



WASHINGTON AVIATION SUMMARY

MAY 2007 EDITION

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The Kirstein & Young law firm specializes in representing U.S. and foreign airlines, airports, leasing companies, financial institutions and aviation-related companies before U.S. Government agencies, Congress, the courts and in commercial and financing matters.

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I. REGULATORY NEWS

1. IATA Forecasts Improved 2007 Profits.

Airlines are expected to earn a profit of \$3.8 billion in 2007, up from a previously forecast \$2.5 billion, the International Air Transport Association (IATA) said, despite a U.S. economic slowdown and oil prices returning to over \$60 a barrel. Profit could rise to \$7.6 billion in 2008, said IATA, but balance sheets remain fragile and “airlines have not been able to use the strength of revenues to build up a cash cushion against shocks.” North American airlines will see \$4.4 billion in profits this year, European \$2.4 billion, Asia Pacific \$1.7 billion, and Middle East and Latin America \$0.3 each. IATA'S estimate for a 2006 net loss remained at \$500 million.

2. IATA Releases 2006 Safety Report.

IATA reports that 2006 was the safest year on record, with 77 accidents compared to 111 in 2005. The 2006 figure involved 46 jets and 31 turboprops. The hull loss rate was 0.65 accidents per million flights for Western-built jets, equivalent to one accident for every 1.5 million flights, a 14% improvement on 2005. IATA member airlines averaged a hull-loss rate of 0.48 accidents per million flights, or one accident for every two million flights. Russia and other members of the Commonwealth of Independent States (CIS) had the highest accident rate of all regions in 2006, with 8.6 Western-built hull losses per million flights, 13 times the global average. Africa was second with 4.31 accidents per million. Adverse weather was involved in 43% of accidents, and training in when and how to abort bad weather landing is a key issue. Some 38% of accidents involved communication issues between pilots or between pilots and air traffic controllers; and 33% involved flight crew training issues. Runway safety-related issues resulted in several serious incidents in 2006, including the only fatal passenger accident in North America. Human error, increase in traffic and miscommunication contributed to most runway-related incidents (primarily runway incursions or runway misidentification). Overall, 10% of the year's accidents took place on the ground, costing \$4 billion in damaged equipment, or \$11 billion with medical and related costs. About 76% of all accidents involved passenger aircraft, compared to 24% for cargo aircraft, disproportionate to cargo's 4% of global operations.

3. United, bmi File for Antitrust Immunity.

United and bmi filed a joint motion with the U.S. Department of Transportation (DOT) requesting approval for antitrust immunity as of March 30, 2008, when the open skies agreement between the United States and the European Union (EU) takes effect. The Star Alliance partners have no overlapping nonstop

service and United does not fly to bmi's Manchester hub where service to Las Vegas and Chicago originate. "This paves the way to an alliance; it does not guarantee it," bmi CEO Nigel Turner told the London *Times*; "we want to put in place all the steps now to fully take advantage of open skies." A 2002 attempt by the two to gain antitrust immunity was deferred, contingent upon a U.S.-EU open skies accord.

4. FAA Lowers Safety Rating for Indonesia.

The U.S. Federal Aviation Administration (FAA) downgraded Indonesia's safety oversight from Category 1 to Category 2, according to standards set by the International Civil Aviation Organization (ICAO), and advised U.S. citizens not to fly on Indonesian airlines. A recent audit by the Indonesian civil aviation agency found that none of the nation's airlines met top safety requirements, and six airlines—Adam Air, Kartika Airlines, Jatayu, Batavia, Trans Wisata Air and Dirgantara—were warned to comply with safety regulations within three months or face closure. The audit followed several fatal accidents, including a January Adam Air crash that killed 102 and a Garuda landing event that killed 21 in March. Transport Minister Hatta Radjasa vowed to improve the transport system by 2009 and called for fleet and air traffic control modernization.

