



WASHINGTON AVIATION SUMMARY

April 2010 EDITION

CONTENTS

I.	REGULATORY NEWS.....	1
II.	AIRPORTS.....	5
III.	SECURITY AND DATA PRIVACY	8
IV.	E-COMMERCE AND TECHNOLOGY.....	9
V.	ENERGY AND ENVIRONMENT	10
VI.	U.S. CONGRESS.....	11
VII.	BILATERAL AND STATE DEPARTMENT NEWS	13
VIII.	EUROPE/AFRICA.....	15
IX.	ASIA/PACIFIC/MIDDLE EAST	17
X.	AMERICAS	19

For further information, including documents referenced, contact:

Joanne W. Young
Kirstein & Young PLLC
1750 K Street NW
Suite 200
Washington, D.C. 20006
Telephone: (202) 331-3348
Fax: (202) 331-3933
Email: jyoung@yklaw.com

<http://www.yklaw.com>

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.

©2010 Kirstein & Young PLLC.

I. **REGULATORY NEWS**

1. **IATA: Strong February Demand.**

Global passenger demand was up 9.5% in February, compared to February 2009, and cargo demand grew 26.5%, reports the International Air Transport Association (IATA), which also noted that February 2009 marked the bottom of the cycle for passenger traffic during the global economic recession. Passenger demand must recover a further 1.4% to return to pre-crisis levels.

2. **FAA Forecast: U.S. Airlines to Reach One Billion Passengers by 2023.**

The Federal Aviation Administration (FAA) 20-year forecast for Fiscal Years 2010-2030 predicts domestic passenger enplanements will increase by 0.5% in 2010, then grow an average of 2.5% per year. Total airport operations will decrease 2.7% to 51.5 million in 2010, then grow at an average annual rate of 1.5% reaching 69.6 million in 2030. At the 35 busiest U.S. airports, operations are expected to increase 60% from 2010 to 2030. U.S. airlines will reach 1 billion passengers a year by 2023, and the number of passengers on U.S. airlines domestically and internationally is forecast to increase from 704 million in 2009 to 1.21 billion by 2030. FAA Administrator Randy Babbitt noted the forecast makes a very strong business case for completion of the Next Generation Air Transportation System (NextGen). "Without NextGen, we won't be able to handle the increased demand for service that this forecast anticipates," he said.

In its 2009 summary, FAA reported domestic mainline yields decreased 8.6% and international yields fell 12.9%, as U.S. Gross Domestic Product (GDP) decreased 2.8% and world GDP fell 2.3%. Domestic mainline enplanements dropped 8.5%, regional fell 3.4%. Mainline international enplanements were down 5.6%, regional fell 27.2%. U.S. passenger and cargo carriers reported an operating profit of \$755 million in 2009, compared to an operating loss of \$2 billion in 2008. Operating revenues decreased 16.1% in 2009, operating expenses decreased 17.4%. In 2009 total landings and takeoffs at combined FAA and contract towers were down 10.4% from 2008; air carrier activity decreased by 6.9%.

3. **President Signs Travel Promotion Act.**

The President signed the bipartisan Travel Promotion Act, which will establish a public-private Corporation for Travel Promotion, overseen by the Department of Commerce. Its mandate will be to develop a campaign to promote the United States as a premier destination and explain changing travel security policies to foreign visitors. A failure to keep pace with the growth in

international long-haul travel since 2000 has cost the U.S. economy some \$509 billion in total spending and \$32 billion in direct tax receipts, according to the U.S. Travel Association (USTA). A successful national promotion would yield \$4 billion in new spending annually, create 40,000 new jobs and generate \$321 million in new tax revenue each year, said USTA; the Congressional Budget Office reported that the Travel Promotion Act would reduce the federal deficit by \$425 million over ten years. The Departments of Commerce, State and Homeland Security will nominate an 11-member board comprised of representatives from segments of the travel community. The initiative will be funded through a matching program featuring up to \$100 million in private sector contributions and a \$10 fee on visitors from visa-waiver countries, to be collected once every two years in conjunction with the Department of Homeland Security's Electronic System for Travel Authorization. There is concern that visa-waiver countries will introduce retaliatory fees.

