



WASHINGTON AVIATION SUMMARY

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I. REGULATORY NEWS

1. IATA Calls for “Sustainable Profits,” Names Fernando Pinto Chairman.

Airlines are expected to make \$5 billion this year, announced Giovanni Bisignani, Director General of the International Air Transport Association (IATA), at their Annual General Meeting in Vancouver. “The industry has changed tremendously in five years,” he said. “Labor productivity is up 56%, distribution costs are down 13%, non-fuel unit costs dropped 15% and load factors are at record highs—76% in 2006. Airlines needed an oil price of less than \$20 per barrel in 2002 to break even. Today we are profitable at nearly \$70 per barrel.” But airlines are a \$470 billion industry and a \$5 billion profit “is peanuts . . . The challenge is to turn peanuts into sustainable profits.” He outlined six industry priorities: (1) safety across all regions; (2) global security coordination; (3) technology utilization; (4) infrastructure cost reductions—“Airlines live in a competitive world where commercial discipline is the regulator. Airport regulators are phantoms [with financial results that] prove it’s a dream world for airports and a nightmare for airlines that pay the bill.”; (5) liberalization, “the Everest challenge . . . The bilateral system belongs in a museum,” said Bisignani, “in a display case next to the paper ticket”; and (6) environment, with a goal of zero emissions. At the meeting, TAP Portugal CEO Fernando Pinto began his one-year term as IATA Chairman, succeeding Singapore Airlines CEO Chew Choon Seng. Chile’s civil aviation administration and Vancouver Airport Authority received Eagle Awards for outstanding performance in customer satisfaction, cost efficiency and continuous improvement, with honorable mentions going to Panama’s Tocumen Airport and Austro Control.

2. U.S. Airlines Apply for China Routes.

U.S. airlines began filing applications for six new passenger flights to China, per a revised agreement that will more than double the number of daily U.S.-China passenger flights by 2012. The U.S. Department of Transportation (DOT) will select two additional passenger carriers to begin daily service to China, one for this year and one beginning in March 2009. DOT also will permit a carrier already serving China to begin a new daily nonstop passenger flight to Guangzhou in 2008, and will award three daily passenger flights to Beijing, Shanghai or Guangzhou by March 2009 to carriers already serving the market. United, Northwest, American and Continental currently offer U.S.-China service. Hoping for the 2007 designation, Delta applied for an Atlanta-Shanghai route, saying the southeastern United States is the only area of the country without a direct flight to China; Delta would offer seven weekly Boeing 777 passenger/cargo roundtrips. US Airways is seeking a Philadelphia-

Shanghai route and has purchased Airbus widebodies in anticipation of increased international service. American will apply for a new nonstop route between Chicago O'Hare and Beijing, effective March 25, 2009. Continental is expected to bid for a New York Newark to Shanghai route to begin in 2009.

3. ICAO Posts Positive 2006 Results.

The world's carriers saw a collective net profit of \$2.71 billion in 2006, compared to a \$4.13 billion loss in 2005, reports the International Civil Aviation Organization's (ICAO). The total number of passengers increased by 5% to 2.1 billion; freight increased by 5% to 39.5 million tonnes. Europe saw a 7% growth in traffic; Asia/Pacific, 6%; and the Middle East, 12%. In North America, traffic was below the world average of 5.5%, but still grew by 3.4% compared to 2005. The major improvement was in the performance of North American carriers, where a combination of capacity management and increases in traffic and fares led to a return to profitable operations (\$7 billion operating profits in 2006 compared to a marginal \$200 million operating loss in 2005).

4. FAA Raises Safety Rating for Guatemala.

The U.S. Federal Aviation Administration (FAA) raised Guatemala's safety rating from Category 2 to Category 1, which means the country's civil aviation authority complies with standards set by the International Civil Aviation Organization (ICAO). A Category 2 rating means a country lacks laws necessary to oversee air carriers in accordance with minimum international standards, or that its civil aviation authority is deficient in technical or other areas. As part of its International Aviation Safety Assessment (IASA) program, FAA assesses the civil aviation authorities of all countries with air carriers that fly to the United States and makes that information available to the public.

5. DOT Clears Canada's Porter for Newark Flights.

Toronto-based Porter Airlines received DOT clearance to provide scheduled and charter service to New York Newark, despite Air Canada's objections, and plans ultimately to serve Chicago, Boston, Washington, D.C., Philadelphia, Pittsburgh, Detroit, Cincinnati and Cleveland. DOT said its approval is consistent with the terms of the U.S.-Canada Air Transport Agreement and in the public interest. Porter CEO Robert Deluce said service from Toronto's City Centre Airport to New York Newark will begin later this year or by early 2008. The regional airline serves Toronto, Ottawa, Montreal and Halifax, competing with Air Canada and its regional carrier Jazz.

