



## 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. **Alexandre de Juniac Takes Reins at IATA.**

Alexandre de Juniac has officially taken on the role of Director General and CEO of the International Air Transport Association (IATA). The former CEO of Air France-KLM succeeds Tony Tyler, who led IATA from 2011 and had announced his retirement. In his keynote speech at the IATA World Financial Symposium, in Singapore, de Juniac said the airline industry is forecast to deliver a record net profit of \$39.4 billion this year, with significant variations among regions. Among potential risks are: a sudden rise in oil prices; an increase in terrorism aimed at aviation and air travel; a sharp economic downturn; and a retreat from principles of free trade by one or more major economies. “Uncertainty is ahead of us. I am a big believer in speed and innovation. We cannot know the future. But we need to be prepared to react quickly when the environment changes. That’s not easy for any business—and it is a real struggle for process-driven industries like air transport.” A High Performance Organizations (HIPO) initiative was adopted to help industry financial departments.

### 2. **DOT Issues Final Order Awarding U.S.-Tokyo Haneda Slots.**

The U.S. Department of Transportation (DOT) issued a final order confirming its allocation of five daytime slot pairs for daily scheduled combination service between the U.S. and Tokyo Haneda Airport as follows: 1) one slot pair to American for Los Angeles-Haneda; 2) two slot pairs to Delta for Los Angeles-Haneda and Minneapolis/St. Paul-Haneda; 3) one slot pair to Hawaiian for Honolulu-Haneda; and 4) one slot pair to United for San Francisco-Haneda. DOT also awarded backup authority for Delta’s Minneapolis/St. Paul-Haneda service and to American for service from Dallas/Fort Worth. The daytime slots become available on October 30, per an amendment to the U.S.-Japan Open Skies agreement.

### 3. **IATA Seeks Antitrust Immunity to Address Blocked Funds in Venezuela.**

IATA filed a request for antitrust immunity with DOT to allow airlines to discuss options to maintain connectivity to Venezuela in light of the Venezuelan government’s continuing refusal to release \$3.8 billion in airline funds, in “an escalation of the industry’s efforts to find a solution to this untenable situation,” said IATA chief Alexandre de Juniac. “The economic situation in Venezuela is grave [and] the intention is not to do anything that is anti-competitive. Our member airlines seek to explore a global solution allowing them to keep Venezuela connected to the world and do business normally in a country that

is not meeting its international obligations.” International airline capacity is down 61% from its peak in 2013 in Venezuela. . . . In related news, airlines operating to Egypt have been unable to repatriate foreign exchange funds since March. IATA said discussions have resulted in release of \$240 million for repatriation and continue towards establishing “a realistic and achievable payment schedule to settle the remaining amount.” Nigeria also continues to block repatriation of international airline revenues.

**4. FAA Issues Guidance on Recalled Samsung Galaxy Note 7 Devices.**

The Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA) and airlines worldwide took precautions regarding the Samsung Galaxy Note 7, which contains a lithium-ion battery that can overheat and catch fire. Samsung has recalled the device. FAA issued guidance to airlines: U.S. hazardous material regulations prohibit air cargo shipments of recalled or defective lithium batteries and lithium battery-powered devices, and passengers may not turn on or charge the devices when they carry them on board a plane. Passengers must also protect the devices from accidental activation, including disabling features that may turn on the device, such as alarm clocks, and must not pack them in checked luggage. . . . FAA issued an emergency order to restrict and prohibit Braille Battery of Sarasota, Fla., from offering to transport by air any lithium ion battery not in compliance with hazmat rules, and will fine the company up to \$179,933 for each violation of the order. FAA “determined that Braille Battery’s overall conditions and practices constitute an imminent hazard.”

**5. FAA’s Drone Advisory Committee Convenes.**

“Unmanned aircraft have gone from being a niche interest to an actual segment of aviation that’s growing at an unprecedented pace,” FAA Administrator Michael Huerta told Aero Club of Washington. “Three years ago, drones were—pardon the expression—barely a blip on our radar [and now] more than 550,000 users have registered. To put that in perspective, we only have 320,000 registered manned aircraft—and it took us 100 years to get there.” While addressing usefulness of drones, Huerta noted numerous reports of drones interfering with wildfire operations, flying too close to airplanes and airports and a drone crashing into Arthur Ashe Stadium during a U.S. Open. . . . In remarks at the first meeting of the Drone Advisory Committee (DAC), formed to support safe introduction of drones into the National Airspace System, officials said 14,000 people have applied for the pilot examination, leading FAA to forecast 1.3 million licensed drone pilots by 2020. . . . The unmanned cargo aircraft (UCA) market could be worth \$474 million this year due to rapid increase in technological innovation and private investment, according to the Unmanned Cargo Aircraft Market report.

