



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. Tyler to Retire as IATA Chief in June 2016.

Tony Tyler will retire in June 2016 after serving five years as Director General and CEO of the International Air Transport Association (IATA). Tyler previously was CEO of Cathay Pacific and chaired the IATA Board of Governors. . . . Global airlines are expected to earn a net profit margin of 4% this year, which equates to \$29.3 billion net profit, said IATA.

2. Largest U.S. Airlines Report \$8.7 Billion First Half Net Profit.

Ten U.S. passenger airlines—Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit, United and Virgin America—collectively reported first half net profit of \$8.7 billion, up from \$3.9 billion during same period last year, reports Airlines for America (A4A). This translated to a net margin of 11.2%, or roughly 11 cents on every dollar of revenue, up from the 4.9% margin reported in first half 2014. The improvement was driven almost entirely by lower fuel costs, which fell 34%, outpacing a 10% increase in wages and benefits. Total operating revenues were flat, as a 3% decline in fares offset a 3% increase in passenger traffic. The price to fly a mile domestically fell 1.9% in first six months. Seat capacity slightly outpaced traffic, pushing average load factor down from 83.2% to 82.8%. A4A projected 14.2 million people will fly over the Labor Day holiday, up 3% over last year.

3. U.S. Airline Fares Fell Sharply in July.

U.S. airline fares fell sharply in July, tumbling 5.6%, the largest decline since December 1995, according to the Labor Department's monthly Consumer Price Index.

4. Group Seeks Rulemaking to Limit Seat Size Reductions.

FlyersRights.org has petitioned the Federal Aviation Administration (FAA) to create a regulation mandating minimum seat width and seat pitch for commercial airlines. "Because of limited regulations on seats, airlines have decreased seat pitch and seat width in order to fit more passengers on each plane. In some instances, galleys have been removed as well, said FlyersRights, which requests that FAA: 1) Impose within 180 days reasonable regulations setting maintenance standards and limiting extent of seat size changes in order to ensure consumer safety, health, and comfort. 2) Issue an order within 45 days placing a moratorium or freeze on any further reductions in seat size, width, pitch, padding and aisle width until a final rule is issued. 3) Appoint an advisory committee or task force to assist and advise FAA in

proposing seat and passenger space rules and standards, to include representatives from airline passenger advocacy organizations, Occupational Health and Safety Administration, and Centers for Disease Control and Prevention, and at least one physician, ergonomic engineer, senior citizen, disabled air traveler, overweight person, and disabled person, and at least six American air travelers representing a cross section by age, height, weight and gender.”

5. FAA Delays Establishing Pilot Records Database.

In an audit the House Aviation Subcommittee requested, the DOT Inspector General (IG) determined that FAA’s progress in developing and implementing a pilot records database “remains limited and its completion remains uncertain.” FAA “does not expect to issue a related rulemaking until 2017, and the database will likely not be fully implemented until more than a decade after Congress mandated its creation in 2010,” said the IG. “Moreover, FAA has yet to make key decisions regarding how to incorporate historical records or how air carriers will transition to and access the database.” Meanwhile, “carriers, in large part, do not have all relevant pilot records available to review when evaluating pilot applicants. Specifically, FAA has not determined whether air carriers have followed through on their voluntary commitments to request additional records from FAA when hiring new pilots. As a result, air carriers are not able to fully evaluate prior performance when deciding whether to hire a pilot.”

6. Pilot Reports of Drones Soar in 2015.

FAA said pilot reports of unmanned aircraft systems (UAS), or drones, in the United States, increased from 238 in 2014 to 650 by August 9 of this year. Pilots of different types of aircraft—including large commercial jets—reported spotting 16 drones in June of 2014, and 36 the following month. This year, 138 pilots reported seeing drones at altitudes of up to 10,000 feet in June, and another 137 in July. Firefighters battling wildfires in the western U.S. were forced to ground operations several times when drones were in the immediate vicinity. . . . The DOT IG plans to audit FAA’s approval and oversight process for civil UAS, “given the significant and complex challenges of safely integrating UAS into the National Airspace System and the increasing number of UAS operations.” Since September 2014, FAA has approved over 1,200 commercial UAS to operate by exempting them from certification requirements, under authority granted by Congress.

7. ATC Problems at DC Center Cause Widespread Disruption.

An air traffic disruption at the Leesburg, VA, high-altitude radar facility resulted in some 3,400 delays and 640 cancellations across the nation on the August

15 weekend. FAA identified a software upgrade to the En Route Automation Modernization (ERAM) system as the source of the problems, noting that rate of ERAM availability “has been higher than 99.99% since completed nationwide earlier this year.” FAA reduced arrival and departure rates in the region from 11 a.m. to 4 p.m., resulting in about 70% of average normal Saturday traffic at Baltimore/Washington, 72% at Reagan National, and 88% at Washington Dulles. Global Business Travel Association called for “a top-to-bottom review of how technical upgrades are implemented, including a close examination of the long-term planning process.”