6. Boeing Projects \$2.8 Trillion Market for New Commercial Planes.

Boeing forecasts a market of 28,600 new commercial airplanes worth \$2.8 trillion over the next 20 years, to accommodate expected annual increases of passenger (5%) and cargo (6.1%) air traffic. In its 2007 Current Market

Outlook, Boeing projects the largest market on a delivery-dollar basis will be the Asia/Pacific region (36%), followed by North America (26%); Europe, Russia and the Commonwealth of Independent States (25%); and Latin America, Middle East and Africa (13%). Single-aisles will continue to dominate, in terms of units, driven partially by continued high growth in low-cost carriers. New, quieter, more efficient airplanes with significantly reduced emissions will change the character of the world airplane fleet, said Boeing.

7. Airline Employment Up 1.3% in April.

U.S. scheduled passenger airlines employed 1.3% more workers in April 2007 than in April 2006, the third consecutive monthly increase, reports DOT. Employment declined 0.7% at network carriers and rose 5.7% at low-cost and 5.6% at regional carriers. The seven network carriers employed 264,800 in April (64.6% of the passenger airline total), low-cost carriers employed 72,800 (17.8%), and regionals employed 60,100 (14.7%).

8. DOT Air Travel Consumer Report for April.

Based on data filed by 20 of the largest U.S. airlines

	April '07 / '06	March '07	Full Year			
			2006	2005	2004	2003
On-time arrivals %	75.7 / 78.4	73.3	75.4	77.4	78.1	82
Cancellations %	1.8 / 1.1	2.6	n/a	1.87	1.56	1.79
Mishandled baggage*	6.32 / 5.27	7.71	6.73	6.64	4.91	4.19
Consumer complaints:						
Airline service	1,246 / 705	1,310	8,321	8,741	7,452	5,983
Disability-related	41 / 36	37	427	511	521	375
Discrimination**	13 / 8	8	114	129	118	85

* Reports per 1,000 passengers.

** Other than disability; i.e., race, religion, national origin or sex.

II. AIRPORTS

1. Airlines Win Partial Victory in LAX Rent Dispute.

DOT upheld a ruling that rents charged by Los Angeles World Airports (LAWA) at two terminals at Los Angeles International Airport (LAX) are “unreasonable and unjustly discriminatory because the fees did not apply to all airlines at the airport [and] LAWA failed to use objective methods to determine market value. A market-based terminal fee would be permitted if it was based on either negotiation with the airlines or on an objective appraisal of fair market value.” LAWA can raise rates to cover increased cost of security and maintenance at its terminals, however, said DOT in its final decision. DOT will determine refunds for the 21 carriers that brought the complaint.

2. Atlanta Hartsfield Wins \$40.4 Million in Federal Grants.

Atlanta Hartsfield-Jackson received more than \$40.4 million in FAA grants to improve safety and capacity. FAA Administrator Marion Blakey said “the workhorse of America’s airports” will use the funds for two major capacity projects that were recently completed, including \$18.3 million toward a new runway that began operations in May and for which payments will continue to about 2011, as well as future projects.

3. New York Tackling Delays and Cancellations.

New York is assembling experts from government and industry and a Port Authority of New York and New Jersey task force to address the problems of delays and cancellations at its airports, which disrupt the entire U.S. air system. Between January and April of this year, 38% of all flights at Newark Liberty, Kennedy and LaGuardia were either late or canceled. The airports handled more than 100 million passengers last year and by 2025 the number is expected to reach 150 million.

4. Dallas/Fort Worth Terminals to be Updated.

Dallas/Fort Worth International Airport plans to spend \$45 million to update Terminals A, B, C and E. Airport managers said the new Terminal D underscores that D/FW, more than 30 years old, needs improvements. The refurbishment will include an improved heating and cooling system and new jet bridges for Terminal E; air-conditioning units to cool parked airplanes; auto-docking equipment for aircraft coming into gates; and new seating, signs and lighting. The funds come from a \$185 million payment from Chesapeake Energy Corp., which won rights to drill natural gas wells on airport property.

5. **Santa Fe Airport to Allow Regional Jets.**

Santa Fe Municipal Airport won FAA certification to allow it to service regional jet airplanes carrying up to 60 passengers. Great Lakes Airlines currently is the only commercial carrier at the airport, which officials estimate has a potential market of 80,000 passengers annually.

6. **Paris Charles de Gaulle to Have €2.7 Billion Upgrade.**

Paris airports operator Aeroports de Paris will invest €2.7 billion to increase capacity at Charles de Gaulle by 20 million passengers by 2010. CEO Pierre Graff said the airport handled 56.6 million passengers last year, while its official capacity was 47 million; a new departure area opened in June that can handle 8.5 million passengers annually.

