



WASHINGTON AVIATION SUMMARY

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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. Thousands of Flights Canceled Amid Houston Deluge.

Airlines canceled thousands of flights, as torrential rain and flooding due to Hurricane Harvey prevented passengers, crews and ground service personnel from reaching Houston airports for several days. Houston Airport System reopened George Bush Intercontinental for limited domestic passenger service at 4 p.m. on August 30, with international service to be added in coming days. Service at William P. Hobby was expected to resume on September 2. Priority was given to passengers ticketed prior to the hurricane. Airlines emphasized it could take more than a week to restore their full schedules, and flooding on roads impeded access. . . . The U.S. Department of Transportation (DOT) directed the Federal Highway Administration to make \$25 million in Emergency Relief funds immediately available for repairs to roads and bridges. . . . The Federal Aviation Administration (FAA) warned that flying unauthorized drones in areas covered by a Temporary Flight Restriction could interfere with rescue and recovery missions and incur significant fines for users. . . . Bush, Hobby and Ellington airports remained open for the duration of emergency operations, providing, said Houston Mayor Sylvester Turner, “a critical link to humanitarian efforts, to the military and to a world willing to support the tough task of getting back to normal.”

2. IATA: Strong Demand Resumes.

For the first six months of 2017, the global industry experienced a 12-year high in traffic growth (7.9%) and a record load factor of 80.7%, reports the International Air Transport Association (IATA). June demand (revenue passenger kilometers) rose by 7.8%, compared to year-ago period and 7.7% in May. June capacity (available seat kilometers) increased by 6.5%, and load factor rose 1.0% to 81.9%. “A brighter economic picture and lower airfares are keeping demand for travel strong,” said Alexandre de Juniac, IATA Director General and CEO. “But as costs rise, this stimulus of lower fares is likely to fade. And uncertainties such as Brexit need to be watched carefully. Nonetheless, we still expect 2017 to see above-trend growth.” . . . June international passenger demand rose 7.5% over June 2016. All regions recorded growth, led by airlines in Africa, where traffic soared 9.9% and capacity rose 7.1%; “conditions in the region’s two largest economies have continued to diverge,” said IATA, “with business confidence in Nigeria rising sharply in recent months, while South Africa’s economy fell into recession in the first quarter.” . . . Demand for domestic travel climbed 8.2% in June compared to June 2016, up slightly from the 7.9% growth seen in May. Led by India, with a 20.3% rise, and China, up 17.6%, all markets reported domestic demand increases, but with wide variation.

3. **A4A: U.S. Airline Expenses Surging.**

Nine U.S. passenger airlines (Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United) collectively reported a pre-tax profit margin of 11.4% (\$9.2 billion) for first half 2017, down from 15.5% (\$12 billion) during same period 2016. The decline in profitability was attributable to expenses surging 9.1%, reports Airlines for America (A4A), outpacing 4.2% growth in revenues. Higher operating expenses were driven by increases in fuel (+19.9%), labor (+9.1%), maintenance (+8.3%), aircraft (+6.8%) and airport rents and landing fees (+3.1%). Operating revenues rose largely on 2.8% more passenger traffic, accompanied by a 1.2% increase in passenger yield (airfare per mile). Overall, U.S. inflation rose 2.2% in first half 2017, implying a 1% year-over-year decline in inflation-adjusted (“real”) airfare.

4. **DOT Institutes 2017 U.S.-Havana Frequency Allocation Proceeding.**

DOT will institute a proceeding to allocate available frequencies for scheduled services between the United States and Havana. The proceeding will also address other issues. Proposals submitted include: American Airlines (once daily Miami); Delta (once daily Miami); FedEx (five weekly Miami); JetBlue (once weekly Boston, six weekly Fort Lauderdale); Southwest (once daily Fort Lauderdale); and United and Mesa operating as United Express (six weekly Houston). The ability of DOT to authorize U.S. airlines to provide U.S.-Cuba scheduled services was not altered by a change in U.S. policy toward Cuba announced by the current Administration on June 16, 2017.

5. **Sumwalt Sworn in as NTSB Chairman.**

Robert Sumwalt III was sworn in as Chairman of the National Transportation Safety Board (NTSB) for a two-year term. He was appointed to NTSB in 2006 and since March 3 has served as Acting Chairman. . . . NTSB continues to investigate the July 7 near miss at San Francisco International, in which an Air Canada Airbus A320 cleared for a visual approach to land on runway 28R instead nearly collided with four planes awaiting takeoff clearance on parallel taxiway C. Both pilots said they believed the lighted runway on their left was 28L and that they were lined up for 28R; however, 28L was closed and unlit. They also did not recall seeing aircraft on taxiway C but said something did not look right to them. FAA reportedly has issued new procedures requiring pilots to use instrument or satellite-based systems for nighttime landings at the airport when an adjacent runway is shut down. FAA also will require two controllers in the tower; only one was working during the ACA759 incident.

