



## WASHINGTON AVIATION SUMMARY

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### CONTENTS

I.	REGULATORY NEWS .....	1
II.	AIRPORTS .....	3
III.	SECURITY AND DATA PRIVACY .....	6
IV.	E-COMMERCE AND TECHNOLOGY .....	7
V.	ENERGY AND ENVIRONMENT .....	9
VI.	U.S. CONGRESS .....	11
VII.	BILATERAL AND STATE DEPARTMENT NEWS .....	13
VIII.	EUROPE/AFRICA .....	14
IX.	ASIA/PACIFIC/MIDDLE EAST .....	17
X.	AMERICAS .....	19

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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. Huerta Hails “Next Great Age in Aviation.”

“We stand on the cusp of the next great age in aviation—when the skies will be home to multitudes of new users, flying in ways we can only imagine,” Michael Huerta, Administrator of the Federal Aviation Administration (FAA), told the Aero Club of Washington, D.C. The commercial space effort could evolve into rocket ships taking passengers to Asia, Europe, or the Middle East in minutes, said Huerta, and NASA is developing traffic management systems that could enable safe, efficient low-altitude operations. “The industry has a new ‘need for speed’ [and] FAA can’t afford to move at the traditional pace of government. We’ll get left behind at the launch pad, wondering what just happened.” Incorporating new stakeholders into the FAA’s decision-making processes will be essential to continue making progress in the future, said Huerta, who departs FAA in early 2018.

### 2. FAA Seeks to Ease Pilot Shortage.

A new initiative led by the U.S. Department of Transportation (DOT) and its Volpe National Transportation Systems Center will offer military veterans a path to become commercial pilots. The three-year “Forces to Flyers” study will identify barriers to training and employment, and design and implement an initiative that can provide flight training to individuals interested in becoming commercial pilots. A priority will be preserving and increasing air service to rural and small communities, by assisting and encouraging new pilots to enter the career pipeline. Air Line Pilots Association (ALPA) and other industry groups applauded the initiative. ALPA opposes an amendment to the proposed Senate Commerce Committee FAA reauthorization bill, which would modify the 1,500-hour training requirement for first officers. “We can address pilot-supply issues without weakening air safety rules and jeopardizing the flying public,” said ALPA. . . . In related news, FAA published a notice of proposed rulemaking, which among other provisions, would permit military pilots of fixed-wing and some powered-lift aircraft operations to receive credit toward commercial air carrier requirements. Comments due January 23, 2018.

### 3. DOT Approves Delta, Korean Joint Venture.

DOT approved the trans-Pacific joint venture of Delta and Korean Air. The airlines have also applied for approval from the Korean Ministry of Land, Infrastructure and Transport. Under the agreement, the airlines will share costs and revenues on flights within the scope of the joint venture, which will create a combined network serving 290 destinations in the Americas and 80 in

Asia. Delta and Korean will also expand code share flights on trans-Pacific routes and co-locate at key airports.

**4. DOT Reallocating Alaska Airlines’ Havana Frequency.**

Alaska Airlines will terminate daily service between Los Angeles and Havana on January 22, a year after launch, due to low demand. The carrier said about 80% of its passengers on the route visited under a U.S. policy that permitted individual “people-to-people” educational travel, which the Trump Administration has eliminated. DOT has established a frequency allocation proceeding for Alaska’s rights. Proceedings are also underway for frequencies relinquished by Frontier and Spirit.

**5. DOT Air Travel Consumer Report for September.**

Based on data filed by 12 reporting carriers; tarmac data filed by all carriers.

	Sep. '17 / '16	Aug. '17	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	83.6 / 85.5	77.1	81.4	79.9	76.2	78.34	81.85
Cancellations %	3.3 / 0.3	2.2	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	1.99 / 2.23	2.45	2.70	3.13	3.61	3.22	3.09
Consumer complaints:							
Airline service	1,576 / 1,302	1,907	17,904	20,175	15,539	13,176	15,338
Disability-related	63 / 61	98	862	944	784	683	741
Discrimination**	6 / 6	11	94	65	68	79	99

Note: In September, airlines reported eight tarmac delays of more than three hours on domestic flights, and one of more than four hours on international flights.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. Kansas City Intl. Plans \$1 Billion Terminal.

Kansas City, Missouri voters expressed support for construction of a \$1 billion, 750,000 sq.-ft. terminal, with 35 gates and a 6,500-spot parking garage. The new terminal will be built on the site of Terminal A, which has been closed for several years; Terminals B & C will continue to operate as usual. Financing will come from airport revenues; the city will continue to own and operate the airport. Groundbreaking is planned for next fall, with opening 2021.