5. Commercial Passengers Fund Corporate Jets, Says AP Report.

As U.S. airlines and FAA promote an air transit system paid for by user fees and higher fuel taxes, the Associated Press released research illustrating how the current passenger tax-based system subsidizes corporate and private aviation. Today's airline passenger can pay up to six separate taxes and fees in the price of a ticket. These include a 7.5% federal ticket tax that funds the Airport and Airway Trust Fund; a flight segment tax of \$3.40 per takeoff and landing; a \$15.10 international arrival and departure tax; a \$2.50 per boarding security fee; and a passenger facility charge collected by airlines and paid to the airport where it is levied. Of \$7.1 billion in Airport Improvement Program (AIP) grants made to airports since 2005, \$2.2 billion went to small airports used mainly by private pilots and corporate executives. FAA says private aviation pays \$516 million annually in fuel taxes, but requires \$2.4 billion in air traffic control services and \$500 million for weather forecasts and other services.

6. Airline Employment Rises in February.

U.S. scheduled passenger airlines employed 0.2% more workers in February 2007 than in February 2006, reports DOT. Network carriers reported a 2.2% decrease, while low-cost carriers (LCCs) increased employment by 5% and regionals by 5.9%. The seven network carriers employed 262,400 (64.7% of the passenger airline total); LCCs employed 71,400 (17.6%); and regionals 59,900 (14.8%).

7. **DOT Probes Improper On-Time Performance Reporting.**

A DOT investigation into improper reporting to customers of on-time performance statistics has turned up eight airlines that failed to provide accurate flight-delay information. In 41% of 160 calls to airline reservation centers, delay statistics for particular flights were not given, reports the *New York Times*.

8. **DOT Air Travel Consumer Report for February.**

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

	Feb. '07 / '06	Jan. '07	Full Year			
			2006	2005	2004	2003
On-time arrivals %	67.3 / 75.3	73.1	75.4	77.4	78.1	82
Cancellations %	4.5 / 2.1	2.5	n/a	1.87	1.56	1.79
Mishandled baggage*	8.23 / 6.10	8.19	6.73	6.64	4.91	4.19
Consumer complaints:						
Airline service	823 / 550	752	8,321	8,741	7,452	5,983
Disability-related	19/25	28	427	511	521	375
Discrimination**	6/5	10	114	129	118	85

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Delta Secures Heathrow Slots.

Delta has secured enough Heathrow runway slots to start services there when the U.S.-EU open skies pact takes effect next March, reported the London *Sunday Times*. Negotiations are not yet finalized, however, said the airline. *The Times* said Delta plans two daily flights to New York Kennedy and one to Atlanta. Delta's Skyteam partners Air France and KLM own the slots and are likely to code share on the Delta flights. Economics of flights from London to Paris de Gaulle, Air France's hub, "have certainly changed since the opening of the Channel tunnel," Delta CEO Gerald Grinstein told *The Times*. The only airlines currently able to fly between the U.S. and Heathrow are American, United, British Airways and Virgin Atlantic.

2. Carriers Add Los Angeles Departure Surcharge.

United added a \$10 ticket surcharge on flights departing Los Angeles International, to offset increased terminal fees. Los Angeles World Airports said the surcharge "wildly exceeds the airline's full and fair share of the costs to maintain and operate its terminal facilities at LAX. United appears to be exploiting a justified increase in its maintenance and operations costs in order to dramatically increase profits on Los Angeles passengers." Other major carriers, including American, Northwest, Delta and US Airways, also added the \$10 surcharge. Several airlines have sued the airport, charging it illegally changed lease terms, and many have filed complaints with DOT.

3. Seaplanes May Vie With New York Shuttles.

New York City may use commercial seaplane service to replace some east coast shuttle service, reports the *New York Sun*, in an effort to ease air traffic congestion around La Guardia, Kennedy and Newark airports, which together saw 104 million passengers last year.

4. Miami Airport Drug Ring Charged.

A Miami International-based drug ring used cargo workers to smuggle cocaine and heroin for the past five years, said authorities. More than 500 pounds of cocaine and 81 pounds of heroin were seized. Of 29 defendants charged, 18 are in custody in the U.S. and six in Colombia; five are at large. The cargo workers were employed by international airlines or the airport at a ramp and warehouse that serves up to 20 cargo flights at a time. They worked together on unloading drug shipments, sharing information about planes and loads and watching for surveillance, reported the Associated Press. The airport employs about 30,000 people.