4. Airlines Ask for Waiver on Tarmac Rule.

JetBlue asked DOT to temporarily waive the three-hour limit on tarmac delays, set to take effect April 29, for its New York Kennedy operations until runway repairs are completed. Delta supported JetBlue's application and asked that the waiver be extended to similarly situated carriers. The new rule could fine airlines up to \$27,500 per passenger. Continental will cancel flights rather than risk such fines, said CEO Jeff Smisek.

5. American Fined \$1 Million+ for Maintenance Lapses.

FAA proposed new fines amounting to more than \$1 million against American Airlines for maintenance violations. A fine of \$300,000 is tied to improper maintenance of airspeed indicators on a McDonnell Douglas MD-82, which was operated on five passenger revenue flights. A \$625,000 civil penalty involved improperly deferred Central Air Data Computer maintenance on an MD-82, which flew 10 passenger flights before the computer was replaced. A \$75,000 fine was for failure to correctly follow an Airworthiness Directive (AD) involving inspection of rudder components on four Boeing 757s, two of which were flown three times. A civil penalty of \$87,500 involved the return to service of an MD-82, though several steps of a scheduled B-check had not been checked off as completed, replacement of a landing gear door was not noted and an FAA inspection of the aircraft revealed several discrepancies in the tail section; the aircraft was operated on two passenger flights with the logbook error. In 2008, American was ordered to pay \$7.1 million for violations.

6. **FAA Proposes \$1.45 Million Civil Penalty Against Northwest.**

FAA proposed a \$1.45 million civil penalty against Northwest for operating Boeing 757s on more than 90,000 passenger flights, while not in compliance with an AD requiring certain windshield wiring inspections.

7. **US Airways Fined for Violation of Price Advertising Rules.**

The U.S. Department of Transportation (DOT) assessed a \$40,000 civil penalty against US Airways for violating rules that require airline price advertisements to disclose the full price consumers must pay. When consumers searched the carrier's Web site for one-way flights sorted by schedule, US Airways provided a set of fares that did not include additional applicable taxes and fees, or any notice on that page that these additional charges would be required. Under DOT requirements for Internet advertising displays, the full fare must either be listed on the first screen that provides fare quotes, or the existence of additional government-imposed per-passenger charges must be prominently disclosed along with a link to a page that describes the additional charges. US Airways said its failure was unintentional and upon learning of the inadvertent programming error it took immediate and extensive action to correct the matter.

8. **FAA Airworthiness Directives.**

FAA issued a new AD that requires installing new software for autopilot flight director computers on certain Boeing 777 models, to prevent runway overruns and consequent failure to clear obstacles on the ground during a performance-limited takeoff. Comments are due by May 3. . . . An emergency AD called for operators of certain B-737 models to inspect elevator tab control mechanisms after FAA received a report of failure of the aft attach lugs, which, if not corrected, could result in a loss of aircraft control and structural integrity. . . . A final rule supersedes an existing AD that applies to certain B-737 models and requires a one-time inspection for scribe lines and cracks in the fuselage skin at certain areas; the new AD, effective April 13, expands the area to be inspected and is meant to prevent rapid decompression of the airplane due to fatigue cracks resulting from scribe lines on pressurized fuselage structure.

9. **January Passenger Airline Employment Down 2.9%.**

U.S. scheduled passenger airlines employed 379,500 workers in January 2010, 2.9% fewer than in January 2009 and the lowest total for any January since 1990. The seven network airlines employed 257,800 in January, 67.9% of the passenger airline total, while low-cost carriers employed 16.8% and regionals 13.8%. Delta, which merged with Northwest, reported combined numbers for the first time in January.

10. **DOT Air Travel Consumer Report for January.**

Based on data filed by 18 of the largest U.S. airlines.

	Jan. '10 / '09	Dec. '09	Full Year				
			2009	2008	2007	2006	2005
On-time arrivals %	78.7 / 77	72	79.5	76	73.4	75.4	77.4
Mishandled baggage*	4.62 / 5.31	5.18	3.91	5.26	7.05	6.73	6.64
<i>Consumer complaints:</i>							
Airline service	927 / 885	692	8,819	10,648	13,180	8,325	8,741
Disability-related	45 / 45	38	517	477	488	430	511
Discrimination**	7 / 6	12	132	115	99	114	129

Notes:

(1) With this report, Northwest, now merged with Delta, is no longer a ranked carrier.

(2) Two flights had tarmac delays of four hours or more in January.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. World Airport Traffic 2009.

