



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. **U.S. Airlines Report Net Profit of \$15.5 Billion in 2017.**

The 23 U.S. scheduled passenger airlines reported net profit of \$15.5 billion in 2017, up from \$14 billion in 2016, reports the Department of Transportation (DOT); \$4.6 billion in baggage fees and \$2.9 billion in reservation change fees accounted for 2.6% and 1.6%, respectively, of total operating revenue. . . . For the nine publicly traded U.S. passenger airlines, 7% year over year revenue growth was outpaced by a 9.9% rise in expenses, in first quarter 2018, reports Airlines for America (A4A). Cost increases were led by fuel and labor. Pre-tax earnings fell to \$1.9 billion, down from \$2.5 billion a year earlier.

2. **FAA Chief Dan Elwell Champions Innovation.**

“We’re building a bigger table—not just for traditional aviation stakeholders, but for the newest Silicon Valley start-ups,” said Federal Aviation Administration (FAA) Acting Administrator Dan Elwell, in a speech to the International Aviation Club in Washington. “The era of red tape strangling good ideas is over. American innovators are leading the charge to do things in a new way and government must keep up.” The former Air Force and American Airlines pilot noted challenges of technologies like Uber’s planned autonomous aerial taxi: “How do we safely integrate these new users into our already busy airspace? How do we harness technology to modernize the way we manage air traffic? How do we maintain the safety of our system without stifling innovation?” Regarding Brexit and its March 2019 deadline, Elwell said, “We’ve been certificating aircraft for decades. We know what agreements we need to have in place to ensure safe and efficient operations. We have clarity—we need focus. We must stay focused on minimizing disruptions and supporting a seamless transition.”

3. **Former FAA Administrator Jane Garvey Named Chairman of United.**

Jane Garvey was named Chairman of United Continental Holdings, having served as a board member since 2009; she replaces Robert Milton. The first female FAA Administrator (1997-2002) and United’s first female Chairman, Garvey currently is North America Chairman of Meridiam Infrastructure. “Jane steps into this critical role bringing with her decades of experience,” said United CEO Oscar Munoz; “she led the agency through its most critical moment during the events of September, 11, 2001, guiding it with the same sense of purpose and wisdom that has made her such a valued member of United’s board for many years.”

4. DOT to Amend Rules Concerning Service Animals on Flights.

In an effort to ensure access for individuals with disabilities “while also helping to deter the fraudulent use of animals not qualified as service animals,” DOT will amend its Air Carrier Access Act regulation and is seeking comment on an Advance Notice of Proposed Rulemaking on Traveling by Air with Service Animals. An interim statement of enforcement priorities regarding service animals was released to inform the public of intended enforcement with respect to “clear violations of the current rule that have the potential to adversely impact the largest number of persons.” . . . In related news, American Airlines changed its emotional support animal policy with input from disability groups. “We support the rights of customers, from veterans to people with disabilities, with legitimate needs for a trained service or support animal. Unfortunately, untrained animals can lead to safety issues for our team, our customers and working dogs onboard our aircraft,” said American, which experienced a 40% increase in animals brought onboard from 2016 to 2017. United hired American Humane to evaluate and improve in-cabin and cargo pet transport and “is identifying new policies and updating training and customer requirements.”

5. DOT OIG to Audit FAA Maintenance Oversight at Allegiant, American.

The DOT Office of Inspector General (OIG) changed the scope of an audit of FAA oversight of air carrier maintenance announced last June. Objectives now are to assess FAA’s processes for investigating allegations of improper maintenance practices at Allegiant and American Airlines. Specifically, the IG will (1) examine FAA’s independent reviews, complaints to the FAA hotline, and other sources to see whether inspectors conducting routine surveillance of Allegiant and American found similar discrepancies and (2) determine whether FAA ensures that Allegiant and American implement effective corrective actions to address root causes of maintenance problems.