6. **Bumping Rate Falls.**

For the first six months of 2017, the 12 U.S. carriers reporting involuntary denied boarding data posted a rate of 0.52 per 10,000 passengers, the lowest January through June rate based on historical data since 1995, and down from

0.62 posted first six months 2016. For the second quarter of 2017, bumping rate was 0.44 per 10,000 passengers. Oversales data, unlike other air carrier data, are reported quarterly rather than monthly.

7. Additional Airlines to Report Performance.

Beginning next year, 18 U.S. airlines will be required to report on-time performance and denied boarding data for domestic flights to DOT’s Bureau of Transportation Statistics. Added airlines are Allegiant, Endeavor, Envoy, Mesa, PSA and Republic. A DOT rule, “Enhancing Airline Passenger Protections III,” reduced airline revenue requirements to one-half of one percent for on-time performance and denied boarding reporting effective 2018, and one-half of one percent for mishandled baggage reporting effective 2019.

8. DOT Air Travel Consumer Report for June.

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

	June '17 / '16	May '17	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	76.2 / 78.0	79.1	81.4	79.9	76.2	78.34	81.85
Cancellations %	1.1 / 1.0	0.8	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	2.65 / 2.82	2.32	2.70	3.13	3.61	3.22	3.09
Consumer complaints:							
Airline service	1,605 / 1,490	1,779	17,904	20,175	15,539	13,176	15,338
Disability-related	77 / 82	78	862	944	784	683	741
Discrimination**	3 / 6	9	94	65	68	79	99

Notes: In June, airlines reported six tarmac delays of more than three hours on domestic flights and two of more than four hours on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Additional AIP Grants Awarded.

FAA continued to award batches of Airport Improvement Program (AIP) grants for runway, taxiway and other infrastructure projects. More than 1,428 new grants to 1,210 airports for a total of \$2.3 billion have been awarded this year. Among \$162.4 million awarded to 72 airports in 31 states were discretionary grants to Miami International (\$23.5 million), Pittsburgh International (\$12.3 million), Cleveland-Hopkins (\$7.3 million), and Mineta San Jose (\$3.2 million). Another \$167.6 million was awarded to 64 airports in 30 states including discretionary grants of \$16.5 million to Raleigh-Durham International and \$14 million to Piedmont Triad International in Greensboro, NC. And \$282.6 million awarded to 67 airports in 29 states included discretionary grants of \$15.8 million for Hartsfield-Jackson Atlanta, \$16.5 million for Philadelphia International, \$15 million for Harrisburg International and \$26.1 million for Louis Armstrong New Orleans.

2. Denver \$1.8 Billion Terminal Project Approved.

Denver International won city approval for improvements to Jeppesen Terminal that include replacing 30 standard screening lanes, which accommodate 4,500 passengers per hour, with 34 automated lanes, which can each serve 8,500. Total amount of contract with Great Hall Partners, a public-private partnership led by Ferrovial with Saunders Concessions and Magic Johnson Enterprises/Loop Capital, is capped at \$1.8 billion and covers design, construction, operations and maintenance for 30 years. Great Hall's total investment of \$378 million will be paid back by the airport and a 20% share of concession revenues. At 22 years, Denver is the youngest U.S. commercial airport, handling 58 million passengers annually.

3. United, Alaska to Offer Daily Service from Paine Field.

United will offer daily flights to Denver and San Francisco from Paine Field beginning in fall 2018, when a new terminal with two gates is scheduled to open. Alaska Air Group earlier announced plans to offer scheduled service, with nine daily departures to West Coast destinations. Propeller Airports is building and will operate the new terminal. United operated the first commercial flight from the North Seattle airport in 1939. Since then, Paine Field has been used primarily by Boeing.

4. London Stansted, Manchester CEOs Swap Places.

Manchester Airports Group (MAG) announced that London Stansted CEO Andrew Cowan will replace Ken O'Toole as CEO of Manchester Airport in September, as O'Toole takes the reins at Stansted. Stansted handled 2.5

million passengers for the first time in July and intends to seek approval to increase traffic; a £130 million arrivals building is planned. Manchester handled 3 million in July and work began on the £1 billion Terminal 2. MAG also manages East Midlands and Bournemouth airports.

5. UK Airports Urged to Limit Alcohol Sales.

Citing a Civil Aviation Authority report of “a 600% increase in disruptive passenger incidents in the UK between 2012 and 2016 with most involving alcohol,” Ryanair urged airports to ban sales of alcohol in bars and restaurants during early morning hours and when flights are delayed; require use of boarding cards when purchasing alcoholic drinks in bars and restaurants, as they are for airport purchases; and limit number of drinks per boarding pass to two. Ryanair customers are not permitted to consume duty-free purchases on board, and customers flying from Glasgow Prestwick and Manchester to Alicante and Ibiza are not permitted to bring duty-free alcohol on board. “It’s completely unfair that airports can profit from the unlimited sale of alcohol to passengers and leave the airlines to deal with the safety consequences,” said Ryanair. “Given that all our flights are short-haul, very little alcohol is actually sold on board, so it’s incumbent on the airports to introduce these preventative measures to curb excessive drinking and the problems it creates.”