5. **Brussels Airport Strike Leads to “Goodwill Gesture.”**

Following a wildcat strike by fire fighters that shut down the airport on April 13, Brussels Airport offered affected passengers and airlines “a small present.” Landing and takeoff fees will be forgiven every Friday in May for those airlines. The more than 20,000 passengers who “were abused for over ten hours” will receive free use of airport lounges or a voucher that can be used in airport shops and restaurants, said Brussels Airport CEO Wilfried Van Assche, who stressed the airport is “in no way liable for the event.”

6. **Schiphol Group Signs Contract With Guangzhou Baiyun.**

Amsterdam-based Schiphol Group signed a cooperation agreement with China’s Guangzhou International Airport for development of commercial facilities. In 2006, 26.6 million passengers and 650,000 tons of cargo were transported via Guangzhou Baiyun, a hub to Air France KLM partner China Southern; 40 million passengers are expected in 2010 and 60 million by 2015.

7. **Fraport, Xi’an Airport Participation Signed.**

Frankfurt-based airport company Fraport AG acquired a 24.5% share in Xi’an Airport located in central China, subject to approval by Chinese authorities, and will manage the airport’s operational optimization and commercial development. The first foreign airport operator to invest in a Chinese airport that is not listed on the stock exchange, Fraport will invest €50 million in the project. Completion of the transaction is expected in the third quarter of 2007. Home to the world-famous Terra Cotta Warriors, Xi’an is the capital of Shaanxi Province and has a population of about 7.2 million. State-owned China West Airport Group will retain the majority of shares in Xi’an Airport, which had 9.4 million passengers in 2006.

8. **Aeroports de Paris to Design Futuristic Almaty Terminal.**

Aeroports de Paris subsidiary ADPi won a contract to design the new terminal at the Almaty international in Kazakhstan. The futuristic project is inspired by the architecture of traditional yurts, tents used by nomadic people in central Asia; future terminal expansion will be the addition of new yurts. Airport traffic increased by 23% in 2006 to slightly over 2 million passengers.

III. SECURITY

1. TSA Announces Employee Screening Plan.

The Transportation Security Administration (TSA) will “harden and bolster employee screening” at some U.S. airports over the next three months in a “risk-based approach” developed in cooperation with the American Association of Airport Executives (AAAE), Airports Council International–North America (ACI-NA) and National Air Transportation Association (NATA). “Effective security requires partners working together within a network of overlapping measures around which terrorists cannot easily engineer,” TSA Administrator Kip Hawley said. “We achieve a better overall security result by using our resources flexibly, not tied down at checkpoints checking and re-checking people that work at the airport every day.” The plan will include testing of six key measures— behavioral recognition; employee training; targeted physical inspection; biometric access control; certified employees; and technology deployment—followed by a phased rollout to all U.S. commercial airports. Meanwhile, in Congress the Homeland Security Transportation Subcommittee approved legislation ordering TSA to conduct pilot programs at seven airports, including two large hubs, requiring screening standards equivalent to those used for airline passengers, with one airport using private rather than federal screeners. The bill would require vulnerability assessments of the test airports and a report to Congress within 90 days of implementation of the program.

2. U.S., EU Working on Revised Passenger Data Sharing Pact.

U.S. Homeland Security Secretary Michael Chertoff and German Interior Minister Wolfgang Schaueble meeting in Berlin discussed a new U.S.-EU agreement on passenger data sharing. Germany currently holds the rotating EU presidency. An earlier agreement was struck down by a European court because it was thought to violate EU privacy laws. Chertoff said the matter should be resolved in the next few months. The EU and U.S. also met with Russia for talks on security cooperation and pledged to focus on problems related to migration, border controls and drug trafficking and to come to a common definition of the term “terrorism.”

IV. E-COMMERCE AND TECHNOLOGY

1. FCC Upholds U.S. Inflight Cell Phone Ban.

The Federal Communications Commission (FCC) formally continued the ban on inflight passenger use of cellular telephones, saying there was insufficient technical information available on whether airborne cell phone calls would cause harmful interference to networks on the ground. FCC said it will revisit the issue later if appropriate technical data become available.