**6. FAA Technical Panel Recommends Increased Cybersecurity.**

An FAA advisory committee adopted language that requires cybersecurity protections to be incorporated in all future industrywide standards, including aircraft design, maintenance practices and flight operations, reports the *Wall Street Journal*. The program management committee of RCTA (Radio Technical Commission for Aeronautics) called on manufacturers to adopt a layered approach to aircraft security risk mitigation for software and hardware.

**7. DOT Air Travel Consumer Report for July.**

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

	July '16 / '15	June '16	Full Year				
			2015	2014	2013	2012	2011
On-time arrivals %	75.2 / 78.1	78	79.9	76.2	78.34	81.85	79.6
Cancellations %	1.9 / 0.9	1.0	1.5	2.2	1.51	1.29	1.91
Mishandled baggage*	3.32 / 3.16	2.82	3.24	3.61	3.22	3.09	3.35
Consumer complaints:							
Airline service	1,963 / 2,166	1,492	20,170	15,539	13,176	15,338	11,546
Disability-related	70 / 100	83	939	784	683	741	628
Discrimination**	8 / 8	6	65	68	79	99	128

Notes: Airlines reported 11 tarmac delays of more than three hours on domestic and 10 of more than four hours on international flights in July.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. Worldwide Airport Passenger Numbers Reached 7.2 Billion in 2015.

Airport passenger numbers rose 6.4% in 2015 to almost 7.2 billion with increases in all six regions, according to the Airports Council International World Airport Traffic Report, which includes data for 2,300 airports in 160 countries. Atlanta remains the busiest airport (100 million passengers, up 5.5% over 2014). The busiest international airports were Dubai (77.5 million, up 10.7%); London Heathrow (69.8 million, up 2.5%) and Hong Kong (68.1 million, up 8.2%). The busiest domestic airports were Atlanta (90.3 million, up 5.7%), Beijing (71.3 million, up 3.0%) and Chicago 65.9 million, up 11.2%) Worldwide airport cargo increased by 2.6% to 106 million metric tons, with Hong Kong and Memphis ranking first and second, with 4.5 and 4.3 million metric tons respectively. The busiest international airports (measured by international freight traffic) were Hong Kong (4.38 million metric tons, up 0.1%), Dubai (2.51 million, up 3.4%) and Incheon (2.49 million, up 0.6% over 2014); while Memphis, Louisville and Beijing topped the list of busiest domestic airports (measured by domestic freight traffic). Worldwide aircraft movements increased by 2% to 88.5 million, with Atlanta the busiest, followed by Chicago and Dallas/Fort Worth.

### 2. Expanded Sea-Tac Terminal for Alaska Airlines Approved.

Port of Seattle Commission approved the final design for renovation and expansion of Seattle-Tacoma's North Satellite terminal used solely by the airport's largest tenant Alaska Airlines. The \$636 million project will add eight gates to the 40-year-old terminal and a rooftop Alaska lounge. Construction will begin early 2017 with phase one complete in 2019 and full facility upgrade opening in 2021. Port of Seattle says Sea-Tac is the fastest growing large hub airport in the U.S. and the 13<sup>th</sup> largest domestic airport based on total passengers. Through July 2016, traffic is up 10%, after increases of 13% in 2015 and 7.7% in 2014. \$2 billion in near-term projects include a new International Arrivals facility.

### 3. Cleveland Hopkins Granted Funds to Improve Snow Removal, De-Icing.

FAA awarded Cleveland Hopkins \$8 million to construct housing for new snow removal equipment; DOT awarded the airport \$22 million in July to improve the snow removal fleet and reconfigure taxiways to improve sightlines for pilots and airfield crews. Lax snow removal last winter that caused unsafe conditions resulted in a \$735,000 fine, which FAA reduced to \$200,000 in recognition of significant improvements.

4. **IATA, Bangalore Collaborate to Improve Airport Processes.**

IATA and Bangalore International Airport Limited (BIAL) signed a Memorandum of Understanding (MoU) to enhance cooperation in airport operations, including security, passenger experience, cargo, airport development, consulting and training. The MoU was signed by Conrad Clifford, IATA's Regional Vice-President for Asia Pacific, and Hari Marar, BIAL's President for Airport Operations. The IATA Fast Travel initiative, Passenger Facilitation program and Smart Security are being considered as part of the MoU. By 2035, India's passenger traffic is forecast to exceed 400 million, more than double that of today. But, said Clifford, "for this potential to become reality, India's airports need to have the necessary infrastructure capacity while implementing efficient processes that embrace the latest technologies. . . . Speaking at the IATA World Financial Symposium in Singapore, Clifford urged governments to address dire aviation infrastructure needs in the Asia-Pacific market, burgeoning due in large part to explosive growth of low cost carrier activity.