8. Efficiency of FAA ATC Towers Assessed.

A DOT IG audit found that “FAA towers function at considerably different levels of efficiency.” The least efficient used from 42 to 98% more resources than those of relatively efficient towers, depending on year and airport type. Additional costs associated with the inefficient towers averaged \$142 million annually from 2008 through 2013. The 10 least efficient hub airport ATC towers alone accounted for 57%, on average, of this amount. Leaders of the House Transportation Committee and Aviation Subcommittee asked the IG to assess FAA plans to enhance controller productivity, factors to be addressed to achieve expected benefits, and estimated savings that could be achieved with improved controller productivity. A prior audit of FAA controller productivity initiatives found they did not achieve expected benefits, and that FAA does not regularly analyze information in numerous databases to determine if it could reduce costs. Total air traffic operations handled by FAA facilities declined 19% between 2004 and 2013, when FAA’s operations budget increased slightly.

9. Air Traffic Controller Rest Rules Improved.

Work schedules that require air traffic controllers to work through the night often lead to chronic fatigue, endangering safety, found a newly released December 2012 study. FAA told the Associated Press that standards adopted since then require at least two controllers on duty after midnight, at least nine hours between certain shifts to rest, and more time for recuperative breaks during shifts, workload permitting. “As a result of all of these actions, the whole problem of controller fatigue has improved quite dramatically,” FAA Administrator Michael Huerta told Bloomberg. The National Transportation Safety Board (NTSB) and National Air Traffic Controllers Association recommended the study following incidents of controllers falling asleep on the job. NASA produced the study for FAA.

10. NTSB Opens Investigation Into Tail Strike Accident at Charlotte.

NTSB is investigating an August 15 accident, in which an American Airlines Airbus A321, inbound from Atlanta to Charlotte Douglas, was substantially damaged. Flight 1851 encountered wind shear on final approach and hit runway lights, “followed by an airplane tail to runway impact,” said NTSB. “The flight crew then performed a go-around maneuver and completed the landing. No injuries were reported.”

11. FAA Proposes Increased Overflight Fees.

FAA proposes to increase rates for Enroute and Oceanic overflights over a three-year period to recover costs of air traffic control services already provided to operators. It would raise the Enroute rate per 100 nautical miles would from a current \$56.86 to \$61.75 in 2017; the Oceanic rate from a current \$21.63 to \$26.51 in 2017. International Civil Aviation Organization (ICAO) recommends that the “cost to be shared is the full cost of providing the air navigation services” and that the “approach toward the recovery of full costs should be a gradual progression,” said FAA. Comments are due October 27, 2015.

12. Registered Carrier Departures Worldwide.

U.S. registered carriers operated 9.6 million flights in 2014, down from 10.1 million in 2010, according to a World Bank report, while Chinese carrier departures climbed to 3.4 million in 2014 from 2.4 million in 2010. Canada followed China in 2014 with 1.3 million departures, then the UK (one million), Brazil (937,437), Japan (927,667), Germany (913,156) and the Russian Federation (747,804).

13. DOT Air Travel Consumer Report for June.

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

	June '15 / '14	May '15	Full Year				
			2014	2013	2012	2011	2010
On-time arrivals %	74.8 / 71.8	80.5	76.9	78.34	81.85	79.6	79.8
Cancellations %	1.8 / 2.0	1.1	2.18	1.51	1.29	1.91	1.76
Mishandled baggage*	3.63 / 3.77	3.09	3.62	3.22	3.09	3.35	3.51

Consumer complaints:							
Airline service	2,052 / 1,393	1,492	15,532	13,176	15,338	11,546	10,988
Disability-related	69 / 83	73	774	683	741	628	572
Discrimination**	5 / 5	2	68	79	99	128	143

Note: Airlines reported two tarmac delays of more than three hours on domestic flights, in June, and no delays of more than four hours on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Los Angeles To Transfer Ownership of Ontario.

Los Angeles will transfer ownership of Ontario International (ONT) to Ontario International Airport Authority (OIAA), subject to the Los Angeles Board of Airport Commissioners, Los Angeles City Council, Ontario City Council, OIAA and FAA's approval. Among settlement terms, Los Angeles and Los Angeles World Airports (LAWA) "will be reimbursed to the extent needed to make them whole regarding investments they have made in ONT, while providing job protection to the airport's current employees." The agreement settles an ONT lawsuit alleging mismanagement. ONT is located 35 miles east of downtown Los Angeles. OIAA was formed in 2012 by an agreement between City of Ontario and County of San Bernardino to provide overall direction for management, operations, development and marketing of the airport. . . . In related news, Sacramento analysts are suggesting that under-used ONT serve as an alternative airport for burgeoning San Diego.