2. Other Inflight Cell Phone Trials to Begin.

Air France and Qantas are among airlines planning to test inflight use of cell phones. Air France passengers on one A318 Airbus will be able to send e-mails and text messages during flights as of July, with voice calls to come later, the first time anywhere in the world airline passengers will be allowed to make phone calls from their own mobile during a flight, reports *Business Week*. Qantas will soon begin a three-month trial enabling passengers to send and receive e-mails and text messages from a single Boeing 767. Emirates, Ryanair and bmi are planning trials.

3. Southwest to Test Onboard Wireless System.

Southwest is requesting proposals from wireless providers to equip some of its planes with in-cabin wireless Internet service and, perhaps, an inflight entertainment system. CEO Gary Kelly said trials could begin within the next nine months, making Southwest the first U.S. airline to offer inflight Internet service. Kelly told reporters that wireless access is part of Southwest's plan to generate additional revenue. The limited wireless test will determine if the system works and if it is in an acceptable cost range.

V. NOISE AND ENVIRONMENT

1. 40% of Travelers Environmentally Concerned.

An ecotourism survey of more than 1,000 travelers worldwide found that 11% of respondents have taken and one-quarter are considering taking an ecotourism trip; 38% consider environmentally-friendly tourism when traveling; 24% believe air travel should be avoided; 38% would pay more for an “eco-friendly” flight—and 26% would pay a 5-10% premium; 3% have purchased carbon credits. Expedia unit TripAdvisor conducted the survey and named Vanua Levu in Fiji the top environmentally-friendly destination.

2. Green Guide to Travel.

A *Wall Street Journal* “Green Guide” to travel suggests autos or trains for the eco-minded, since, according to Copenhagen-based European Environment Agency, flying emits the most carbon dioxide per passenger for each kilometer traveled; in 2004, a passenger on a plane accounted for 130.2 grams of carbon dioxide per kilometer, compared with 124.5 grams by car and 45.6 grams by train. But if you must fly, says the report, buy into emission-offset programs, which by planting trees or investing in renewable-energy sources, may counteract greenhouse gas production. Buy electronic tickets to save energy and trees, and choose airlines with fuel efficient planes.

3. Delta to Launch Carbon Offset Program.

Delta kicked off a carbon offset program, the first U.S. airline to do so, with a donation to The Conservation Fund for each passenger traveling on Earth Day, April 22. Delta also will plant a tree for each of its 47,000 employees. Beginning June 1, customers who purchase a ticket online at delta.com may contribute toward the offset of carbon emissions associated with air travel through a donation to The Conservation Fund, to be used to plant trees throughout the world; the newly planted forests will help to absorb carbon dioxide, filter water, restore wildlife habitat and enhance public recreation areas, said Delta.

VI. U.S. CONGRESS

1. Passenger Rights Hearings.

In House Aviation Subcommittee hearings on passenger rights, Chairman James Oberstar (D-Minn.) said new legislation is likely, as advocated by the Coalition for an Airline Passengers' Bill of Rights, in light of what he calls inadequate regulatory oversight of commercial airlines. Tougher enforcement, he said, could mean higher fines and penalties. The DOT Inspector General called passenger service a "front burner" issue and urged improved government oversight of airline customer protections; his report on airline customer service and recommended government actions will be published in June. JetBlue CEO David Neeleman, the only airline executive to testify before the panel, said JetBlue's February service disruption, when thousands of passengers were stranded at airports and in airplanes because of winter weather, would never be repeated. But he and Air Transport Association (ATA) CEO James May resisted government regulation as a remedy. May said severe weather and an outdated air traffic control system disrupt air travel and "government-imposed, inflexible operating standards will not improve and will likely aggravate these severe weather events. Airlines need operational flexibility in order to get passengers, crew members and airplanes to their destinations." The Business Travel Coalition (BTC) told the Committee recent weather-related incidents do not "rise to a level of national seriousness to warrant federal laws governing airline industry customer service. Massive delays are unusual . . . in 2006 just 36 out of 7.1 million commercial flights sat on the ground for five hours or more." BTC Chairman Kevin Mitchell said of 144 corporate travel managers recently surveyed by BTC, only 10% would support a Passenger Bill of Rights in the absence of an ironclad guarantee that safety margins would not be decreased. A bill that would require airlines to let passengers on delayed flights deplane after three hours has been introduced in the Senate.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S. Seeks Open Skies With China.