### 2. DFW Runway Rehabilitation Project Set for Mid-2018.

Dallas/Fort Worth International will rebuild and install new technology on one of its busiest runways in mid-2018. The runway will be closed for about four months, but six additional runways will allow a full schedule of flight operations. The airport has received two grants for airfield improvement from FAA totaling over \$52 million. The bulk of the Airport Improvement Program (AIP) grants, about \$49.5 million, will be used for refurbishment of Runway 17C/35C and associated taxiway improvements; \$2.6 million will help fund a lighting upgrade for the Terminal ramp areas. An updated pavement sensor system will be installed for measuring weather impacts.

### 3. Florida Airport Installs Dual Bird-Drone Detection Radar System.

Northwest Florida Beaches International completed installation of a dual bird-drone detection radar system, developed by DeTect. Bird activity and drone situational data, incursion alerts and risk levels are delivered to airport users through custom, real-time web displays and automated text messaging, said the Panama City technology firm. The airport serves Delta, Southwest and United. . . . In related news, a study conducted for FAA concludes drones that collide with large manned aircraft can cause more structural damage than birds of the same weight for a given impact speed. Unlike the soft mass and tissue of birds, most drones are made of rigid materials. Tests showed that the stiffest components of the drone, such as the motor, battery and payload, can cause the most damage, said the Alliance for System Safety of UAS through Research Excellence (ASSURE). FAA will use the research results to help develop operational and collision risk mitigation requirements for drones. . . . And, FAA's UAS Integration Office said manned aircraft pilots reported 1,800 sightings of UAS in 2016, compared to 1,200 in previous year. Between January and March 2017, FAA documented over 400 sightings of UAS, some of which required pilots to take evasive maneuvers to avoid a collision.

**4. Hurricane Update.**

Houston Airport System (Bush, Hobby, Ellington) will see a decrease in passengers this year to 53 million compared to 54.5 million last year, due to flight disruptions in August caused by Hurricane Harvey, said Aviation Director Mario Diaz in his annual State of the Airport address. He congratulated airport staff and airlines for their aid and recovery efforts and managing to get all three airports back up and operating in just a matter of days, with 50 inches of rain falling on some areas of Houston. . . . The U.S. Virgin Islands Department of Tourism said Delta and JetBlue have agreed to continue service to the Territory. Other U.S. carriers including e.g. Spirit and American also continue to serve the Virgin Islands. Commissioner of Tourism Beverly Nicholson-Doty, has said “The support and interest we are getting from the media and our travel partners is heartwarming,” she said. “We will continue to push those segments of our tourism product that are ready for business, and as we rebuild and more hotel rooms become available, I am confident the USVI will be well poised in the marketplace to attract more visitors back to our shores.” . . . Luis Munoz Marin International in San Juan, Puerto Rico is conducting normal operations despite continuing effects of Hurricane Maria. Air Canada was among airlines that cancelled service to San Juan for the winter period, after earlier suspending service indefinitely.

**5. Copenhagen Stake Acquisition by ATP, OTPP Approved.**

The European Commission (EC) approved the acquisition of Macquarie’s controlling stake in operator Copenhagen Airports (CPH) by Danish pension plan ATP and Ontario Teacher’s Pension Plan Board (OTPP). As a result of the transaction, ATP will be a direct shareholder in holding company Kastrup Airport Parents (KAP) and with OTPP will hold indirect ownership of 57.7% of CPH. . . . In other news, OTPP will sell 30% of its stakes in both Bristol and Birmingham airports in the UK to Australia’s TCorp and Sunsuper. Following completion, OTPP, TCorp and Sunsuper will own 70.0%, 15.0% and 15.0% of Bristol Airport and 33.8%, 7.2% and 7.2% of Birmingham Airport respectively. OTPP is the largest private investor in airports in Europe; holdings in addition to Copenhagen, Bristol and Birmingham include Brussels and London City.

**6. Singapore Changi Opens \$1 Billion New Terminal.**

Singapore Changi’s \$1 billion Terminal 4 opened for business and is expected to handle about eight million passenger movements in first year of operation. With over 100 airlines providing connectivity to 380 cities worldwide, Changi handles 7,000 flights per week and in 2016 handled 58.7 million passengers.

7. **ADP Consortium Seeks to Acquire Amman Airport.**

Groupe ADP, in a consortium with Meridiam and ASMA, is in negotiations to acquire a controlling stake in Airport International Group (AIG), concessionaire of Queen Alia International Airport in Amman, subject to approvals by the Jordanian government and others. ADP has been a 9.5% shareholder of AIG, through ADP International, since 2007. The airport handled 7.4 million passengers in 2016. . . In other news, Stefan Pichler, Royal Jordanian President/CEO since June 1, said the airline will open new international routes in the coming five years, to Washington, Copenhagen, Stockholm and Kyrenia, in Cyprus, and resume flying on suspended routes, including Damascus, Mosul, Sanaa, Aden and Benghazi. Pichler previously served as CEO of airberlin group, Fiji Airways, Jazeera and Thomas Cook and held senior positions with Virgin Blue.

