



## WASHINGTON AVIATION SUMMARY

April 2017 EDITION

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

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## **I. REGULATORY NEWS**

### **1. IATA Supports Creation of Non-Profit Entity to Manage U.S. Skies.**

The International Air Transport Association (IATA) “supports the creation of an independent, corporatized non-profit entity to manage U.S. skies,” CEO and Director General Alexandre de Juniac told the U.S. Chamber of Commerce Aviation Summit in Washington. Among other remarks, the former head of Air France urged the U.S. to “dramatically” reduce the tax burden on travel, and applauded the “intention to invest \$1 trillion dollars to improve transportation infrastructure.” de Juniac urged the Administration to support successful implementation of the Carbon Offset and Reduction Scheme for International Aviation (CORSIA), agreed to by governments, including the U.S., at the 39th Assembly of the International Civil Aviation Organization (ICAO). He expressed concern about recent U.S. developments “that point to a future of restricted borders and protectionism” and said “IATA will be a strong voice in favor of the power of connectivity and trade.” He called for airlines and governments “to innovate together” on issues of safety and security. On the subject of airport privatization, he noted, “With the possible exception of San Juan airport in Puerto Rico, we have not seen a privatized airport fully deliver on expectations anywhere in the world. Airports are monopolies. When they are in private hands, the pressure to maximize shareholder returns too often outweighs the core objective of delivering user/consumer benefits. Private sector involvement in funding infrastructure improvements needs to be balanced by regulatory innovation to protect national and consumer interests.”

### **2. Trump Budget Removes ATC from FAA.**

The Trump Administration FY 2018 “America First” budget sent to Congress includes a 13% decrease in the Department of Transportation (DOT) budget. It moves responsibility for air traffic control (ATC) from the Federal Aviation Administration (FAA) to an independent, non-governmental organization and eliminates funding for Essential Air Service. Newly appointed DOT Secretary Elaine Chao said “proposed savings are largely geared towards future program investments, so they will not have an immediate direct impact on our DOT colleagues.” Office of Management and Budget said the strategy behind the DOT savings is to move money out of existing, inefficient programs and hold these funds for more efficient programs to be included in the infrastructure package under development, noted Chao. . . . The Department of Homeland Security (DHS) budget would increase by 6.8%, primarily to intensify immigration enforcement. Transportation Security Administration (TSA) funding reportedly would be cut by 11% to \$4.5 billion. The passenger security fee would

be raised from a current \$5.60 per one-way trip to \$6.60 “to recover 75% of the cost of TSA aviation security operations.” Also, “unauthorized and underperforming programs administered by TSA” would be eliminated or reduced, including Visible Intermodal Prevention and Response, Behavior Detection Officer, and Federal Flight Deck Officer programs and TSA grants to state and local jurisdictions that patrol airports.

**3. DOT Suspends Comment Periods for Proposed Transparency Rules.**

DOT suspended the comment period on two rules proposed by the Obama Administration to allow the new Administration’s appointees “the opportunity to review and consider these actions.” Comments on the Transparency of Airline Ancillary Service Fees proposal, published January 19, had been scheduled to close March 20. The comment period on Request for Information Exploring Industry Practices on Distribution and Display of Airline Fare, Schedule, and Availability Information, published October 31, 2016, had been extended to March 31. Airlines called for the suspensions, arguing that the rules allow government to dictate how they sell and distribute products and services, and interfere in their relationship with distribution partners. Travel Technology Association countered that consumers want transparency in fare and schedule information and ancillary fees, and urged DOT to live up to its mandate on consumer protection. In related news, the compliance date for airlines to report data on mishandled scooters and wheelchairs was extended to January 1, 2019, following a request from airlines.

**4. Jeffrey Rosen Nominated as DOT Deputy Secretary.**

President Trump nominated attorney Jeffrey Rosen to be DOT Deputy Secretary. He served as General Counsel at DOT from 2003 through 2006, and as General Counsel and Senior Policy Advisor for the Office of Management and Budget from 2006 through 2009.

**5. Delta Fined \$90,000 for Tarmac Delay Violations.**

Delta agreed to a \$90,000 fine for failing to provide food during four lengthy tarmac delays in New York and Atlanta in July. The carrier failed to adhere to assurances in its contingency plan for lengthy tarmac delays that it would provide adequate food and water no later than two hours after an aircraft leaves the gate if the aircraft remains on the tarmac, said DOT. Water was provided during each of the delays, none of which lasted longer than three hours without allowing passengers to deplane. The delays were due to thunderstorms.

**6. DOT Grants Delay of American’s Los Angeles-Beijing Launch.**

DOT granted American Airlines a six-month delay to begin daily Los Angeles-Beijing nonstops, until September 16 or 90 days after obtaining commercially

viable slots at Beijing, whichever comes first. DOT rejected an objection to American's request filed by Delta, which had vied for the route.