7. **Macquarie Sells Rome Interest.**

Macquarie Airports accepted \$1.96 billion for its 44.7% stake in Aeroporti di Roma, manager of Rome's two major airports, from Italian investment group Gemina. The Australian firm, which sold its stake in the UK's Birmingham Airport in May, now is expected to seek new acquisitions closer to home and reportedly has made a bid for Auckland International Airport; the Canada Pension Plan Investment Board also has expressed interest in Auckland.

III. SECURITY

1. State Dept. Addresses Passport Request Backlog.

The State Department has hired more employees, opened a new processing center and expanded work hours in order to handle a massive backlog of passport requests caused by new travel restrictions that require U.S. citizens to carry passports for air travel to Canada, Mexico, the Caribbean and Bermuda. The government is allowing travelers who had applied for but not yet received a passport to provide government-issued identification and a receipt, available online, proving an application had been filed.

2. DHS to Require Increased Biometrics for All Foreign Visitors.

The U.S. Department of Homeland Security (DHS) will test a program that requires all foreign visitors to give 10 digital fingerprints and possibly other biometric data, such as eye-retina and facial scans, when they enter the United States. Visitors from European nations and others participating in the U.S. Visa-Waiver program, and those from nations where visas are needed, will have to comply. The new system will be tested at 10 major U.S. airports beginning late this year; the current program calls for prints of two fingers and facial photographs.

3. Airlines Oppose Plan to Fingerprint on Departure.

Airlines are opposed to a DHS proposal that would require their employees to digitally scan foreigners' fingerprints at check-in areas before departure on international flights. "It creates a choke point in the check-in process," said Jim May, President of the Air Transport Association, in an interview with the *Washington Post*. Writing to the Senate Homeland Security and Governmental Affairs Committee, May complained that federal officials are placing airlines in a law enforcement role and said the proposal negates developments airlines have made to gain efficiencies in the check-in process. "Collection of biometric information is an indisputably governmental function and should be recognized as such," he wrote.

4. EU and U.S. Reach Tentative Passenger Data Agreement.

EU-U.S. negotiators reached a tentative agreement as to how much information about transatlantic air travelers can be shared with U.S. authorities and the length of the time it can be retained. Details of the accord, which were not disclosed, must be approved by the foreign ministers of the 27 EU member states. The agreement will replace one which expires July 31.

IV. E-COMMERCE AND TECHNOLOGY

1. EU Clears Passenger Mobile Phone Use in Airbus Planes.

The European Aviation Safety Agency approved a system installed on Airbus aircraft that will allow passengers in Europe to use cell phones and BlackBerry devices in flight. Usage is expected to begin in September on the short-haul A318. The OnAir system will enable passengers to make and receive calls and send and receive e-mail and text messages while flying above 9,840 feet. Crew members can turn off or restrict use of the system. OnAir is a joint venture of Airbus and industry information technology provider SITA.

2. Virgin USA to Launch Online Charter Marketplace.

Virgin USA is launching Virgin Charter, an online marketplace that unites buyers who want to book private air travel with safety-rated charter operators. Buyers can negotiate pricing, purchase private air travel and manage their trip online. Virgin Charter CEO is Scott Duffy. Virgin USA, North American headquarters of Sir Richard Branson's Virgin Group, oversees and is responsible for the expansion of the Virgin brand in North America.

3. Expedia Corporate Travel Expands Airline Offering.

Expedia Corporate Travel signed JetBlue and AirTran to pacts that provide full access to both airlines' inventory. In other news, Expedia launched a new resource for "unmanaged" business travelers, who book their own business travel rather than through a corporate travel department or agency. Expedia.com Business Travel tools track multiple rewards programs, send flight itineraries to mobile devices and present relevant travel offers.

4. Airlines Monitor Web Chat Rooms for Insights.

Airlines are tuning into Internet sites where fliers commune, reports the *Washington Post*, hoping to gain insight from passengers' flight experiences. Customer service experts relay complaints to company executives as a future preventative and seek reparations for disgruntled passengers. Sites such as flyertalk.com, with more than 130,000 members, and airliners.net, which boasts "over 200,000 unique visitors daily," are free focus groups, said one airline executive. United in April created its own version of the chat rooms and invited 200 of its highest-mileage fliers to join private discussions.

