



WASHINGTON AVIATION SUMMARY

May 2018 EDITION

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

For further information, including documents referenced, contact:

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

<http://www.yklaw.com>

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

©2018 Kirstein & Young PLLC.

I. REGULATORY NEWS

1. FAA Issues AD for B-787s Powered by Trent 1000 Engines.

FAA adopted a new airworthiness directive (AD) to address an unsafe condition for Boeing 787s equipped with Rolls Royce Trent 1000 Package C engines during extended single-engine operations (ETOPS). The AD followed a report from Rolls Royce indicating that after an engine failure, prolonged operation at high thrust settings on the remaining engine during an ETOPS diversion may result in failure of the remaining engine before the diversion can be safely completed. About 25% of the Dreamliner fleet is powered by this Rolls-Royce engine variant, said Boeing, and “this issue does not affect current production 787s, the Trent 1000 Package B, Trent 1000 TEN or GENx-1B engines. An existing EASA AD for the Package C engine requires inspections of an intermediate pressure compressor blade at certain flight cycles. If a durability issue is found, the blade will be replaced. This is a known issue and we will continue to work with Rolls-Royce, our customers and the regulators to fully resolve it.”

2. First Passenger Fatality in U.S. Airline Accident Since 2009.

On April 17, a passenger was killed on a Southwest Boeing 737-700 when debris from a failed CFM56-7B engine broke the window next to her seat, causing depressurization. The passenger was partially sucked out of the plane before quick-acting passengers and flight attendants pulled her in and attempted to revive her. This is the first passenger fatality due to an accident on a U.S. airline since 2009, and the first ever for Southwest. . . . Flight 1380 was enroute from New York LaGuardia to Dallas Love Field with 144 passengers and five crew onboard. When the crew reported that an engine failure had damaged the fuselage, the flight was diverted to Philadelphia International, where Captain Tammie Jo Shults and First Officer Darren Ellisor, both U.S. Air Force veterans, executed a smooth landing. Shults is being compared to Sully Sullenberger, of “Miracle on the Hudson” fame, for her calm, efficient handling of the disaster. . . . In preliminary briefings, National Transportation Safety Board Chairman Robert Sumwalt said inspection of the damaged engine revealed a fatigue crack on a fan blade. The Federal Aviation Administration (FAA) and European Aviation Safety Agency (EASA) issued emergency orders requiring operators to conduct inspections of fan blades on certain CFM56-7B engines within 20 days. CFM International estimates the action affects 352 engines in the U.S. and 681 engines worldwide. . . .

Southwest Chairman and CEO Gary Kelly said the airline was “deploying every resource to support those affected by this tragedy” and offered Flight 1380 passengers a \$5,000 check to cover immediate financial needs and a \$1,000 travel voucher.

3. DOT Awards New Scheduled Services to Havana.

The U.S. Department of Transportation (DOT) tentatively reallocated Havana frequencies previously returned by awarding new scheduled U.S. carrier flights to: American Airlines from Miami, once daily; Delta from Miami, once daily; JetBlue from Fort Lauderdale, six weekly, and from Boston, once weekly; Southwest from Fort Lauderdale, once daily; and United/Mesa from Houston, six weekly. Under an arrangement with Cuba signed in 2016, each country may operate up to 20 daily roundtrip flights between the United States and Havana.

4. DOT Fines Airlines for Rules Violations.

DOT fined Allegiant \$250,000, Hawaiian \$125,000 and Icelandair \$100,000 for violating consumer protections rules. Norwegian was fined \$100,000 for violating the rule concerning post-purchase price increases due to an increase in a government-imposed tax. Qantas was fined \$125,000 for violating cabotage rules. All Nippon Airways (ANA) was fined \$90,000 for violating tarmac delay rules.

5. Michael Huerta Joins Delta Board of Directors.

Former FAA Administrator Michael Huerta has joined Delta’s Board of Directors. Daniel Elwell has served as Acting Administrator of FAA since June 26, 2017; he previously was Deputy Administrator.

6. IATA Launches Certification Program for Animals Traveling by Air.

The International Air Transport Association (IATA) launched a standardized global certification program, the Center of Excellence for Independent Validators for Live Animals Logistics (CEIV Live Animals), which “increases the level of competency, operations, quality management and professionalism in the handling and transportation of live animals in the air freight industry while reinforcing training and compliance across the supply chain”; independent validators conduct training and onsite audits. The program is based on the IATA Live Animals Regulations (LAR), the worldwide standard for transporting animals by air. . . . Separately, a new Alaska Airlines policy for emotional support or psychiatric service animals in the cabin requires animal health and behavioral documents, and a signed document from a medical doctor or mental health professional, at least 48 hours before departure. The change does not apply to Alaska's policy for traditional service animals. “We

are making these changes now based on a number of recent incidents where the inappropriate behavior of emotional support animals has impacted and even injured our employees, other guests and service animals,” said the airline; about 150 emotional support and psychiatric service animals travel on Alaska each day.