6. DOT Names UAS Integration Pilot Program Participants.

DOT selected participants for the Unmanned Aircraft Systems (UAS) Integration Pilot Program to partner with FAA and the private sector “to safely explore the further integration of drone operations.” Over the next two and a half years, they will collect data involving night operations, flights over people and beyond the pilot’s line of sight, package delivery, detect-and-avoid technologies and reliability and security of data links between pilot and aircraft. The data will help DOT and FAA craft rules that allow more complex low-altitude operations, identify ways to balance local and national interests related to UAS integration, address security and privacy risks, and accelerate approval of operations that currently require special authorizations.” Selectees are Choctaw Nation, Oklahoma; City of San Diego; Virginia Tech, Center for

Innovative Technology; Kansas DOT; Lee County Mosquito Control District, Ft. Myers, FL; Memphis-Shelby County Airport Authority; North Carolina DOT; North Dakota DOT; City of Reno; and University of Alaska-Fairbanks. Private sector participants include Alphabet, FedEx, Intel, Qualcomm and Uber. . . . In other drone news, FAA is expanding an automated system that provides near real-time processing of airspace authorization requests for UAS operators. The beta test of the Low Altitude Authorization and Notification Capability (LAANC) will deploy the system incrementally at nearly 300 air traffic facilities covering approximately 500 airports. . . . And, at the request of the Department of Defense (DOD) and federal security and law enforcement agencies, FAA is establishing or modifying restrictions on operations over some DOD facilities.

7. DOT Air Travel Consumer Report for March.

Based on data filed by reporting carriers.

	March '18 / '17	Feb. '18	2017	2016	2015	2014	2013
On-time arrivals %	80.9 / 79.9	79.3	80.2	81.4	79.9	76.2	78.34
Cancellations %	2.8 / 1.7	1.7	1.5	1.2	1.5	2.2	1.51
Mishandled baggage*	2.59 / 2.24	2.72	2.46	2.70	3.13	3.61	3.22
Consumer complaints:							
Airline service	1,194 / 1,130	1,046	18,148	17,908	20,175	15,539	13,176
Disability-related	60 / 55	53	851	865	944	784	683
Discrimination**	9 / 4	4	98	95	65	68	79

Note: In March, airlines reported one tarmac delay of more than three hours on domestic flights, and none 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 Gates at Orlando South Terminal Approved.

Three new gates, which can accommodate up to six narrow body aircraft, will be added to the previously approved 16-gate Phase 1 configuration of the South Terminal Complex (STC) project at Orlando International. The Greater Orlando Aviation Authority (GOAA) approved an updated Capital Improvement Plan (CIP) that will total \$4.27 billion, covering this project, North Terminal equipment system updates, checkpoint expansion and ground transportation road enhancements, and will seek FAA approval to use Passenger Facility Charges (PFCs) to help fund the project. GOAA also authorized a Memorandum of Understanding (MoU) that provides for JetBlue to operate domestic and international flights from the STC; 12 other airlines with international service will operate from the first phase of the new STC. The Phase I expanded project is expected to open in 2021.

2. Chicago O'Hare Welcomes First A380.

Chicago O'Hare's first regularly scheduled Airbus A380 service began, with daily British Airways flights from London Heathrow. A new gate for Group VI aircraft has been added at Terminal 5, and plans are in place for a second larger gate, along with construction of new extra-wide runways that can accommodate the largest aircraft that fly today. . . . In other news, American opened five new gates at O'Hare, the first to be constructed at the airport in 25 years. The \$78 million construction project is in addition to the airline's new lounges and a planned new hangar and ground equipment maintenance facility.

3. Dallas Fort Worth Begins Runway Rehabilitation Project.

Dallas Fort Worth began rebuilding one of its busiest runways. Partial closure of Runway 17C/35C allows the southern portion to be used during daylight hours. Full closure begins in August, with completion in December. The airport worked with FAA and airlines to reduce time required to replace the center third of the runway, utilizing new construction techniques and taking advantage of seasonal air traffic patterns. Six other runways allow airlines to operate a full schedule of flights and significant delays due to the closure are not expected. The \$135 million project will include an updated pavement sensor system for measuring weather impact, and enhanced in-pavement lighting that improves safety of the runway and connecting taxiways. In addition, crews will build connected portions of the planned perimeter taxiway for the northeast side of the airport.

4. **Airlines Oppose Plan for Love Field Gates.**

In separate filings, Delta, Southwest and other airlines told a Texas federal judge they oppose a city of Dallas plan for awarding the 20 gates at Love Field. Currently, Southwest leases 16 of the 20 gates and subleases another two from United. Delta operates five daily flights from unused gate space. Under the proposal, Southwest and Delta would share gate space, allowing another carrier to use available gate space for a minimum of three years.