**7. FAA Urges Collaboration on NAS Future.**

FAA Administrator Michael Huerta told the Chamber of Commerce Aviation Summit that this is the right time to discuss alternative approaches to National Airspace System (NAS) matters and ask critical questions: "when our aviation community is strong and our system is being safely and effectively modernized through our NextGen initiatives." Among other comments: The term "aviation" no longer can be defined as conventional aircraft flying from Point A to Point B as seamlessly as possible. New users, from small unmanned aircraft to commercial rocket launchers, want FAA to allow them to fly when and where they want, safely and efficiently. In 10 years, new operators might include an airborne version of Uber or Lyft, and space tourists may be taking daily suborbital flights from spaceports across the country, along heavily traveled transcontinental commercial routes. New users of the airspace with aircraft that are unmanned do not pay fees today. Those who carry freight versus people pay varying charges. And, business aircraft pay widely varying charges while flying many of the same routes to the same destinations as commercial aircraft. The former private sector executive called for "a steady and reliable funding source, access to capital for infrastructure projects and flexibility to utilize the funds in our accounts where needed." Huerta was sworn into office in January 2013 for a five-year term.

**8. Record Airline Traffic in 2016.**

U.S. and foreign airlines serving the United States carried a record high of 928.9 million systemwide scheduled service passengers in 2016, reports DOT, 3.5% more than the previous record high of 897.9 million reached in 2015. There was a 3.3% rise in passengers on domestic flights (719 million in 2016) and 4% growth in passengers on U.S. and foreign airlines' flights to and from the U.S. (209.9 million in 2016). Southwest carried more total system passengers in 2016 than any other U.S. airline. American carried more passengers on international flights to and from the U.S. in 2016 than any other U.S. or foreign carrier. British Airways carried the most passengers on flights to and from the U.S. of any foreign airline.

**9. NTSB Leadership Changes.**

Christopher Hart's term as Chairman of the National Transportation Safety Board (NTSB) has concluded. Vice Chairman Bella Dinh-Zarr served as Acting Chairman through the end of March; Hart will remain as a Member. Robert Sumwalt was nominated to be a Member of NTSB for a five-year term, and to be designated Vice Chairman for a term of two years. Currently, Sumwalt is

serving as acting Chairman. He has been a Member since 2006 and served as Vice Chairman from 2006 to 2008. The five NTSB board members are nominated by the President and confirmed by the Senate to serve five-year terms. One Member is designated by the President as Chairman and another as Vice Chairman for two-year terms. The Chairmanship requires separate Senate confirmation. When there is no designated Chairman, the Vice Chairman serves as Acting Chairman.

**10. DOT Air Travel Consumer Report for January.**

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

	Jan. '17 / '16	Dec. '16	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	76 / 81.3	75.6	81.4	79.9	76.2	78.34	81.85
Cancellations %	2 / 2.6	1.6	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	3.40 / 3.32	3.58	2.70	3.13	3.61	3.22	3.09
Consumer complaints:							
Airline service	1,651 / 1,698	1,726 / 58	17,904 / 862	20,175 / 944	15,539 / 784	13,176 / 683	15,338 / 741
Disability-related	75 / 79	5	94	65	68	79	99
Discrimination**	12 / 8						

Note: In January, airlines reported 30 tarmac delays of more than three hours on domestic flights and 12 of more than four hours on international flights; 14 of the domestic delays and eight of the international occurred at Fort Lauderdale-Hollywood International on January 6 due to a security incident in which five people were killed and six wounded.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. ACI-NA: U.S. Airport Infrastructure Needs at \$100 Billion.

A new report released by Airports Council International-North America (ACI-NA), “Airport Infrastructure Needs: 2017-2021,” estimates that U.S. airports have a collective funding need of \$99.9 billion over the next five years, or nearly \$20 billion per year, more than double funding currently available through annual airport-generated net income, passenger facility charge user fee revenue, and Airport Improvement Program grants. This is a 32% increase since the last ACI-NA estimate, released in 2015; infrastructure needs at large, medium, and small hub airports that enplane 99.8% of U.S. passenger traffic have increased nearly 42% in just two years. Among key findings from the report, terminal projects represent 54.1% of overall airport infrastructure needs, landside 24.7% and airside 21.1% of total needs.

### 2. DOT Awards Mexico City, New York Kennedy Slots.

DOT issued a show cause order to allocate 24 Mexico City and four New York Kennedy slot pairs, to Alaska, JetBlue, Southwest, Volaris, VivaAerobus and Interjet. The slots were surrendered by Delta and AeroMexico as a condition of antitrust immunity for their joint venture.

### 3. \$1 Billion Reagan National Project Set to Begin.

Metropolitan Washington Airports Authority (MWAA) kicked off Project Journey, “a campaign surrounding the planned \$1 billion, multi-year capital improvement project that will transform the passenger experience at Reagan National Airport.” Scheduled to mobilize in summer 2017, the project will occur in two concurrent phases. Construction of two security checkpoints that fully connect the concourse level of Terminal B/C to airline gate areas is planned to open in 2020, while buildout of an enclosed commuter concourse to replace the 14 outdoor gates currently serviced by buses is scheduled for completion in 2021. Passenger areas designed to serve 15 million passengers annually are handling 23 million today, said MWAA, which also operates Dulles International.

### 4. Chicago Midway Modernization Underway.

The final phase of a \$250 million modernization plan for Chicago-owned Midway International was approved. Midway Partnership, comprised of Vantage Airport Group, SSP and Hudson Group, will develop, operate and manage expanded concessions, expected to bring an “additional \$10 million in sales tax revenue to City of Chicago.”