2. DHL Continues Investment in Americas CVG Hub.

A \$108 million expansion at Cincinnati/Northern Kentucky International (CVG) is the latest investment by Deutsche Post unit DHL, amid continued capital improvements totaling \$281 million at its main international hub for the Americas. The project will provide additional warehouse space, up to 16 more aircraft gates to accommodate route expansions, and new equipment to increase sorting capacity and faster unloading and reloading of planes. Staff at the hub has grown by 50% in the last seven years to 2,400. The Kentucky Economic Development Finance Authority has approved DHL for tax credits through the Kentucky Enterprise Initiative Act and the Kentucky Business Investment program. DHL is a signatory airline at CVG, and in 2014, accounted for 56% of landed weight moved through CVG, which is now placed at ninth overall among U.S. airports ranked by cargo tonnage.

3. \$248 Million Expansion for Chicago Midway.

A \$248 million project at Chicago Midway will expand concession facilities by 50%, add four levels and 1,400 parking spaces to the terminal garage, and create a new 80,000 square foot security hall. Midway tentatively plans to issue a Request for Proposals in early September; receive bids through mid-December; evaluate bids in first quarter 2016 and advance the proposal in the City Council in second quarter 2016.

4. **FAA Probing Dallas Love Field Gate Dispute.**

FAA is investigating whether the city of Dallas failed to act on Delta's request to continue operating at Love Field. If it establishes the city violated its sponsor obligations and related federal law, said the notice of investigation, FAA may determine that the city is noncompliant with federal grant obligations in its operation of the airport. Delta has been using two Love Field gates under a temporary agreement with Southwest.

5. **Las Vegas To Add Seven International Gates.**

Las Vegas McCarran will add seven international gates, one of which would accommodate the Airbus A380. The \$51 million project is expected to begin by November and be completed next year. The airport authority wants to increase the number of foreign visitors and may consider financial incentives for carriers from Asia. A governor-appointed panel, the Southern Nevada Tourism Infrastructure Committee, is determining projects that would benefit tourism.

III. **SECURITY AND DATA PRIVACY**

1. **Visa Waiver Program Tightened.**

Jeh Johnson, Secretary of the Department of Homeland Security (DHS), announced expanded requirements for the Visa Waiver Program (VWP), including e-passports for all VWP travelers, checks against INTERPOL's Lost and Stolen Passport Database and more U.S. federal air marshals on international flights. "The current global threat environment requires that we know more about those who travel to the United States," said Johnson, "including those from countries for which we do not require a visa. Additionally, United Nations Security Council Resolution 2178, adopted last September with our strong support, urges member nations to do more to address the growing threat of foreign terrorist fighters."

2. **DHS Names Cybersecurity Chief.**

Andy Ozment, Assistant Secretary of the DHS Office of Cybersecurity and Communication, will assume responsibility for the National Cybersecurity and Communications Integration Center (NCCIC), reporting to DHS Secretary Jeh Johnson. John Felker, a cyber executive at HP Enterprise Services, will run day-to-day NCCIC operations. Jeh directed the National Protection and Programs Directorate (NPPD) to develop a reorganization plan to ensure the NCCIC is focused on strengthening operational capabilities for mitigating and responding to cyber incidents. Dr. Ozment previously served at the White House as the President's Senior Director for Cybersecurity. Airlines increasingly have faced cyber incidents, and the International Air Transport Association recently said airlines "are the highest value target for swindlers and close to 50% of all phishing attempts are made against airlines and airline passengers."

3. **\$3.4 Million for Mineta San Jose Perimeter Security.**

Norman Mineta San Jose International Airport will receive over \$3.4 million in federal funding to increase perimeter security, following several breaches. Improvements include raising fence height from six feet to 10 feet and topping it with razor wire, with completion expected by May 2016.