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

1. **ICAO Council Endorses Global Aviation Security Plan.**

The Council of the International Civil Aviation Organization (ICAO) established the first Global Aviation Security Plan (GASeP) to improve international coordination, response, and planning to counter threats to civil aviation passengers, cargo, aircraft and facilities. In a keynote address to the AVSEC World Conference in Abu Dhabi, Alexandre de Juniac, Director General and CEO of the International Air Transport Association (IATA), urged swift implementation of GASeP. He said governments must avoid long-term use of extraterritorial measures and ensure that airlines are not left to bear the financial brunt of unplanned expenses for an indeterminate period, citing a requirement that airlines conduct interviews with passengers flying to the U.S. “Such interviews are traditionally done by government authorities [and] if governments believe that these interviews are critical, then governments themselves should work together to dedicate the resources needed to fulfil that function.” Multi-lateral information sharing of risk information is needed, said de Juniac. “The differing responses by governments to the threats that resulted in this year’s ban on Portable Electronic Devices (PEDs) on some routes by the U.S. and UK is an example of the confusion that can result. At its most tragic, it is clear that failure to share information contributed to the loss of the 298 people aboard MH17.”

2. **Pekoske: “Aviation Remains a High Value Target for Terrorists.”**

The Transportation Security Administration (TSA) is continuing to roll out new domestic screening procedures for carry-on items that require travelers in standard lanes to place all personal electronics larger than a cell phone in bins for X-ray screening, said Administrator David Pekoske, on the Agency’s 16<sup>th</sup> anniversary, and through its Innovation Task Force is developing and exploring new technologies like biometrics and computed tomography (3D X-ray); about 100 automated screening lanes have opened in the past year. The threat of terrorism today is as real as it was in the wake of the 9/11 attacks, he said; “aviation remains a high value target for terrorists.”

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

### **1. Senator Seeks Online Travel Agency Antitrust Probe.**

Senator Amy Klobuchar (D-Minn) asked the U.S. Department of Justice and the Federal Trade Commission to examine the extent to which online travel agencies may engage in misleading or anticompetitive conduct, affecting prices and levels of service available to American consumers. In a March 2017 letter to DOT, Klobuchar said some online travel agencies may sell unnecessarily complicated passenger itineraries, provide incorrect travel information, and fail to make appropriate disclosures to consumers; she also noted news reports of online travel companies imitating hotel or airline websites to confuse or mislead consumers. DOT's response was a restatement of its travel consumer protection policy. "I remain concerned that the current policy does not adequately protect consumers in the online travel and lodging marketplace," said Klobuchar, who is Ranking Member of the Senate Subcommittee on Antitrust, Competition Policy and Consumer Rights.

### **2. Industry Tests Blockchain Technology.**

Blockchain technology is a secure, public electronic ledger and peer-to-peer network that can be managed autonomously to exchange information between different parties. "This has added value by eliminating redundant data and improving visibility and transparency for all stakeholders," said global air services provider dnata, which successfully tested the concept in airfreight transportation in Dubai with Emirates Innovation Lab, IBM and flydubai Cargo. The partners next will "prepare the scale out plan of this innovation to the larger cargo ecosystem." . . . A SITA Lab project, FlightChain, demonstrates that blockchain is a viable way to provide a single source of real-time flight information for airlines and airports. The private permissioned blockchain stores flight data provided by British Airways, Geneva Airport, Heathrow and Miami International, using a smart contract to arbitrate potential conflicts. During the project, more than two million flight changes were processed by the smart contract and stored on FlightChain.

### **3. SITA: Robots, Holograms to Transform Airport Experience.**

SITA demonstrated future technologies at the International Convention of International Airports of Latin America and the Caribbean (ACI-LAC), including LEO, a self-propelling baggage robot that meets passengers as they arrive at the airport, checks them in, prints bag tags and takes their bags away for processing, without bumping into people or things. A new way to visualize and interact with an airport's operational data, including aircraft movement,



passenger movement and retail analytics was introduced using Microsoft's HoloLens and SITA digital content; the holograms could transform the way the airport allocates resources and increase event management efficiency. . . . In other news, SITA said Air Senegal is one of a growing number of carriers in Africa to introduce its Horizon® Passenger Management and Distribution solution. Senegal's new national airline, expected to take off in 2018, has ordered two Airbus A330neo aircraft. CEO is former Airbus executive Philippe Bohn.