5. **NTSB Opens Docket for Air Canada Incident at SFO.**

The National Transportation Safety Board (NTSB) opened the public docket as part of its investigation of the July 7, 2017, Air Canada overflight of a taxiway at San Francisco International. The Airbus A320 was cleared to land on Runway 28R, but lined up on parallel taxiway C, where four airplanes awaited takeoff clearance. Air Canada flight 759 descended below 100 feet above the ground and initiated a go-around after overflying the first airplane on taxiway C. The docket contains no conclusions about how or why the overflight occurred, as the investigation is ongoing.

6. **Montreal Trudeau Plans \$2.5 Billion First Phase Expansion.**

Investments of at least \$2.5 billion over the next five years are planned for Montréal Trudeau, in the initial phase of projects that will continue until 2030, said Aéroports de Montréal. The airport saw record growth in passenger numbers of 9.5% in 2017.

III. **SECURITY AND DATA PRIVACY**

1. **EU Data Protection Rule Comes into Force.**

The European Union (EU) General Data Protection Regulation (GDPR) took effect on May 25, requiring compliance by companies that process data of EU residents, regardless of business location. For airlines, Passenger Name Record (PNR) data can be processed only for the fight against terrorism and may not include information about race, ethnicity, or political or religious beliefs, among other traits, according to a Rockwell Collins report. Oversight of the processing of PNR data requires an independent national supervisory authority. Data must be deleted after five years and depersonalized after six months. . . . “Because the GDPR is complex, some companies will require the appointment of a data protection officer,” said Sabre, which has updated training and systems to support compliance; data considered personal must be protected and processed only as permitted; access is controlled and restricted; contracts with third party processors must contain certain specific terms; individuals have the right to restrict processing and to know what personal data is held; and specific guidelines for cyber incident notifications must be followed. Examples of personal data include name, photo, email address, bank details, posts on social networking websites, medical information, or a computer IP address.

2. **TSA PreCheck Adds International Airlines.**

British Airways, Air Serbia, Condor, Porter, SAS, Thomas Cook (UK) and Thomas Cook (Scan.) are now participating in TSA PreCheck, reports the Transportation Security Administration (TSA), bringing the number of international airlines in the expedited screening program to 53. . . . TSA has compiled a secret watch list to monitor people whose actions pose physical danger to Transportation Security Officers (TSOs) or are “offensive and without legal justification,” reports the *New York Times*. The list is not used to prevent boarding or to require extra screening, raising questions about whether it serves a legitimate security purpose, as well as civil liberty concerns. There were more than 34 assaults on TSOs last year, up from 26 in 2016. . . . TSA has asked foreign airports to tighten screening of U.S.-bound passengers’ carry-on electronics and to require that passengers “declutter carry-on bags” so as not to obstruct clear images on the X-ray machine, reports Reuters. . . . TSA Administrator David Pekoske announced 31 members to serve on the Aviation Security Advisory Committee (ASAC), which makes recommendations for improving methods, equipment and procedures; 19 mandated membership categories are represented. The ASAC was established in 1989 after the Pan Am 103 crash over Lockerbie.

3. ICAO, UNODC Strengthen Joint Security Efforts.

The International Civil Aviation Organization (ICAO) and United Nations Office on Drugs and Crime (UNODC) agreed to enhance joint support for states on aviation security and on combatting transnational crime and terrorism-related issues. ICAO Secretary General Fang Liu and UNODC Executive Director signed the MoU, meant to bolster coordinated responses to new and emerging challenges, such as evolving security requirements and increased international mobility. The MoU also recognizes shared priorities of travel facilitation solutions, including travel document security, citizen identity management, and international standardization of passenger data exchange.

4. Study Examines Security at Foreign Repair Facilities.

Safety and security risks associated with FAA-certified foreign-based repair and overhaul facilities are examined in a study prepared for Transportation Workers Union of America by Ridge Global, owned by former Homeland Security Secretary Tom Ridge. Among other things, the study finds fault with access controls and thoroughness of background checks on personnel, increasing risks that could be exploited by terrorists or individuals with harmful intent. An estimated 50% by dollar volume of work is done for operators of U.S. registered aircraft at these facilities, says the study.

IV. E-COMMERCE AND TECHNOLOGY

1. Sabre, Alaska Migrate Virgin America to Alaska's PSS.

Sabre and Alaska successfully migrated Virgin America to Alaska's passenger services system (PSS), hosted by Sabre, and are expanding use of Sabre's customer management technology across the enterprise "to enhance retailing capabilities and offer guests the best options in an ultra-competitive environment." . . . LATAM Airlines Group and Sabre migrated LATAM Brazil from its legacy reservation system onto LATAM's SabreSonic PSS . . . Sabre signed a long-term agreement with Amazon Web Services (AWS) as part of its multi-vendor enterprise technology cloud migration. Sabre said its customers will benefit "through the enhanced stability and world-class security inherent in a distributed cloud model, while AWS can distribute Sabre application workloads across multiple data centers with dynamic routing in a continuous-availability model."