6. Frankfurt Pier G Construction Accelerated.

Fraport plans to accelerate construction of Pier G at Frankfurt Airport, “in response to passenger growth, particularly in the low-cost segment.” Pier G, originally part of Terminal 3 second phase construction, will provide no-frills ground handling and full integration with Frankfurt's hub function. The €200 million phase one construction begins mid-2018, with completion in 2020, and annual capacity for four to five million passengers. In phase two, Pier G capacity will reach seven million and connect to the first section of Terminal 3. In the third and final phase, Pier G will be extended to include bridges and jetways. Fraport Ausbau Süd will supervise construction and perform project management; an EU-wide tender for a general contractor has been launched.

7. HNA Completes Frankfurt Hahn, Dufry Share Purchases.

HNA Group completed its purchase of an 82.5% stake in Frankfurt-Hahn for €15 million. The European Commission found public support by the Rhineland-Palatinate to the airport to be in line with state aid rules, saying the approved measure aims to cover expected operating losses over the period 2017-2021, up to a maximum €25.3 million, “whilst HNA Group makes the necessary private investment to enable the airport's return to viability, which is due in 2023.” . . . HNA acquired the 16.2% of Dufry shares formerly held by GIC and Temasek, and now holds a 20.92% stake in the Swiss airport duty free operator. Dufry and HNA are assessing areas of collaboration “with the

main goal to access and to increase the share of wallet of domestic and international Chinese travelers.”

8. Heathrow Passengers Tracked by Marketing Technology.

Heathrow passengers are being tracked by marketing technology that enables the airport “to identify, understand and engage” customers from the moment “they interact with the space, such as entering a geo-fenced environment, parking their vehicle, connecting to a Wi-Fi service, and making in-store purchases.” The airport can deliver relevant communications to customers in real-time and is generating “an increase in spend of 20-25% for engaged customers,” says Acxiom, which designed “Connected Spaces” in collaboration with Adobe.

9. Schiphol Pier, Terminal Projects Progress.

Schiphol hired Mace, Arcadis, Royal HaskoningDHV and AECOM DVP to manage construction of a new pier (2019) and terminal (2023), which will add capacity for a further 14 million passengers a year. The airport will remain in full use during construction.

III. **SECURITY AND DATA PRIVACY**

1. **Pekoske Sworn in as TSA Administrator.**

David Pekoske was confirmed by the Senate and sworn in as the seventh Administrator of the Transportation Security Administration (TSA). Pekoske most recently was an executive in the government services industry, leading teams providing counterterrorism, security and intelligence support. As Vice Commandant of the Coast Guard, he served as Chief Operating Officer and Component Acquisition Executive.

2. **DHS Evaluates Touch-Free Fingerprint Scanners.**

The Department of Homeland Security (DHS) Science and Technology Directorate (S&T) is working with TSA to evaluate new technology that allows fingerprints to serve as boarding pass and identity document. Proof-of-concept testing is taking place in select PreCheck lanes at Atlanta Hartsfield-Jackson and Denver International. PreCheck members provide fingerprints when enrolling in the program. Once the scanner matches fingerprints to those in the PreCheck system, it obtains the traveler's boarding pass information and allows them to continue to their gate. Non-contact fingerprint technologies can lead to errors and delays during use, says S&T, which is quantifying how many tries travelers take to submit fingerprints, the kind of use errors made, and travelers' satisfaction with the transaction.

3. **Privacy Concerns Addressed on Biometric Exit Program.**

U.S. Customs and Border Protection (CBP) has been meeting with privacy advocates to discuss the biometric exit program being implemented at U.S. ports of entry, and has published two Privacy Impact Assessments on how it will collect, use and maintain personally identifiable information in relation to these technical demonstrations. Facial recognition exit technology is being tested at Hartsfield-Jackson Atlanta, Washington Dulles, Houston Bush, Chicago O'Hare and Las Vegas McCarran. CBP is also collaborating with airlines to integrate facial recognition technology as part of the boarding process. Delta is testing eGates at New York Kennedy and Hartsfield-Jackson and JetBlue is testing facial recognition technology at Boston Logan. . . . The American Civil Liberties Union (ACLU) says airlines should decline to participate in the program until DHS determines which tasks will be performed by airline personnel, and whether the government or airlines will own and operate cameras that perform face matching. "In the Jetblue pilot," says ACLU, "the airline owns and operates the cameras, and DHS is in conversations with Delta about a similar arrangement. DHS also says the airlines do not keep copies of the photos for their own use, but that there's nothing stopping them if they decide to start doing so." CBP reports "an error rate of around 4%, or 1 in 25 travelers, creating a disruptive process

