AAdvantage in Q2 2015. . . . Record third quarter profit of \$1.2 billion, excluding net special charges, was reported for the combined AMR Corp. and US Airways Group. Chairman and CEO Doug Parker said he expects record profits for each quarter in 2014. . . . As of September 30, \$721 million of American's unrestricted cash balance was held in Venezuelan bolivars, down \$70 million from June 30, due to \$48 million in repatriations and a significant reduction in capacity in the market.

### **2. Delta Announces \$1.6 Billion Pretax Profit for September Quarter.**

Delta announced a \$1.6 billion pretax profit for September quarter, a 35% or \$431 million improvement year-on-year. The company reintroduced its Basic Economy fare, which has fewer amenities than standard coach; passengers board last and cannot upgrade seats or make same-day flight changes. Delta plans to retire its remaining Boeing 747s by 2017.

### **3. Southwest, IAM Workers Reach Tentative Agreement.**

Southwest reached tentative agreement for a new four-year contract with customer service and reservation agents. The International Association of Machinists and Aerospace Workers said the accord preserves "the highest base wage rates in the airline industry, a signing bonus, industry-best job security provisions, maintains the highest company match defined contribution retirement plan and improved vacation flexibility."

### **4. JetBlue Offers Mint on New York-San Francisco Route.**

JetBlue added Mint, "its interpretation of premium service," between New York Kennedy and San Francisco and plans to expand the route to up to five daily flights by first quarter 2015. Mint, which launched in June between Kennedy and Los Angeles International, is available on JetBlue's new Airbus A321s and features "the widest seat and longest fully-flat bed in the U.S. domestic market and four private suites among the 16 seats," with fares starting at \$599 one way. . . . JetBlue began an interline agreement with Porter Airlines on service between Toronto City Airport to Boston. JetBlue serves 51 nonstop domestic and international routes from Boston. Porter's domestic Canada markets via Toronto include Montreal, Ottawa and Quebec City.

5. **Alaska, Flight Attendants Secure Tentative Agreement.**  
Alaska Airlines and the Association of Flight Attendants-CWA (AFA) reached a tentative five-year agreement, subject to ratification.
6. **Allegiant's Andrew Levy Resigns.**  
Allegiant President and COO Andrew Levy has resigned. Chairman and CEO Maurice Gallagher and the executive team will handle his duties until a successor is found. Levy was with the company for 13 years and will continue to serve as an advisor.
7. **Air Canada Pilots Ratify New 10-Year Agreement.**  
Air Canada pilots ratified a new 10-year agreement, which, said the carrier, provides increased flexibility in regional airline capacity purchase agreements, code sharing and joint ventures.
8. **Delta, Virgin Atlantic Begin London to Los Angeles, Atlanta Flights.**  
See Section VIII, item 4.
9. **Ethiopian Flights to Los Angeles via Dublin Begin in June.**  
See Section VIII, item 7.
10. **JAL, American Expand Code Share.**  
See Section IX, item 2.
11. **Virgin America, China Airlines Launch Code Share Flights.**  
See Section IX, item 3.
12. **Delta, Virgin Australia Expand Code Share.**  
See Section IX, item 4.
13. **United Adds Pacific Routes.**  
See Section IX, item 5.