**5. Bill Would Establish Independent Airport Corporation for Hawaii.**

A bill in the Hawaiian legislature would establish an independent airport corporation under Hawaii DOT, with responsibility for planning, management, marketing and capital development functions currently distributed among several agencies. Hawaiian Airlines said the Airport Corporation “as envisioned in HB1443 would remove the impediments that have delayed the completion of Honolulu's Airport modernization program for more than a decade, creating a vastly improved transportation experience.” In other news, construction began on a \$75 million expansion project at Ellison Onizuka Kona; more than three million passengers use KOA annually.

**6. Drones Monitor Runway Conditions at Atlanta.**

Hartsfield-Jackson Atlanta is using drones to monitor runway conditions, in an effort to obtain accurate surveys of areas set to undergo changes in the ongoing \$6 billion ATLNNext construction project. An earlier FAA waiver allowed drone flights above the airspace to capture data and imagery of airport garages scheduled for reconstruction.

**7. Brazil Privatizes Four Airports.**

Fraport placed the top bids in Brazil's auction for Fortaleza's Pinto Martins International, in the federal state of Ceara in the northeast, and Porto Alegre's Salgado Filho International, near Rio Grande do Sul. Along with the concession price, Fraport will pay a fixed fee amounting to 5% of the airports' annual revenue, and will be sole owner for 30 years at Fortaleza and 25 years at Porto Alegre. Vinci was awarded the concession for Magalhaes in Salvador, for a 30-year term. Zurich won the concession to operate Hercílio Luz Airport in Florianópolis, on the island of Santa Catarina in southern Brazil, for a 30-year term.

**8. HNA Acquires Majority Stake in Frankfurt Hahn.**

HNA Group acquired the 82.5% stake in Frankfurt Hahn held by the German state of Rhineland-Palatinate for €15.1 million, bringing the number of airports under the conglomerate's control to 14, and the first outside of China. Hahn operates 24 hours a day and is used mainly by cargo and low-cost carriers. HNA's German tender partner, ADC, is said to be buying the remaining stake in Hahn, which is owned by the state of Hesse.

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

#### **1. U.S., UK Restrict Personal Electronics on Certain Flights.**

Under new regulations announced by the Department of Homeland Security, U.S.-bound travelers from 10 airports, located in Amman, Cairo, Istanbul, Jeddah, Riyadh, Kuwait City, Casablanca, Doha, Dubai and Abu Dhabi, must place personal electronic devices larger than a cell phone in checked baggage. Necessary medical devices may remain in a passenger's possession after they are screened. "Evaluated intelligence indicates that terrorist groups continue to target commercial aviation and are aggressively pursuing innovative methods to undertake their attacks, to include smuggling explosive devices in various consumer items," said DHS. The UK took similar action, for flights from Turkey, Lebanon, Egypt, Saudi Arabia, Jordan and Tunisia. IATA estimates impact on scheduled passenger flights per week will be about 350 U.S. (2% of total international flights), and about 393 UK (2.7%). ICAO noted that incidents involving devices containing lithium batteries may be more easily mitigated in the cabin than in checked baggage; carriage of lithium-ion batteries as cargo on passenger planes is prohibited. . . . Emirates tweeted its inflight entertainment ad with a new title: "Who Needs Laptops Anyway?" and introduced free laptop and tablet handling on Dubai-U.S. flights that enables passengers to use them until just before boarding, when they "will be carefully packed into boxes, loaded into the aircraft hold, and returned to the customer at their U.S. destination." Etihad and Qatar are lending passengers laptops on U.S.-bound flights. . . . The ban "harms business traveler productivity, dampens demand for inbound U.S. travel and competitively advantages U.S. airlines and their alliance partners who have been pursuing protectionist strategies against the Middle East carriers," said Business Travel Coalition (BTC), noting that Abu Dhabi, a U.S. Customs and Border Protection preclearance center, is on the U.S. list, but not "severely security-challenged" Lagos, Nigeria, to which Delta flies non-stop. "TSA has implored travelers for years not to put valuables in their checked baggage because of theft and damage," added BTC; "trade secrets and other sensitive and valuable information stored on business travelers' laptops could be copied or stolen."

#### **2. IATA Calls for Alternatives to Electronic Carry-On Restrictions.**

In a speech to the Montreal Council on Foreign Relations, IATA chief Alexandre de Juniac said U.S. and UK measures to restrict carry-on of electronic items "are not an acceptable long-term solution to whatever threat they are trying to mitigate." Passengers and member airlines are asking valid questions, he said: Why don't the U.S. and the UK have a common list of airports? How can laptops be secure in the cabin on some flights and not others, including flights departing



from the same airport? And surely there must be a way to screen electronic equipment effectively? The process used to put in place the security measures was woefully lacking, he added. “There was no prior consultation and little coordination by governments.” “Airlines don’t want access to state secrets,” said de Juniac, who called for states to support ICAO in developing a Global Aviation Security Plan. IATA has long called for better information sharing and coordination on security measures among governments and with the industry.