IV. E-COMMERCE AND TECHNOLOGY

1. Lufthansa €16 Per Booking Surcharge Stirs Ire.

In June, Lufthansa Group announced plans to add a €16 surcharge to tickets purchased anywhere other than its websites, service centers and airport ticket counters, effective September 1, 2015. Global Business Travel Association (GBTA) said the strategy “is a direct price increase to managed travel programs with no corresponding benefit” that could lead to decreased price transparency if carried out by other airlines. And a letter from Business Travel Coalition asked regulators in Brussels, Bonn and Washington for an investigation of the “highly anti-consumer and anti-competitive plan” and a deferral until it is shown that “plans and industry communications processes are and have been in accordance with all relevant competition and antitrust laws, statutes and principles.” 135 travel buyers, consumer and industry associations and travel agencies worldwide, who “forcefully” reject Lufthansa’s “attempt to abuse its dominant market position in seeking to increase revenue, decrease comparison-shopping and diminish intra and inter distribution channel competition,” and are concerned about “evidence of substantial public communication among horizontal airline competitors presumed necessary to introduce such a far-reaching and anti-competitive program” signed the letter.

2. Gogo Receives Final STC for 2Ku.

Gogo received final Supplemental Type Certificate from FAA required to launch 2Ku next generation satellite service. The technology currently is installed on Gogo's 737-500 test plane, and seven commercial airlines have signed up for a trial or fleet deployment covering more than 500 aircraft. The inflight connectivity provider expects to launch commercial service later this year and begin installation in 2016. Gogo says 2Ku is expected to deliver peak speeds of 70 Mbps to the aircraft, more than 20 times the bandwidth provided by its first generation Air to Ground solution in the U.S.

3. Delta Flight Attendant Tool Recognizes “High-Value” Customers.

Delta flight attendants are using a tool on the Lumia 1520 ‘phablet,’ a cross between a smartphone and a tablet, “to recognize high-value customers and better serve those on board who may need extra assistance or attention.” They will be able to provide gate information, “deliver food and beverage options that meet customer preferences” and “better identify customers who have had a previous travel disruption,” said the airline. The 500-page, five-pound on board flight attendant manual containing safety and service materials will be loaded on to the device, “saving 55 tons of paper annually

and reducing the airline's carbon footprint by 1,800 metric tons annually—the equivalent of removing more than 370 passenger vehicles from the road.” Delta pilots use Microsoft Surface Tablets as an electronic flight bag and enterprise connectivity tool.

4. United Expands Inflight Entertainment Options.

United launched free personal device entertainment on two-cabin United Express regional jets, expanded HBO programming, and added curated content from the music video and entertainment platform Vevo.

5. Azul Deploys SITA Flight Tracking Technology.

Azul became the first airline in the Americas to deploy SITA OnAir's AIRCOM® FlightTracker. The Brazilian low cost carrier can track its entire fleet of Embraer 190 and 195s, ATR 72-600s and Airbus A330s in real time on every route; A320neos and A350s on order will be tracked when they enter service. FlightTracker is “a simple software upgrade to the ground-based server,” says SITA.

V. **ENERGY AND ENVIRONMENT**

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

Average price of aviation jet fuel on August 21 was \$58/barrel, down -13.2% on the month and down -51.2% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2015 was \$71.2/barrel. Impact on 2015 fuel bill was -\$83.5 billion.

2. **EPA Holds Hearing on Proposal Limiting Aircraft Emissions.**

A4A testified at an Environmental Protection Agency (EPA) hearing on proposed aircraft emissions regulations. Nancy Young, A4A Vice President of Environmental Affairs, said U.S. airlines favor developing renewable jet fuels, which offer savings of 30% to 80% compared to conventional fuel. The airline industry is committed to 1.5% annual average fuel efficiency improvements through 2020 and carbon neutral growth from 2020.

3. **UPS Signs Renewable Fuels Agreements for Ground Ops.**

UPS signed agreements for up to 46 million gallons of renewable fuels over the next three years, constituting a 15-fold increase over prior contracts and making UPS one of the largest users of renewable diesel in the world. Suppliers are Finland-based Neste; Renewable Energy Group, headquartered in Ames, Iowa; and Solazyme, headquartered in San Francisco. UPS has been using renewable fuels for more than a year in trucks operating in Texas and Louisiana. The new agreements pave the way for expanded use across the U.S. and potentially in Europe.

VI. U.S. CONGRESS

1. Senate Report Calls for Airline Transparency.

A new congressional report, “The Unfriendly Skies: Consumer Confusion Over Airline Fees,” says airlines do not adequately disclose ancillary fees to the flying public. The Office of Oversight And Investigations for Bill Nelson (D-Fla.), Ranking Member of the Senate Commerce Committee, prepared the report. Its recommendations include: better and earlier disclosure of fees to help consumers compare costs; requiring checked and carry-on baggage fees to have a clear connection to costs incurred by the airline; requiring airlines to promptly refund fees for bags that are delayed more than 6 hours on a domestic flight; limiting airline change fees to a reasonable amount tied to lead time prior to departure and an amount less than original fare; mandating that airlines place clear disclosures that preferred seat charges are optional; requiring airline and travel agency websites to have clear and conspicuous links to the DOT Aviation Consumer Protection website, and updating that website to better assist the flying public. “The traveling public is being nickel-and-dimed to death,” said Nelson; “according to one recent study, airlines globally pocketed a record \$38.1 billion in extra fees last year—an increase of more than 1400% since 2007.” Nelson said he “intends to press his colleagues to act on the report’s recommendations” when the Senate begins work on legislation reauthorizing FAA. Responding to the report, Airlines for America said, “It would be difficult to find an industry that is more transparent than airlines in their pricing.”