V. NOISE AND ENVIRONMENT

1. IATA Calls for a Zero Emissions Future.

IATA challenged the air transport industry to achieve zero emissions in four areas: (1) Eliminate the 12% inefficiency in global air traffic management. Cutting air traffic inefficiency in half by 2012 would save 35 million tonnes of CO₂. Mega-projects that could deliver real results are a Single Sky for Europe, an efficient Pearl River Delta in China and a next generation air traffic system in the U.S. (2) Build a zero emissions aircraft in the next 50 years. The U.S., Europe, Canada, China, Brazil, Russia and Japan should coordinate basic research and then compete to develop products based on this research. Replace 10% of fuel with low-carbon alternatives in the next 10 years and begin developing carbon-free fuel from renewable energy sources. (3) ICAO and its 190 member states should deliver a fair, effective global emissions trading scheme for all governments to use on a voluntary basis. (4) Airlines should implement green strategies across the business. IATA is developing IATA Project Green to help airlines implement global best practice Environmental Management Systems. "The environmental track record of the industry is good," said Giovanni Bisignani, IATA Director General and CEO. Over the last 40 years, "we have reduced noise by 75%, eliminated soot and improved fuel efficiency by 70%. And the billions being invested in new aircraft will make our fleet 25% more fuel efficient by 2020. This will limit the growth of our carbon footprint from today's 2% to 3% in 2050. But a growing carbon footprint is no longer politically acceptable," said Bisignani. "Air transport must aim to become an industry that does not pollute—zero emissions."

2. ATA Creates Position of Vice President, Environmental Affairs.

The Air Transport Association (ATA) created the position of Vice President, Environmental Affairs, naming Nancy Young to lead the U.S. airline industry's expanding environmental activities. Young, an attorney, previously covered environmental programs at ATA, ICAO and for a law firm.

3. EC, FAA Launch Transatlantic Action Plan to Cut Emissions.

The European Commission (EC) and FAA launched a joint initiative, AIRE (Atlantic Interoperability Initiative to Reduce Emissions), meant to speed up application of new technologies and operational procedures that have a direct impact on greenhouse gas emissions. These include smooth or reduced engine approaches (which reduce noise and exhaust gas emissions during landing) and experiments that have shown substantial savings in fuel and CO₂ and NO_x emissions. The AIRE initiative supplements the EC proposal to include aviation in an emission rights trading system and the EC's newly

launched Clean Sky initiative, which supports development of the next generation of clean aircraft; industry partners include Airbus, Boeing, Air France-KLM, SAS, Delta and FedEx, and providers of aviation navigation services. "Following the major success of our open skies agreement," said EC Transport Vice President Jacques Barrot, "this is further proof that the European Union and the United States benefit from working together . . . We both want a sky open to aircraft but not to emissions."

4. Fort Lauderdale Noise-Reduction Costs May Reach \$730 Million.

A \$695 million, 8,000 ft. extension for the Fort Lauderdale-Hollywood International south runway won approval from Broward County commissioners, despite heavy opposition from those who fear more noise and gridlock. Opponents say the planned 2012 completion will result in exposure of 118 homes to jet noise serious enough to require mitigation; 1,051 homes will be affected by 2020 as traffic increases. Estimates of noise-reduction projects are as high as \$730 million, reports the *Miami Herald*.

5. Virgin's Kenya Launch Includes Vow to Help Endangered Elephants.

As he celebrated the first Virgin flight from London Heathrow to Nairobi's Jomo Kenyatta International Airport, Chairman Richard Branson vowed to help protect 2,000 elephants threatened by the encroachment of small farms. The airline will fund construction of a safe passage for the animals to follow their natural path north of Mount Kenya. Separately, Virgin Trains started running one of its trains on a 20% biodiesel blend for a six-month trial; Europe's first vegetable-fueled train could expand to the entire Virgin fleet.

VI. U.S. CONGRESS

1. FAA Reauthorization Moves Through House.

The FAA reauthorization bill has moved through the House, with the National Air Traffic Controllers Association (NATCA) seeking a change in procedures for resolving future contract negotiations. In a move that could prompt a White House veto of the bill, NATCA wanted to reopen their existing contract. The House bill did not include a user fee (the Senate bill includes a \$25-per-flight user fee); it would raise the passenger facility charge from \$4.50 to a maximum of \$7.

2. Senate Commerce Approves Travel Promotion Act.

The Senate Commerce Committee approved a bill that would create a national program to encourage foreign travelers to visit the United States. The Travel Promotion Act of 2007 would also direct the Secretary of Homeland Security to establish a model port of entry program at the 20 U.S. airports with the highest number of foreign arrivals; those airports would receive appropriations to help address staffing shortages.

3. Foreign Repair Facility Oversight Questioned.

In a Transportation Committee hearing, Senator Claire McCaskill (D-Mo.) raised security concerns about FAA oversight of foreign repair facilities and personnel. Among her comments: There is a double-standard of security procedures between domestic and foreign aircraft repair stations located all over the world, including in countries declared terrorist safe-havens by the U.S. Department of State. U.S. carriers outsource major aircraft maintenance to repair stations overseas, many of which remain uncertified by the FAA, while some repair facilities in the U.S. remain underutilized. In 2005, the DOT Inspector General (IG) found that more than half of all aircraft maintenance by major U.S. airlines was outsourced to foreign repair facilities; today, the amount is 64%. The IG reported that non-FAA certified foreign repair stations were performing both scheduled and critical maintenance with only telephone contact by airlines, rather than on-site monitoring. A 2003 IG study found security problems at repair stations and noted that FAA was leaving employee background checks and alcohol and drug testing up to airlines. In one case, a member of al Qaeda was found working at a repair station in Singapore. McCaskill plans “to hold FAA’s feet to the fire” on this issue as the Senate moves forward with legislation to reauthorize FAA.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. United States, Georgia Sign Open Skies Agreement.