Global passenger traffic was down 2.7% in 2009 and cargo was down 8.2%, reports Airports Council International (ACI), reflecting steep first quarter declines in most regions but a return to growth activity by year-end. Total cargo volumes retracted by 8.2%, while aircraft movements were 5.5% below the 2008 level. Among the top 20 busiest airports, only Beijing, Dubai, Bangkok and San Francisco registered new growth. Atlanta Hartsfield continued to rank first and London Heathrow second, while Beijing climbed to rank three and Chicago O'Hare slipped to fourth. The preliminary results are based on input from 906 airports representing 93% of global traffic; a final report will be published in July.

2. Delta, US Airways Propose Transfer of NY, DC Slots to Meet FAA Competition Concerns.

Delta and US Airways proposed to transfer to four airlines 12% of the takeoff and landing slots involved in their previously announced transaction at New York LaGuardia and Washington Reagan National which they hope will meet competition concerns raised by the FAA in its Notice to grant approval to the transaction with conditions. (See *WAS* March 2010 at 5). Delta concluded agreements with AirTran, Spirit and WestJet to transfer up to five pairs each of takeoff and landing slots at LaGuardia. US Airways agreed to transfer five pairs of Reagan National slots to JetBlue. AirTran, Spirit, WestJet and JetBlue are considered limited incumbents or new entrant airlines by FAA at these airports. The transfers are contingent upon FAA approval and the subsequent closing of the originally proposed transaction, under which US Airways would transfer 125 operating slot pairs, with a lease/option to buy 15 additional pair to Delta at LaGuardia, and Delta would transfer 42 to US Airways at Reagan National. US Airways also would gain access to the destinations of Sao Paulo and Tokyo-Narita. Southwest, in its comments said that if FAA approves the transaction it should require Delta and US Airways to sell more slots than regulators originally proposed, ensure that gates and other facilities at the two airports will be made available, and that the slot sales should take place through a blind auction, with the slots going to the highest cash bidder. "Allowing the selling carriers to select the buyers, or to determine the terms and conditions of sale, is an invitation for manipulation of the allocation process for anticompetitive purposes," Southwest said in its filing.

3. **American, JetBlue to Collaborate at East Coast Gateways.**

American and JetBlue announced an agreement under which American will transfer eight slot pairs at Washington Reagan National and one slot pair at White Plains, N.Y. to JetBlue, and JetBlue will transfer 12 slot pairs at New York Kennedy to American. The carriers also agreed to provide interline service in non-overlapping markets, with a focus on American's international flights from New York Kennedy and Boston Logan, and JetBlue's nonstop domestic flights from those markets. Portions of the cooperative agreement may be subject to regulatory review. The carriers are exploring other areas of commercial cooperation.

4. **Lindbergh Field Terminal Expansion Begins.**

The Lindbergh Field expansion is now underway after a delay of more than four years and should be completed by 2013. San Diego County Regional Airport Authority plans to issue tax-free bonds to finance the \$1 billion project, which includes a 10-gate build-out of Terminal 2 West, airfield improvements, an expanded concession area and a dual-level roadway with curbside check-in kiosks. The 30-year bonds are expected to cover about two-thirds of the cost of the project, reports the *San Diego Business Journal*, with the remainder paid by passenger ticket fees, federal grants and existing airport revenue.

5. **Ban on Airport Solicitations Upheld by California Supreme Court.**

The California Supreme Court upheld a City ban on soliciting donations to be paid at the Airport by Hare Krishnas and other groups in the terminal at Los Angeles International, ruling that the city had acted properly in barring solicitations as a reasonable security measure to protect passengers. Citing free-speech rights in public facilities, the International Society for Krishna Consciousness of California had sued to prevent the airport from enforcing a 1997 city ordinance that prohibits soliciting and receiving money at the airport. The ban will be effective statewide. The decision does not prohibit talking to passengers or distributing literature.

6. **Changi Airport Group Invests in Rome Airports.**

Changi Airports International (CAI) acquired a 5% stake in Gemina, holding company of Aeroporti di Roma (AdR). AdR operates Rome's Fiumicino and Ciampino airports, which together handled 39 million passengers in 2009. CAI is the first Asian operator to invest in a European capital city airport with a substantial strategic role, said CEO Lee Seow Hiang.