2. LATAM Adopts Amadeus Altéa.

LATAM implemented the Amadeus Altéa Departure Control Flight Management solution. The platform automatically analyzes passenger and cargo load to determine optimal aircraft load distribution and calculate quantity of fuel required in advance of every departure. . . . Trip.com will use Amadeus Master Pricer Instant Search, which provides "an immediate response aggregated from millions of real booking results precomputed according to their needs." The Ctrip unit has a five-year agreement with Amadeus.

3. Travelaer Introduces 'Conversion Optimization' Tool.

Travelaer introduced Right Flight, a tool that "gives airlines a competitive edge against online travel agencies (OTAs) and meta search engines in terms of converting online bookings." When displaying itineraries in response to a flight search, airlines can decide which features, such as pricing or leg room, to display of competitive brands flying the same route. Airlines will see increased booking conversion rates and learn which routes are most competitive, says the France-based software provider, and real-time statistics and data regarding conversion rates can be exported for reporting purposes.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on May 11 was \$92.1/barrel, up 5.4% on the month and up 54.2% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2018 was \$83.4/barrel; impact on 2018 fuel bill was \$39.3 billion.

2. **Fulcrum BioEnergy Breaks Ground on BioFuels Plant.**

California-based Fulcrum BioEnergy broke ground on its first waste-to-fuels project, the Sierra BioFuels Plant, in McCarran, Nevada, near Reno. Sierra will be the nation's first commercial-scale plant converting municipal solid waste feedstock, or household garbage, into low-carbon, renewable transportation fuels, including jet fuel and diesel. When the plant begins commercial operations in 2020, Sierra will convert 175,000 tons of household garbage into 10.5 million gallons of fuel each year. United Airlines is a major equity investor in Fulcrum and has an agreement to jointly develop strategically located waste-to-jet fuel plants. Fulcrum will also provide United with 90 million gallons of low-carbon jet fuel annually through long-term fuel offtake agreements. Cathay Pacific was the first airline to make an equity investment in Fulcrum and has an agreement for delivery of 375 million gallons of low-carbon aviation fuel over 10 years.

3. **Alaska Airlines Switches to Sustainable Straws.**

Alaska Airlines will replace single-use, non-recyclable, plastic stir straws and citrus picks with sustainable alternatives in airport lounges and on commercial flights starting July 16. The carrier used 22 million of the items last year and will replace them with Forest Stewardship Council (FSC)-certified, white birch stir sticks and a bamboo alternative for the citrus pick. Non-plastic, marine-friendly straws will be available for passengers with special needs and upon request. Alaska is partnering with Lonely Whale, "an incubator that drives impactful, market-based change on behalf of our oceans."

4. **Air Canada Operates Edmonton-San Francisco Biofuel Flight.**

Air Canada operated a 146-seat Airbus A320-200 from Edmonton to San Francisco with biofuel, "reducing the flight's carbon emissions by over 10 tons, equivalent to taking 26 cars off the road for an entire month." This was the carrier's eighth biofuel-operated flight since 2012.

5. **EU Grants €13.9 Million for Biofuel Tech Demonstration.**

The European Commission awarded €13.9 million to a group of companies, including Global Bioenergies, Neste and TechnipFMC, to demonstrate technology that converts softwood residues into isobutene derivatives for use in gasoline and jet fuel production. Total budget for the project is €19.7 million, with additional funds contributed by companies involved.

6. **Shifting Flight Paths Create Noise Complaints.**

Shifting flight paths due to NextGen requirements are causing significant noise increases for those on the ground. Recently, residents affected by airplane noise from Reagan National Airport asked a District of Columbia court to rehear their case, after initially missing the deadline for filing a complaint. Maryland officials are considering a lawsuit against FAA over noise from flights at Baltimore-Washington International. “Noise is the new secondhand-smoke issue,” quotes the *Washington Post*, citing an Indiana man who successfully petitioned for regulations and steep fines.

VI. U.S. CONGRESS

1. 2019 Appropriations Bill Includes \$17.7 Billion for FAA.