**3. Violence at Paris Orly, New York Kennedy.**

A lone gunman was killed by French security forces at Paris Orly after he fired at police and attempted to use a soldier as a human shield. A gas canister, lighter and copy of the Quran were found in the backpack of the self-described Islamic extremist, who had a long criminal record. . . . New York Kennedy Terminal 5 baggage claim was the scene of an assault with a tire iron. Port Authority police said the victim was taken to the hospital and treated for cuts and bruises. The attacker was abducted; his criminal record included three years at Sing Sing Correctional Facility.

**4. Trudeau Airport Employees Said to be “Radicalized.”**

Canadian officials addressed media reports that Trudeau International employees with access to restricted areas showed signs of radicalization, in that they had visited pro-ISIL websites, published propaganda on social media, and consulted documents on how to make homemade explosives. Transport Canada said it verifies that airport workers do not pose a threat to the Canadian Aviation System before granting access to the restricted area of an airport, and those with access are verified daily in a police database. “When criminal activity is identified, we take immediate action and can suspend or revoke the clearance of an individual. As part of our ongoing security protocols, more than 1,100 clearances have been refused or cancelled at airports across the country over the past 2 years.” Aéroports de Montréal said it had not been informed of any specific threat, and clarified that employees who work in restricted areas must carry a special identity card, which requires a total security investigation and gives access to the working zone only. “In addition to being regularly investigated and monitored, every time they enter they are subject to a random search and have their identity confirmed by iris-reading or digital fingerprint. Employees who have temporary passes can access restricted areas under certain conditions: they are systematically searched whenever they need to enter, and are checked by the Airport Patrol.”

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

### **1. U.S. Travel Agency Ticket Sales, Fares Drop in February.**

Consolidated dollar value of airline tickets sold by U.S.-based travel agencies dropped 2.4% in February, compared to February 2016, totaling \$7.5 billion vs. \$7.7, said Airlines Reporting Corp. (ARC). Total fares decreased 1.5% to \$5.9 billion, compared to \$6 billion in 2016. Total transactions increased 4% compared to February 2016, but were down about 852,000 compared to January 2017. Electronic Miscellaneous Document (EMD) sales, for ancillary services, comprised nearly \$7 million, a 149% increase over 2016. EMD transactions increased 288% to more than 121,000 in February 2017 vs. nearly 31,000 in 2016. ARC settled \$86 billion worth of carrier ticket transactions in 2016, for 7,000 travel agencies with 12,000 points of sale.

### **2. United Jetstream Geared to Corporate, Agency Travel Management.**

United launched the first phase of an online portal for corporate and agency travel management, which provides customizable, on-demand reports on historic, current, and future-predictive performance, as well as access to weather waivers, product and service information, and policy updates. “United Jetstream was designed to put power in the hands of customers to solve service issues and access enhancements that previously required a call to sales support,” says the company.

### **3. Amadeus Technology Powers Air Canada’s New Website.**

Amadeus technology powering Air Canada’s new website, features “responsive design, improved booking flow [and] simple and intuitive search and shopping.” The Amadeus e-Retail platform powers websites for 100 airlines in 110 countries. . . . Emirates’ Saver, Flex and Flex Plus branded fares for Economy and Business cabins are now available in the Amadeus distribution channel. . . . Amadeus has partnered with Chinese travel search engine iGola, which helps travelers determine where to fly and when they can get the best pricing. Amadeus is also helping to develop iGolaFares, expected to launch this summer. Founded in 2014, iGola raised more than \$18.7 million in series A+ funding in December; George Zhang is CEO. . . . Online travel agency Logitravel has implemented technology from Amadeus partner FLYR, which helps travelers lock in the price of tickets before booking for a small fee. Amadeus Ventures, the corporate venture arm of Amadeus IT group, invests in start-ups like FLYR, Bluesmart, BookingPal, Yapta, Olset and Evature.

**4. Airbus, Routehappy to Present Cabin Features on Sales Channels.**

Airbus has teamed with Routehappy to help airlines present “unique Airbus offerings such as seat width, personal space, inflight entertainment, connectivity, and jetlag-friendly ambient lighting” to travelers searching for flights on all sales channels. Cathay Pacific, Emirates, Lufthansa Group and Singapore Airlines are launch partners. Airbus says a 2016 survey of 4,457 U.S. airline passengers found that 53% of leisure and 61% of business passengers note the type of aircraft on planned flights. Routehappy Hub is a cloud-based platform that helps airlines create, manage and distribute targeted product and ticket attribute content, in standardized formats UPA (Universal Product Attribute) and UTA (Universal Ticket Attribute) wherever flights are displayed.

**5. Lufthansa Extends Farelogix Direct Connect Relationship.**

Lufthansa Group agreed to extend and expand its direct connect solutions powered by Miami-based Farelogix. The Farelogix Airline Commerce Gateway is comprised of “fully integrated and optimized components for airline-controlled distribution, shopping, pricing, merchandising, and retailing across channels.”

**6. Gogo Biz 4G Receives STC Approval.**

Gogo Business Aviation received Supplemental Type Certification (STC) approval from FAA for its Biz 4G system; the company’s Bombardier Challenger was utilized for testing. Biz 4G provides an upgrade path to Gogo's Next Gen network, expected to produce speeds up to 100 Mbps (megabits per second). The Next Gen network, scheduled to launch in 2018, will use a proprietary modem, a new beam-forming antenna and unlicensed spectrum to produce that level of performance, and will leverage Gogo's North American network and infrastructure of 250 towers. Gogo has partnered with 16 commercial airlines and has installed in-flight connectivity technology on 3,000 commercial aircraft; 4,000 business aircraft are flying with its solutions.