The United States and Georgia signed a full open skies agreement that will permit the airlines of both countries to operate U.S.-Georgia air services without restrictions on how often they can fly, the prices they charge or the kind of aircraft they use. The accord, signed in Washington, DC., will allow all-cargo carriers to fly between the other country and third countries without directly connecting to their homeland. It allows U.S. and Georgian airlines to sell services that include both air transportation between the two countries and a connection by rail or other surface mode to additional cities in the other country or third countries.

2. U.S., Canada, Mexico to Liberalize Air Transport in 10 Years.

Working toward a trilateral open skies agreement within the next 10 years, DOT Secretary Mary Peters and transportation ministers from Canada and Mexico signed the North American Transportation Trilateral Declaration in Tucson. "Our objective is to strengthen the U.S., Canadian, and Mexican economies by preventing the kind of costly tie ups and limited services that hamper our ability to compete worldwide," said Peters. Scheduled flights between the United States, Canada, and Mexico have grown by 30% in the past five years, she said, "as we have removed restrictions and allowed airlines greater freedom to respond to market demand. As we eliminate the remaining barriers for airlines wanting to offer new passenger and cargo service, more flights and more freedoms will follow."

VIII. EUROPE/AFRICA

1. EU Regulators Block Ryanair Bid for Aer Lingus.

EU regulators blocked a hostile takeover bid by low-fare Ryanair for Aer Lingus, saying it would limit consumer choice and increase fares. The two Irish airlines together would control more than 80% of European flights to and from Dublin airport. Ryanair, which controls about a quarter of Aer Lingus, plans to appeal the decision.

2. EU Bans All Indonesian Airlines, TAAG Angolan.

The EC banned all 51 airlines certified in Indonesia from operating in the EU, due to safety concerns. TAAG Angolan and Volare, from Ukraine, also were added to the EU blacklist. Restrictions earlier imposed on Pakistan International Airlines will be modified to allow certain aircraft to fly to Europe.

3. British Airways to Move Texas flights to Heathrow.

British Airways will move its flights to Dallas/Fort Worth and Houston from Gatwick to Heathrow from March 30, 2008, when the U.S.-EU open skies accord starts.

4. Zoom Begins Low-Cost London-New York Flights.

Zoom Airlines Ltd. began five weekly Boeing 767-300 direct flights from London Gatwick to New York Kennedy and two services via Bermuda. Zoom has operated full-service, low-cost flights between the UK and Canada since 2003 with current flights from Gatwick, Manchester, Glasgow, Cardiff, Belfast and Paris. Eight Canadian destinations include Vancouver, Toronto, Ottawa, Montreal, Edmonton, Winnipeg, Calgary and Halifax.

5. Eos to Expand to 40 Weekly New York-London Flights.

All-premium Eos will expand New York Kennedy-London Stansted operations to 40 flights per week, from a current 32, starting September 9. "There is no longer any reason to endure the Heathrow experience just for the sake of having more schedule options," said CEO Jack Williams. "We've designed a new schedule between JFK and Stansted that meets our guest's demands [and] gives them options at both airports in the event they miss a flight or need to reschedule." Eos flies Boeing 757s outfitted with only 48 "suites," each of which has a 6'6" fully-horizontal flat-bed and provides 21 square feet of personal space on the aisle.

6. Alitalia Bid Deadline Extended.

The Italian government extended the deadline for final bids of Alitalia to July 12, from July 2, and wants to complete the sale process by the end of July. U.S. asset-management group Matlin Patterson, which had as its consortium partners Texas Pacific and Italy's Mediobanca, dropped out and then rejoined the bidding race. Aeroflot also withdrew, but Italy's Air One with Intesa and possible other partners stood fast in the bid to acquire up to 49.9% of Alitalia.

7. Northwest/KLM Begin Detroit-Düsseldorf, Brussels Nonstops.

Northwest Airlines, in cooperation with joint venture partner KLM, began daily Boeing 757-200 nonstops between Detroit and Düsseldorf, Germany. The partners also began nonstop Detroit-Brussels service and in July will begin nonstop Hartford, Conn.-Amsterdam and Boston-Amsterdam services.