2. Union Urges Quick FAA Reauthorization.

The AFL-CIO’s Transportation Trades Department (TTD) urged Congress to immediately work on reauthorizing FAA funding upon its return to session in September; current reauthorization ends September 30. “A lapse in funding would devastate our aviation system,” said TTD President Ed Wytkind, who called for bipartisan, multi-year legislation that expands and modernizes air traffic control and aviation infrastructure. “The political brinksmanship approach to authorizing and funding our FAA does long-term damage to the safety and efficiency of our national aviation network, threatens middle class jobs and hurts our international competitiveness,” said Wytkind. “It has also stunted workforce development and left the FAA with a staffing crisis. Over a third of the agency’s employees are currently eligible for retirement, but there are not nearly enough new hires in training to replace them, and for those who are in the pipeline, it takes between two and five years before they are ready for prime time.”

3. Law Would Require Safety Software on Drones.

Senator Chuck Schumer (D-NY) will propose an amendment to the FAA reauthorization bill that would require manufacturers to implement geo-fencing or similar solutions on drones to prevent them from entering no-fly zones like airports. Installation of built-in software, firmware and GPS tracking in the device helps take human error out of the equation, Schumer said. “Near-misses between drones and passenger airliners are spiking and we must act now, before a real tragedy occurs.” FAA draft rules on drones do not require use of geo-fencing technology to limit where a drone can fly. Should Congress extend FAA policy short-term, rather than pass a full FAA reauthorization, an amendment could be the only way to implement the technology requirement this year, said Schumer. . In related news, Connecticut Senator Richard Blumenthal in a letter urged FAA Administrator Michael Huerta “to take tough enforcement action following a surge in reports of dangerous close calls between airplanes and drones.” FAA failed to finalize rules governing use of drones weighing fewer than 55 pounds, by August 2014 as required by the FAA Modernization and Reform Act of 2012, and “appears highly unlikely” to meet a requirement to provide for the safe integration of civil unmanned aircraft systems into the national airspace by September 30, 2015, wrote Blumenthal, a member of the Senate Commerce Committee. “I call on your agency to move immediately to (1) finalize the rule governing use of small drones and (2) complete all other outstanding, mandated efforts to ensure the safe integration of drones into the national airspace.”

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S. Embassy Officially Opens in Havana.

Secretary of State John Kerry officially opened the U.S. Embassy in Havana, as the United States and Cuba reestablish diplomatic relations after 54 years. Travel from the United States to Cuba has increased by 35% since a December agreement to ease restrictions; however, general tourism remains prohibited under the Cuba embargo, which only Congress can rescind. Legislation pending in Congress—the Freedom to Travel to Cuba Act (S.299/H.R. 664)—would fully repeal restrictions on travel by American citizens and legal residents to Cuba. American Society of Travel Agents estimates at least two million additional Americans would visit Cuba by 2017 if there were to be a full lifting of travel restrictions in 2015. . . . “We stand ready to offer scheduled service as soon as the United States and Cuba allow commercial flights,” said American Airlines, as it announced plans to operate the first charter flights between Los Angeles International and Havana later this year on behalf of Cuba Travel Services, as well as an additional Miami-Havana flight. American has operated charter flights to Cuba since 1991.

2. Trilateral North American Trusted Traveler Network Planned.

The U.S. Department of Homeland Security, Public Safety Canada and the Secretariat of Governance of Mexico outlined the first steps toward creation of a trilateral North American Trusted Traveler network, allowing expedited arrival screening for pre-approved travelers from all three countries beginning in 2016. Mexican members of Viajero Confiable will be able to apply for the U.S.-Canada NEXUS trusted traveler program, for arrivals at international airports in the United States and Canada. Canadian members of NEXUS can apply for Viajero Confiable, for arrivals at select international airports in Mexico. U.S. citizens are currently eligible to apply for NEXUS and Viajero Confiable trusted traveler programs through partnerships between U.S. Customs and Border Protection, Public Safety Canada and Mexico’s National Institute of Migration.