4. **El Al, Lufthansa Form Strategic Partnership for Innovation.**

In a new strategic partnership, IT provider Lufthansa Systems aims to partner with promising aviation and travel industry startups through activities of Cockpit Innovation, the high-tech investment arm of EL AL Israel Airlines, and then connect the entrepreneurs and their technologies with leading airlines. Cockpit has invested in seven companies from fields such as AI, Big Data, communications and financial technology, including 30secondstofly, Routier and Bidflyer. In addition, Cockpit recently became a key investor in the second fundraising round of AeroCRS, which has developed a platform based on an advanced SaaS (Software as a Service) model that enables airlines to set up and manage their entire digital operations, distribution and sales system within as short a time as a few days. AeroCRS currently serves more than 50 airlines around the world.

## **V. ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on November 10 was \$76.6/barrel, up 10.9% on the month and up 35.1% compared to a year ago, reports IATA. Jet fuel price average for 2017 was \$65.1/barrel; impact on 2017 fuel bill was \$26 billion.

### **2. First Chinese-U.S. Demonstration Using Aviation Biofuel.**

A Hainan Airlines Boeing 787 flew from Beijing to Chicago O'Hare, over 11,000 kilometers, with mix of jet fuel and biofuel produced from waste cooking oil. The sustainable fuel is produced by Chinese national company Sinopec. Boeing has been collaborating with Sinopec and other Chinese stakeholders to create a sustainable aviation fuel supply chain and establish new technologies to support the industry. Hainan Airlines made the country's first domestic biofuel-powered passenger flight in 2015.

### **3. Dayton Launches Initiative to Protect Wildlife, Deter Bird Strikes.**

Dayton International is participating in a program meant to deter hazardous wildlife around the airport. Through "Planes & Prairies: A DAY Safety Program," airport land is being converted to dense, native tallgrass prairies that attract small, threatened grassland species while deterring larger, more hazardous birds. In partnership with the Aullwood Audubon Society and with city support, the airport maintains 400 acres of tall prairie grasses that include native, perennial flowers to support a healthy population of pollinators such as bees and butterflies. Maintaining prairie grasses is also more cost-efficient and lowers the overall carbon footprint when compared to cropland airfield turf. . . . Dayton is one of six U.S. airports participating in a monoculture switchgrass study developed by a Mississippi State University research team. Switchgrass is a native, perennial, warm-season grass with high potential as a cellulosic biofuel crop and as animal forage. A harvestable crop could produce income for the airport. Mowed only once or twice per year, it grows over most of the eastern half of the U.S. and can thrive in poor soils. Early research suggests that conversion of some airport turf-grass areas to switchgrass production would not increase and may reduce the risk of wildlife hazards.

### **4. Crew Exposure to Noise Aboard Aircraft Studied.**

A new Government Accountability Office (GAO) report examines what is known about aircraft cabin and cockpit noise levels compared with occupational noise exposure standards. Studies and data reviewed by GAO

suggest that cabin and cockpit noise levels “likely do not exceed the noise exposure standard established by the Occupational Safety and Health Administration (OSHA).” Labor groups representing pilots and flight attendants told GAO that “they believe crewmembers nonetheless are sometimes exposed to unsafe levels of noise that could result in fatigue or hearing loss.” GAO interviewed officials from FAA, OSHA, National Institute for Occupational Safety and Health (NIOSH), seven pilot and flight attendant labor groups, two aviation trade associations, the four largest aircraft manufacturers, and eight mainline and regional airlines with the most passenger enplanements in 2016 and with a range of aircraft types.

## **VI. U.S. CONGRESS**

### **1. IATA Opposes Provisions in Senate Tax Reform Proposal.**

As a tax reform bill moved through the Senate, IATA expressed opposition to the Isakson Provision, which would tax foreign air carriers whose home country does not have an income tax treaty with the U.S. and has fewer than two arrivals and departures per week by major U.S. airlines. Among implications, said IATA, the provision would empower foreign governments to impose reciprocal taxes. Johnny Isakson is a Republican from Georgia, where Delta is headquartered. Delta, United and American have long waged battle against government-subsidized Persian Gulf carriers—Emirates, Qatar and Etihad—which do not have reciprocal tax agreements with the U.S. However, American and United have not supported the Isakson Provision.

### **2. FY2018 Homeland Security Appropriations Bill Released.**

The Senate Appropriations Committee released a fiscal year 2018 Department of Homeland Security (DHS) spending bill that would fund the Transportation Security Administration at \$7.142 billion. With fee revenue offsetting this amount, the net appropriation is \$4.672 billion. The bill includes \$77 million above what was requested to continue TSA exit lane monitoring, rejecting an Administration proposal to eliminate the program and shift the burden to airports; \$799 million for the Federal Air Marshal Service; \$154 million for canine teams; and funding for the Screening Partnership Program at airports with private screening contracts. Funding for Transportation Security Officers is reduced by \$83 million, and Visible Intermodal Prevention and Response teams are reduced from 31 to 8. The bill rejects the request to eliminate the TSA Law Enforcement Reimbursement program and provides \$45 million for its continuation, the same level as in fiscal year 2017; over 300 airports participate in the program to assist TSA airport checkpoints.