U.S. Transportation Secretary Mary Peters met with Chinese officials in Beijing to discuss a possible open skies agreement. A framework agreement is hoped for by a May meeting in Washington during U.S.-China trade talks, she said, and a formal agreement by the end of this year.

2. U.S.-India Aviation Summit.

A U.S.-India Aviation Partnership Summit held in New Delhi addressed infrastructure needs of India's burgeoning air transport sector. A framework for future relations, air traffic management, airspace utilization and bilateral collaboration in airborne systems were among items discussed. FAA Administrator Marion Blakey attended the meeting. Also participating were senior leaders from leading U.S. aerospace, transportation and logistics companies, members of a delegation sponsored by the U.S.-India Business Council (USIBC). Led by Scott Bayman, President and CEO of General Electric India, they met with senior members from India's Ministry of Civil Aviation and industry to discuss areas of collaboration. Civil Aviation Minister Praful Patel announced the probable call for bids for a new Mumbai airport by year-end. City and Industrial Development Corporation of Maharashtra Ltd. (CIDCO) and the state-run Airport Authority of India will hold up to a 26% stake, with the remainder held by a private developer.

3. EU Court Rules Against Dutch-U.S. Open Skies Pact.

The European Court of Justice ruled illegal a U.S.-Netherlands open skies pact, reaffirming a 2002 decision that EU member states' bilateral aviation agreements violate EU laws and must be replaced by a single transatlantic treaty.

4. U.S., EU Working on Revised Passenger Data Sharing Pact.

See Section III, item 2.

VIII. EUROPE/AFRICA

1. EC Sets Six-Month Deadline for Passenger Rights Compliance.

The European Commission (EC) set a six-month deadline for airlines and member states to fully comply with EU rules to protect the rights of air passengers or face legal action. While there has been improvement, further work is needed in improving enforcement, clarifying interpretation of the regulation, establishing clarity between delays and cancellations as different rights are awarded to the passengers depending on the circumstances, and enhancing the role of national enforcement bodies that oversee application of the common rules.

2. EC Postpones New Carry-on Bag Rules.

The EC postponed implementation of new rules on maximum cabin baggage size to May 2008, saying more time is needed to reassess the impact on security and passenger comfort. Unconvinced that the rule would have a significant security benefit, airlines had requested the delay. The new rules would harmonize size limits that currently vary among member states and airlines to a standard adopted by IATA (56cm x 45cm x 25cm) for safety reasons; i.e., to make it simpler for airport screeners to detect prohibited articles in cabin baggage. The European Civil Aviation Conference will evaluate security benefits that accrue from a limit on cabin bag size and report to the Commission by December 2007.

3. Alitalia Bid Offer Closes.

Alitalia received non-binding offers by an April 16 deadline from Sky Team partner Aeroflot, Italian domestic carrier Air One and U.S.-based equity group Texas Pacific. Lufthansa CEO Wolfgang Mayrhuber denied reported interest, saying Alitalia is too expensive.

4. Texas Pacific Bids for Iberia; British Airways Seeks Partners.

Iberia received a €3.4 billion bid from Texas Pacific and asked the U.S.-based private equity group to name its industry partners and Spanish company involvement. British Airways, which owns 10% of Iberia, ruled out an independent bid and is seeking private equity companies and one or more Spanish partners for a consortium offer; the offer would not involve further capital investment by British Airways.

5. Piotr Siennicki Named CEO of Poland's Lot.

Poland's national carrier, LOT Polish Airlines, appointed Piotr Siennicki as CEO. The post was held by Krzysztof Kapis until last November, when he was

dismissed; Marek Mazur followed and was dismissed in March after just 38 days on the job. Siennicki is involved in the restructuring of Poland's largest power company, BOT, and previously was CEO of electricity distributor Zaklad Energetyczny in Plock.