(disproportionately affecting African Americans and other groups) that we don't see with bar code scans," says ACLU, which called for airlines to: Provide transparency to customers and, on their websites explain program risks and potential for inaccuracies. Permit passengers to opt out of the program and being photographed. Require clear Congressional authorization for expanding the program. Demand DHS assurance that customer rights will be protected and data and photos purged in a timely fashion and not used for other purposes. Promise not to leverage this program for data collection. Agree to bear the cost of face recognition mismatches, such as missed flights and related inconvenience. . . . Electronic Privacy Information Center (EPIC) has urged TSA to consider alternatives to expanding the collection of biometric identifiers for the TSA PreCheck application, due to their potential to be used for other purposes "and the substantial personal privacy risks for applicants if the databases associated with PreCheck were compromised." EPIC proposed privacy enhancing alternatives, such as limiting storage of biometric identifiers or providing information on how to have information removed from databases associated with PreCheck.

IV. E-COMMERCE AND TECHNOLOGY

1. Gogo Introduces Advanced Inflight Modem.

Gogo introduced a new modem into commercial airline service that can support increased capacity of next generation high-throughput satellites as they come online. It includes dual channels to simultaneously support internet traffic and broadcast IPTV (Internet Protocol television). Faster processing enables shorter hand-offs from one satellite to the next. The new modem will be retrofitted on more than 450 aircraft on which Gogo's 2Ku or Ku systems are installed.

2. Miami Airport App Includes Mobile Passport Control.

Miami International is the first airport authorized by CBP to integrate Mobile Passport Control into its mobile application. Previously, travelers had to download the separate Mobile Passport Control app if they wanted to clear passport control via mobile device. U.S. citizens and Canadian visitors arriving at MIA who have downloaded 'MIA Airport Official' are automatically prompted to complete the CBP process. Pending customs declarations are saved within the app and accessible from the home screen. The service was developed by SITA and certified by CBP. MIA Airport Official's location-aware technology allows users to scan boarding passes and receive estimated walk times, real-time flight updates and shopping and dining suggestions. MIA Airport Official 2.0 is free at iPhone and Google Play app stores.

3. iPass, SITA Offer Global Wi-Fi Solutions.

iPass is offering its iPass SmartConnect™ global Wi-Fi connectivity services through SITA's Marketplace.aero, which has 2,500 small and medium-sized airline and airport customers worldwide. "The service enables air travel businesses to offer employees simple, secure, always-on access on any mobile device to the iPass Wi-Fi network," says the company, and "ensures that employees stay connected regardless of the country they are in, allowing them to access critical online business applications, such as email, flight, crew and weather apps, and even schedule emergency cover, without running up large and unexpected costs." . . . Mobilise Technology launched a Wi-Fi Travel service powered by iPass for Copenhagen Airport passengers, providing unlimited data access at millions of hotspots globally. The mobile app, e-commerce site and billing and supporting payment services will operate as a managed service for the airport.

4. Self-Cleaning Technology for Checkpoint Bins.

Akron-Canton is the first airport to use nanotechnology to continuously clean security checkpoint bins. Sponsored by Western Reserve Hospital and developed by NanoTouch Materials, NanoSeptic mats and skins contain

mineral nano-crystals that create a self-cleaning oxidation reaction that is stronger than bleach, continuously breaking down organic contaminants. The skins are applied like stickers to the bin handles, and the 1/16-inch-thick, self-cleaning mats cover the bottom of the bins. NanoTouch Materials is located at the Center for Advanced Engineering & Research in Forest, Virginia.

5. Smart Parking Guidance System at Changi.

Singapore Changi Airport recently installed a Video-based Parking Guidance System (VPGS) at car parks. By using video analytics to identify license plate numbers, as well as detect vehicle presence and the entry and exit timings of all parked vehicles, VPGS helps monitor the status of the car park in real-time. Motorists who forget where they parked can give their license plate number to a roving “Changi Experience Agent” or information counter to learn the exact location of the vehicle. In addition, officers receive alerts “on errant practices by drivers, such as illegal parking and abuse of pick-up spaces, and are able to respond in a targeted manner.”

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on August 11 was \$64.8/barrel, up 9.4% on the month and up 21.8%, compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2017 was \$62.6/barrel; impact on 2017 fuel bill was \$21.2 billion.