### **3. DHS IG Finds Continued Screening Vulnerabilities.**

Recent covert testing by the DHS Office of the Inspector General (OIG) found little improvement in TSA airport screening since 2015 when agents failed to discover 67 out of 70 threats. A classified report delivered to the House Committee on Homeland Security is said to reveal that OIG agents successfully smuggled fake weapons, explosives, and components through security checkpoints. TSA “is committed to aggressively implementing” the eight recommendations in the report,” said TSA Administrator David Pekoske, in his first appearance before the Committee. He said TSA is exploring the use of 3D-imaging Computed Tomography systems, which “will enhance carry-on

screening for the current threats,” and, among other initiatives, is testing credential authentication technologies and reviewing mobile handheld solutions that quickly and easily identify explosives. Committee Chairman Michael McCaul (R-TX) said partnerships with the private sector “can produce new and innovative technologies.” Ranking Committee member Bennie Thompson (D-Miss.) said the IG’s findings re-energized his desire to stop the diversion of more than \$1 billion annually in TSA security fees for deficit reduction.

4. **One-Page Consumer Bill of Rights Proposed.**

“The Airline Consumer Bill of Rights Act,” introduced in the House by Rick Nolan (D-Minn.), would require U.S. airlines to provide passengers with a simple, one-page document outlining their rights relating to flight cancellations or delays, involuntary denied boarding, lost or damaged baggage, and disabilities or injuries. Airlines would have to provide the document to DOT within three months of enactment of the bill, and DOT would have three months from receipt to approve it. Once approved, the copy would have to be readily available on airline websites and at ticket gates for customer use. U.S. airline passengers “have to comb through 37,000 pages of contract text to find their rights and airline policies,” said Nolan; the EU already provides such a one-page document online for airline consumers. Similar language was included in the House’s long-term reauthorization of FAA, for which a final vote has not been scheduled.

5. **Bill Would Strengthen Air Cargo Security.**

The “Air Cargo Security Improvement Act of 2017” was introduced by Bennie Thompson (D-Miss.), Ranking Member of the House Homeland Security Committee. H.R. 4176 directs TSA to: establish an air cargo security office to coordinate government and private sector efforts to secure air cargo; conduct a pilot program to expand use of 3D imaging technology to improve screening of air cargo; and report on improvements to the Certified Cargo Screening Program, which ensures 100% screening of air cargo. It also would require DHS to make permanent the Air Cargo Advance Screening Program, a joint program with U.S. Customs and Border Protection to target foreign air cargo bound for the U.S., and would order a Government Accountability Office review of DHS’ effectiveness in securing air cargo. A foiled overseas ISIS terror plot this summer, and others in the past, underscore the need for improving air cargo security in light of the ever-changing and sophisticated nature of threats to the aviation sector,” said Thompson.

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

### **1. U.S., EU Discuss Aviation Security, PNR Sharing.**

The United States and the European Union (EU) discussed progress in implementation of joint measures to address threats from terrorism to aviation security and raising the baseline for global aviation security, at a ministerial meeting in Washington, D.C. The importance of collecting, using and sharing airline passenger information, including Passenger Name Record (PNR) data, to detect and disrupt threats, and implementation of the EU PNR framework, which will be in place by April 28, 2018, were addressed. U.S. representatives at the meeting included Attorney General Jeff Sessions and Acting Secretary of Homeland Security Elaine Duke. EU representatives included Commissioner for Migration, Home Affairs and Citizenship Dimitris Avramopoulos and Security Commissioner Julian King.

### **2. IATA Urges Clarity on Brexit.**

In an address to the UK Aviation Club, IATA Director General and CEO Alexandre de Juniac continued to call for an early resolution for aviation in the Brexit discussion. “When the UK leaves the European Single Market, it will also leave the European Common Aviation Area. And when it breaks from the EU [in March 2019], all traffic rights to the rest of the world associated with Europe will also be thrown into question. The basis of international aviation is bilateral air services agreements. There is no WTO agreement to fall back on. For that reason, I don’t see any alternative to a negotiated agreement.” Related issues that need to be addressed include: staffing, systems and process solutions “for a potential ballooning of customs transactions from 4.6 million/month to 21 million/month”; immigration solutions to efficiently deal with millions of travelers between the UK and Europe, should border control procedures become more cumbersome; and defining the relationship of the UK to the European Aviation Safety Agency (EASA). . . . de Juniac also urged the UK government to address severe capacity constraints in the Southeast by expanding Heathrow airport. He also noted that Heathrow is the most expensive airport in the world from which to operate. “It is essential that Heathrow’s charges do not rise from today’s levels. The construction of the third runway must enhance Heathrow’s competitiveness, not destroy it!”