8. Malév, Royal Jordanian Sign Code Share Agreement.

Royal Jordanian will begin twice-weekly flights from Amman to Budapest July 28, in a new code share arrangement with Malev. The two new oneworld members will also engage in code sharing on flights via Amman to Aqaba, Dubai and Abu Dhabi. Royal Jordanian will offer service on 12 Malév services, including Berlin and Copenhagen. In other news, newly privatized Malév appointed as Chief Financial Officer Piotr Ikanowicz, a former Polish LOT executive. Zoltán Mester, an economist involved in the privatization of Budapest Airport and Malev, will head infrastructure and portfolio management.

9. Portugalia Acquisition by TAP Unopposed by Competition Authority.

TAP Portugal won approval from the Portuguese national competition authority (AdC) for its acquisition of Portugalia. TAP said harmonization of the two companies should be completed in September.

10. US Airways Begins New Philadelphia-Europe Service.

US Airways began direct services from Philadelphia to Zurich, Brussels and Athens, and reinitiated seasonal services to Stockholm, Lisbon, Shannon, Venice, Glasgow and Barcelona.

11. Lufthansa Completes Acquisition of Swiss.

As of July 1, when it secures all necessary traffic rights, Lufthansa will fully acquire Swiss International Air Lines. Synergies generated by the merger came to more than €200 million during 2006, far more, said Lufthansa Chairman and CEO Wolfgang Mayrhuber, than originally planned. "The Swiss business model is a success," he said. Swiss will remain an autonomous carrier with an own business management and headquarters based in

Switzerland and its own crew and fleet. Swiss CEO Christoph Franz said the successful restructuring and growth of the long-haul fleet means creation of new jobs in Switzerland and a strengthening of the Zurich hub.

12. Swissair Defendants Acquitted.

All 19 individuals implicated in the collapse of Swissair were acquitted of mismanagement and other charges by a Zurich district court and will receive compensation totaling more than \$2 million. Prosecutors had requested prison sentences for Mario Corti, the final Swissair CEO, and the 18 other airline executives, board members and advisers. Civil actions are still possible by liquidators and employees of the former flag carrier.

13. Lufthansa, Egypt Air Sign Code Sharing Agreement

Lufthansa CEO Wolfgang Mayrhuber and Atef Abd El Hamid, Chairman of Egypt Air, signed a code sharing contract for all flights between Germany and Egypt. The pact will take effect this winter on services between Frankfurt and Munich to Cairo and from Frankfurt to Alexandria, with plans to extend to tourism centers of Egypt and North Africa. Egypt Air plans to code share on Lufthansa flights within Germany and Europe and to North America. Lufthansa offers 17 weekly flights to Egypt and Egypt Air operates 18 weekly flights to Germany.

14. DHL Launches New York Overnight Express to Europe.

DHL introduced next day delivery from New York City to nine major business centers across Europe. At no additional cost, DHL Helicopter transports urgent material to New York Kennedy and guarantees next business day delivery to Amsterdam, Brussels, Dublin, Frankfurt, Geneva, London, Madrid, Paris and Zurich.

15. SAA Restructures.

South African Airways (SAA) announced a restructuring over the coming 12 to 18 months, aimed at turning the state-owned airline into “a world-class entity that delivers sustainable profits.” CEO Khaya Ngqula said the new structure should increase visibility and accountability. The management team will be reduced by 30%, while other cost-containment initiatives include retirement of Boeing 747-400s. A fleet upgrade and acquisition strategy was put on hold. SAA will forge strategic alliances with African airlines to maintain its emphasis on African markets. International plans include ceasing operations in Zurich and Paris and introducing new routes such as Munich; SAA will continue to fly to major hubs of its Star Alliance partners and to strengthen present code share alliances. By December 2008, SAA expects to establish seven independent subsidiaries, with outside equity partners sought for some units, such as SAA Cargo.

16. Sudan Airways Privatized.

Sudan Airways in a partial privatization was sold to Kuwait's Aref Investment Group (49%) and Sudan's Faiha Holding (21%), with the Sudanese government retaining a 30% stake.

17. United States, Georgia Sign Open Skies Agreement.

See Section VII, item 1.

IX. ASIA/PACIFIC / MIDDLE EAST

1. LCCs to Garner 25% ASM Share in Asia/Pacific.

Low-cost carriers (LCCs) will fly approximately 25% of seats available in the Asia/Pacific region within five years, reports *Air Transport World*, using estimates from the Centre for Asia Pacific Aviation (CAPA). Their combined fleet will grow from about 300 aircraft with 45,000 seats to 870 aircraft with 170,000 seats by 2012.

2. China to Ease Control of Domestic Routes.

Civil Aviation Administration of China (CAAC) plans to loosen approval procedures for domestic route rights by 2010. The change is meant to allow small, privately-owned and joint venture airlines to compete on profit-making routes that are dominated by Air China, China Eastern and China Southern. In other news, CAAC encouraged China's pilots to meet international aviation English standards, based on ICAO requirements. CAAC said 651 Chinese pilots have passed English exams, reported Reuters, with some 8,000 remaining who have not.