7. **Tokyo's Third Airport Opens.**

The Tokyo area's third airport has opened for business. No-frills Ibaraki Airport shares facilities with a modified air force base in Omitama, and will serve domestic and international airlines, charters and business jets. Ibaraki is 53 miles north of Tokyo and offers unlimited free parking; helicopter and bus service to downtown Tokyo are planned.

III. SECURITY AND DATA PRIVACY

1. Obama's Second TSA Nominee Withdraws.

President Obama nominated intelligence specialist Robert Harding to head the Transportation Security Administration (TSA), but Harding withdrew his nomination amid questions about his federal contracting activities. Obama's earlier nominee, Erroll Southers, withdrew from consideration in January

2. Boston, Chicago Receive Full-Body Scanners.

Boston Logan and Chicago O'Hare received the first advanced imaging technology (AIT) units to be shipped to 11 U.S. airports by summer; 450 full-body scanners will be installed this year. In response to the December 25, 2009 attempted attack on Northwest flight 253, TSA revised AIT strategy, increasing planned deployment from 878 to 1,800 units and using AITs as a primary, instead of secondary, screening measure where feasible A Government Accountability Office (GAO) report says it remains unclear whether AIT would have detected the weapon used in the December incident, based on TSA operational testing of the technology at that time. TSA has not conducted a cost-benefit analysis of the original or revised deployment strategy and GAO estimates increases in staffing costs alone could add up to \$2.4 billion over expected service life; a cost-benefit analysis also would help inform TSA's judgment about optimal deployment strategy, and how best to address this vulnerability considering all elements of the screening system. GAO noted that other TSA mandates and recommendations confront challenges; these include screening of all air cargo transported on passenger aircraft by August 2010, evaluating airport worker screening methods, and strengthening airport perimeter and access control security The American Civil Liberties Union (ACLU) again advised media that whole body imaging devices "create a strikingly revealing image of the human body [infringing] on civil liberties and there are serious questions regarding its efficacy in protecting airline travelers" and called for "vigorous oversight and regulation to protect our privacy." And the Idaho House passed a measure restricting AIT use in the state's airports. The bill's sponsor said use of the devices to screen every individual would be an unreasonable search of those persons; he expressed concern that the scanners might not be "medically sound [or could] cause cancer sometime down the road."

3. U.S., Israel Agree to Enhance Joint Aviation Security.

See Section VII, item 4.

IV. E-COMMERCE AND TECHNOLOGY

1. Amadeus Survey: North American Travel Professionals Optimistic.

Of almost 800 North American travel professionals who responded to an Amadeus survey conducted online February 12-19, 88% were optimistic about the year ahead in terms of their own business, and 85.6% about future growth of the overall travel industry. More than half (50.5%) welcome and like to work with “amateur-expert” clients, defined as frequent travelers who are knowledgeable about their destination. Survey respondents say opportunity exists for technology to further improve the travel experience in areas including researching the trip (64.6%) and finding pricing/availability information (55.8%). They expect next-generation travelers to utilize more social networking (47.5%) and user-generated reviews (19.8%). Most (55.7%) indicate they or their agencies are active in online social channels. Niche travel is a growth area; respondents see major opportunities in family-friendly travel (59.9%), weddings (47.6%), and adventure travel (36.8%). But agents see little or no promise in other areas; i.e., selling travel goods (56.5%) or air charters (54.6%). Respondents are travel agency owners/managers (41.3%), travel agents (26%), home-based agents (23.4%), and independent consultants (9.3%), who focus on leisure/destination travel (72.2%) and work in the U.S. (93.7%). Air France, Iberia and Lufthansa are among shareholders in Amadeus; the global distribution system is planning a \$1.2 billion initial public offering this year.

2. Orbitz for Agents Launched.

Newly launched Orbitz for Agents pays commissions to travel agents for customized travel package bookings; agents can “set and charge service fees on a transaction by transaction basis,” says Orbitz.

3. Sabre Contracts With Air India, China Eastern.

Sabre Airline Solutions is developing an integrated flight control system for Air India, which the airline said will enable minimal disruptions, enhanced punctuality and passenger connections, and better scheduling. Sabre AirVision Network is supporting China Eastern’s expansion and merger with Shanghai Airlines with a multi-million dollar contract to provide network and fleet planning and scheduling solutions.