6. **Eos Adds New York-London Service.**

Discount all-business-class Eos Airlines added a third flight between New York Kennedy and London Gatwick.

7. **Zoom to Offer Transatlantic Flights From Gatwick.**

Twice-weekly direct flights to Bermuda will be launched by Gatwick-based Zoom Airlines Ltd. from June 8. Low-cost Zoom will be “the first airline to compete with British Airways on the route since 1967, breaking the longest-running monopoly on any air route in the world.” Five weekly Boeing 767-300 direct flights to New York Kennedy will begin June 21, subject to regulatory approvals. “It is high time that passengers had a better deal,” say Zoom owners Hugh and John Boyle, who are offering savings of up to 70% on the London-New York flights and are touting the catch phrase, ‘Now you’re sitting comfortably.’ A related airline, Zoom Airlines Inc., based in Ottawa, operates scheduled and charter services from Canada to the UK, France and the Caribbean.

8. **Virgin Nigeria Warned on Safety.**

The Nigerian Airspace Management Authority said investigations of all airlines operating in Nigeria found too many “air returns back to the originating terminals due mainly to malfunctions.” Virgin Nigeria reportedly had the most returns, with 15 in the last six months. Of 5,336 flights operated over the said period, said Virgin Nigeria CEO Conrad Clifford, six made returns—one due to bird strike, one due to VIP movement, one due to bad weather and three due to technical issues with landing gear retraction; he apologized to the Nigerian public “for the shortfall in expectations.” The Minister of State for Air Transportation, Chief Femi Fani-Kayode, also warned domestic carriers about recent inflight technical problems.

9. **United, bmi File for Antitrust Immunity.**

See Section I, item 3.

IX. ASIA/PACIFIC / MIDDLE EAST

1. IATA Urges Asian Leadership in Shaping Aviation.

Speaking at the Asia Pacific Aviation Media Association (APAMA) in Singapore, Giovanni Bisignani, IATA's Director General and CEO urged Asia to take a greater leadership role in shaping the global aviation industry. By 2010, intra-Asia traffic will be the largest market in the world, accounting for one-third of the world's traffic, and effective systems are needed to handle the additional 250 million passengers passing through Asian airports. Needed are technologies to simplify passenger travel and improve air traffic management; systematically linked biometrics for immigration processing; a regional policy approach to safety, liberalization and environmental issues. "The U.S. and Europe have led the industry's development with a common vision on technical issues. Short-sighted politics has robbed them of leadership on liberalization. And that is an opportunity that cannot be missed for this region, provided you are guided by a solid and common vision for our industry's most important issues, said Bisignani.

2. JAL, Royal Jordanian, Malév Join oneworld.

The oneworld alliance welcomed Malév Hungarian Airlines, Japan Airlines (JAL) and Royal Jordanian as full members. Five JAL associates, JALways, Japan Asia Airways, JAL Express, J-AIR and Japan Transocean Air, joined as affiliate members, as did LAN Argentina and LAN Ecuador.

3. APA Bid for Qantas Restructured.

Airline Partners Australia (APA) restructured its bid for Qantas, lowering the minimum acceptance condition to 70% from 90% and extending its offer to May 4. Qantas shareholder UBS investment bank increased its stake to 11.4% from 10.4%, in a further blow to takeover aspirations of the APA consortium, which is led by Macquarie Bank and Texas Pacific.

4. China Southern Applies to Form Chongqing Air.

Guangzhou-based-China Southern applied to establish a carrier in China's western Chongqing city. China Southern would hold a 60% stake in Chongqing Airlines and an investment company headed by the Chongqing municipal government would hold the remaining shares. The new domestic airline, based at Chongqing Jiangbei International Airport, would carry passengers and cargo with three China Southern A320s.