5. **Dubai Airports to Build Record Number of A380 Gates.**

Dubai Airports will increase the number of Airbus A380 gates at Dubai International's Concourse C from three to 13, bringing total number of A380 gates at the airport to 47, more than any other airport in the world. Concourse C is used exclusively by Emirates and its partner Qantas. The project, expected to be completed by end of 2018, is part of Dubai's goal to increase capacity to 118 million passengers per year by 2023 without building additional major infrastructure, by boosting "throughput and enhancing service through the design and implementation of customer-centric processes and the application of smart technology." Concourse C will also undergo interior refurbishment.

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

#### **1. JIT Confirms Russian Missile Brought Down MH17.**

The Dutch led team probing the July 17, 2014 crash of Malaysia Airlines flight MH17 in eastern Ukraine confirmed that a Russian surface-to-air missile brought down the Boeing 777. The plane was en route from Amsterdam to Kuala Lumpur. All 283 passengers and 15 crew were killed; 196 passengers were Dutch nationals. Via intercepted phone calls, witness statements and other evidence, the Joint Investigation Team (JIT) concluded that the missile system, a BUK-TELAR, “was brought in from the territory of the Russian Federation and subsequently, after having shot down flight MH-17, was taken back to the Russian Federation.” The JIT, comprised of police and judicial authorities of the Netherlands, Australia, Belgium, Malaysia and Ukraine, said criminal indictments for those who gave orders for delivery of the missile and to shoot down MH17 are planned after further investigation.

#### **2. UN Resolution Counters Terrorist Threats to Civil Aviation.**

The UN Security Council adopted a resolution calling for countries to “strengthen, both individually and collectively, aviation security measures.” States were urged to apply International Civil Aviation Organization (ICAO) standards and recommended practices, tighten airport security, share information about possible threats, and share advance passenger lists.

#### **3. Unruly Passenger Incidents Rising.**

Reports of unruly passenger incidents onboard aircraft increased in 2015 to 10,854, said IATA, equating to one incident for every 1,205 flights, an increase from the 9,316 incidents reported in 2014 (or one incident for every 1,282 flights). Most incidents involved verbal abuse, failure to follow lawful crew instructions and other forms of anti-social behavior; 11% of reports indicated physical aggression towards passengers or crew or damage to the aircraft. Alcohol or drug intoxication was identified as a factor in 23% of cases, consumed mostly prior to boarding or from personal supply without knowledge of the crew. IATA Director General and CEO Alexandre de Juniac urged governments to ratify Montreal Protocol 2014, closing gaps in the international legal framework dealing with unruly passengers; to date six states have ratified the Protocol.

#### **4. Lufthansa First European Carrier to Join TSA PreCheck.**

Lufthansa became the first European airline to participate in the U.S. expedited screening initiative, TSA PreCheck.

**5. EC Proposes Single Certification System for Security Equipment.**

The European Commission (EC) proposed a single Europe-wide certification procedure for aviation security screening equipment, saying harmonized rules will help overcome market fragmentation, strengthen European Union (EU) competitiveness in the security industry, increase employment in the sector and contribute to improving aviation security.

**6. Cart System Scans Carry-Ons.**

Danish company Exruptive is testing a scanning system for carry-on baggage that reduces wait times. Passengers scan their boarding pass to collect a cart, on which bags and other carry-on items are loaded. They dock the cart into a scanner system, walk through the regular scanner and collect bags from the cart when they emerge. A touchscreen display on the cart directs them to the shortest security line. Tests with Technical University of Denmark indicated up to 600 passengers could be screened an hour, four times current averages, said Exruptive, which plans to introduce the system next year at Dubai International.



## IV. E-COMMERCE AND TECHNOLOGY

### 1. Qatar Airways to Be Global Flight Tracking Launch Customer.

Qatar Airways will be launch customer for a global aircraft tracking system from Aireon and FlightAware in 2018. GlobalBeacon<sup>sm</sup> is designed to provide permanent minute-by-minute global tracking of aircraft equipped with Automatic Dependent Surveillance-Broadcast (ADS-B). . . . In related news, the Australian Transport Safety Bureau confirmed that debris found off the coast of Tanzania in June is “the inboard section of a Boeing 777 right, outboard flap, originating from the Malaysian Airlines aircraft” that has been lost since March 8, 2014; the search for MH370 in the Southern Indian Ocean continues.

### 2. Delta Income Down \$150 Million Due to Tech Outage.

Delta said its August technology outage and subsequent operational recovery reduced September quarter pretax income by \$150 million—\$100 million in negative revenue impact from the outage and \$50 million in net costs of the outage. The three-day event caused cancellation of 2,300 flights.

### 3. Hawaiian, FedEx Testing Airborne Communications Technology.

Hawaiian and FedEx reportedly are conducting demonstration flights incorporating Inmarsat’s high Earth orbit satellites with advanced antennas and other onboard equipment supplied by Cobham, which promise to cut the cost, reduce the weight and increase capacity of communication systems connecting aircraft with satellites.