2. **KLM to Cut Costs with Fuel Efficiency Software.**

KLM selected Honeywell to provide Connected Aircraft fuel-management services across its fleet of 115 commercial aircraft and four Martinair cargo aircraft. Using data analysis, reporting and monitoring tools, Honeywell's GoDirect Fuel Efficiency software provides recommendations that airlines can deploy immediately and fully complies with the Paris Agreement on reducing greenhouse gases. Capable of analyzing data from more than 100 reports, the software is integrated with existing airline systems. By monitoring current fuel usage and identifying opportunities for savings, it reduces overall operational costs and the carbon footprint for airlines. Users of the software have reported annual fuel savings of up to 5%.

3. **Dutch Wind Farms to Power Schiphol Group Airports.**

Royal Schiphol Group and Eneco entered into an agreement under which Schiphol, Rotterdam, The Hague, Eindhoven and Lelystad airports will run on power generated by new Dutch wind farms, as of January 1, 2018. Eneco will provide 200 gigawatt hours (GWh) of green energy every year for 15 years. The first new wind farm is Vianen, with more to follow; from January 1, 2020, all power will come from newly built farms. Until then, power will come from existing sustainable energy sources in the Netherlands.

VI. U.S. CONGRESS

1. Congress in Recess Until September 5.

Congress is in recess, from July 31 to September 5.

2. CBO Revision: ATC Privatization to Cost Almost \$100 Billion.

In a reassessment, the Congressional Budget Office (CBO) found the impact of transferring air traffic services from FAA to a not-for-profit corporate entity would be \$98.5 billion over 10 years, rather than the previously estimated \$20.7 billion. The Republican-supported proposal is part of legislation approved by the House Transportation Committee to reauthorize FAA for six years; the 21st Century AIRR Act (H.R. 2997) is supported by the Administration. FAA legal authority expires September 30. House Democrats asked CBO for the revised cost estimate, saying an altered version of H.R. 2997 posted for consideration on the House floor would cut \$1 billion of contract authority funding for airport construction grants under the Airport Improvement Program; authorize \$945 million from the Airport and Airway Trust Fund for FAA research and development activities; slash revenues from aviation excise taxes by more than \$15 billion per year (on average) from current levels beginning in fiscal year 2021; and include no budgetary offsets. The H.R. 2997 revisions were executed “without any opportunity for us to provide input or to debate the wisdom of the changes,” said Democrats. House Democrats also asked the DOT Inspector General to determine if DOT political appointees violated the Anti-Lobbying Act or other federal laws by contacting members of Congress, aviation association representatives and airport sponsors to gain support for H.R. 2997 and encourage ATC privatization.

3. Drone Operator Safety Act of 2017 Introduced.

The Drone Operator Safety Act of 2017 was introduced by Representative Jim Langevin (D-RI) and Senator Sheldon Whitehouse (D-RI), who said pilots reported 1,800 drone sightings in 2016, up from 1,200 the year before, per FAA’s Unmanned Aircraft Systems Integration Office. H.R.3644 would make it a criminal offense to fly a drone in a way that poses a safety risk to manned aircraft, and would prohibit flying drones near airport runways without air traffic control permission. Violators would be subject to a fine and/or prison.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S. Airlines Take Gulf Subsidies Dispute to Secretary of State.

CEOs of American, Delta and United took their case against Persian Gulf airlines to Secretary of State Rex Tillerson, urging the Administration to protect American jobs and defend the U.S. aviation industry from trade cheating. The Partnership for Open & Fair Skies, a coalition of the big three U.S. airlines and unions, maintains that Emirates, Etihad and Qatar Airways have received over \$50 billion in subsidies in violation of Open Skies agreements. Tillerson earlier met with other airlines and groups, including U.S. Travel Association, which said the Gulf carriers “enable air service that connects America to underserved regions of the world where practically no competition exists. America should grow its market share of inbound travel from those willing to provide it.”

2. U.S.-Russia Dispute Slows Visa Service.

Angered by new sanctions against Russia, President Vladimir Putin ordered the U.S. to cut 755 diplomatic staff by September 1, leading the U.S. to suspend all nonimmigrant visa operations across Russia on August 23. They resume in Moscow only on September 1, said the U.S. Mission to Russia; visa operations at U.S. consulates remain suspended indefinitely. The Obama Administration expelled 35 Russian diplomats in December in retaliation for alleged interference in the U.S. presidential election. The U.S. ranked 25 of countries outside the former Soviet Union in popularity among Russians tourists in first quarter 2017, reports Bloomberg, with 46,150 trips. Wait times for visa interviews likely will grow to four to six months from the current two.

3. Emergency Routes Opened to Qatar.

The International Civil Aviation Organization has been working with Middle East states to ensure airspace access for Qatar-registered aircraft since sanctions were announced, with some success. In June, Saudi Arabia, United Arab Emirates, Bahrain and Egypt charged Qatar with supporting terrorism and being too close to Iran and closed air and sea routes. To fill the void, Iran has shipped food to Qatar and allowed Qatari airplanes to use its airspace. Qatar had recalled its ambassador to Iran last year, after attacks on the Saudi mission, but now has resumed full diplomatic relations. As part of measures to increase tourism, Qatar announced a visa waiver program for nationals of 80 countries.