The House Appropriations Committee approved a fiscal 2019 Transportation, Housing and Urban Development funding bill, which includes \$27.8 billion for DOT, \$542 million above FY 2018 enacted level and \$11.7 billion above the President's request. In total budgetary resources, the bill provides \$87.8 billion to improve and maintain transportation infrastructure. Included in the bipartisan legislation is \$17.7 billion in total budgetary resources for FAA, \$310 million below FY 2018 enacted level and \$1.6 billion above request. This will provide full funding for all air traffic control personnel, including 14,500 air traffic controllers, 7,400 safety inspectors, and operational support personnel. The bill provides \$1.3 billion for NextGen and \$168 million for the Contract Tower program to maintain service at current towers and bring new qualifying towers into the system.

2. Bill Authorizes DHS, DOJ to Destroy Drones That Pose Security Risk.

"The Preventing Emerging Threats Act of 2018" was introduced in the Senate Homeland Security and Governmental Affairs Committee. S.2836 would provide the Departments of Homeland Security (DHS) and Justice (DOJ) with authority to destroy drones that present an unacceptable security risk. It directs DHS to evaluate emerging threats that drones may pose to state or private critical infrastructure and domestic airports and that vehicles may pose if used to inflict violence and intimidate people. The legislation contains a sunset provision. . . DHS Secretary Kirstjen Nielsen, in a hearing, thanked the Committee for S.2836, saying, "We are currently unable to effectively counter malicious use of drones because we are hampered by federal laws enacted long before UAS technology was available for commercial and consumer use."

3. Bill Would Help Secure Airport Public Spaces.

"The Secure Airport Public Spaces Act" was introduced in the Senate. The bipartisan bill allows airports to use existing FAA funds to update security infrastructure to better protect public areas, such as pick up and drop off areas and baggage claim. The bill also allows airports to use Airport Improvement Program (AIP) funds for surveillance cameras in public areas. Currently, use of AIP funds is limited to installation of closed-circuit television inside secure and sterile areas of an airport.

4. Bill Addresses Sexual Assault, Harassment at Airlines.

The “Stop Sexual Assault and Harassment in Transportation Act” was introduced by Peter DeFazio (D-OR), Ranking Member of the House Transportation Committee. H.R. 5857 requires airlines and other passenger transportation operators to adopt a formal policy on sexual assault and harassment; to train employees on the policy; to prominently display on websites or otherwise, a statement that they have adopted such a policy; and procedures for reporting incidents for passengers and employees. The bill increases the current civil penalty for interference with crewmembers in commercial aviation from \$25,000 to \$35,000 and requires the DOT Secretary to annually collect data on incidents of sexual assault and harassment and make this data publicly available. . . . Members of the Congressional Caucus on Women’s Issues sent a letter to 30 airline executives requesting immediate action to “publicly denounce sexual harassment, reinforce the role of flight attendants as safety professionals, and work with the Association of Flight Attendants to put in place policies to address this systemic issue.” They noted that 68% of flight attendants reported experiencing sexual harassment during their flying careers, and applauded Spirit, United and Alaska Airlines for denouncing sexual harassment.

5. Bills Address Maintenance Training.

The “Aviation Workforce Development Pilot Program Bill,” which aims to ensure an adequate supply of trained and qualified aviation technicians and mechanics, was introduced in the House. H.R. 5701 would incentivize businesses, labor organizations, schools and governmental entities to pursue strategies to develop technical talent and encourage workers to pursue aviation careers. Studies show that in four years there will not be enough aviation maintenance technicians to meet demand. . . . A bill introduced in the Senate requires FAA to modernize the mandated curriculum taught at aviation maintenance technician schools, which has not been updated in over 50 years, to reflect technological progress. “Industry bears the cost of retraining aviation maintenance technician graduates to complete basic tasks required to maintain a modern, sophisticated aircraft,” said S.2792 sponsors.

6. Hearing on TSA PreCheck and Airport Wait Times.

The House Homeland Security Subcommittee held a hearing to evaluate TSA’s preparedness to screen 243 million passengers and crew this summer. Though passenger volume continues to grow by about 4% each year, said Subcommittee Chairman John Katko (R-NY), TSO staffing has not kept pace, leading to longer checkpoint wait times and increased reliance on granting PreCheck status to passengers who are not enrolled in the program in an effort to reduce congestion. Katko is introducing legislation to ensure that

PreCheck lanes are available only to passengers enrolled in PreCheck or another trusted traveler program. . . . Recommendations for improving the security process were offered by Airlines for America. Among them: merge PreCheck and Global Entry; create a new segment of vetted passengers using third party commercial data that allows for a form of expedited screening; accelerate deployment of Computed Tomography Technology; allow TSA and U.S. Customs and Border Protection to jointly utilize opt-in biometrics; utilize and expand use of canine teams; and end the practice of diverting passenger security fee revenue to deficit reduction or other sectors of the government.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S.-Brazil Open Skies Agreement Finalized.