### 4. Sabre, Routehappy Collaborate.

Under a new agreement, Sabre will integrate airline content from Routehappy into its booking platforms. The collaboration will allow travel agents see Routehappy's “highly targeted, merchandising content by aircraft, class of service, airport, route and fare.” This is the first integration with a global distribution system (GDS) for Routehappy.

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on September 16 was \$55.1/barrel, down 3.9% on the month and down 8.7% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2016 was \$51/barrel. Impact on 2016 fuel bill was -\$24.3 billion.

### 2. **ICAO Assembly Debates Proposed Global Carbon Offset Scheme.**

The proposed Carbon Offset and Reduction Scheme for International Aviation (CORSA) is being considered at the 39th ICAO Assembly in Montreal. The proposal, if adopted, would represent the first global agreement to implement a global market-based measure (GMBM) for any individual sector. “The GMBM must focus on real emissions reductions (not revenue raising for governments), take into consideration differing circumstances of airlines based on maturity of markets, and not distort competition,” said IATA, adding that some 60 countries support the effort. The Assembly concludes October 7. . . . ICAO Secretary General Dr. Fang Liu and EU Transport Commissioner Violeta Bulc signed a Declaration of Intent renewing their partnership to address climate change. The cooperation was initiated in 2013 and supported a €6.5 million capacity-building and assistance project implemented in 14 countries in Africa and the Caribbean, which have submitted action plans on CO2 emission reduction activities to ICAO and begun mitigation measures.

### 3. **JetBlue Signs 10-Year Renewable Jet Fuel Purchase Agreement.**

JetBlue will purchase more than 33 million gallons of blended jet fuel per year for at least 10 years from SG Preston, “the largest, long-term, binding commitment by any airline globally for HEFA (hydro-processed esters and fatty acids) based renewable jet fuel.” The fuel will consist of 30% renewable jet fuel blended with 70% traditional Jet-A fuel. The renewable jet fuel portion produced from select plant oils is targeted to achieve a 50% or higher reduction in greenhouse gases emissions per gallon based on a life-cycle analysis. The carrier intends to supply New York-metropolitan area airports with renewable jet fuel. In its blended form, the total amount of renewable jet fuel JetBlue will purchase equals approximately 20% of its annual fuel consumption at New York Kennedy.

### 4. **KLM to Operate Biofuel Flights from Los Angeles**

KLM signed a three-year contract for the supply of sustainable biofuel for all of its flights at Los Angeles International. The biofuel will be produced by refinery

AltAir Fuels and supplied by SkyNRG. LAX and Oslo are the only airports that have incorporated biofuel into the regular refueling process, said KLM, which is involved in both initiatives.

**5. Virgin Atlantic Partner LanzaTech Produces 1,500 Gallons of AtJ.**

Virgin Atlantic partner LanzaTech produced 1,500 gallons of jet fuel from low carbon ethanol derived from waste industrial gases from steel mills. LanzaTech was produced in China at the Shougang demonstration facility, certified by Roundtable of Sustainable Biomaterials. The alcohol-to-jet (AtJ) process was developed in collaboration with Pacific Northwest National Lab (PNNL) with support from the U.S. Department of Energy and funding from HSBC. LanzaTech and Virgin Atlantic plan continuing work with Boeing and others to complete additional testing, with possible proving flight in 2017. “We can now truly imagine a world where a steel mill can not only produce the steel for the components of the plane but also recycle its gases to produce the fuel that powers the aircraft,” said officials.

**6. Lufthansa to Purchase Sustainable AtJ Fuel.**

Lufthansa signed a non-binding agreement with Gevo for the purchase of up to 40 million gallons of sustainable alcohol-to-jet fuel over five years, supplied by Gevo’s first commercial hydrocarbons facility, to be built in Luverne, MN. A binding agreement is expected to be completed in the next few months. The companies have been cooperating since 2014.

## VI. U.S. CONGRESS

### 1. Government Shutdown Averted, as Congress Clears Stopgap Funding.

A federal government shutdown was narrowly averted, as Congress passed a continuing resolution to extend current funding levels through December 9, then adjourned. Budget negotiations for fiscal year 2017 will resume when Congress returns after the November 8 election. (Authorization for FAA programs was extended in July and will expire next September.)

### 2. Congress Advances Cuban Airport Security Bills.

As commercial U.S.-Cuba air service resumed with JetBlue, American and Silver Airways flights from Florida, the House Homeland Security Committee passed the Cuban Airport Security Act of 2016, which would require TSA to conduct a security review of Cuban airports, including personnel vetting and training, screening equipment and use of canine units. . . . In the Senate, the Cuban Airport Security Act was introduced, which would “strengthen American security at airports in Cuba and on commercial flights between the two countries, and pause all commercial flights until a proper security assessment has been completed.”