V. **ENERGY AND ENVIRONMENT**

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

The price of aviation jet fuel, as of March 19, was \$88.9/barrel, up 5.1% for the month and up 56.7% year-on-year, reports the International Air Transport Association. Fuel price average year-to-date was \$86.1/barrel.

2. **ATA/DESC Strategic Alliance for Alternative Aviation Fuels.**

The Air Transport Association (ATA) and Defense Logistics Agency's Defense Energy Support Center (DESC) formed a partnership for "development and deployment of commercially viable, environmentally friendly, alternative aviation fuels." Three teams will 1) identify common methodologies for life cycle assessment of greenhouse gas emissions for alternative aviation fuels; 2) identify locations or regions suitable for alternative fuels production and deployment, as well as means of distribution to and from those locations; and 3) jointly publicize supply opportunities, explore opportunities for complementary fuel-supply agreements and develop compatible pricing and finance mechanisms. Through the Commercial Aviation Alternative Fuels Initiatives, composed of ATA and DESC, fuels produced using the Fischer-Tropsch process were approved for use in commercial aviation in September. Approval of a new class of fuels—hydrotreated renewable jet—is expected in second half 2010. The airline industry and DOD collectively require more than 1.5 million barrels of jet fuel per day

3. **FAA Delays Response to Paine Field Study on Commercial Flights.**

FAA had hoped to respond in March to an expected 700 comments regarding commercial air service for Everett's Paine Field. However, more than 900 comments on the environmental study were received, so a response will not be ready until June at the earliest, reports *The Daily Herald* of Everett. Horizon and Allegiant have expressed interest in operating flights from Paine Field. The draft study concluded flights would have no significant negative effect on noise, air quality and traffic near the airport.

VI. U.S. CONGRESS

1. FAA Funding Extended to April 30.

Congress extended FAA's operating authority by one month to April 30. A three-month extension passed by the House failed to pass the Senate.

2. Senate Passes Bipartisan FAA Reauthorization Bill.

The Senate passed the FAA Air Transportation Modernization and Safety Improvement Act unanimously by a vote of 93-0. The \$34.5 billion bill would fund FAA through Sept. 30, 2011 and must be reconciled with a bill passed by the House. Unlike the House bill, says the Air Transport Association, the Senate bill does not include an unwarranted increase in the Passenger Facility Charge to \$7 and contains no provisions detrimental to carriers' ability to rely on antitrust immunity granted by DOT; and it rejects the House approach to punitive measures on foreign repair stations by establishing language that would not violate current bilateral agreements.

The Senate bill:

. . .Addresses National Transportation Safety Board (NTSB) recommendations regarding causes of the Colgan Flight 3407 accident last year and ensures steps are taken to attain "one level of safety" across all commercial aircraft operations. The bill requires a minimum of 800 hours of flying experience for airline co-pilots. It requires FAA to revise flight and duty time regulations for commercial air carrier pilots and issue a final rule within one year to address pilot fatigue, and to re-evaluate pilot training and qualification regulations. It mandates that all carriers adopt aviation safety action and audit programs; examine a pilot's entire flight history pre-hiring; and implement formal remedial training for underperforming pilots.

...Contains a passenger bill of rights that would require airlines to provide adequate food, water and restroom facilities to passengers kept waiting on tarmacs and give them the opportunity to deplane after a three-hour wait. DOT rules adopted in December also limit tarmac waits to three hours and fine airlines up to \$27,500 per passenger for violations.

...Requires a minimum of two inspections a year of all foreign aircraft repair and maintenance stations that work on U.S. aircraft.

...Establishes deadlines for adoption of existing Next Generation Air Transportation System (NextGen) navigation and surveillance technology;

directs FAA to require use of “ADS-B Out” on all aircraft by 2015 and “ADS-B In” by 2018; and creates a “Chief NextGen Officer” position at FAA and an “Air Traffic Control Modernization Oversight Board.”

...Authorizes \$8.1 billion to support airport infrastructure through the Airport Improvement Program (AIP) and extends a provision that raises federal share for certain small airport improvement projects to 95%.

...Increases authorized funding for Essential Air Service (EAS) by \$48 million to \$175 million annually; proposes allowing longer-term EAS contracts and incentives for large airlines to code share on service to small communities, and requiring large airlines to code share on EAS flights in up to 10 communities; and establishes an Office of Rural Aviation within DOT to focus on development of longer-term EAS contracts.