The U.S.-Brazil Open Skies agreement has been finalized, allowing for increased air service between the two countries. American Airlines said the pact paves the way for DOT to approve its proposed joint business with LATAM Airlines Group, announced in 2016, which would cover all travel between the U.S. and Canada and Brazil, Chile, Colombia, Paraguay, Peru and Uruguay; regulatory approvals have been received from Brazil, Colombia and Uruguay. In a private preferred share transaction with Hainan Airlines, United increased its stake in Azul from 3.7% to 8%, and a partnership is expected. Gol flights from Fortaleza and Brasilia to Orlando and Miami are planned; Gol CEO Paulo Sergio Kakinoff said Boeing 737 MAX 8s will “extend the range of our network to allow us to cover all of Latin America, the Caribbean and destinations in the southeast United States.”

2. U.S., UAE Reach Open Skies Understanding.

The United States and United Arab Emirates (UAE) reached an understanding related to the U.S.-UAE Open Skies agreement, in which, said the White House, the UAE “has committed to financial transparency and will adhere to internationally-recognized accounting, disclosure, compliance and auditing standards to make its practices more open and subject to public view and scrutiny.” Uncertainty about a freeze in fifth freedom rights was addressed in a side letter from the UAE that said its carriers have no current plans to begin new commercial fifth freedom routes. The understanding mirrors one made with Qatar earlier this year. A campaign by American, Delta, United and unions sought to prove that Emirates Airline, Etihad Airways and Qatar Airways were heavily subsidized by their governments, breaching Open Skies agreements and undermining competition; the U.S. coalition wanted a re-opening of Open Skies negotiations and a freeze on fifth freedom rights.

3. All-Cargo Rights Added to U.S.-Jamaica Air Transport Agreement.

The U.S.-Jamaica Air Transport Agreement of 2008 was amended to include seventh-freedom rights for all-cargo operations, allowing flights between a second and third country without touching the airline’s home country.

4. Licenses to Sell Commercial Aircraft to Iran Revoked.

Licenses to export commercial aircraft, parts and services to Iran will be revoked after a 90-day wind-down period, said the U.S. Treasury Secretary, following the White House decision to cease U.S. participation in the Joint

Comprehensive Plan of Action. The pact, signed in 2015 by the U.S., China, France, Germany, Russia and the EU, established means “through which persons can request specific authorization from the U.S. Treasury’s Office of Foreign Assets Control to engage in transactions to ensure the safe operation of Iranian commercial passenger aircraft.” Since then, IranAir has ordered passenger aircraft from Airbus, Boeing and ATR; the foreign makers are subject to U.S. export restrictions because U.S. parts are used in their aircraft.

5. WTO Rules on EU Subsidies to Airbus.

In a final decision in the dispute brought by the United States concerning state aid for Airbus, the World Trade Organization (WTO) ruled that Airbus has failed to remedy harm done to Boeing by illegal government subsidies used to launch the A380 and A350. “Unless the EU finally takes action to stop breaking the rules and harming U.S. interests, the United States will have to move forward with countermeasures on EU products,” said the U.S. Trade Representative. In response, Airbus said, “Any potential U.S. sanctions, now likely to be minor compared to what we expect on the European case against Boeing, would be counter-productive, ill-timed and ultimately harmful to the airlines and passengers,” reiterating that the only real solution to the 15-year-long dispute remains a negotiated deal. The EU said it will take swift action to ensure it is fully in line with the WTO decision. WTO findings in the case against Boeing, which concern a Washington state tax measure, should be decided later this year or in early 2019. “The current geopolitical climate for trade is worrying, and industry players should not fuel it with unproductive disputes that undermine fair competition worldwide and impact workers, customers and operators,” said Airbus CEO Tom Enders.