## VIII. EUROPE AND AFRICA

### 1. American Adds Reykjavik Service.

American will begin Boeing 757-200 seasonal service from Dallas/Fort Worth to Reykjavik in June.

### 2. Lufthansa Group Adds 700,000 Seats for Winter.

Lufthansa Group hub airlines will be offering over 700,000 additional seats on flights within Germany for the Winter season, in response “to the greatly increased and continuously high demand after the market exit of Air Berlin”; a Boeing 747-400 is shuttling between Frankfurt and Berlin-Tegel in November and December. Lufthansa’s Winter schedule also includes five weekly Berlin-New York and three weekly Düsseldorf-Miami flights. CEO Carsten Spohr met with EU Competition Commissioner Margrethe Vestager to discuss antitrust concerns over the acquisition of Air Berlin assets, Reuters reported, and the takeover of Niki may be blocked.

### 3. Johan Lundgren Named easyJet CEO.

Johan Lundgren was named easyJet CEO, replacing Carolyn McCall who is leaving to head ITV. Johan was TUI Group Deputy CEO until May 31, 2015, after the merger and integration of TUI AG and TUI Travel PLC.

### 4. IAG Acquires Monarch’s Gatwick Slots, Grounds OpenSkies.

British Airways parent IAG acquired London Gatwick slots owned by bankrupt Monarch Airline, which ceased operations in October. . . . IAG said its French airline OpenSkies “will cease to operate at the end of next summer and all its staff will operate Level flights.” IAG’s low-cost longhaul brand, Level, will base two Airbus A330-200s at Orly and plans three weekly flights to Montreal starting July 2, subject to Canadian approvals, and new service to Guadeloupe in July and to Martinique in September. Four weekly flights to New York Newark begin September 4; Orly-New York flights will continue to operate under the OpenSkies brand until then. Level currently flies from Barcelona to Buenos Aires, San Francisco (Oakland) and Punta Cana with summer service to Los Angeles. . . . The European Court of Justice rejected a new appeal by British Airways in a cargo cartel case, ruling the airline had pursued only a limited appeal when the EC fined 11 airlines for colluding to set fuel and security charges on air cargo services in March 2017.

5. **Wizz Air Acquires Monarch's London Luton Slots.**

Wizz Air has acquired a number of Luton slots from defunct Monarch, an acquisition, said CEO Jozsef Varadi, that “will enable us to enhance our presence and competitive position in the London market. Wizz Air UK will operate seven Airbus A320/A321 aircraft, to grow overall Wizz capacity by 18% in 2018. While BREXIT will certainly pose challenges to the airline industry, we see it as an opportunity for Wizz Air, as our highly efficient low-fare model will prevail even more under the new circumstances.”

6. **Neeleman Acquires Stake in France's Aigle Azur.**

David Neeleman acquired Weaving Group's 32% stake in Aigle Azur; China's HNA Group holds 48%. Aigle Azur flies Airbus A319s and A320s to Algeria, Portugal, Mali, Senegal, Guinea and Lebanon from six French cities. Neeleman founded JetBlue and Azul, and his Atlantic Gateway consortium holds a minority stake in TAP Air Portugal.

7. **Darwin Files for Bankruptcy, Loses Operating License.**

Darwin Airline (d/b/a Adria Airways Switzerland) filed for bankruptcy and the Swiss Federal Office of Civil Aviation (FOCA) said, “the operating license has become obsolete with immediate effect for economic and financial reasons.” The regional airline “is still able to carry out flights on behalf of other airlines for the time being,” added FOCA, which will issue a new operating license “if Darwin provides the appropriate financial proof.” Slovenia's Adria Airways, which bought Darwin in July from shareholders that included Etihad Airways (33.3%), said the financial problems were partly related to the bankruptcies of Etihad equity partners Air Berlin and Alitalia.

8. **Airbus Appoints Eric Schulz to Succeed John Leahy.**

Eric Schulz will succeed retiring John Leahy at the end of January as head of Airbus Commercial Aircraft Sales, reporting to CEO Tom Enders. Schulz has been Rolls-Royce President–Civil Aerospace since January 2016. Leahy joined Airbus in 1985.