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **U.S., EU Initial Stage Two Aviation Agreement.**

The United States and European Union (EU) initialed a second stage civil aviation agreement after eight rounds of talks. The European Commission (EC) will seek approval of the agreement by EU Transport Ministers and the European Parliament. The new agreement fulfils a mandate of the November 2009 EU-U.S. Summit to reach a balanced agreement in 2010; terms of the 2007 open skies pact will remain in place indefinitely.

Provisions of the Stage 2 pact include:

...The United States will seek to ease rules that limit foreign ownership and control of U.S. carriers. EU carriers would gain further access to U.S. government-financed traffic ("Fly America"). Subject to changes in noise-based airport restrictions, EU airlines will gain new commercial opportunities to fly between the U.S. and non-EU countries. There are no deadlines for changing U.S. foreign ownership rules, said negotiators.

...U.S. carriers will gain greater protections from local restrictions on night flights at EU airports.

...Strengthened cooperation on environmental matters would require compatibility of market-based measures (i.e., emission trading schemes); promote greater transparency for noise-based airport measures; and enhance green technologies, fuels and air traffic management.

...A dedicated article on the importance of high labor standards is included for the first time in aviation history; it also preserves existing legal rights of airline employees.

...Deepened U.S.-EU cooperation in aviation security would better allocate resources by promoting maximum reliance on each other's security measures.

2. **WTO Rules on Illegal Subsidies to Airbus.**

The World Trade Organization (WTO) called on the EU to end illegal subsidies to Airbus, in a case in which the United States argued that Airbus received unfairly priced loans and other benefits from France, Germany, Spain and Britain over two decades. The report will be published after it is translated into other languages, but a confidential copy reached the press. Airbus said the WTO rejected 70% of U.S. claims, and the EU said a fuller picture will emerge

with the release of the interim report in an EU case against U.S. subsidies to Boeing, expected this summer.

3. U.S.-Zambia Agreement on Open Skies.

The United States and Zambia signed an open skies aviation agreement, effective immediately, under which airlines from both countries may select routes and destinations based on consumer demand for passenger and cargo services, without limitations on the number of U.S. or Zambian carriers that can fly between the two countries or the number of flights they can operate. The agreement removes restrictions on capacity and pricing, and provides unlimited opportunities for cooperative marketing arrangements, including code sharing, between U.S. and Zambian carriers. The agreement also allows U.S. and Zambian carriers to operate all-cargo flights between the other country and third countries without a stop in their home countries. This is the first aviation accord between the two countries; it was reached after discussions between the U.S. Embassy in Lusaka and Zambia.

4. U.S., Israel Agree to Enhance Joint Aviation Security.

U.S. Homeland Security Secretary Janet Napolitano and Israeli Transport Safety Minister Israel Katz signed a Memorandum of Understanding (MOU) that allows real-time exchange of information about civil aviation security incidents between their respective agencies. “Such international collaboration is of particular importance to ensure effective response to the evolving threat to international aviation,” said Katz. The U.S. already stations DHS law enforcement personnel in Israel and the U.S. and Israel earlier agreed “to share vital information relating to their respective domestic security concerns—including aviation security, emergency planning and response, and homeland security-related research and protocols.”

VIII. EUROPE AND AFRICA

1. EC Review of oneworld Joint Venture Advances.

As the EC continues its review of their joint business proposal, British Airways, American and Iberia offered to lease four daily transatlantic slot pairs to non-oneworld airlines—two daily pairs from Heathrow or Gatwick to Boston, one from Heathrow or Gatwick to Dallas/Fort Worth, and one from Heathrow or Gatwick to Miami. Daily pairs from Heathrow or Gatwick to New York could be made available, said the partners, which received tentative approval for their transatlantic joint business from DOT in February.

2. EU Updates List of Airlines Banned From European Airspace.

The EU banned all airlines based in the Philippines and Sudan from flying in its airspace, in an update to its list of unsafe carriers, noting that decisions are made “on the basis of safety assessments by the International Civil Aviation Organization (ICAO).” Restrictions earlier placed on Air Koryo from the Democratic People's Republic of Korea and TAAG from Angola were partially lifted under certain conditions, while operations of Iran Air will be restricted.