### 3. Senators Wants “Cross-Cutting” TSA Strategy.

DHS Secretary Jeh Johnson told the Senate Homeland Security and Governmental Affairs Committee that aviation and airport security should continue to be TSA’s principal focus, after release of a DHS Inspector General recommendation that TSA develop and implement a strategy that informs decisions across all transportation modes, and a formal budget planning process that uses risk to help inform resource allocations. Senators introduced the Surface Transportation and Maritime Security Act, which “addresses deficiencies in TSA’s efforts to protect rail, transit, highway, and maritime passenger and freight transportation.”

### 4. House Passes Bottles and Breastfeeding Equipment Screening Act.

The House passed the Bottles and Breastfeeding Equipment Screening Act, which requires TSA to remind airlines and airport screeners that baby formula and breast milk are exempt from rules prohibiting containers holding over 3.4 ounces of liquids in carry-on bags. H.R. 5065 aims to end confusion at checkpoints.

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

### **1. U.S. Clears Commercial Aircraft Sales to Iran.**

The U.S. Treasury Department granted Airbus and Boeing licenses to sell commercial aircraft to Iran Air. The Boeing license covers the sale of 80 planes, while Airbus received a license for an initial sale of 17, part of a larger order announced in January for 118 Airbus aircraft. Airbus must obtain the export license because more than 40% of its parts are made in the United States. The Obama Administration gave the go-ahead, despite continuing U.S. sanctions against Iran and opposition from some members of Congress. The Treasury Department said the licenses contain strict conditions to ensure that the planes will be used exclusively for commercial passenger use and cannot be resold or transferred.

### **2. WTO Panel Finds EU Subsidies to Airbus Non-Compliant.**

A World Trade Organization (WTO) panel found that the EU did not come into compliance with respect to subsidies to Airbus previously found, and further breached WTO rules by granting more than \$4 billion in new subsidized financing for the A350 XWB. In total, reports the United States Trade Representative (USTR), “the panel found that there have been nearly \$22 billion in subsidized financing from the EU and Germany, France, the UK and Spain, and continuing lost U.S. exports worth tens of billions of dollars.” In June 2011, the WTO found that the EU conferred more than \$18 billion in subsidized financing to Airbus, and that European “launch aid” subsidies had been instrumental in permitting Airbus to launch every model of its large civil aircraft. In December 2011, the EU claimed to have removed the WTO inconsistencies, but the United States disagreed and requested a compliance panel to address the issue. Boeing officials said the new ruling “confirms that these illegal subsidies will now end [and] sets the stage for the United States to seek up to \$10 billion in annual retaliatory tariffs on EU imports.” Boeing stressed that “the final stages of the case against Airbus subsidies are independent of the European cases against the United States and that the EU needs to act now.” The EU claims that U.S. subsidies are responsible for the viability of Boeing’s large civil aircraft production, and the long-running dispute is expected to end eventually in a negotiated settlement.

## **VIII. EUROPE AND AFRICA**

### **1. European ATC Strikes Hit Million Minutes of Delay in 2016.**

As French authorities ordered airlines to cancel 15% of Paris flights to prepare for another air traffic controller strike, IATA announced that the strikes have caused one million minutes of delay across Europe this year and over 3,000 cancelled flights. IATA suggested that European states develop national airspace strategies, in consultation with airlines, which contain provisions for ensuring service continuity during periods of industrial action or equipment failure, and how they will modernize and reform their air navigation systems, adding that the Single European Sky project has languished without significant progress due to a lack of political will at state level.

### **2. Delta to Add Europe Service from New York, Boston.**

Next May, Delta will introduce seasonal nonstops from Boston Logan to Dublin and New York Kennedy to Lisbon. Flights to Berlin will resume with the launch of nonstops between Kennedy and Tegel Airport. All flights will operate in conjunction with Delta's joint venture partners Air France-KLM and Alitalia.

### **3. Delta, Air France-KLM Expand Cooperation With Jet Airways.**

Joint venture partners Delta and Air France-KLM expanded code sharing with India's Jet Airways, subject to government approvals. Effective October 30, Delta customers flying from the United States and Europe can connect to Jet Airways flights to Mumbai from Paris Charles de Gaulle, and to New Delhi and Mumbai from Amsterdam Schiphol, and on to 20 destinations within India. Jet Airways will code share on Delta's complete offering from and to 13 destinations in North America via Paris and on Air France's flights to 12 destinations in North America. Through Amsterdam, Jet Airways will code share to nine additional points to North America operated by Delta and KLM, bringing the total to 19 points. Jet Airways will also code share to 10 U.S. cities from Delta's U.S. hubs. Jet Airways will also continue to code share on KLM-operated flights to 30 European destinations beyond Amsterdam.