VIII. EUROPE AND AFRICA

1. Air France-KLM CEO Janailac Exits.

Air France-KLM CEO Jean-Marc Janailac resigned amid continuing labor strife and the company announced an immediate “transitional governance structure.” Anne-Marie Couderc will serve as non-executive Chairman. A Management Committee includes AF-KLM CFO Frédéric Gagey, who will serve as Group CEO, and AF CEO Franck Turner and KLM CEO Pieter Elbers, who will serve as Deputy Group CEOs.

2. Air France-KLM, Delta, Virgin Atlantic Expand Partnership.

Air France-KLM, Delta and Virgin Atlantic signed definitive agreements paving the way for an expanded transatlantic joint venture. Subject to regulatory approvals, Air France-KLM will acquire a 31% stake in Virgin Atlantic currently held by Virgin Group for £220 million; Virgin Group will retain a 20% stake and Chairmanship of Virgin Atlantic. Delta will retain its 49% stake in Virgin Atlantic. Air France-KLM and Delta are SkyTeam members and, with Alitalia, operate a transatlantic joint-venture with over 270 daily flights. Delta also participates in a joint venture with Virgin Atlantic.

3. Delta Adds Transatlantic Service.

Delta launched service from Atlanta to Lisbon and from New York Kennedy to the Azores; seasonal JFK to Lisbon resumed as year-round. Indianapolis, Pittsburgh and Detroit nonstops to Paris began, as well as JFK-Nice. In June, Delta starts nonstops from Los Angeles to Paris and Amsterdam.

4. United, Lufthansa Cargo Sign Joint Venture Agreement.

United and Lufthansa Cargo signed a joint venture agreement, initiating the implementation phase during which they will align cargo IT systems and business processes. The combined network will offer “thousands of new route combinations and more than 600 direct connections per week between the U.S. and Europe.”

5. Lufthansa Introduces Economy Light on North American Routes.

Lufthansa Group passengers now can book Economy Light fares on routes to North America served by Lufthansa, Swiss, Brussels and Austrian. The option for travelers with carry-on luggage only, who do not require ticket flexibility, is also available on flights between Scandinavia and North America.

6. Norwegian Rejects IAG Bids.

Norwegian Air Shuttle (NAS) confirmed it “received two separate conditional proposals from IAG Group in relation to an acquisition of 100% of the share capital of NAS,” and rejected them “on the basis that they undervalued NAS and its prospects”; IAG has acquired a 4.6% stake in Norwegian. Ryanair denied reports that it had proposed to take a 20% stake in Norwegian. . . . Norwegian launched its first U.S.-Amsterdam flight, with four weekly nonstops from New York Kennedy; fares from \$199 one-way, including taxes. JFK service to Madrid begins July 16, and increases to London Gatwick begin October 28. . . . The U.S. Court of Appeals denied a 2016 petition filed by four pilot unions calling for review of DOT’s decision to permit Norwegian Air International (NAI) to fly to and from the United States. Air Line Pilots Association et al maintain that NAI’s flag-of-convenience business model violates the U.S.-EU Open Skies agreement; NAI is incorporated in Ireland.

7. R.I.P. Theodoros Vassilakis, Serge Dassault.

Aegean founder Theodoros Vassilakis has died. Aegean began service in 1999 and in 2013 acquired Olympic Air. . . . Groupe Dassault Chairman and CEO Serge Dassault has died. Dassault Aviation builds Falcon business jets and the Rafale fighter.

8. MH370 Search Ends; JIT Says Russia Downed MH17.

See Section IX, item 2.

9. Foreign Airlines Ordered to Follow Chinese Law.

See Section IX, item 3.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Asia Pacific Airlines Improved Financial Performance in 2017.

Asia Pacific airlines reported \$8.8 billion in combined net earnings for 2017, reports Association of Asia Pacific Airlines (AAPA), with an 8.6% rise in passenger traffic, and 9.6% in international cargo traffic. “Average operating margin was 6.6% for the year,” said AAPA Director General Andrew Herdman, “with net profits of just over \$6 per passenger.”

2. MH370 Search Ends; JIT Says Russia Downed MH17.

The Ocean Infinity search for missing MH370 in the Indian Ocean west of Australia ended and the Malaysian government indicated there will be no further extensions. The Malaysian Airlines Boeing 777 disappeared en route from Kuala Lumpur to Beijing in March 2014, with 239 people on board. The Australian Transport Safety Bureau, which led the investigation, maintained in a hearing that the plane's disappearance was due to an accident and continued to reject speculations of pilot suicide. . . . The BUK missile that brought down MH17 over Eastern Ukraine originated from the 53rd brigade, a unit of the Russian army from Kursk in the Russian Federation, declared the Joint Investigation Team (JIT), led by Australia and the Netherlands. The Malaysia Airlines Boeing 777, en route from Amsterdam to Kuala Lumpur, was destroyed in July 2014, with 298 on board, mostly Dutch and Australian. Russia continues to deny responsibility. “It is time for Russia to acknowledge its role in the shooting down of MH-17 and to cease its callous disinformation campaign,” said the U.S. State Department.