5. **UPS and Shanghai Announce Hub in China**

UPS and the Shanghai Airport Authority signed an operating agreement and lease contract for the UPS International Air Hub at Pudong International Airport in Shanghai. Present were DOT Secretary Mary Peters and Vice Mayor of Shanghai Yang Xiong. The facility, scheduled to open next year, will be the first constructed by a U.S. carrier and will link all of China via Shanghai to UPS's international network with direct service to the Americas, Europe and Asia. It also will connect points served in China by UPS through a dedicated service provided by Yangtze River Express, a Chinese all-cargo airline.

6. **MAS's Firefly Takes to the Sky.**

Firefly, a low-cost subsidiary of Malaysian Airline System (MAS), launched operations with 50-seater Fokker flights to several Malaysian cities and to Thai resort islands Phuket and Koh Samui, from its Penang base. CEO Eddy Leong said Firefly offered 2,000 free one-way tickets, with more to come if there is demand. Online booking will begin in mid-May. Firefly will be managed separately from MAS, which is restructuring.

7. **FAX to Fly Airbus A330s.**

FlyAsianXpress (FAX), AirAsia's long-haul, low-cost unit, announced a confirmed order of 10 Airbus A330-300s, scheduled for delivery in late 2008, and options on another five. FAX will begin operations with an interim fleet from Kuala Lumpur International's Low Cost Carrier Terminal to three destinations, which will be announced later this year. FAX CEO is Raja Mohd Azmi Raja Razali, Director is Tony Fernandes.

8. **Delta to Offer New York Service to Tel Aviv.**

Delta will become the only U.S. carrier to offer nonstops from two U.S. gateways to Israel when it begins Boeing 777-200ER service from New York. Kennedy to Tel Aviv next March 10. Delta said its Atlanta-Tel Aviv service averages load factors of around 80%.

9. **Gulf Air to Restructure, Cut 1,500 Jobs.**

Newly appointed Gulf Air CEO Andre Dose announced a two-year, \$825 million restructuring plan that includes a 25% cut in its work force, about 1,500 jobs, amid losses of more than \$1 million a day. The Bahrain-based carrier is dropping long-haul services to Dublin, Hong Kong, Jakarta, Johannesburg, Sydney and Singapore to concentrate on the Gulf and Middle Eastern region and will consolidate to an all-Airbus fleet. The company said most cuts would be of cabin crew and staff stationed abroad, including many foreigners, to minimize the impact on Bahrainis. Dose was formerly CEO of Swiss. Another Swiss national, Bjorn Naf, was named Chief Operating Officer of Gulf Air; he

previously headed Transafrik International in Kenya, where he oversaw international cargo, humanitarian and relief flights for the United Nations. Gulf Air is jointly owned by Oman.

10. Saudi Arabian Low-Fare Airline Launched.

Saudi Arabia has a new low-fare domestic airline with plans for an eventual Middle East expansion. Called Sama, which in Arabic can mean “to soar” or “majestic heavens,” the Riyadh-headquartered airline secured General Authority of Civil Aviation/FAA part 121 certification in March and flies four leased Boeing 737-300s. Sama was set up by UK-based Mango Aviation Partners and is headed by HRH Prince Bandar bin Khalid al Faisal. Mango was founded by former senior executives of Go and Easyjet; its clients have included Jetstar Asia (Singapore), Go (India) and Silverjet (UK).

11. Jet Airways Acquires Sahara Airlines.

Jet Airways acquired Sahara Airlines, which will operate as a wholly owned subsidiary named Jetlite, and said key benefits will include wider, more effective coverage of the Indian market and access to skilled personnel such as pilots and engineers. “The aviation market in India has seen major developments in the last 24 months,” said Jet Airways. “Not merely has the market grown very rapidly, but the industry has seen the entry of a number of new carriers with aggressive pricing policies and significant additions of capacity leading to decline in fares and yields, cut-throat competition with the industry and all operators incurring huge losses.” Jet Airways Chairman Naresh Goyal said Jetlite will be positioned between discount and full-service carriers. The two airlines will have a combined fleet of 87 aircraft, which will grow to 120 planes in two years, and a combined net revenue of more than \$2.5 billion by the end of the fiscal year to March 2008.

12. FAA Lowers Safety Rating for Indonesia.

See Section I, item 4.