## **V. ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on March 24 was \$60.6/barrel, down 9.2% on the month and up 26.1% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2017 was \$64.8/barrel. Impact on 2017 fuel bill was \$25.5 billion.

### **2. ICAO Council Adopts New CO2 Emissions Standard for Aircraft.**

The 36-State ICAO Council adopted a new CO2 emissions standard that will apply to new aircraft type designs from 2020, and to aircraft type designs already in production as of 2023. In-production aircraft which by 2028 do not meet the standard will no longer be able to be produced unless their designs are sufficiently modified.

### **3. Phoenix Sues FAA on Flight Path Changes.**

The U.S. Court of Appeals in Washington DC heard oral arguments on a City of Phoenix lawsuit against FAA over Sky Harbor flight path changes “abruptly” implemented in 2014 to streamline departures and arrivals using NextGen satellite-based navigation. Noise complaints have climbed from 200 in 2013 to 80,000. FAA made changes without notifying the community, said the City, which wants a full Environmental Assessment of the flight path changes, “as the agency should have done prior to moving the routes.”

### **4. DOT Releases National Transportation Noise Map.**

“More than 97% of the U.S. population has the potential to be exposed to noise from aviation and Interstate highways at levels below 50 decibels or roughly comparable to the noise level of a humming refrigerator,” according to the National Transportation Noise Map released by DOT. “Less than one-tenth of a percent of the population could potentially experience noise levels of 80 decibels or more, equivalent to the noise level of a garbage disposal.” The noise map is meant to facilitate tracking of trends in transportation-related noise, by mode, and collectively for multiple transportation modes.

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

### **1. House Hearing on State of U.S. Airports.**

The House Transportation Aviation Subcommittee held a hearing on “Building a 21st Century Infrastructure for America: State of American Airports,” in the lead-up to a bill that will reauthorize FAA. Subcommittee Chairman Frank LoBiondo (R-NJ) noted a perception that American airports are falling behind global competitors. In a 2016 Skytrax ranking, the best performing U.S. airport was Denver International, in 28th place. According to a 2015 FAA analysis, he added, nine of the country’s largest airports will be capacity constrained by 2030, even if all planned improvements are implemented. Available flights to smaller cities and rural communities are declining, decreasing connectivity and leaving airports with huge maintenance costs for oversized facilities. LoBiondo urged Congress to be mindful that airports need to plan for and be capable of handling future passenger growth, and remember the needs of smaller communities and those impacted by declining air service. Airport witnesses advocated to raise the passenger facility charge (PFC) cap.

### **2. Senate Hearing on Airport Infrastructure, Manufacturing.**

The Senate Commerce Aviation Subcommittee held a hearing titled “FAA Reauthorization: Perspectives on Improving Airport Infrastructure and Aviation Manufacturing.” Witnesses on the airport infrastructure panel discussed the funding of capital needs through the FAA Airport Improvement Program, federally authorized PFCs, and other mechanisms. Rhonda Hamm-Niebruegge, Director of St. Louis Lambert International Airport, which is considering privatization, advocated for an increased PFC, to \$6.50, to pay for upgrades not covered by federal grants. But Bob Montgomery, Southwest Airlines Vice President for Airport Affairs, said “there is simply no good justification to raise our customer’s tax and fee burden.” Subcommittee Chairman Roy Blunt (R-Mo.) noted that airport infrastructure is not keeping up with demand, congestion is growing and 24 of the top 30 major airports may soon experience “Thanksgiving-peak traffic volume” at least one day a week. He added that the American Society of Civil Engineers gave aviation infrastructure a “D” grade in its 2017 Infrastructure Report Card, i.e., mostly below standard, exhibits significant deterioration and condition and capacity are of serious concern. The Government Accountability Office cites estimates for planned capital improvements at airports over the next five years to range from \$32.5 billion to almost \$100 billion. . . . The second panel, on aviation manufacturing, discussed ways to improve FAA’s certification processes and foreign validation of FAA certificates.

3. **Bipartisan Effort to Pass SEAT Act.**

The Seat Egress in Air Travel (SEAT) Act was re-introduced in the House and Senate to enable rapid airplane evacuation in case of emergency and to help guard against deep vein thrombosis. The bill would establish minimum seat size on commercial airlines and minimum distance between rows. “Consumers are tired of being packed into airplanes like sardines while the airlines are cruising on record profits thanks to consolidation and super-low fuel prices,” said Senator Charles Schumer (D-NY). “The average distance between rows of seats has dropped from 35 inches before airline deregulation in the 1970s to about 31 inches today,” say the bipartisan proponents, while average width of an airline seat decreased from 18 inches to about 16 ½.