3. ELFAA Urges Action on State Aid to Airlines.

The European Low Fares Airline Association (ELFAA) urged the EC “to carry out full and swift investigations into offending state aid cases concerning SAS, Malev, Spanair and CSA,” saying its members have sought no assistance from states despite similar cost pressures. The letter was the second issued in five months, and, said ELFAA, “it remains unclear whether any of the requested investigations have yet been launched.” ELFAA calculates that governments have spent a combined €1.16 billion to prop up “broken business models,” including a €94 million loan to CSA from the Czech Republic. ELFAA members include easyJet, Flybe and Ryanair.

4. Europe Strike Activity Continues.

British Airways cabin crew staged strikes twice in March and threatened to walk out in April; British Airways said contingency plans were successful and “earnings expectations for the year ended March 31, 2010 continue broadly unchanged.” Also in March, Air France flight attendants called off a four-day stoppage; Alitalia workers staged a four-hour strike, and TAP Air Portugal averted a strike when it reached an agreement with pilots. Lufthansa pilots plan to go on strike April 13-16, after a work stoppage in February; Lufthansa has called for a mediator.

5. **United Schedules First Service to Africa.**

United will begin its first nonstop service to the African continent, with a daily flight from Washington Dulles to Accra on June 20. Service to Lagos is pending, subject to Nigerian approval.

6. **Media Executive to Lead easyJet.**

Carolyn McCall, CEO of Guardian Media Group, was named CEO of easyJet, replacing Andy Harrison, who was appointed CEO of Whitbread PLC, which owns 1,800 budget hotels and restaurants.

7. **Malev Renationalized.**

The Hungarian state reached an agreement to renationalize Malev, with former majority owner AirBridge retaining a 5% stake. Russian air transport group AirBridge and two Hungarian individuals had acquired Malev in 2007. CEO Martin Gauss said significant cuts in employment and costs are needed, in order to post an operating profit in 2012.

8. **Sun Country to Offer Summer Service to London.**

See Section X, item 4.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Continental, ANA Begin Code Share.

Continental and All Nippon Airways (ANA) began code sharing on U.S.-Japan routes; it is Continental's first code sharing arrangement with a Japanese airline. In other ANA news, the company will consolidate its seven airline companies into three by March 2012 and cut non-flight-related positions by 1,000 by March 2011.

2. Japan Airlines to End Cargo-Only Flights.

Japan Airlines will suspend freight-only flights at the end of October 2010, but will continue its cargo business by using belly space on 508 weekly passenger flights on 56 international and 134 domestic routes. JAL Cargo reportedly lost \$109 million in the nine months to December 31, amid the global recession. Plans for a merger with Nippon Cargo Airlines (NCA) have ended; JAL and NCA will continue code sharing and coordinated ground handling activities.

3. Air China Acquires Majority Stake in Shenzhen Airlines.

Air China increased its stake in Shenzhen Airlines to 51% from 25% through a \$100 million capital injection. Total Logistics raised its share from 10% to 25% and Shenzhen Huirun Investment will retain 24%. Shenzhen will not change its place of registration, said authorities, and will keep its logo and maintain its current market positioning. In related news, Shenzhen CEO Li Kun was arrested for alleged financial irregularities, and Air China appointed Fan Cheng as acting CEO.

4. China Southern Sells Shares to Reduce Debt.

China Southern plans to sell up to \$1.6 billion in new shares to reduce debt, cut interest expenses and help pay for new aircraft. The Guangzhou-based carrier in February received a cash injection of more than \$200 million from the government. In other news, the SkyTeam partner expects to become a member of Sky Team Cargo this year.

5. Qantas Executive to Head Virgin Blue.

Qantas Senior Executive John Borghetti was named Virgin Blue CEO and Managing Director, effective May 8, 2010. He replaces co-founder Brett Godfrey. Borghetti was employed by Qantas for 36 years.