9. **IATA, AfDB Sign MoU to Advance African Aviation.**

IATA and the African Development Bank (AfDB) signed a memorandum of understanding (MoU) to establish a framework for collaboration to boost the aviation sector in the continent's 54 nations. Priorities will include improving connectivity, safety and aviation infrastructure. “Aviation in Africa currently supports \$72.5 billion in economic activity and 6.8 million jobs. Over the next 20-years, aviation is forecast to grow at nearly 6% per year. This creates significant opportunities. But achieving this potential will not happen by



chance; strong partnerships are key,” said IATA’s Alexandre de Juniac. The MoU was signed during the ICAO World Aviation Forum in Abuja. . . . A Declaration and Framework of a Plan of Action for Aviation Infrastructure Development in Africa was adopted during the ICAO Forum and will be sent to Member States of the African Union in 2018 for approval and implementation. And, the African Union Commission announced it would unveil the Single African Air Transport Market in January.

**10. Indigo Partners Airbus MoU Valued at \$49.5 Billion.**

See Section X, item VII.

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

### **1. HNA to Rebrand as CWT Intl.**

Chinese conglomerate HNA Group acquired Singapore-based logistics company CWT Ltd. and will rebrand as CWT International. CWT reported revenue of S\$9.3 billion in 2016, and S\$5.2 billion for six months ended June 30, 2017.

### **2. American Adds Beijing Service.**

American began daily Boeing 787-8 nonstops from Los Angeles International to Beijing Capital, where it recently relocated from Terminal 3 to Terminal 2, “reducing connection times for customers transiting flights between the U.S., China and other destinations in Asia. This move also allowed American to collocate with its equity partner, China Southern.”

### **3. Etihad to Suspend Dallas Route.**

Etihad announced it will suspend Dallas/Fort Worth flights effective March 25, 2018, saying that American Airline’s June 29 “unilateral decision to terminate its code share agreement” with the Abu Dhabi flag carrier will make the service “commercially unsustainable.” More than 235,000 travelers have flown on the route since its December 2014 launch, said Etihad, with almost half connecting on U.S. code share flights operated by American. “The cancellation of the Dallas route is one of several adjustments that we are making to our U.S. network in 2018 in order to improve system profitability,” said CEO Peter Baumgartner, adding “further changes are possible as we monitor the full impact of the American Airlines code share cancellation on summer 2018 bookings. American, Delta and United continue to campaign against Gulf carrier competition.

### **4. Qatar Airways Acquires Cathay Pacific Stake.**

Qatar Airways has acquired a 9.61% share of Cathay Pacific, a fellow oneworld member, for about \$660 million. Other Qatar airline investments include 20% of International Airlines Group, 10% of LATAM Airlines Group and 49% of Meridiana; a plan to invest in American Airlines was dropped earlier this year.

### **5. Dubai Airshow 2017 Has Record Attendance.**

Trade visitors to the biennial Dubai Airshow were up 20% over 2015, with attendance at close to 80,000 for the five-day event. “At the end of the show’s

final day, the order book stood at almost \$113.8 billion,” said organizers, adding, “Dubai is geographically at the center of the global aviation world.”

6. **Bali's Airport Reopens After Volcanic Eruption.**

Airlines including Delta, Garuda, AirAsia, Jetstar, Qantas, Virgin Australia and Emirates canceled Bali flights, when a Mount Agung volcano erupted on November 26 and Indonesian authorities issued a Level 4 alert, its highest. Denpasar Airport reopened November 29, as winds dispersed ash, and airlines re-booked passengers. “Volcanic activity and ash cloud are unpredictable and flights may be cancelled at short notice,” warned Qantas, which with Jetstar planned 10 scheduled flights and six relief flights, including a Boeing 747, “which will see a total of 3,800 people return to Australia.” Virgin Australia and other carriers said customers with travel date through December 8 could receive full credit or change bookings without a fee.

7. **DOT Approves Delta, Korean Joint Venture.**

See Section I, item 3.

8. **Airbus Appoints Eric Schulz to Succeed John Leahy.**

See Section VIII, item 8.

## **X. AMERICAS**

### **1. American Contends with Malfunction in December Pilot Schedule.**

“Out of the 200,000 flights American will operate in December, only a few hundred are currently unassigned to pilots,” said the airline, after news of a glitch in the pilot scheduling system, which could have caused thousands of cancellations, went viral. “The number of open flights continues to decrease thanks to our pilots who are stepping up to the plate and picking up trips.” American opted to pay overtime rates and use reserve pilots to avoid cancellations. Allied Pilots Association (APA) said management “unilaterally invoked a solution for crewing affected flights,” a contract violation, and filed a grievance. . . . In an Associated Press interview, American’s President Robert Isom said the airline will remain “incredibly competitive” on price against discount airlines, “especially when it comes to defending our hubs and gateways.” . . . American and its Envoy Air subsidiary will pay \$9.8 million in stock and provide other significant relief to settle a class lawsuit filed by the U.S. Equal Employment Opportunity Commission, which charged the airlines with violating the Americans with Disabilities Act (ADA). The decree also includes injunctions against engaging in any future discrimination or retaliation based on disability, and requires the companies to adopt policies that ensure reasonable accommodations are provided to persons with disabilities. American and Envoy will provide mandatory employee training on the ADA.