7. DOT Air Travel Consumer Report for February.

Based on data filed by reporting carriers.

	Feb. '18 / '17	Jan. '18	2017	2016	2015	2014	2013
On-time arrivals %	79.3 / 82.6	79.6	80.2	81.4	79.9	76.2	78.34
Cancellations %	1.7 / 1.5	3.0	1.5	1.2	1.5	2.2	1.51
Mishandled baggage*	2.72 / 2.16	3.5	2.46	2.70	3.13	3.61	3.22
Consumer complaints:							
Airline service	1,046 / 947	1,451	18,148	17,908	20,175	15,539	13,176
Disability-related	53 / 55	66	851	865	944	784	683
Discrimination**	4 / 4	7	98	95	65	68	79

Note: In February, airlines reported 27 tarmac delays of more than three hours on domestic flights, and four of more than four hours on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. ACI World: Airport Passenger Traffic Rose 5.2% in 2017.

Passenger traffic at the world's 20 busiest airports grew by 5.2% in 2017, reports Airports Council International (ACI) World. Atlanta Hartsfield-Jackson continues to rank first, with 104 million passengers, followed by Beijing. Dubai remained in third position and as a major connection point, is also the world's busiest in terms of international passengers. Delhi jumped from 22nd place to 16th. Guangzhou grew by 10.3%. Air cargo volumes at the 20 busiest airports were up 6.8%. Hong Kong is the largest air cargo center, followed by Memphis, home to FedEx. Shanghai, Chicago and Doha experienced cargo growth of 11.2%, 12.6% and 15% respectively. . . . Airport customer experience improved globally in 2017, reports ACI World's first Airport Service Quality barometer. Among other findings, security screening has the strongest impact on overall satisfaction of passengers, the most satisfied are found in larger airports (>40 million), and Asia-Pacific's airports remain highest in customer experience satisfaction. . . . According to ACI World's Airport Economics Report, in 2016, airports in emerging and developing economies handled 45% of global passenger traffic; by 2040, this share will increase to 62% and these airports will have 1.6 times the passenger traffic of airports in advanced economies.

2. VINCI to Acquire Portfolio of Airports Worldwide.

French operator VINCI Airports signed an agreement to acquire the portfolio of Airports Worldwide (AWW), owned by OMERS Infrastructure. The AWW portfolio comprises operations at 12 airports in the United States, Costa Rica, Northern Ireland and Sweden. AWW owns 100% of Belfast International and majority interest in Stockholm Skavsta and holds concession agreements at Orlando-Sanford and Costa Rica's two main airports in San Jose and Liberia. Services under management contracts are provided at seven U.S. airports, including Hollywood Burbank and Ontario International in California; Atlantic City International; Raleigh Durham; and two small airports in Georgia as well as Concourses E and F in the International Terminal at Atlanta Hartsfield-Jackson.

3. DFW, American Plan \$20 Million Terminal E Investment.

Under a new lease agreement, American will carry out \$20 million worth of upgrades at Dallas/Fort Worth Terminal E. Improvements include six additional gates, for a total of 15, and modernized terminal and concession space. Work begins this year, with scheduled completion by summer 2019.

4. **Fort Lauderdale Adds Shopping Initiative.**

Fort Lauderdale-Hollywood is adding passageways that allow travelers to visit shops and restaurants throughout the four terminals without having to go through security again, reports the *Sun Sentinel*. The connectors are part of a \$3.2 billion expansion.

5. **Plans for Mexico City Airport Threatened.**

Amid political wavering about the new airport in Mexico City, IATA emphasized strong support. The project was launched in 2014 to replace Benito Juárez, which serves 47 million passengers, almost 50% over its design capacity. According to a new IATA study, if the new airport is not built, “it could mean 20 million fewer passengers per year by 2035.” Meanwhile, airport operator GACM raised \$1.6 billion to help finance construction of the \$13 billion airport, which is expected to open in 2020. Federico Patino, CEO of GACM, said cancellation costs would be about \$6.6 billion.

6. **New Simferopol Terminal Opens.**

Crimea’s Simferopol International opened a new terminal, increasing capacity to 7 million passengers per year. The decision to build the terminal “followed a sharp increase in passenger traffic after the peninsula’s reunification with Russia in 2014,” said the Russian press. Simferopol is served by Aeroflot and other Russian airlines.

7. **HNA to Operate Bulgarian Airport.**

HNA Airport Group was awarded a 35-year concession to run the airport in Plovdiv, Bulgaria's second largest city, and will invest €79 million to create a cargo distribution and regional tourist hub for central and eastern Europe. HNA Airport Group operates Frankfurt-Hahn and airports in China.