3. China Certificates Chongqing, Grand China Air.

CAAC is granting a domestic operating license to Chongqing Airlines, a joint venture between China Southern and Chongqing Development & Investment Co Ltd.; Chongqing will use three A320s provided by China Southern for passenger and cargo operations. CAAC granted an operating license to HNA Group for Grand China Air (GCA); Beijing-based GCA will combine Hainan and other HNA airline holdings to become China's fourth-largest commercial carrier.

4. Continental, China Southern to Code Share.

In a new Continental-China Southern code share, effective in November, Continental will put its code on China Southern flights that connect to its daily New York-Beijing service, and on the Chinese airline's Guangzhou-Los Angeles flights. China Southern will put its code on flights that connect with its service in Los Angeles. In September, the carriers will begin reciprocal frequent flyer mileage and airport lounge access.

5. United Begins San Francisco-Taipei Nonstops.

United began daily, nonstop passenger and cargo service between San Francisco and Taipei, becoming the only U.S. carrier to offer nonstops between the U.S. and Taipei.

6. Korean Air to Establish Low-Cost Carrier.

Saying it will “no longer remain indifferent to invasion of low cost carriers from China and Southeast Asia into the Korean market,” Korean Air announced the launch of a low-cost carrier within three years. Korea Airport Service, which has charter flight experience and is an affiliate of Korean Air parent Hanjin Group, likely will operate the Boeing 737 service. Korean Air will concentrate on international and premium business travel and the low-cost carrier on tourists on domestic and shorter-haul international routes. The South Korean flag carrier said “dump selling and unreliable tourism packages centered around some low-cost carriers, causing market disturbance and customer inconvenience, must be stopped,” and plans to “bring about positive alteration” to that market. Meanwhile, Korea’s high speed railway will be operational within the next few years and is expected to siphon off much of the domestic market.

7. JAL Accelerates Restructuring.

Japan Airlines (JAL) will cut about 4,300 jobs (8%) a year earlier than announced in February, to accelerate the company’s revival and reduce costs.

8. SIA, China Eastern Discussing Strategic Investment.

Singapore Airlines (SIA) said it is in an advanced stage of discussions with China Eastern on a potential transaction.

9. Tiger Obtains Indian Operating Permits.

Singapore-based Tiger Airways won route authority to operate flights to Chennai, Cochin, Goa, Trivandrum, Kolkata and Kozhikode. Low-fare Tiger earlier this year obtained authority to operate extended twin engine operations (ETOPS), which enables the airline to operate more efficient direct routings between Singapore and points in southern India. CEO Tony Davis said the company will establish a low-fare airline in Australia.

10. Shin Sells Thai AirAsia Stake.

Shin Corp., which is controlled by Singapore's Temasek Holdings, sold its 49% stake in Malaysia's Asia Aviation to Thai AirAsia.

11. FAX Appoints Officers.

[Kalimullah bin Masherul was named Chairman of Fly Asian Express (FAX), parent of new long-haul, low-cost AirAsia X, and Azran Osman-Rani was named CEO. Tony Fernandes and Kamarudin Meranun, Directors of FAX, are said to be mulling a sale of FAX shares to Sir Richard Branson’s Virgin Group, which would operate flights from Malaysia to China, Europe and Australia. FAX begins flights to China and Australia September 8 from Kuala Lumpur

International's low-cost carrier terminal and will acquire 15 Airbus A330-300s beginning next year.

12. Sapphire Airways Plans U.S.-India Flights.

Should Sapphire Airways win FAA certification, it will offer full-service direct flights to destinations in India from U.S. cities from next June, said founder Rahul Puranik, a U.S.-based entrepreneur. In phase two, the proposed carrier would expand to destinations in Africa and Asia. Puranik, a former Delta pilot, predicted a 25% initial market share.

13. Qatar Begins New York Service, Signs Code Share With United.

Qatar Airways began serving North America with a Doha-New York Newark via Geneva Airbus A330 flight. On July 19, Qatar will begin daily nonstops between Doha and Washington DC. The carrier signed a code share pact with United for service to destinations in Qatar, Sri Lanka, Malaysia, Maldives and Pakistan.

14. U.S. Airlines Apply for China Routes.

See Section I, item 2.

15. Malév, Royal Jordanian Sign Code Share Agreement.

See Section VIII, item

X. AMERICAS

1. United to Hire New Pilots for the First Time Since 2001.

United plans to hire and train up to 100 pilots later this year, in addition to recalling furloughed pilots. This is the first time the carrier has hired pilots since 2001. By yearend United will be operating more than 3,600 flights a day on United, United Express and Ted to more than 210 U.S. domestic and international destinations from its hubs in Los Angeles, San Francisco, Denver, Chicago and Washington, D.C.