### **2. Endeavor Pilots Agree to New Pay Standard for Regional Industry.**

Pilots at Delta subsidiary Endeavor Air ratified a four-year contract extension that starts pilot pay at \$50.16 per hour—a \$20/hour increase—and raises hourly rates for all pilots. “First officers will see hourly wage rates 40 to 50% above industry average, and most captain wage rates will be 20 to 25% above industry average,” said Air Line Pilots Association. The new agreement, which takes effect January 1, includes improved 401(k) company matching contributions and per diem and sick-accrual increases. Endeavor operates 136 regional jets on 700 daily flights to 125 cities in the U.S. and Canada from Atlanta, Detroit, Minneapolis and New York.

### **3. Southwest Adds International Services.**

Southwest began operating new international service from Ft. Lauderdale to Turks and Caicos Islands, Costa Rica and Dominican Republic, and plans service between Houston and Grand Cayman and between Cancun and both Pittsburgh and Raleigh-Durham. Summer service to Puerto Rico will be increased from Chicago Midway and Houston Hobby.

**4. Combined Contract for Alaska, Virgin America Pilots.**

A new combined contract for Alaska and Virgin America pilots brings the highest pay rate to \$251 per flight hour, near rates at American, Delta, United and Southwest, with increases of 3% in 2018 and 2019. The contract is amendable April 1, 2020. . . . Horizon Air turboprop service on three state of Alaska routes will instead be flown by parent Alaska Airlines, starting in March, using Boeing 737s. The Anchorage base will close.

**5. Hawaiian CEO to Retire.**

Hawaiian Airlines President and CEO Mark Dunkerley will retire, effective March 1, and Peter Ingram, Executive Vice President and Chief Commercial Officer, will succeed him. During Dunkerley's 15-year tenure, Hawaiian doubled the number of passengers flown annually to 11 million, gross revenues increased four-fold to \$2.64 billion and share price rose from 29 cents to a high of \$60.90 over the last 52-week period. Ingram has been with Hawaiian since December 2005, six months after its emergence from bankruptcy. . . . Hawaiian received the first of 18 Airbus A321neo aircraft, with first flight scheduled for January 8 on the Kahului-Oakland route. New A321neo service between Kahului and Portland begins January 18. Summer wide-body service currently offered between Lihue and Oakland will resume April 11 as a daily A321neo flight. Daily service between Kona and Los Angeles launches March 11 with wide-body aircraft, before converting to the single-aisle A321neo in summer. Hawaiian's long-haul, twin-aisle aircraft will be used for service to 11 U.S. gateway cities and 10 international destinations.

**6. Island Air Ceases Operations.**

Island Air ceased operations, after filing for Chapter 11 bankruptcy protection in October. The 37-year-old airline flew 36 daily trips between Honolulu, Lihue, Kahului and Kona.

**7. Indigo Partners Airbus MoU Valued at \$49.5 Billion.**

Phoenix-based Indigo Partners signed a Memorandum of Understanding for the purchase of 430 additional A320neo Family aircraft, to be allocated among Frontier (U.S.), JetSMART (Chile), Volaris (Mexico) and Wizz Air (Hungary) upon completion of final purchase agreements between Airbus and the four airlines. Valued at \$49.5 billion, this is Airbus' largest single order. The commitment "underscores our optimistic view of the growth potential of our family of low-cost airlines," said Indigo Managing Partner Bill Franke. Indigo Partners airlines previously have placed orders for 427 A320 Family aircraft.

8. **Air Canada Adds Transborder Routes.**

Air Canada announced several new transborder nonstops to begin in Spring 2018. Daily, year-round regional jet flights will include Vancouver-Sacramento, Edmonton-San Francisco, Toronto-Omaha, and Montreal to Baltimore and Pittsburgh. A daily seasonal Toronto-Providence service will be offered.

9. **DOT Approves Delta, Korean Joint Venture.**

See Section I, item 3.

10. **American Adds Reykjavik Service.**

See Section VIII, item 1.

11. **IAG Acquires Monarch's Gatwick Slots, Grounds OpenSkies.**

See Section VIII, item 4.

12. **Neeleman Acquires Stake in France's Aigle Azur.**

See Section VIII, item 6.

13. **American Adds Beijing Service.**

See Section IX, item 2.

14. **Etihad to Suspend Dallas Route.**

See Section IX, item 3.