### **4. Norwegian Launches Flights from U.S. to Barcelona.**

Norwegian will launch new Boeing 787 service from four U.S. cities to Barcelona and add service from Oakland/San Francisco to Copenhagen. The Barcelona nonstops are from Fort Lauderdale, twice weekly from August 22; Los Angeles, twice weekly June 5 through August, then three weekly; New York Newark, twice weekly June 6 through August, then four weekly; and Oakland, twice weekly on June 7 through August, then three weekly. The new

twice-weekly Oakland to Copenhagen service begins March 28, with fares starting at \$179 one-way, including taxes. Upcoming routes from the U.S. include Las Vegas-London, October 31; Las Vegas-Oslo, November 1; and Fort Lauderdale-Guadeloupe, December 17.

**5. Lufthansa Group, Air China Sign Commercial Joint Venture.**

Lufthansa and Air China agreed to jointly operate all connections between Europe and China; the MoU was signed in 2014. The agreement extends to Lufthansa subsidiaries Austrian and Swiss and includes expanded code sharing, schedule coordination and common fares. The commercial joint venture is scheduled to begin at start of 2017 summer flight timetable. . . . In other Lufthansa news, informal talks with pilots ended without agreement after four years of negotiations and crippling strikes. Lufthansa presented a new offer, but it was rejected. . . . Lufthansa Supervisory Board approved acquisition of remaining 55% of SN Airholding, parent of Brussels Airlines; transaction close expected at start of 2017.

**6. Austrian Begins Service to Los Angeles.**

Austrian Airlines will begin seasonal Boeing 777 service between Vienna and Los Angeles on April 10, up to six times a week. The Lufthansa unit has also introduced flights to Chicago, Newark and Miami.

**7. IAG, Qatar Airways Sign Joint Business Agreement.**

Qatar Airways and International Airlines Group (IAG) announced a joint business agreement that includes code sharing on all nonstops between the between the UK and Doha “to offer customers a combined route network that will serve more than 70 destinations,” effective October 30. Both are oneworld members; IAG units are British Airways, Aer Lingus, Iberia and Vueling. . . . In other British Airways news, economy class passengers on short-haul flights will no longer receive complimentary snacks but may purchase food supplied by Marks & Spencer, as of January 11 from Heathrow and Gatwick, and by next summer from London City and Stansted. . . . British Airways resumed direct service to Tehran, with six weekly Boeing 777 flights from London Heathrow, “following the recent relaxation of sanctions, which opens up exciting new prospects for Iran as a tourist destination.”

**8. American to Offer Rome, Amsterdam Service from Dallas.**

American will begin daily seasonal nonstops from Dallas Fort Worth to Rome (Boeing 777-200) and Amsterdam (B767-300) in May. The carrier will receive about \$2 million from the airport for launching the routes, in an incentive program that includes \$1.50 per available seat mile and a 25% bonus if the

destination is among targeted international cities, reports *Dallas Business Journal*; incentives are based on type of aircraft used on the route.

**9. Finnair Adds San Francisco Service.**

Finnair will launch three weekly flights from Helsinki to San Francisco next year, the flag carrier's fourth U.S. destination (New York, Chicago and Miami). The seasonal service will be offered from June 1 to September 30. The airline will offer two flights in November for Bay area travelers to the Slush technology conference in Helsinki.

**10. Air China Offers First Direct Poland-Asia Service.**

Air China launched four weekly Airbus 330-200 flights from Beijing to Warsaw, the first direct service to Asia from Poland. Chopin Airport said 106,000 people traveled between China and Warsaw from June 2015 to May 2016, up 8.4% over similar period previous year.

**11. Emirates Executive Named oneworld CEO.**

See Section IX, item 1.

**12. EC Clears Acquisition of Gategroup by HNA.**

See Section IX, item 5.



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

### **1. Emirates Executive Named oneworld CEO.**

Rob Gurney will succeed Bruce Ashby as CEO of oneworld in October, after leaving Emirates where he served as Senior Vice-President Commercial Operations Americas; he formerly was with British Airways and Qantas. Ashby held the oneworld post for more than five years and announced in January that he would be stepping down.

### **2. Christoph Mueller Joins Emirates.**

Former Malaysia Airlines CEO Christoph Mueller has joined Emirates in the newly-created position of Chief Digital and Innovation Officer, reporting to CEO Tim Clark. The German national earlier headed Aer Lingus. . . . Emirates will introduce an advance seat selection fee on some Economy fares on October 3, with variations depending on flight duration. In a recent interview, Clark said advance seat selection benefits families and groups that want to sit together. The airline is introducing lower fare levels to induce people to travel, given terrorist activity and economic factors that impede demand, while considering fees for second bags and charging for better meals, he added.