4. **Bill Would Improve Cybersecurity of Airplanes.**

The Cybersecurity Standards for Aircraft to Improve Resilience (Cyber AIR) Act was re-introduced in the Senate by Commerce, Science and Transportation Committee members Edward Markey (D-Mass.) and Richard Blumenthal (D-Conn.). The bill would require disclosure of information relating to cyberattacks on aircraft systems and establish standards to identify and address cybersecurity vulnerabilities to the U.S. commercial aviation system. The bill also seeks a report to study cybersecurity vulnerability of consumer wi-fi on planes. Companion legislation, the Security and Privacy in Your Car (SPY Car) Act, would implement and improve cybersecurity standards for cars.

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

### **1. UK Begins Two-Year Process of EU Exit.**

The UK sent formal notice of its intention to leave the European Union (EU) in 2019. Concerned about uncertainty on rules that will govern aviation between the UK and the remaining EU Member States (EU27), ACI Europe Director General Olivier Jankovec called for adequate contingencies to be established promptly in case the UK exits the EU without agreement on a future relationship, and urged negotiators to prioritize aviation and ensure the UK and EU aviation markets remain as closely integrated as possible post-Brexit. ACI noted that more than one in every two passengers (53.5%) handled by UK airports are flying to/from the EU27, and more than one in 10 (11.5%) handled by EU27 airports are flying to/from the UK.

### **2. FAA and Brazil Strengthen Partnership.**

A U.S.-Brazil agreement to implement Ground Based Augmentation Systems (GBAS) research and development was signed by FAA and Brazil's Department of Air Space Control. GBAS is an alternative to the traditional Instrument Landing System (ILS) used to provide precision approach guidance down to the runway threshold at airports in near-zero visibility conditions. "By working together, the United States' NextGen and Brazil's Sirius programs are leading to safer, more efficient and environmentally friendly aviation systems in not only both countries but around the globe," said Acting FAA Deputy Administrator Victoria Wassmer, at the IATA Wings of Change Conference at the first International Brazil Air Show in Rio de Janeiro. Sirius is the new Brazilian Synchrotron Light Source which will be the country's largest and most complex scientific infrastructure. . . . IATA released an Oxford Economics study, 'The Importance of Air Transport in Brazil,' at the conference, which shows that aviation and aviation-induced tourism support 1.1 million jobs and contribute \$32.9 billion to Brazil's GDP, equivalent to 1.4%. "With aircraft taking off or landing some two million times a year in Brazil, the air transport industry's value speaks for itself," said IATA. "But removing the artificial barriers that are holding back the industry in Brazil is paramount. Air transport contributes 3% of GDP in Chile, 3% in Ecuador and 2.1% in Colombia; at just 1.4% of GDP in Brazil there is considerable room for improvement." Those barriers include entry visa requirements, "fuel policies that artificially increase industry operating costs by \$560 million annually," and "restrictive rules covering baggage and airline tickets."

3. **Campaign Against Persian Gulf Airlines Intensifies.**

A coalition of airlines and unions ramped up its campaign against Persian Gulf airlines, as Emirates initiated Athens to Newark nonstops. In a letter to President Trump, which appeared as an ad in New York newspapers, Partnership for Open & Fair Skies urged the Administration “to protect 1.2 million American jobs [and] address trade violations by the United Arab Emirates (UAE) and Qatar” which they say have given “over \$50 billion in documented subsidies to their state-owned carriers—Emirates, Etihad Airways and Qatar Airways.” The group emphasized that Open Skies agreements, “when enforced, promote economic growth and benefits for airlines, workers and passengers.” The letter was signed by American, Delta and United, as well as pilot and flight attendant unions. . . . A similar letter sent by six Senators to DOT Secretary Elaine Chao and Secretary of State Rex Tillerson says the subsidies force “U.S. carriers to compete with foreign governments rather than foreign airlines.” The bipartisan letter maintains that since concerns were first raised in 2015, the size of the subsidies has increased; U.S. airlines have lost routes; overcapacity on these routes facilitated by the subsidies has made the flights commercially non-viable for unsubsidized carriers; and “Gulf carriers have begun targeting routes between the United States and Europe that would not be viable without their substantial government subsidies,” such as the Athens-Newark route. . . . “The Partnership cannot point to a single Delta, American or United widebody aircraft that has been parked or a single employee that has been furloughed due to competition with Gulf Carriers,” counter-charged Business Travel Coalition, and “there has been no U.S.-Greece year-round non-stop air service for five years because U.S. airlines have chosen not to offer it.”

4. **EU, South Asia Strengthen Ties in Civil Aviation.**

The EU and South Asian states launched a four-year project, managed by the European Aviation Safety Agency (EASA), to enhance safety, promote institutional and industrial links, and mitigate the environmental impact of aviation. The €7.5 million project, funded by the EU, will be implemented with Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. It will promote technical cooperation at the regional level and enhance EU-South Asia policy dialogue. South Asia has the highest forecast traffic growth of any region in the world over the next 20 years, said EASA.



## VIII. EUROPE AND AFRICA

### 1. EC Fines Cargo Carriers €776 Million for Price-Fixing.

The European Commission re-adopted a 2010 decision against 11 air cargo carriers and imposed a fine totaling €776 million for operating a price-fixing cartel. The original decision was annulled in 2015 by the General Court on procedural grounds. The companies fined were Air Canada, Air France-KLM, British Airways, Cargolux, Cathay Pacific, Japan Airlines, LAN Chile, Martinair, Qantas, SAS and Singapore. Lufthansa and its Swiss International subsidiary received full immunity from fines.