8. **Qatar to Acquire Stake in Moscow Vnukovo.**

Qatar Airways agreed to acquire up to 25% of Moscow Vnukovo, Russia’s third-largest airport. Qatar holds stakes in International Airlines Group (20%), LATAM (10%), Cathay Pacific (10%) and Air Italy (49%), and in Russia is general partner in the Cosmocosm International Contemporary Art Fair. Qatar operates triple daily flights to Moscow and daily to St. Petersburg.

III. **SECURITY AND DATA PRIVACY**

1. **TSA Completes Rollout of Enhanced Screening Procedures.**

The Transportation Security Administration (TSA) completed rollout of enhanced procedures for carry-on baggage, begun last summer, which require travelers to place all personal electronics larger than a cell phone in bins for X-ray screening in standard lanes. TSA officers “also may instruct travelers to separate other items from carry-on bags such as foods, powders and materials that can clutter bags and obstruct clear images on the X-ray machine.” Administrator David Pekoske said the measures “enable TSA officers to better screen for threats to passengers and aircrew while maintaining efficiency at checkpoints throughout the U.S.” . . . TSA released strategic priorities, which, among other things, envision “an innovative approach that outmatches the threat” by 2026, the agency’s 25th anniversary. . . . TSA is grappling with a Federal Air Marshal Service “in such disarray that it does little to deter terrorists,” according to a *New York Times* report, and Congress has asked the Government Accountability Office (GAO) to investigate such allegations as alcohol abuse, discrimination and sleep deprivation. . . . TSA set a record during the spring travel period, March 15 to April 15, with more than 72 million passengers and nearly 45 million checked bags screened nationwide, a 5% increase over same period last year; 95.3% of all passengers waited less than 20 minutes at the checkpoint and 92.5% of passengers in TSA PreCheck lanes waited less than five minutes. Highest volume was at Los Angeles, followed by New York Kennedy, Chicago O’Hare, San Francisco, Orlando, Atlanta, Las Vegas, Miami, Newark and Denver.

2. **EU Travel Information and Authorization System Established.**

An agreement was reached between the Council Presidency and European Parliament representatives on a proposal to establish the European Travel Information and Authorization System (ETIAS), under which visa-exempt third country nationals will be required to apply for authorization to enter the Schengen Zone, effective January 2020. For each trip, the applicant will be required to pay a €7 authorization fee. The online application will automatically be referenced against EU and Interpol databases to determine whether there is cause to deny entry. ETIAS “will help improve internal security, prevent illegal immigration, protect public health and reduce delays at the borders by identifying persons who may pose a risk in one of these areas before they arrive at the external borders,” said officials.

3. **Orlando to Retain Federal Security Screening.**

A directive to pursue privatized security screening options at Orlando International was rescinded by the Board of the Greater Orlando Aviation Authority. TSA implemented significant changes, including expanded checkpoint capacity, additional TSA personnel and K-9 Units and customer service training for TSA employees. . . . Orlando will be the first U.S. airport to fully deploy the U.S. Customs & Border Protection Biometric Entry and Exit Program. The Board approved \$4 million in funding to integrate the passenger processing system that will use facial recognition technology to facilitate the arrival and departure of all international travelers.

4. **Delta Biometrics Launched at Domestic Sky Clubs.**

Delta Sky Club members with CLEAR can use fingerprints to enter all 50 U.S. Delta Sky Club locations, without showing a boarding pass or Club membership card. Delta Biometrics Powered by CLEAR is free for Sky Club members who are U.S. citizens or permanent residents. The CLEAR biometric platform is used at 24 airports “to create frictionless curb-to-gate experiences, including baggage check, lounge access, security checkpoints, and boarding.”

IV. E-COMMERCE AND TECHNOLOGY

1. Cyber Attack Exposes Delta Customer Data.

Delta announced that payment information for several hundred thousand customers may have been accessed last fall via software used by (24)7.ai, a vendor that provides online chat services. Delta engaged federal law enforcement and forensic teams and confirmed that the incident was resolved by [24]7.ai last October. The airline said it will ensure that affected customers are not responsible for fraudulent payment card activity.

2. American Tops ‘Most Digitally Advanced’ List.

American Airlines is the most digitally advanced e-commerce carrier, according to the “SkaiBlu 2018 Digital Airline Score (DAS) Benchmark Report: An Assessment of Airline Digital Capabilities.” CAPA reports that American, with a DAS of 136, is followed by Alaska (135), KLM (135), United (132), Qantas (131), Air New Zealand (126), Delta (125), Virgin Australia (125), British Airways (123), JetBlue (123), AirAsia (122), Southwest (122) and Jetstar (120). An ‘advanced e-commerce carrier’ is in the forefront of deploying new digital applications and related managerial practices, is highly sophisticated in use of e-commerce and has a strong digital talent base, says Los Angeles-based SkaiBlu, which advises airline industry clients in the development and implementation of digital strategies.