3. Comment Period Closes on Gulf Carrier Subsidy Allegations.

The Departments of Transportation, State and Commerce received more than 4,000 submissions by the August 24 deadline for comments regarding allegations by “the “Big 3” U.S. carriers—American, United and Delta—that Gulf carriers are unfairly subsidized by their governments. The Big 3 want the U.S. to modify Open Skies treaties with the United Arab Emirates and Qatar and freeze access on U.S. routes for Etihad, Emirates and Qatar Airways. One of the last submissions was from U.S. Airlines for Open Skies (USAOS), a

newly formed coalition of Atlas Air Worldwide, FedEx, Hawaiian and JetBlue, which wrote to “(a) underscore that the Big 3 do not speak for all, or even most, U.S. airlines; and (b) expand on the extensive harm to U.S. consumers, U.S. competitiveness, the U.S. economy, and U.S. national security if the federal government proceeds down the path sought by the Big 3.” An international conversation about airline subsidies may well be in order, wrote USAOS, but should involve all relevant governments and consider all forms of governmental support. “The market for aviation is global; therefore, any discussion of subsidies must be broad-based, not bilateral. Equally important, this conversation must occur in the context of maintaining and expanding air service liberalization, not under the threat of terminating Open Skies agreements, restricting aviation markets, and jeopardizing the network of global agreements that is so important to our economy.” . . . In related news, Delta said it would reduce daily Atlanta-Dubai winter service, “amid overcapacity on U.S. routes to the Middle East operated by government-owned and subsidized airlines.” Emirates called the decision political and “a thin excuse to prop up fares at a higher level by limiting capacity.”

VIII. EUROPE AND AFRICA

1. **FedEx Formalizes TNT Express Bid.**

FedEx launched a bid to acquire Netherlands-based TNT Express at €8 per share or €4.4 billion. European and other antitrust agencies are reviewing the proposal. Subject to shareholder and regulatory approvals, closing is anticipated in first half 2016.

2. **Delta-Virgin Atlantic JV Adds Summer Service.**

Delta will add summer nonstops in 2016 from Salt Lake City to London Heathrow, and New York Kennedy to Edinburgh, with joint venture partner Virgin Atlantic.

3. **British Airways Offers First London-Silicon Valley Nonstop.**

British Airways will begin Boeing 787-9 service from London Heathrow to Mineta San Jose on May 4, the first regularly scheduled nonstop for the route. San Jose is home to Silicon Valley.

4. **Air France-KLM to Expand Low-Cost Carrier Business.**

Air France-KLM plans to expand its low-fare business by adding up to 20 aircraft in the coming years, Transavia CEO Mattijs ten Brink, told the *Wall Street Journal*, and to open bases outside France and the Netherlands. . . . Air France withdrew proposals to pilots in the continuing dispute that resulted in a costly 15-day strike last year. Recent agreements include maintaining regional bases in Nice, Marseille and Toulouse; and helping pilots transfer to new posts as Boeing 747s are retired.

5. **SAS Expands U.S. Service.**

SAS will open new direct routes to Miami from Oslo and Copenhagen and to Los Angeles from Stockholm next year, and increase frequency from Stockholm to New York and Chicago. . . . Starting in September, low-cost SAS Go Light will be available on certain routes between Scandinavia and Europe for customers with carry-on luggage, supplementing SAS Go and SAS Plus.

6. **Norwegian to Launch Boston Service from Copenhagen, Oslo.**

Norwegian will begin direct Boeing 787 services to Boston from Copenhagen and Oslo in May. Services from Boston, Baltimore/Washington and New York Kennedy to French Caribbean islands of Guadeloupe and Martinique start December 3, 2015, and by next summer Norwegian will offer 34 nonstops from London and Scandinavia to the U.S. An application by Irish-registered

subsidiary Norwegian Air International to operate transatlantic routes remains under DOT review.

7. South African Launches Accra–Washington Service.

South African Airways launched service to Washington Dulles from Accra, where Ghanaian domestic carrier Africa World Airlines is providing code share connections to other destinations, including Lagos, Nigeria. South African, a Star Alliance member, serves 50 markets in the U.S. and Canada via partners United, JetBlue and Virgin America. Separately, the flag carrier is offering “Go See Southern Africa” packages starting at \$2,799.

8. Final Report on MH17 Expected October 13.

See Section IX, item 1.

9. Flight MH370 Update.

See Section IX, item 2.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Final Report on MH17 Expected October 13.

The Dutch Safety Board will publish a final report on the Flight MH17 investigation on October 13. The Malaysia Airlines Boeing 777 crashed in the region of Donetsk, Ukraine, on July 17, 2014, killing 298 people. The Joint Investigation Team is examining parts possibly originating from a Buk surface-air-missile system that were secured at the accident site, but said “at present the conclusion cannot be drawn that there is a causal connection between the discovered parts and the crash of flight MH17.” Earlier reports said the plane was struck by high-energy objects.