### **3. American Launches Los Angeles-Hong Kong Service.**

American Airlines began Boeing 777-300ER nonstops between Los Angeles and Hong Kong. Los Angeles-Beijing service is planned to begin December 16, subject to regulatory approvals; Delta has also applied to serve the route.

### **4. Xiamen Rolls Out Seattle Service.**

Xiamen Airlines launched its first American route, with three weekly Boeing 787 Xiamen-Shenzhen-Seattle flights; from Seattle, passengers can fly onward to 61 destinations across the U.S., Canada and Mexico via Alaska Airlines. The service is a result of a meeting between Chinese and American leaders in 2015, said Xiamen Airlines Chairman and General Manager Che Shanglun. Fuzhou-New York and Xiamen-Los Angeles service will also be initiated. The airline says it operates the largest all-Boeing fleet in China and “has continuously shown a profit for 29 years, the longest period of reporting uninterrupted profits in Chinese civil aviation history.”

### **5. EC Clears Acquisition of Gategroup by HNA.**

The European Commission approved the acquisition of Swiss airline catering provider Gategroup by Chinese conglomerate HNA Group.

**6. WestJet, Hainan Announce Code Share**

Under a new code share agreement China's Hainan Airlines will place its code on WestJet-operated flights to and from Canadian destinations including Calgary, Toronto, Vancouver, Victoria, Kelowna, Prince George, Edmonton, Regina, Winnipeg, Ottawa, Montreal and Halifax. The arrangement builds on an interline agreement that has been in place since 2013.

**7. Air Canada to Launch Montreal-Shanghai Nonstops.**

Air Canada will begin daily, year-round Boeing 787-8 flights from Montreal to Shanghai on February 16, its first direct service to China from Montreal. Passengers can continue to Chinese destinations via Star Alliance partners Air China and Shenzhen Airlines, and Shanghai-based partner Juneyao Airlines. With this service, Air Canada will operate over 49 weekly flights to China, including 21 from Toronto and 21 from Vancouver. "China is Canada's second largest trading partner," said President and CEO Calin Rovinescu, "and Air Canada has invested more than \$1 billion in aircraft and equipment allocated to serve the Chinese market from our Canadian hubs." New nonstops beginning next summer include Toronto to Mumbai and Berlin; Montreal to Algiers and Marseille; and Vancouver to Taipei and Nagoya.

**8. Boeing: China to Be First Trillion-Dollar Aviation Market.**

Boeing projects demand for 6,810 new airplanes in China over the next 20 years, in its annual China Current Market Outlook, with estimated total value of \$1.025 trillion, which would make China the first trillion-dollar aviation market in the company's forecasts. Passenger traffic is expected to grow 6.4% annually during the period. China's growing e-commerce business, the largest in the world, will require 180 new freighters and 410 converted freighters.

**9. Cathay Pacific to Increase Boston, Vancouver Frequencies.**

Cathay Pacific service to Boston will increase to daily on March 26, with the addition of three weekly nonstops. Service to Vancouver also will increase, bringing total number of flights to the Canadian city to 17 per week.

**10. Delta Adds Trans-Pacific Service with Korean Air, Virgin Australia.**

Delta is adding daily Boeing 777-200LR service between Atlanta and Seoul Incheon on June 3, as it plans to expand its joint code share agreement with Korean Air in fourth quarter 2016, subject to government approvals. . . . Delta joint venture partner Virgin Australia plans to launch five weekly Boeing 777-300ER nonstops between Melbourne and Los Angeles on April 4, subject to regulatory approvals. The new flight complements existing twice-daily Los

Angeles-Sydney and daily Los Angeles-Brisbane services offered by Delta and Virgin Australia.

11. **Garuda Indonesia to Fly to U.S. via Tokyo.**

Garuda Indonesia hopes to resume operations to the United States from next year, now that FAA has upgraded Indonesia's safety rating to Category 1. The carrier would offer Boeing 777-300ER service to Los Angeles or New York via Tokyo Narita from Jakarta.

12. **ACCC Proposes Virgin Australia-Singapore Alliance Reauthorization.**

The Australian Competition and Consumer Commission (ACCC) proposed renewed authorization for the Virgin Australia-Singapore Airlines alliance for another five years. Initially authorized in 2011, the Star Alliance members' pact covers code sharing, reciprocal frequent flyer benefits and other cooperation. Public responses due by September 9.

13. **Delta, Air France-KLM Expand Cooperation With Jet Airways.**

See Section 8, item 3.

14. **Lufthansa Group, Air China Sign Commercial Joint Venture.**

See Section 8, item 5.

15. **IAG, Qatar Airways Sign Joint Business Agreement.**

See Section 8, item 7.

16. **Air China Offers First Direct Poland-Asia Service.**

See Section 8, item 10.