VIII. EUROPE AND AFRICA

1. airberlin Files for Bankruptcy as Etihad Withdraws Funding.

Etihad Airways withdrew financial support from airberlin and the German carrier filed for bankruptcy protection. The German government is providing a €150 million bridge loan to enable continuation of airberlin flight operations. Lufthansa announced it “is supporting the restructuring efforts of the airline jointly with the German government” and is in negotiations to take over parts of the airberlin Group. “This manufactured insolvency is clearly being set up to allow Lufthansa to take over a debt-free Air Berlin, which will be in breach of all known German and EU competition rules,” charged Ryanair CEO Michael O’Leary. Ryanair filed complaints with European and German competition agencies and will not bid for airberlin assets. Germania asked a regional court in Berlin to prevent the government assistance, which it charges is illegal state aid that would unfairly favor Lufthansa.

2. JetBlue, airberlin Partnership.

Prior to the bankruptcy filing, airberlin announced an agreement, under which its passengers can book JetBlue-operated flights from New York Kennedy, Boston, and Orlando to 31 U.S. destinations, as of September 12.

3. Alitalia AOC Restored by ENAC.

Italian civil aviation authority (ENAC) lifted restrictions on air operator certificates of Alitalia and CityLiner unit, which declared bankruptcy in May. Alitalia is seeking a buyer; companies expressing interest include Ryanair and possibly easyJet and British investor Greybull, which owns Monarch Airlines.

4. Another European Carrier Offers Cheap Flights to U.S.

Primera Air is offering no-frills flights from London Stansted, Birmingham and Paris de Gaulle to Newark Liberty and Boston, to begin next spring with fares as low as \$99 one-way. Based in Denmark and Latvia, the carrier is part of Primera Travel Group, operator of travel and tour agencies in Sweden, Denmark, Norway, Finland, Iceland and Estonia. Current fleet consists of nine Boeing 737s, with commitment for acquisition and lease of 20 737 MAX 9ERs. Eight new Airbus A321NEOs will be delivered in 2018 for the transatlantic flights; Primera Air will be launch operator for the Airbus A321LR, which has the longest range of any single aisle aircraft (over 4000 nautical miles). Hrafn Thorgeirsson is Primera Air CEO. . . . Wow Air announced new \$99 one-way flights from Cincinnati, Cleveland, Detroit and St. Louis to Iceland, and \$69 flights to eight European cities from Boston, Baltimore-Washington, Pittsburgh, Los Angeles, San Francisco and Miami, via Reykjavik. . . . Norwegian launched twice weekly Boeing 787 flights to Barcelona from Fort Lauderdale,

where it opened a Dreamliner pilot base; weekly Orlando to Paris De Gaulle; and double daily service from New York Kennedy to London Gatwick. Norwegian now offers 58 transatlantic flights from 15 U.S. airports. Norwegian carried 3.3 million passengers in July, up 15% over same month previous year; load factor was 94%.

5. **American Adds Flights to Europe.**

American will add new service next May from Philadelphia to Budapest, subject to government approval, and Prague, and additional service from Chicago to Venice. American and its joint business partners serve 23 destinations in Europe nonstop from the U.S. . . . American may offer unbundled fares on transatlantic flights next year, said a company official at the International Aviation Forecast Summit in Las Vegas, as it currently does on domestic services in the form of Basic Economy fares.

6. **Delta Orlando-Amsterdam Nonstop Begins March 30.**

Delta begins Orlando-Amsterdam Boeing 767-300ER service on March 30. Partner Virgin Atlantic serves Orlando nonstop from Glasgow, London Gatwick and Manchester, and partner Aeromexico from Mexico City.

7. **British Airways London-Nashville Flights Begin Next May.**

British Airways begins five weekly Boeing 787-8 flights between Nashville and Heathrow in May, the only nonstop between London and Music City. . . . British Airways has spent millions on wet leasing during a cabin crew strike through July and August, but the Unite union offered a “pause for peace,” from August 31, to allow both sides to “get around the table with a view to securing a mutually accepted resolution.” Unite is pursuing legal action on behalf of mixed fleet cabin crew who have been sanctioned for taking strike action in the long-running dispute.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. CAAC to Open International Routes to More Airlines.

Civil Aviation Administration of China (CAAC) has proposed lifting restrictions on number of Chinese airlines allowed to operate international routes, reports Caixin; private and state-run airlines could compete in bidding for routes.