3. Hainan Renews Sabre Agreement.

Hainan renewed its content distribution agreement with Sabre. The Chinese carrier plans to add 13 new domestic and international routes that connect to Europe, Southeast Asia, Australia, Japan and the United States. . . . Sabre plans to launch the industry's first Digital Airline Commercial Platform delivering end-to-end personalized retailing, which “will further enable enhanced travel experiences for airline customers and increased revenue opportunities for airlines.” . . . The Sabre Red Workspace is rolling out in English, German, Spanish and Japanese, French, Italian, Portuguese and Russian, with Chinese to follow. The platform “makes it easy to display and sell branded fares and ancillaries [and] as airlines introduce future New Distribution Capability (NDC)-based offerings, Sabre Red Workspace will help to seamlessly present this new content.”

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on April 20 was \$88.3/barrel, up 10.3% on the month and up 37.5% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2018 was \$82.8/barrel; impact on 2018 fuel bill was \$36.7 billion.

2. **“No Significant Environmental Impacts” for Pittsburgh Modernization.**

A draft environmental assessment of the Terminal Modernization Program at Pittsburgh International found “no significant environmental impacts,” said Allegheny County Airport Authority. The \$1.1 billion project will include a new landside terminal adjacent to the renovated airside terminal, with 51 gates. The airport serves over eight million passengers annually on 17 carriers. Public comment period ends May 10.

3. **UK Includes Aviation Fuels in Rewards System.**

Changes in the Renewable Transport Fuel Obligation (RTFO) “will, for the first time, reward and support the production of sustainable renewable aviation fuels in the UK,” said Transport Minister Jesse Norman. The new rules require fuel companies to nearly triple the amount of renewable fuel they supply by 2032 and introduce a new incentive for production of fuels from waste. “This is a major step forward to help the UK aviation industry meet its carbon reduction targets,” said International Airline Group CEO Willie Walsh. “These incentives have enabled alternative fuel sources to be developed for cars and lorries, while aviation has traditionally been heavily dependent on fossil fuels. This government initiative will support our plans to build Europe’s first waste to jet biofuel plant in Britain, creating UK jobs and growth.” . . . Environmental proposals in the latest UK aviation strategy include new noise targets, strengthened noise controls at airports and improved compensation for people living near airports. The government will work with industry to reduce usage of single use plastics and improve recycling rates, and explore measures to support use of quieter and more fuel-efficient aircraft, as well as emerging electric and hybrid technology.

4. **Etihad Opens Eco Residence for Cabin Crew.**

Etihad Aviation Group CEO Tony Douglas inaugurated the company’s Eco Residence in Masdar City, cabin crew accommodation which comprises 500 apartments in 11 buildings. The Leadership in Energy and Environmental Design (LEED) platinum-rated complex was developed with the Abu Dhabi

Future Energy Company using low environmental impact construction materials, which aid in reduction of strong sunlight yet maximize available natural daylight. Solar hot water systems provide 76% of water demand and the buildings' design encourages greater water efficiency and reduction of potable water usage, as well as smart waste management. "The development provides a safe, secure and commercially viable residential precinct" for the airline's 5,800 Abu Dhabi-based cabin crew "who hail from over 120 countries around the world," said officials.

VI. U.S. CONGRESS

1. House Passes Long-Term FAA Reauthorization Bill.

The House passed a five-year FAA reauthorization bill that arrived without the controversial provision to spin off air traffic control from FAA to a private corporation, long advocated by House Transportation and Infrastructure Chairman Bill Shuster (R-Pa.), airlines and others. However, among a whopping 116 amendments, Shuster tried, and failed, to introduce language that would change oversight for the Air Traffic Organization from FAA to DOT, which then would be advised by a 13-member board. The bipartisan FAA Reauthorization Act of 2018 (H.R. 4) includes \$3.35 billion in Airport Improvement Program funding annually through fiscal year 2023. The bill does not raise the \$4.50-per-segment passenger facility charge. Numerous consumer protection regulations are clarified, and DOT would be required to develop a bill of rights for disabled passengers. Among other things, H.R. 4 calls for DOT to establish a Safety Oversight and Certification Advisory Committee to make legislative and regulatory recommendations and establish performance objectives for FAA and industry. H.R. 4 calls for an irreducible 10-hour minimum rest between duty periods for flight attendants.