2. Flight MH370 Update.

The Malaysian Department of Civil Aviation believes the aircraft wing part (flaperon) found on the French island of Reunion on July 29 is from a Boeing 777 and may be from Malaysia Airlines Flight MH370, which disappeared en route from Kuala Lumpur to Beijing on March 8, 2014. The flaperon was moved to Toulouse on August 1 to verify its origins, as were other objects found on the beach. The underwater search continues near the presumed crash site in the southeast Indian Ocean.

3. Qantas Achieves A\$1.6 Billion Turnaround.

Qantas announced a turnaround of A\$1.6 billion for financial year ended June 30, compared with FY2014, and will distribute surplus capital to shareholders in the form of a A\$505 million capital return. Group CEO Alan Joyce said the company will add eight new Boeing 787-9s from 2017, to gradually replace five B747s. Qantas agreed to sell its Sydney Airport stake to Sydney Airport Holdings for A\$535 million, in a transaction that Joyce said “secures Qantas’ long-term position in our largest domestic hub, ensuring priority usage as the primary airline customer of Sydney Airport’s Terminal 3. We now have certainty about our future operations in T3 beyond 2019, and an outcome that is win-win for both Qantas and Sydney Airport.” The fixed property rental Sydney Airport previously received will cease and new variable aeronautical, retail and property revenue streams, as well as operating expenses, begin September 1.

4. Virgin Australia-Delta Alliance Reauthorized.

The Australian Competition and Consumer Commission (ACCC) authorized Virgin Australia and Delta to coordinate U.S.-Australia operations for another five years, rather than the requested 10 years, “due to the ongoing evolution of

services on the trans-Pacific and the dynamic nature of the aviation industry.” The alliance allows the two carriers to offer a single integrated network on services between Australia and the U.S., and within their respective domestic networks. Virgin and Delta operate Sydney-Los Angeles and Brisbane-Los Angeles services.

5. United Delays New Shanghai Service.

United postponed the start date for a second daily San Francisco-to-Shanghai flight. This the third extension, amid difficulties in acquiring preferred takeoff and landing times at Shanghai Pudong. Initially, the Boeing 777 service was to begin May 6. . . . In related news, U.S.-China aviation talks held in May reportedly ended in a stalemate, due to “what the United States calls an opaque allocation system that tends to give big Chinese state carriers the best time slots,” reports Reuters.

6. Qantas-China Eastern Agreement Cleared.

ACCC reversed an earlier decision and cleared a Qantas-China Eastern joint business. The carriers agreed to “increase combined capacity on routes between Shanghai and Australia over the five-year term of the authorization by a compound annual growth rate of 4%,” said ACCC, achieved by “increasing capacity across these routes by around 21.67%.” The two airlines have a reciprocal code share agreement on 17 flights a week between Australia and mainland China, and onward domestic destinations. More than 20 airlines currently offer services between Australia and mainland China.

7. Japan Airlines Nonstops to Dallas/Fort Worth Return.

Japan Airlines (JAL) announced the return of service between Tokyo Narita and Dallas/Fort Worth, beginning November 30. The four weekly Boeing 787 flights will be code shared with fellow oneworld alliance member and Pacific Joint Business partner American Airlines, which also operates twice-daily Boeing 777-200 service on the route. Dallas/Fort Worth “becomes our eighth gateway in North America and our fourth U.S. service launch in just over three years,” said JAL President Yoshiharu Ueki.

8. ANA To Sponsor Skymark Revival Plan.

An ANA Holdings rehabilitation plan for bankrupt Japanese discount carrier Skymark was approved by creditors, rather than one proposed by Delta. Private equity firm Integral will hold a 50.1% share of Skymark, 33.4% will be held by a fund established by Development Bank of Japan and Sumitomo Mitsui Financial, and 16.5% by ANA, which will have access to Skymark's Tokyo Haneda slots.

9. El Al Plans Acquisition of 15 Dreamliners.

Reporting a second quarter net profit of \$17.3 million, El Al said it will exclusively negotiate with Boeing to purchase and lease 15 new Dreamliners over five years beginning mid-2017, with an option to purchase another 13. The company announced a dividend distribution for the first time in years, and CEO David Maimon said the signing of a labor agreement “will enable El Al to become more efficient and focus on the business challenges facing us, further to its growth within the international aviation industry.” . . . Separately, American Airlines reportedly plans to end its Philadelphia-Tel Aviv route, inherited in the US Airways merger, saying it is not profitable.