2. ACCC Authorizes Virgin Australia-China-Hong Kong Alliance.

Australian Competition and Consumer Commission granted authorization to coordinate services for five years to Virgin Australia, HNA, Hong Kong Airlines and Hong Kong Express Airways, saying the alliance likely will realize significant benefits, primarily through new services between Australia and mainland China and Hong Kong. Since interim authorization was granted, Virgin has begun Melbourne–Hong Kong services; an interline agreement and code sharing with Hong Kong Airlines; and frequent flyer and lounge partnerships with Hong Kong and HNA units Hainan, Capital and Tianjin.

3. Qatar Airways Opts Out of Stake in American Airlines.

Qatar Airways reversed its intention to take up to a 10% stake in American Airlines Group, saying “the investment no longer meets our objectives.” The state-owned carrier “will continue to investigate alternative investment opportunities in the United States and elsewhere.”

4. Qantas Challenges Boeing, Airbus on Ultra Long-Range Aircraft.

Qantas is investigating direct flights from Australia’s East Coast to London and New York by 2022, said CEO Alan Joyce, who challenged Airbus and Boeing to give aircraft currently under development (A350ULR and B-777X) the range to make these nonstops possible with a full passenger load. A direct flight would cut journey time by up to four hours on Sydney-London and three on Melbourne-New York, he said. Qantas and American reportedly plan to submit a new joint-venture application to DOT, which in 2016 denied a request to collaborate.

5. American to Launch Daily Los Angeles-Beijing Service.

DOT granted American Airlines an extension to begin daily service on November 5 from Los Angeles to Beijing, where the carrier has acquired viable slots. Delta had objected to the extension.

6. Delta to Deploy A350 on Asian Routes.

Delta will deploy the Airbus A350 on its Atlanta-Seoul Incheon route beginning March 24, 2018; the route debuted in June with the Boeing 777-200LR. Seoul is home to Delta transpacific joint venture partner Korean Air. Delta’s first

A350 flight is scheduled for October 30 from Detroit to Tokyo Narita; Detroit-Seoul begins in November and Detroit-Beijing in January.

7. Alaska, Singapore to Code Share.

Alaska Airlines and Singapore Airlines plan to code share, pending government approval, and will begin reciprocal frequent flier benefits on September 27. Alaska unit Virgin America has offered frequent flyer benefits with Singapore since 2013.

8. Dubai Completes Acquisition of Ansett Worldwide.

Dubai Aerospace Enterprise (DAE) completed its acquisition of Dublin-based AWAS (Ansett Worldwide Aviation Services). Under the DAE Capital brand, the company “features an owned, managed and committed fleet of 400 aircraft with a value of over \$14 billion and full-service capability to 117 airlines in 57 countries from offices in Dubai, Dublin, Singapore, Miami, Bellevue and New York.” CEO of DAE is Firoz Tarapore.

9. Satellite Imagery Analyzed in Search for MH370.

Although the southern Indian Ocean search for Malaysia Airlines flight 370 was suspended in January, some analysis has continued, said Australian Transport Safety Bureau (ATSB). New reports from Geoscience Australia and Commonwealth Scientific and Industrial Research Organization (CSIRO) relate to satellite imagery taken on March 23, 2014, two weeks after the March 8 disappearance of the Boeing 777-200ER. “Geoscience Australia identified a number of objects in the satellite imagery which have been classified as probably man-made,” said ATSB; “the image resolution is not high enough to be certain whether the objects originated from MH370 or are other objects that might be found floating in oceans around the world.” CSIRO said some objects in the images are comparable to debris that washed up on African beaches, and concluded that the lost aircraft is northeast of the search area. ATSB said the reports may be useful in informing any future search effort.

10. Qatar, LATAM to Code Share.

See Section X, item 8.

X. AMERICAS

1. Southwest Receives First Boeing 737 MAX 8.

Southwest became the first U.S. airline to take delivery of the Boeing 737 MAX 8 and intends to launch nine of the 175-seat single-class aircraft into service throughout its network on October 1 and 14 by yearend. . . . Southwest said a California expansion in 2018 will include nearly 20 new nonstops, increased frequency on 27 routes, and new international gateways.

2. JetBlue, Azul to Code Share.

Under a new code share agreement, Azul will place its code on JetBlue flights from Fort Lauderdale and Orlando to U.S. cities including Boston and New York. Azul founder and Chairman David Neeleman also founded JetBlue. Azul operates nonstops to both Florida gateways from Sao Paulo and Recife, and in December will begin year-round Airbus A330 service from Belo Horizonte to Orlando and A320neo service from Belem to Fort Lauderdale. Azul has strategic partnerships with United, Hainan and TAP. Neeleman is involved in the launch of a U.S.-based charter tentatively called Azura.