2. Legislators Question FAA Safety Oversight.

Following the Southwest fatal accident and a CBS *60 Minutes* segment about Allegiant Air maintenance and other issues, House Transportation Committee Ranking Member Peter DeFazio (D-Ore.) and Aviation Subcommittee Ranking Member Rick Larsen (D-Wash.) expressed concerns regarding FAA oversight of airlines and aircraft repair stations, in a letter to DOT Secretary Elaine Chao, and requested a detailed response on proactive steps FAA will take to prevent a recurrence of what happened on the Southwest flight, a full report on where FAA oversight of Allegiant stands today, and a briefing by senior FAA officials regarding safety oversight. Committee Chairman Bill Shuster introduced an amendment to the FAA reauthorization bill that would require actions to address airline engine safety. And District of Columbia Del. Eleanor Holmes Norton (D), who sits on the Committee, called for a hearing on safety. . . . Senate Minority Leader Charles Schumer (D-NY) called for release of “data we collect so the public and safety experts are well aware of any airlines potentially skimping on public and aviation safety.”. . . Bill Nelson (D-Fla.), ranking member of the Senate Transportation Committee, asked the DOT Inspector General to investigate FAA’s handling of Allegiant issues, and Committee members Edward Markey (D-Mass.) and Richard Blumenthal (D-Conn.) in a letter to FAA asked why the agency has not brought enforcement

action against Allegiant in three years, as alleged in the *60 Minutes* report. . . . An Allegiant official called the *60 Minutes* report “irresponsible” and “grossly misleading”; and Associate Administrator for Aviation Safety Ali Bahrami said FAA “is vigilant in scrutinizing the operations of all airlines and is prepared to act on new information brought to its attention from data, from inspectors’ observations and findings, and from any reliable source about any carrier at any time.”

3. House Subcommittee Hearing on Proposed TSA Budget.

The House Homeland Security Transportation Subcommittee held a hearing on the fiscal year 2019 budget request for TSA. DHS has proposed a \$7.7 billion budget, a \$143.8 million increase from last year’s request and \$500 million higher than currently enacted funding levels. The request includes \$71.5 million for 145 Computed Tomography (CT) systems, “woefully short of what is needed,” said Subcommittee Chairman John Katko (R-NY). In his testimony, TSA Administrator David Pekoske said an additional \$2.4 million for 19 new full-time Transportation Security Specialists-Explosives will “help respond to the increased alarm rates that we expect as we roll out the new technology,” adding, “we also plan to procure and deploy 294 credential authentication technology (CAT) units at a number of airports. CT and CAT are cornerstone technologies to transform security at the checkpoint.” Kevin Burke, President and CEO, Airports Council International—North America, said security checkpoints remain understaffed by several thousand Transportation Security Officers (TSOs) and urged Congress to provide adequate funding for the needed TSOs and Passenger Screening Canines. “Airports are extremely concerned about the vulnerability associated with large groups of passengers waiting at TSA passenger screening checkpoints, as well as the potential for misconnecting checked baggage and passengers who miss their intended flights,” said Burke. Katko and Burke objected to proposed cuts to the Law Enforcement Officer Reimbursement Program, which partially reimburses airports for providing law enforcement officer staffing at security checkpoints.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. Russia Extends Overflight Approvals for U.S. Airlines.

The Russian Ministry of Transport extended overflight approvals for U.S. airlines through October 28, 2018, as the current agreement was set to expire. Amid airline concerns, TASS reported that a ban on overflights for U.S. airlines, in response to “inappropriate sanctions,” was not considered “because it runs contrary to Russia’s international commitments.”

2. United States, Grenada Sign Open Skies Agreement.

The United States and Grenada signed a new Open Skies Air Transport Agreement, which allows “unrestricted reciprocal market access for passenger and cargo airlines to fly between the two countries and beyond and commits both governments to high standards of safety and security.” The pact replaces an older, more restrictive agreement.

3. State Department Seeks Social Media Details from Visa Applicants.

The State Department published two notices that would require most visa applicants to submit social media information for review in order to travel or immigrate to the United States. Applicants would be required to report identifiers for social media accounts used in the previous five years, as well as five years of previously used telephone numbers, email addresses, international travel and deportation status, and whether family members have been involved in terrorist activities. Applicants for certain diplomatic and official visa types may be exempted from the requirements. “There is a real risk that social media vetting will unfairly target immigrants and travelers from Muslim-majority countries for discriminatory visa denials, without doing anything to protect national security,” said the American Civil Liberties Union, adding, “the government has failed to disclose how this information, accurate or not, may be shared across government agencies and have consequences for individuals living in America, including U.S. citizens.” Electronic Frontier Foundation said the questioning “invades the free speech and privacy rights of foreign visitors to the U.S., as well as the rights of their American friends, families, and professional associates.” A program the State Department instituted last year collects social media information, phone numbers, and email addresses for the past five years from “certain immigrant and nonimmigrant visa applicants worldwide who have been determined to warrant additional scrutiny in connection with terrorism, national security-related, or other visa ineligibilities.” State estimated that 65,000 visa applicants would be affected by the 2017 program and estimates that its new program will affect

710,000 immigrant visa applicants and 14 million non-immigrant visa applicants. The State Department is seeking public comment until May 29 on its proposed changes. The Department of Homeland Security (DHS) has said it plans to add social media information, internet search results and information from commercial data providers to its immigration records.