2. Delta Continues International Expansion.

Delta added nonstops from Atlanta to Dubai and Seoul and from New York Kennedy to Pisa and Bucharest.

3. US Airways Increases Widebody Order.

US Airways will take delivery of 60 replacement Airbus A320s beginning in 2010, and increased a previously announced order of 20 A350s to 22. With delivery of its first A350-800 in 2014, US Airways will become the North American launch customer for the fleet type. The transaction “sets the stage for the next generation of the US Airways fleet, which will be among the youngest and most efficient in the U.S. airline industry,” said CEO Doug Parker.

4. Southwest Aims for Additional \$1 Billion-Plus Revenue.

Southwest will adjust its route schedule and reduce a planned fleet expansion by 15 aircraft, said CEO Gary Kelly, as it plans initiatives to achieve “more than \$1 billion in incremental revenue over the next few years to overcome higher fuel costs and reach our financial targets.”

5. AirTran Extends Offer for Midwest.

AirTran extended its unsolicited \$15-a-share tender offer for Midwest to August 10, and Midwest shareholders elected three new directors nominated by AirTran to the company's nine-member board.

6. Northwest Hiring Union Ground Workers.

Northwest is hiring union workers to replace nonunion employees at its Twin Cities and Detroit hubs, after outsourcing jobs for several years, to handle luggage transfers between Northwest flights and Mesaba and Pinnacle flights. The carrier said the change will result in more efficient luggage handling at a lower cost.

7. JetBlue to Review Expansion Plans.

JetBlue CEO David Barger said the carrier will evaluate the need for airplanes it has already ordered and the 16 new markets it added last year, to create the best match between expansion and profitability. JetBlue plans growth of 10% to 13% this year, rather than an earlier reported 20% growth forecast. The low-cost carrier posted a \$22 million loss in the first quarter, but said it would generate a second quarter operating margin of 9% to 11%, up from an earlier estimate of 8% to 10%.

8. Gol Given Reprieve on Varig International Routes.

A judge gave Gol until November to restart international flights run by Varig, contradicting an earlier ruling by Brazil's Civil Aviation Authority requiring Gol to restart certain flights by June 18 or lose the rights to the routes; Gol acquired Varig's assets in March, including international routes. Separately, Gol agreed to maintain Varig as a separate entity until antitrust investigations are completed and entered into ticketing agreements with Delta and Continental, which allow passengers of those airlines to purchase tickets on all routes served by GOL for connections in Brazil and South America.

9. ATC Disorder Continues in Brazil.

After a six-day work slowdown by controllers, mostly air force officers, had caused the delay or cancellation of hundreds of flights and chaos at Brazil's airports, the government fired 14 air traffic controllers and ordered the arrest of two union leaders. Brazilian President Luiz Inacio Lula da Silva said new controllers would be trained to avoid future problems. He said controller claims that Brazil's air traffic control equipment is outdated and risky are equal to terrorizing society, saying the equipment is among the world's most modern. The disruptions have occurred since a corporate jet collided with a Gol Boeing 737 last September, killing all 154 people on the airliner. The accident aftermath revealed significant infrastructure and other problems; a judge recently indicted four Brazilian air traffic controllers and the two U.S. pilots of the corporate jet.

10. Lan Fined for Market Abuse.

Lan was fined more than \$240,000 by Chile's antitrust court for abusing its dominant position in the Punta Arenas air cargo market and ordered to modify its prices for cargo shipments to the city, which is located in Patagonia and has a major duty-free zone. The court also said Chilean authorities had not properly ensured free competition in the aviation market, despite prior warnings by antitrust officials.

11. **U.S. Airlines Apply for China Routes.**
See Section I, item 2.
12. **FAA Raises Safety Rating for Guatemala.**
See Section I, item 4.
13. **DOT Clears Canada's Porter for Newark Flights.**
See Section I, item 5.
14. **United States, Georgia Sign Open Skies Agreement.**
See Section VII, item 1.
15. **Zoom Begins Low-Cost London-New York Flights.**
See Section VIII, item 4.
16. **Eos to Expand to 40 Weekly New York-London Flights.**
See Section VIII, item 5.
17. **Northwest/KLM Begin Detroit-Düsseldorf, Brussels Nonstops.**
See Section VIII, item 7.
18. **US Airways Begins New Philadelphia-Europe Service.**
See Section VIII, item 10.
19. **DHL Launches New York Overnight Express to Europe.**
See Section VIII, item 14.
20. **Continental, China Southern to Code Share.**
See Section IX, item 4.
21. **United Begins San Francisco-Taipei Nonstops.**
See Section IX, item 5.
22. **Qatar Begins New York Service, Signs Code Share With United.**
See Section IX, item 13.