3. Allegiant Plans Aircraft Base in Indiana.

Allegiant will establish its 14th base of operations at Indianapolis International in February, with a \$40 million investment. Two Airbus aircraft will be housed at the airport and the company is hiring pilots, flight attendants, mechanics and ground personnel at “average salaries more than 85% above the state's average wage.” The Indiana Economic Development Corporation offered Allegiant up to \$1,000,000 in conditional tax credits based on the job creation plans. The airport serves 8.5 million travelers annually and is home to the second-largest FedEx Express operation. Las Vegas-based Allegiant serves 23 routes from four Indiana cities—Indianapolis, South Bend, Fort Wayne and Evansville—of which 17 are non-competitive. . . . Allegiant announced plans for Sunseeker Resorts, including the inaugural development, a hotel/condo resort in Charlotte County, on the Florida Gulf Coast.

4. Delta, ExpressJet Terminate Contract.

Atlanta-based ExpressJet agreed “to initiate the wind-down of its remaining dual-class flying agreement under the Delta Connection brand.” The agreement, which includes 28 Bombardier CRJ900s and 33 Bombardier CRJ700s, was scheduled to expire in 2019. Aircraft financed by Delta, including all CRJ900s, will be returned to Delta for use by Minneapolis-based Endeavor, which announced it will expand its network, increase its fleet to 154 aircraft by July 2018, and open a CRJ-900 crew base in Atlanta in October; Endeavor will continue to operate its CRJ-900 base in Minneapolis but will

close its CRJ-200 crew base there. . . . ExpressJet is a subsidiary of SkyWest, which remains a Delta Connection airline, along with Compass, GoJet, Endeavor and Republic. Chip Childs is CEO of ExpressJet, which formerly was known as Atlantic Southeast Airlines or ASA. . . . Under a new agreement with American Airlines, ExpressJet will transition eight additional CRJ700s to its American Eagle operation during second quarter 2018. . . . ExpressJet secured a five-year extension of its United Embraer ERJ145 contract, effective January 1, 2018-December 31, 2022.

5. CommutAir Accelerates Turboprop Fleet Retirement.

CommutAir announced a Memorandum of Understanding (MOU) with United to add 21 Embraer ERJ145s to its existing contract to fly 40 jet aircraft under the United Express brand. The jets will replace Bombardier Dash-8 turboprops by January 2018. Under the MOU, CommutAir plans to continue accepting ERJ145s through 2019 until 61 jets have been inducted and offer “an improved and attractive hiring incentive program for pilots.” CEO Subodh Karnik said CommutAir will triple in size by 2019 as we “pursue our vision of becoming United’s regional airline partner of choice.” United holds a 40% stake in CommutAir, with remainder held by Champlain Enterprises. CommutAir operates 900 weekly flights to 30 destinations, from Newark and Washington Dulles.

6. Frontier Pilots Conducting Strike-Authorization Ballot.

Frontier pilots are conducting a strike-authorization ballot from August 22 to September 8. Air Line Pilots Association (ALPA) opened contract negotiations with Frontier in March 2016. The parties have been working with a federal mediator since October 2016.

7. Midwest Express Revival Planned.

An attempt to start an airline using the Midwest Express name is under way by Wisconsin-based partners who are seeking investors. The carrier was taken over by Republic, then Frontier, and the Midwest name was dropped. A flymidwestexpress.com website suggests Midwest Express will take off from Milwaukee’s Mitchell International with “the great service, comfortable seating and chocolate cookies” of its “iconic” forerunner.

8. Qatar, LATAM to Code Share.

oneworld partners Qatar and LATAM initiated a code share agreement for LATAM routes between Sao Paulo Guarulhos and 25 cities across Brazil including Rio de Janeiro, Salvador, Campo Grande, Foz do Iguacu and Recife. Qatar will begin service to Rio de Janeiro in 2018, and in February began cargo services to Sao Paulo, Buenos Aires and Quito.

9. **ALTA Names New Executive Director.**

Latin American and Caribbean Air Transport Association (ALTA) named Luis Felipe de Oliveira as Executive Director. He spent 10 years with IATA, where he specialized in fuel, airports and air traffic control issues. In 2015, he joined World Fuel Services as Vice President of Supply Development for Latin America and the Caribbean.

10. **JetBlue, airberlin Partnership.**

See Section VIII, item 2.

11. **Another European Carrier Offers Cheap Flights to U.S.**

See Section VIII, item 4.

12. **American Adds Flights to Europe.**

See Section VIII, item 5.

13. **Delta Orlando-Amsterdam Nonstop Begins March 30.**

See Section VIII, item 6.

14. **British Airways London-Nashville Flights Begin Next May.**

See Section VIII, item 7.

15. **Qatar Airways Opts Out of Stake in American Airlines.**

See Section IX, item 3.

16. **American to Launch Daily Los Angeles-Beijing Service.**

See Section IX, item 5.

17. **Delta to Deploy A350 on Asian Routes.**

See Section IX, item 6.

18. **Alaska, Singapore to Code Share.**

See Section IX, item 7.