4. Chad Travel Restrictions Removed.

A Presidential Proclamation was issued which removes visa restrictions imposed on nationals of Chad in September 2017, as the country was found to meet baseline criteria established by DHS. Specifically, Chad has made significant progress toward modernizing its passport documents, regularizing processes for routine sharing of criminal and terrorist threat information and improving procedures for reporting lost and stolen passports.

VIII. EUROPE AND AFRICA

1. EU Strengthens Consumer Rights.

The European Court of Justice ruled that airlines must compensate passengers for flight delays and cancellations caused by wildcat strikes. The ruling stems from cases brought by TUIfly, which claimed that work action following its announcement of a restructuring plan was an extraordinary event, thus it was not liable to compensate passengers for delays; the court said restructuring is part of normal business and not beyond the airline's control. . . . The European Commission published proposals on a New Deal for Consumers, which, among other provisions, will empower qualified entities to launch representative actions on behalf of consumers, introduce stronger sanctioning powers for Member States' consumer authorities, and increase transparency in online market places. An accompanying study "shows that greater online transparency helps consumers take decisions and increases their trust when buying online."

2. Unions Reject Air France Offer.

A proposal from Air France management ensuring a 7% wage increase over four years did not receive the required number of signatures from unions, which have been staging strikes since February. On April 20, the company said "the estimated cost of this conflict is over 220 million euros" and Chairman Jean-Marc Janillac said a consultation on the proposal with all staff by electronic vote would begin on April 26 and end early in May. "Air France must emerge from this impasse," he said, adding, "I will be personally accountable for the consequences of this vote." Industrial action resumed on April 23 and 24 and four days of strikes were planned for early May.

3. IAG Acquires Small Stake in Norwegian.

International Airlines Group (IAG) acquired a 4.61% ownership position in Norwegian Air Shuttle, with intent to initiate discussions, "including the possibility of a full offer." Norwegian CEO Bjorn Kjos said IAG's interest "confirms the sustainability and potential of our business model and global growth." Regulators voiced competition concerns regarding a merger of Norwegian and IAG, which have numerous overlapping routes.

4. Norwegian Begins Nonstops from Denver, Oakland to Paris.

Norwegian began nonstops to Paris Charles de Gaulle from Oakland and Denver and is the first airline to connect Denver with France. Norwegian now operates Denver to London and Paris flights, and Oakland to Barcelona,

Copenhagen, London, Oslo, Paris, Rome and Stockholm. Boston to Paris and New York Kennedy to Amsterdam begin in May; Los Angeles to Milan in June; and Los Angeles and New York to Madrid in July.

5. **Ryanair Exercises 25 Boeing Max-200 Options.**

Ryanair announced the exercise of 25 Boeing 737 Max 200 options, bringing its total firm orders for the aircraft to 135, the first of which come onstream in first half 2019. The aircraft will reduce fuel consumption by up to 16% and noise emissions by 40%, while offering 4% more seats per flight.

6. **Bidding for Alitalia Extended Another Six Months.**

Lufthansa reportedly is the leading candidate to take over Alitalia. A group led by EasyJet submitted a revised expression of interest, and Wizz Air is said to be interested. The April deadline for sale of the bankrupt airline was extended for another six months amid a struggle to form a new government. . . . Separately, the European Commission is investigating whether Italy's €900 million bridge loan to Alitalia constitutes state aid and if it complies with EU rules for aid to companies in difficulty. Etihad Airways holds a 49% in Alitalia.

7. **Qatar, Air Italy Announce Code Share.**

Qatar Airways began code sharing on Air Italy routes between Milan Malpensa and six cities across Italy, and between Rome Fiumicino and Olbia Costa Smeralda. Air Italy will offer code share flights on Qatar's Italy-to-Doha services, and on the Qatar network to Singapore and Maldives. Qatar last year acquired 49% of AQA Holding, parent of Air Italy, previously known as Meridiana. Air Italy aims to acquire 50 aircraft by 2022 and has begun receiving new Boeing 737-Max aircraft.

8. **Lufthansa Names New Austrian Airlines CEO.**

Chief Commercial Officer of Lufthansa Cargo Alexis von Hoensbroech will become the new CEO and Chairman of the Executive Board of Austrian Airlines in August, succeeding Kay Kratky "who will leave the company at the age of 60." Lufthansa said Hoensbroech "has the perfect background and profound airline experience to establish Austrian Airlines as a profitable premium carrier in the highly competitive Austrian market." He will be succeeded by Dorothea von Boxberg at Lufthansa Cargo.