### 2. Lufthansa, Pilots Reach Accord.

Lufthansa and Vereinigung Cockpit “agreed on forward-thinking provisions for transitional payments, pension plans, the framework agreement on employment conditions and the collective wage agreement for the pilots of Lufthansa, Lufthansa Cargo and Germanwings.” The carrier “will not pursue a previously announced plan to staff 40 newly acquired aircraft outside the group-wide collective bargaining agreement.”

### 3. British Airways Begins New Orleans-London Heathrow Service.

British Airways began four weekly Boeing 787-8 nonstops between New Orleans and London Heathrow, with plans to increase to five weekly from October 30.

### 4. IAG Launching Low-Cost Transatlantic Airline.

International Airlines Group (IAG) will launch Level, a low-cost, long-haul airline, in June with Airbus A330 flights from Barcelona to Los Angeles, Oakland (San Francisco Bay Area), Buenos Aires and Punta Cana. Fares start from \$149 one way. Initially, Level will be operated by Iberia flight and cabin crew. “Level will become IAG’s fifth main airline brand alongside Aer Lingus, British Airways, Iberia and Vueling,” said CEO Willie Walsh.

### 5. Norwegian Adds Oakland-Copenhagen to Transatlantic Nonstops.

Norwegian began twice-weekly Boeing 787 service to Copenhagen from Oakland. The low-cost carrier also serves Oslo, Stockholm and London from Oakland. U.S. launches planned for this summer are Barcelona from Oakland, Los Angeles, New York Newark, and Fort Lauderdale; and Paris from Orlando. In other news, U.S.-based Norwegian flight attendants voted to join Association of Flight Attendants-CWA (AFA).

6. **Virgin Atlantic Begins Seattle Service.**

Virgin Atlantic began London Heathrow-Seattle flights. The carrier also began its route expansion from Manchester with flights to San Francisco and Boston; New York Kennedy begins in May.

7. **Wow Air Names Chicago as 10th North American Destination.**

Wow Air will begin four times weekly Airbus A321-300 Iceland-Chicago O'Hare service in July, with initial fares at \$99 and beyond-Reykjavik fares to 23 European cities at \$149. Other North American destinations are Miami, Pittsburgh, New York, Washington DC, Boston, Montreal, Los Angeles, San Francisco and Toronto.

8. **Alitalia Restructuring to Cut 2,000 Jobs.**

Alitalia plans to lay off more than 2,000 ground personnel and reduce flight crew salaries, as part of a restructuring plan unions say is unacceptable; a strike has been called for April 5. Alitalia, which is 49%-owned by Etihad Airways, expects to return to profit in 2019 by cutting €1 billion in non-labor costs and adopting a budget carrier model for short-haul flights. An Italian consortium led by Unicredit and Intesa Sanpaolo holds a 51% stake in the carrier.

9. **Fastjet Names New Chairman, CFO.**

Nico Bezuidenhout, CEO and interim Executive Chairman of fastjet and former CEO of both South African Airways (SAA) and its low-cost subsidiary Mango, announced the appointment of Rashid Wally as fastjet Non-Executive Chairman. Wally most recently was Mango Chairman and held senior positions with IBM. Former SAA accounting executive Michael Muller was named CFO of fastjet, which has cut costs and routes as it hopes to become "the first truly pan-African low-cost airline."

10. **UK Begins Two-Year Process of EU Exit.**

See Section VII, item 1.

11. **EU, South Asia Strengthen Ties in Civil Aviation.**

See Section VII, item 4.

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

### **1. Virgin Australia–HNA Alliance Gains Interim Approval.**

The Australian Competition and Consumer Commission granted interim authorization for an alliance in which Virgin Australia, HNA Aviation, Hong Kong Airlines and HK Express will coordinate services between Australia and mainland China and Hong Kong, for a minimum of 10 years. The proposed alliance will enable Virgin Australia customers to connect through Hong Kong to 13 mainland China destinations, and passengers of Hainan, Hong Kong, Capital and Tianjin airlines to connect to Virgin Australia's domestic and trans-Tasman network. Virgin Australia will begin five weekly Airbus A330-200 Melbourne-Hong Kong services on July 5, "expanding its international footprint into Greater China for the first time."

### **2. American To Take Equity Stake in China Southern.**

American Airlines intends to make a \$200 million equity investment in China Southern, with codeshare and interline agreements expected later this year. Most China Southern transpacific flights are positioned at Guangzhou, while American flies to Beijing and Shanghai from Chicago, Dallas Fort Worth and Los Angeles. American's passengers will be able to access 40 destinations beyond Beijing and 30 beyond Shanghai; China Southern passengers will gain access to 80 destinations beyond Los Angeles, San Francisco and New York Kennedy in North and South America.

### **3. Delta, Korean Air Joint Venture Planned.**

Delta and Korean Air plan a joint venture which, subject to regulatory approvals, would include cost and revenue sharing and schedule coordination. A combined network would serve 290 destinations in the Americas and 80 in Asia. This summer, Delta begins Atlanta-Seoul nonstops, and Korean Air adds a third Los Angeles-Seoul and second San Francisco-Seoul flight.