X. AMERICAS

1. Fortune 500 Airlines.

Fortune Magazine (April 30, 2007) ranked the following airline companies among its 2006 Fortune 500 companies:

Company	Rank	Revenue (millions)	Change from 2005
AMR	101	\$22,563	+9%
UAL	120	\$19,340	+11%
Delta	136	\$17,171	+6%
Continental	186	\$13,128	+17%
Northwest	195	\$12,568	+2%
US Airways	216	\$11,557	+128%
Southwest	276	\$ 9,086	+20%

2. Delta Emerges From Bankruptcy.

The U.S. Bankruptcy Court for the Southern District of New York issued a ruling confirming Delta's reorganization plan, clearing the way for the airline's emergence from Chapter 11, expected by the end of April. The ruling also applies to all of Delta's wholly owned subsidiaries that filed for Chapter 11 protection, including regional Comair. Delta and Comair filed for bankruptcy protection on September 14, 2005, as did Northwest, which is expected to exit bankruptcy in June.

3. Northwest Subsidiary Compass to Launch in May.

Northwest's new regional subsidiary, Compass Airlines, won FAA certification and will begin Washington-Minneapolis service in May under the Northwest Airlink name. Managed by Northwest Chief Financial Officer Neal Cohen, Compass will add 10 new 76-seat Embraer 175s this year. Northwest purchased regional Mesaba, as the latter emerged from bankruptcy. Northwest will establish a new Board of Directors upon completion of its reorganization, with Roy Bostock succeeding Chairman Gary Wilson. Bostock has been a Board member since 2005. The company agreed to provide continued health care benefits to its retirees and those who formerly worked at Republic Airlines, effective August 1, 2007.

4. **US Airways Resumes Seasonal Service from Washington, New York.**

US Airways announced summer service beginning in June to Nantucket and Martha's Vineyard from Reagan Washington National and New York LaGuardia, and from the latter to Hyannis, Bangor, Maine; Charleston, S.C.; and Savannah, Ga. The airline also announced an enhanced customer service program.

5. **ExpressJet Launches First Cities in a 24-Market Rollout.**

ExpressJet launched its first flights under its own banner, in what is planned as a 24-city rollout across the U.S. West Coast, Southeast and Midwest. Nonstops are planned for growing markets with populations that are the right size for 50-seat Embraer ERJ-145 aircraft, said President and CEO Jim Ream.

6. **SkyBus to Take Flight in May.**

Columbus, Ohio-based Skybus will launch discount service on May 22, with at least 10 seats on every flight priced at \$10 one-way. CEO Bill Diffenderfer said 30,000 tickets were sold in the first three hours the Web site exhibited fare information. The airline will sell tickets only through its Web site and will charge extra for preferred seats, soft drinks and checked bags. Initial destinations include Burbank, Ca.; Portsmouth, N.H.; Bellingham, Wash; Kansas City, Mo.; Richmond, Va.; Fort Lauderdale, Fla.; and Greensboro, N.C.; with Oakland, Calif. coming in June. At least one of Skybus' four leased Airbus 319s will be plastered with Nationwide Mutual Insurance ads on its fuselage and inside on tray tables, overhead bins, restroom doors and refreshment carts.

7. **World Air Holdings Acquired by ATA Parent, Global Aero Logistics.**

World Air Holdings agreed to be acquired by Global Aero Logistics, formerly ATA Holdings. World Air Holdings is the parent of World Airways and North American Airlines. Global Aero Logistics plans to operate World, North American and ATA independently under one umbrella. The \$315 million all-cash transaction is subject to shareholder and regulatory approvals.

8. **Swan Song for Harmony.**

WestJet added daily nonstops from Vancouver to Toronto, Las Vegas, Hawaii and Palm Springs, destinations formerly served by Vancouver based-Harmony which ceased operations on April 9, laying off most of its work force of 350.

9. **United, bmi File for Antitrust Immunity.**

See Section I, item 3.

10. **Eos Adds New York-London Service.**
See Section VIII, item 6.
11. **Zoom to Offer Transatlantic Flights From Gatwick.**
See Section VIII, item 7.
12. **Delta to Offer New York Service to Tel Aviv.**
See Section IX, item 8.