9. **Alaska to Code Share with Finnair, Partner with Aer Lingus.**

Alaska Airlines and Finnair will code share on Alaska's flights between San Francisco and Seattle, Portland, Salt Lake City, Las Vegas, Los Angeles, San Diego, Orange County and Palm Springs, starting May 20. Finnair will operate up to three weekly frequencies from May 3 to December 5 from Helsinki to

San Francisco. Finnair and Alaska have had a frequent flyer partnership since May 2017. . . . Alaska Airlines and Aer Lingus began interline availability across their respective networks in April and are planning reciprocal mileage plan benefits. Aer Lingus flies from Dublin to Alaska's gateway cities of Los Angeles and San Francisco; Airbus A330-200 flights to Seattle begin May 18.

10. Hainan Offers Visa-Free Access to Tourists from 59 Countries.

See Section IX, item 3.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Delta, Korean Air Launch Joint Venture Partnership.

The Delta-Korean Air joint venture has been approved by DOT and the Korean Ministry of Land, Infrastructure and Transport, and the airlines are implementing full reciprocal code sharing and loyalty program benefits, joint sales and marketing initiatives, and increased transpacific belly cargo cooperation. The SkyTeam founding members have offered an expanded code share network since 2016. The combined network provides seamless access to 290 destinations in the Americas and 80 in Asia.

2. FedEx Adds Guangzhou-Memphis Route.

FedEx Express is adding five weekly Boeing 777 services from its APAC Hub in Guangzhou to Memphis, with a stop in Osaka. Weekday flights returning from Memphis stop in Indianapolis and Anchorage; a Saturday flight stops in Honolulu and Anchorage. . . . FedEx is working with universities to train pilots for FedEx Express and its third-party feeder operators, Mountain Air Cargo and Empire Airlines. The “Purple Runway” program will “ensure a full pipeline of pilots for us and the industry at large,” said CEO Fred Smith.

3. Hainan Offers Visa-Free Access to Tourists from 59 Countries.

China’s State Immigration Administration announced that greater visa-free access to Hainan will be offered for tourists from 59 countries, including the United States, from May 1, allowing group and individual tourists to stay there for up to 30 days on condition that they book through travel agencies. Hainan offers 15-day visa-free stays for group tourists from 26 countries. The new policy will “inject vitality into Hainan and bring us closer to our goal of becoming a world-class destination,” said officials. The number of overseas tourists exceeded one million for the first time in 2017; tourists from Indonesia, Kazakhstan, Malaysia, Republic of Korea and Russia accounted for more than 90% of the total. More direct flights are planned to countries with visa-free access. Hainan currently has 57 international flights, with plans for at least 16 new overseas routes this year and at least 100 by 2020.

4. HNA, Temasek to Explore Aviation Partnerships.

Singapore state fund Temasek and Chinese conglomerate HNA signed a memorandum of understanding to explore partnerships in aviation and logistics. In related news, Swissport, a unit of HNA, deferred an initial public offering “due to current market conditions”; Gategroup dropped its plan to list shares in March. And, Hainan Airlines announced it will purchase numerous

assets of parent HNA, including domestic airlines and maintenance providers HNA Technic and SR Technics, subject to regulatory approvals; Hainan reportedly is considering acquiring HNA's stake in Hilton Worldwide.

5. dnata to Acquire Qantas' Catering Businesses.

Emirates Group unit dnata signed an agreement to acquire Qantas' catering businesses, which include Q Catering and Snap Fresh. Q Catering has centers in Sydney, Melbourne, Brisbane and Perth. Snap Fresh is a meal production plant in Queensland. Under the agreement, subject to approval by the Australian Competition and Consumer Commission, dnata will supply catering for Qantas flights for an initial period of ten years, and Qantas will continue to work with key suppliers in menu design and development. Dubai-headquartered dnata already operates 11 catering facilities in Australia, currently trading under the dnata catering brand (recently rebranded from Alpha Flight Services), and employs 4,000 people in Australia across its catering, cargo and ground handling businesses.

X. AMERICAS

1. American to Simplify Fleet.

American ordered 47 new Boeing 787s, scheduled to begin arriving in 2020 and slated to replace 767-300s, Airbus A330-300s and older 777-200s. As part of a strategy to simplify its fleet, American terminated an order for 22 Airbus A350s, originally placed by US Airways. Delivery of 737 Max aircraft was deferred. . . . Chairman and CEO Doug Parker said rising fuel costs led to a 45% drop in first-quarter profit, year-over-year, and could lead to higher fares. . . . American and joint venture partners British Airways, Iberia and Finnair began selling basic economy fares on some transatlantic routes.