### **4. Air China Announces Summer Service Expansion.**

Air China frequencies from Beijing to Houston, New York, Los Angeles and Washington are increasing for the summer schedule. The Star Alliance carrier begins Shenzhen-Los Angeles service in May.

### **5. DOT Grants Delay of American's Los Angeles-Beijing Launch.**

See Section I, item 6.

## **X. AMERICAS**

### **1. American Announces New International Routes.**

American Airlines announced numerous new routes; international include Merida, Mexico, from Miami; Barcelona and Guatemala City from Chicago; and Amsterdam and Rome from Dallas-Fort Worth.

### **2. Delta Buys Additional Shares of Grupo Aeromexico.**

Delta increased its stake in Grupo Aeromexico to 36.2%, having acquired an additional 32% of outstanding capital stock for \$620 million, and holds options to acquire another 12.8% for a total of 49% of the outstanding shares. All conditions to completing the tender offer, including receipt of required regulatory approvals in Mexico, were satisfied, said Delta CEO Ed Bastian, another milestone “as we move toward implementing our joint cooperation agreement in the second quarter.” . . . In other news, Delta plans to begin daily Boeing 767-300 nonstops between New York Kennedy and Rio de Janeiro in December, subject to DOT approval. A strategic alliance with GOL will extend reach of this service to 23 destinations within Brazil and provide seamless connections at Antonio Carlos Jobim International in Rio.

### **3. United-Avianca Alliance in Legal Wrangle.**

United in February agreed to form a strategic alliance with Bogota-based Avianca and Avianca Brasil, both controlled by German Efromovich’s Synergy Group. Avianca’s second largest shareholder, Kingsland Holdings, sued United, Avianca and Efromovich, charging that Synergy clandestinely negotiated the alliance and an \$800 million loan. Avianca countersued Kingsland and board member Roberto Kriete in New York State Supreme Court, seeking to dismiss their claims. Kingsland is controlled by the Kriete family, which combined Taca with Avianca in 2010. United, Avianca and Avianca Brasil are members of Star Alliance.

### **4. Virgin America Brand Will Be Retired.**

The Virgin America brand will be retired in 2019, announced Alaska Air Group CEO Brad Tilden, but “the combined airline will adopt many of the brand elements that Virgin America enthusiasts love about their favorite airline, including enhanced in-flight entertainment, mood lighting, music and the relentless desire to make flying a different experience for guests. The goal is to create a warm and welcoming West Coast-inspired vibe.” Sir Richard Branson said, among several pithy comments, “Businesses come and go but beloved brands make lasting impressions and remain in your heart.”

**5. Hawaiian Airlines Pilots Ratify Contract.**

Hawaiian Airlines pilots ratified a new five-year, three-month contract that provides significant compensation increases and improved work rules. The new contract will harmonize the airline's bankruptcy-era pilot retirement programs, bringing all pilots under a single retirement plan by 2022, said Air Line Pilots Association, Int'l. Hawaiian reached new accords in 2016 with three labor unions and currently is in negotiations with flight attendants, whose contract became amendable in January.

**6. FedEx Seeks Cuba Launch Extension.**

Amid launch delays and capacity reductions by U.S. passenger carriers on Cuban service, FedEx has filed for a six-month extension, until October 15, to inaugurate scheduled, all-cargo air services. The only cargo carrier granted Cuban route authority, FedEx cited "inextricable dynamics," such as securing business relationships with service providers within limits of relevant Cuban regulations. FedEx was to have begun weekday operations between Miami and Varadero/Matanzas by April 15. Fort Lauderdale-based Silver Airways plans to suspend its service to nine Cuban airports in April and Frontier will end its daily flight to Havana from Miami in June, for reasons including overcapacity between Florida and Cuba. Despite these actions, travel officials say passenger traffic to Cuba is increasing. The Cuban government says the number of Americans who visited Cuba was up 125% in January, compared with January 2016.

**7. DOT Grants Delay of American's Los Angeles-Beijing Launch.**

See Section I, item 6.

**8. Air Canada Increases Transborder Network.**

Air Canada will resume daily year-round service between Montreal and Washington Dulles on May 1, and on June 23 will introduce daily summer service between Vancouver and Boston. This year the carrier has launched new non-stop U.S. services from Montreal to Dallas-Fort Worth; Toronto to San Antonio, Memphis and Savannah; and Vancouver to Dallas-Fort Worth and Denver.

**9. British Airways Begins New Orleans-London Heathrow Service.**

See Section VIII, item 3.

**10. IAG Launching Low-Cost Transatlantic Airline.**

See Section VIII, item 4.

11. **Norwegian Adds Oakland-Copenhagen to Transatlantic Nonstops.**  
See Section VIII, item 5.
12. **Virgin Atlantic Begins Seattle Service.**  
See Section VIII, item 6.
13. **Wow Air Names Chicago as 10th North American Destination.**  
See Section VIII, item 7.
14. **American To Take Equity Stake in China Southern.**  
See Section IX, item 2.
15. **Delta, Korean Air Joint Venture Planned.**  
See Section IX, item 3.
16. **Air China Announces Summer Service Expansion.**  
See Section IX, item 4.