10. Emirates Offers Service to Panama City, Americas Pass.

Emirates plans to launch daily Boeing 777-200LR passenger and cargo service from Dubai to Panama City on February 1, its first gateway destination in Central America, and the longest nonstop in the world (17 hours, 35 minutes westbound). . . . Emirates is offering an Americas Pass for flights to any of its 10 U.S. destinations and 90 cities across the U.S., Canada and Latin America via partner airlines Jet Blue, Alaska, Virgin America, WestJet and Porter, with one combined ticket. . . . Emirates will add a second daily A380 service to Frankfurt, adding 1,155 seats a week on the route, on January 1; the flights currently are operated with a Boeing 777-300ER.

11. Etihad Offers Pilots on Secondment Permanent Contracts.

Etihad offered pilots seconded from partner airlines the opportunity to transfer to permanent contracts. Part of the carrier’s strategy for international expansion, the program to date has seen 21 former airberlin pilots transfer to permanent roles with Etihad, flying Boeing 787 and Airbus A380 aircraft.

X. AMERICAS

1. Airline Employment Up 3% in June.

U.S. scheduled passenger airlines employed 3% more workers in June 2015 than in June 2014, reports the U.S. Department of Transportation (DOT). Network airlines reported a 3.1% rise, with increases at Alaska, American, Delta and US Airways and a reduction at United. The low-cost carriers reported a 4.9% rise, with increases at Spirit, Allegiant, JetBlue, Southwest and Virgin America and a reduction at Frontier. Regional carriers reported a 0.1% rise, with increases at PSA, Mesa, Compass, Horizon, Republic, GoJet, SkyWest and Envoy.

2. RAA Appoints Faye Malarkey Black President.

Regional Airline Association (RAA), named Faye Malarkey Black as President. She has been with RAA since 1998 and has served as interim President since February. RAA represents 28 North American regional airlines.

3. United Flight Attendants File for Federal Mediation.

United Airlines flight attendants, represented by Association of Flight Attendants-CWA, filed for federal mediation under the National Mediation Board's jurisdiction "in order to bring three years of negotiations to a close and allow United to complete its merger with Continental/Continental Micronesia."

4. FedEx Pilots, Management Reach Tentative Agreement.

FedEx pilots and management reached a tentative amended collective bargaining agreement, in talks the National Mediation Board held. If ratified, the contract would become amendable in 2021. The parties have been actively negotiating since 2011.

5. Republic Submits Final Offer to Pilots.

Republic Airways Holdings presented a last, best and final offer to Teamsters Local 357 representing pilots. The proposed three-year agreement provides "improved job protection, compensation and quality of life," said the company, parent of regional operators Republic Airlines and Shuttle America. Republic indicated it would file for bankruptcy if pilots reject the offer.

6. Azul Introduces Brazil Air Pass.

Azul introduced a Brazil Air Pass for travelers having round-trip itineraries that originate in the U.S. and are flown wholly on Azul or a combination of Azul and United. The pass offers 10 days of unlimited flights throughout Brazil for \$299,

or 21 days for \$399. Azul flies from Florida to Sao Paulo. Hotel and transfer specials are available through Azul's travel agency, Azul Viagens, said Azul founder and CEO David Neeleman.

7. LATAM Brand for LAN, TAM, Affiliates Announced.

Chile-based LAN and its affiliates in Peru, Argentina, Colombia and Ecuador, and Brazil's TAM and its Paraguay affiliate will see their brands unified under the LATAM name. "We are currently working on the definition of our new corporate brand image. The changes will occur over the next three years, gradually becoming visible starting in 2016 with branding at airports, aircraft, uniforms, commercial offices, loyalty programs, web pages, among others," announced LATAM Airlines Group CEO Enrique Cueto Plaza.

8. FedEx Formalizes TNT Express Bid.

See Section VIII, item 1.

9. Delta-Virgin Atlantic JV Adds Summer Service.

See Section VIII, item 2.

10. British Airways Offers First London-Silicon Valley Nonstop.

See Section VIII, item 3.

11. Air France-KLM to Expand Low-Cost Carrier Business.

See Section VIII, item 4.

12. SAS Expands U.S. Service.

See Section VIII, item 5.

13. Norwegian to Launch Boston Service from Copenhagen, Oslo.

See Section VIII, item 6.

14. South African Launches Accra-Washington Service.

See Section VIII, item 7.

15. Virgin Australia-Delta Alliance Reauthorized.

See Section IX, item 4.

16. United Delays New Shanghai Service.

See Section IX, item 5.

17. **Japan Airlines Nonstops to Dallas/Fort Worth Return.**
See Section IX, item 7.
18. **Emirates Offers Service to Panama City, Americas Pass.**
See Section IX, item 10.