2. Delta Reports Record Revenues.

Delta reported adjusted operating revenue of \$9.8 billion for March quarter, driven by improvements across its business, including a 23% increase in cargo revenue and a \$78 million increase in loyalty revenue. Delta's Branded Fares initiative drove \$421 million in premium up-sell revenue in the period, up 23% from prior year. Record revenues were offset by higher fuel prices and a \$44 million impact from severe winter weather. "We expect to deliver total revenue growth of 4 to 6% for the full year," said President Glen Hauenstein.

3. Southwest, Aircraft Mechanics Reach Agreement in Principle.

Southwest reached an agreement in principle with the Aircraft Mechanics Fraternal Association for the company's aircraft mechanics and related employees workgroup. The five-year agreement includes terms for updated work rules, improved wages and benefits, and a ratification bonus. The current contract became amendable in 2012.

4. Alaska Retires Virgin America Brand; Flight Attendants Ratify Contract.

The Alaska Air Group completed its integration with Virgin America, transitioning to a single reservations system, website, mobile app, call center and Alaska-branded gates, ticket counters, check-in areas and baggage claim locations without a notable glitch. . . . A joint collective bargaining agreement (JCBA) covering flight attendants at both airlines was ratified, "in just twelve negotiating sessions and one year after the close of the merger." The contract is the first for Virgin America flight attendants. The JCBA, amendable in December 2021, provides contractual improvements and pay increases for pre-merger Alaska flight attendants, immediate parity on pay rates for pre-merger Virgin America flight attendants, and significant enhancements in maternity leave, schedule flexibility and work rules.

5. **JetBlue, JetSuiteX Announce Code Share Partnership**

The first code share between a major U.S. carrier and a semi-private public charter operator was announced by JetBlue and JetSuiteX. JetBlue is placing its code on JetSuiteX-operated Embraer 135 flights from private terminals in California and Nevada, “with no lines, no waiting and no stress, at a price competitive with commercial travel.” JetBlue and Qatar Airways hold stakes in JetSuite. The “dream team of investors” will allow us to offer “a superior service to the forgotten short haul U.S. air market,” said JetSuite founder and CEO Alex Wilcox, who was a JetBlue founding executive. . . . In other news, JetBlue flight attendants voted to join the Transport Workers Union (TWU). “While we respect the outcome of the election, we are disappointed in this result because we believe the direct relationship is superior to third-party representation,” said the carrier. TWU said the first order of business following “this historic victory” will be negotiating the initial contract; “crewmembers want and deserve job security, representation and due process in disciplinary cases, improved wages and benefits, and a seat at the table in case of possible merger or acquisition.”

6. **Spirit Adds Caribbean Service.**

Spirit began Fort Lauderdale service to Cap-Haitien and Kingston. Flights to St. Maarten and St. Croix resume in May, as recovery in the Caribbean continues and tourism opportunities grow after the impact of last year’s hurricanes. Spirit has provided relief flights for 3,000 people and transported 120,000 pounds of relief supplies to date.

7. **Frontier Adds 109 New Routes.**

Frontier began service on 69 new routes and re-started 40 seasonal routes. Among the new flights, 19 are from Austin and 11 from Raleigh-Durham. In addition to a la carte pricing, the carrier offers a “Works” bundle, which includes full refundability, a carry-on bag, a checked bag, best available seat, waived change fees and priority boarding, with one-way fares from \$59.

8. **Silver Airways Acquisition of Seaborne Closes.**

Silver Airways’ acquisition of Seaborne Airlines has closed. The combined airline will continue operating Silver’s route network in the Bahamas, Florida, and beyond under the Silver Airways banner and the Seaborne route network throughout Puerto Rico, the Virgin Islands, and the Caribbean under the Seaborne name. Total fleet now consists of 31 aircraft, including Saab 340s and de Havilland Twin Otter seaplanes. Silver took delivery of the first 46-seat ATR-42 in April and has ordered ATR-600s. Silver Airways CEO Steve Rossum will serve as CEO of the combined airline. Silver is a code share

partner with United, JetBlue and Avianca, and Seaborne with American, Delta, JetBlue and Vieques Airlink.

9. **Norwegian Begins Nonstops from Denver, Oakland to Paris.**
See Section VIII, item 4.
10. **Alaska to Code Share with Finnair, Partner with Aer Lingus.**
See Section VIII, item 9.
11. **Delta, Korean Air Launch Joint Venture Partnership.**
See Section IX, item 1.
12. **FedEx Adds Guangzhou-Memphis Route.**
See Section IX, item 2.
13. **Hainan Offers Visa-Free Access to Tourists from 59 Countries.**
See Section IX, item 3.