6. Korean, Asiana Fined for Antitrust Violations.

The Korea Fair Trade Commission (KFTC) imposed a combined surcharge of almost \$10 million on Korean Air and Asiana for abusing their dominant

market position by hindering market entry and business operations of low-cost carriers (LCCs). Korea's largest two carriers told travel agencies they would be allocated fewer seats during peak seasons and for major routes, given smaller discounts, or suffer other disadvantages if they did business with LCCs, which subsequently had difficulty selling some domestic tickets and international tickets bound for Japan, Southeast Asia, Hawaii and other tourist attractions through travel agents. Korean Air was also charged with restraining discounts on tickets sold through travel agents. In related news, the Australian Competition and Consumer Commission (ACCC) instituted proceedings against Korean Air for collusion with other international air cargo carriers on price fixing. ACCC alleges that arrangements or understandings were reached in Korea, Indonesia and Hong Kong for surcharges applied to cargo originating in those countries and in Indonesia for a customs fee applied to cargo originating in that country. ACCC proceedings against Singapore Airlines Cargo, Cathay Pacific, Emirates, PT Garuda Indonesia and Thai Airways continue, and to date the court has ordered \$41 million in penalties against numerous airlines.

X. AMERICAS

1. Delta Moves New York-Chicago Shuttle to O'Hare.

Delta will begin hourly shuttle service between New York La Guardia and Chicago O'Hare on June 10; the Embraer 175 service will replace existing flights between LaGuardia and Chicago Midway. Delta also announced additional service from Los Angeles International, beginning in June, bring peak day-departures to 81. The company plans to consolidate operations at Cincinnati/Northern Kentucky from two concourses to one on May 1, and take over functions of Regional Elite Airline Services, which handles ground operations for Delta Connection carriers; Delta closed a third concourse in 2008. The airline said it still plans to operate 160 to 170 flights a day from Cincinnati this summer.

2. Supreme Court Will Not Hear Frequent Flyer Point Broker Case.

The Supreme Court refused to lift a temporary injunction against Frequent Flyer Depot, a company that was banned by a lower court from buying and selling American Airline frequent flyer points while the airline is suing to stop the practice. American says its AAdvantage program prohibits the selling of its frequent flyer points.

3. Virgin America Resumes Growth Plans.

Virgin America will lease nine additional Airbus A-320s, as it announces new service to Orlando and Toronto from San Francisco and Los Angeles International and other destinations. CEO David Cush said growth plans of adding 12 aircraft a year can resume, now that the lengthy DOT inquiry into the carrier's ownership structure has been resolved.

4. Sun Country to Offer Summer Service to London.

Sun Country announced weekly Boeing 737-800 service between Minneapolis/St. Paul and London Stansted, from June 11 to August 15, with a fuel stop in Gander, Newfoundland. The discount carrier hopes to exit bankruptcy court protection by summer.

5. Spirit Acquires New Airbus A320s.

Low-cost Spirit Airlines received the first of four new Airbus A320s scheduled for delivery in 2010. The 178-seat aircraft is used on daily Fort Lauderdale-Washington, D.C. service.

6. Allegiant Adds Hawaii Routes, Six Boeing 757s.

Las Vegas-based Allegiant plans to expand its route network to include Hawaii, subject to regulatory approvals, and has signed a purchase agreement to acquire six Boeing 757-200s between now and fourth quarter 2011. Allegiant Air currently operates 46 MD-80s from small cities to major leisure destinations.

7. Saretsky Appointed WestJet President/CEO.

WestJet President and CEO Sean Durfy resigned, effective April 1, for personal reasons, and was replaced by Gregg Saretsky, who began his airline career in 1985 with Air Canada.

8. TAM Joins Star Alliance on May 13.

TAM will become a full member of Star Alliance on May 13. The Sao Paulo-based airline, the largest in South America, moved its London Heathrow operations to Terminal 1 to facilitate connections with Star partners, who operate from Terminal 1 and 3.

9. Pinera Completes Sale of Lan Shares.

Newly elected Chilean President Sebastian Pinera concluded the sale of his 26.3% stake in Lan Airlines. The majority of shares were sold to the Cueto family; other buyers included Chile's Solari group, Celfin Capital and Singapore's Temasek Holdings. In other news, Lan will receive ten Boeing 787-8 Dreamliners starting in first quarter 2011, said CEO Enrique Cueto; they previously were scheduled for 2014 delivery and are part of an order for 32 owned and leased B-787s. Lan will be the first airline in the western hemisphere to receive the Dreamliner.

10. EC Review of oneworld Joint Venture Advances.

See Section VIII, item 1.

11. United Schedules First Service to Africa.

See Section VIII, item 5.

12. Continental, ANA Begin Code Share.

See Section IX, item 1.