## **X. AMERICAS**

### **1. U.S.-Cuba Scheduled Flights Resume After 50 Years.**

Commercial U.S.-Cuba air service resumed for the first time in 50 years with JetBlue, American and Silver Airways flights from Florida to airports in cities other than Havana. . . . Several airlines announced December 1 start dates for Havana service, including Spirit, Delta and Frontier, while United's will start on November 29, and Alaska's on January 5; all subject to Cuban government approval. In August, DOT finalized allocations of 20 daily frequencies for Havana service to eight U.S. carriers: Alaska (Los Angeles, one daily); American (Miami, four daily and Charlotte, one daily); Delta (New York Kennedy, one daily, Atlanta, one daily, and Miami, one daily); Frontier (Miami, one daily); JetBlue (Fort Lauderdale, twice daily, once Saturdays, New York Kennedy, one daily, and Orlando, once daily); Southwest (Fort Lauderdale, twice daily, Tampa, once daily); Spirit (Fort Lauderdale, twice daily); and United (Newark, once daily, Houston, once Saturdays).

### **2. Isom Reorganizes American's Executive Team.**

American Airlines President Robert Isom announced a reorganization that includes commercial and operations teams, each led by three executives reporting directly to him. In August, Isom replaced Scott Kirby, who left to become President of United. Isom formerly was American's COO. . . . American reached tentative agreement on a new joint collective bargaining agreement for its Flight Simulator Engineers, represented by Transport Workers Union. . . . The company will name its new Fort Worth corporate headquarters for former CEO Bob Crandall, who is credited with creating the first frequent flyer program and who pioneered reservations systems through the creation of Sabre. . . . Republic Airways Holdings and American Airlines signed a single capacity purchase agreement that, among other things, prescribes flying commitments and obligations related to legacy American and US Airways pacts. . . . Pilot compensation will increase significantly at American's regional units Envoy, PSA and Piedmont.

### **3. United Reaches Tentative Agreement with Technicians.**

United reached a tentative six-year joint collective bargaining agreement with technicians, represented by the International Brotherhood of Teamsters. If ratified, technicians will be the final union group to agree to a joint contract since the United-Continental merger in 2010.

**4. Delta, Pilots Reach Agreement in Principle on New Contract.**

Delta and pilots reached an Agreement in Principle to amend their collective bargaining agreement, with assistance from the National Mediation Board. Air Line Pilots Association said the agreement “achieves the goal of advancing the profession while raising the bar for all airline industry pilots.”

**5. Southwest Progresses on Labor Talks.**

Southwest reached tentative agreements with pilots, flight attendants and facilities maintenance technicians. Pilots will vote on their proposed contract from October 8 to November 7. The five-year pact with facilities maintenance technicians would be the group's first contract since being accreted into the Aircraft Mechanics Fraternal Association.

**6. Alaska-Virgin America Merger Update.**

The date for close of proposed merger of Alaska Air Group and Virgin America was delayed to at least October 17, rather than previously planned September 30, to give the Department of Justice Antitrust Division additional time for review. International Association of Machinists and Aerospace Workers (IAM) announced its support for the merger, after receiving assurances that members would not be adversely affected.

**7. UPS Pilots' New Contract Includes Crew Rest Enhancements.**

UPS pilots represented by Independent Pilots Association ratified a new agreement that becomes amendable September 1, 2021. Key components include immediate increases of 14.65% and signing bonus in place of retroactive pay; 3% annual wage increase; enhanced pension benefits; crew rest enhancements, including reduced duty period limits for overnight and international flights; additional sleep facilities at major gateways; and sleep modules in UPS B767s.

**8. Delta to Add Europe Service from New York, Boston.**

See Section 8, item 2.

**9. Delta, Air France-KLM Expand Cooperation With Jet Airways.**

See Section 8, item 3.

**10. Norwegian Launches Flights from U.S. to Barcelona.**

See Section 8, item 4.

**11. Austrian Begins Service to Los Angeles.**

See Section 8, item 6.

12. **American to Offer Rome, Amsterdam Service from Dallas.**  
See Section 8, item 8.
13. **Finnair Adds San Francisco Service.**  
See Section 8, item 9.
14. **Emirates Executive Named oneworld CEO.**  
See Section IX, item 1.
15. **American Launches Los Angeles-Hong Kong Service.**  
See Section IX, item 3.
16. **Xiamen Rolls Out Seattle Service.**  
See Section IX, item 4.
17. **WestJet, Hainan Announce Code Share**  
See Section IX, item 6.
18. **Air Canada to Launch Montreal-Shanghai Nonstops.**  
See Section IX, item 7.
19. **Cathay Pacific to Increase Boston, Vancouver Frequencies.**  
See Section IX, item 9.
20. **Delta Adds Trans-Pacific Service with Korean Air, Virgin Australia.**  
See Section IX, item 10.
21. **Garuda Indonesia to Fly to U.S. via Tokyo.**  
See Section IX, item 11.