3. Foreign Airlines Ordered to Follow Chinese Law.

Civil Aviation Administration of China (CAAC) ordered foreign carriers to remove references to “Taiwan,” “Hong Kong,” and “Macao” from websites and promotional material. The White House supported U.S. airlines that have not complied with the directive, stating, “it strongly objects to China’s attempts to compel private firms to use specific language of a political nature in their publicly available content.” China reiterated its claim that companies operating in China must respect its sovereignty; “Whatever the U.S. says will never change the objective fact that there is only one China in the world and the Hong Kong, Macau and Taiwan regions are an inalienable part of China’s territory.” . . . In other news, CAAC is revising its “one route, one airline” policy, effective October 1, to create competition and to coincide with the 2019 opening of a second international airport in Beijing. International routes are divided into two categories, with unrestricted routes in the first to destinations

in countries with a liberalized agreement with China, such as the U.S., and some restrictions in the second category. The new rule also defines qualification ratings for new entrants, in areas of consumer benefit, hub development, resource utilization rate and quality.

4. Delta to Relaunch U.S.-Mumbai Service.

Delta plans to relaunch service between the United States and Mumbai next year. The carrier said it “was forced to exit the market after subsidized state-owned airlines made service economically unviable,” and applauded agreements between the U.S. and the governments of the United Arab Emirates and Qatar that address the issue. Delta also intends to expand its existing code share relationship with Jet Airways for connections to other destinations within India, subject to government approvals.

5. JAL to Launch International Low-Cost Subsidiary.

Japan Airlines (JAL) plans a low-cost unit that will fly medium- to long-haul routes from Tokyo Narita to Asia, Europe and the Americas, initially with two Boeing 787-8s. The launch is expected in summer 2020 when enhancements at Narita are completed. JAL’s Jetstar unit provides low-cost domestic and short-haul international flights.

6. Thai Airways Names New President, CEO.

Sumeth Damrongchaitham was tentatively named President and CEO of Thai Airways; he was Managing Director of state-owned Dhanarak Asset Development Co, and COO of GMM Grammy Plc. The previous Thai chief retired two years ago.

7. American Adds Caribbean, Hawaii Routes; Cuts Chicago-Beijing.

See Section X, item 1.

X. AMERICAS

1. American Adds Caribbean, Hawaii Routes; Cuts Chicago-Beijing.

American will introduce flights to the Caribbean from Chicago, Miami and Dallas and to Honolulu from Chicago. A Miami–London Heathrow flight will instead operate from Dallas; through its Atlantic Joint Business, British Airways will add a third Miami–Heathrow frequency. . . . American will discontinue service between Chicago and Beijing Capital in October; American also flies to Beijing from Dallas and Los Angeles.

2. United Expands East Coast Schedule, Adds Havana Service.

United is increasing nonstop service from Newark to 15 destinations on October 4; adding seasonal mainline nonstops on December 19 to Palm Springs; and increasing regional jet service to Key West from seasonal to year-round on October 4. Service from Newark to Chattanooga, Ithaca and Scranton will transition to Washington-Dulles. . . . United is adding service between Houston Bush and Havana on July 20. Subject to government approval, the new daily flights will operate with either Boeing 737-800 mainline aircraft or Embraer E175 regional aircraft operated by Mesa as United Express. United also flies daily nonstops between Newark and Havana.

3. Southwest Plans California-Hawaii Services.

Southwest plans service from Oakland, San Diego, San Jose and Sacramento to Honolulu, Maui, Kauai and Kona, pending regulatory approvals.

4. JetBlue Names New President; Expands Havana, Mexico City Service.

Joanna Geraghty was named President and COO of JetBlue, reporting to Robin Hayes who will remain CEO. Geraghty has held executive positions at JetBlue since 2005 and previously was a partner at a New York law firm. . . . JetBlue begins Boston-Havana service, New England's first nonstops to Cuba, and expanded Fort Lauderdale-Havana in November. New daily nonstops to Mexico City from Boston and New York Kennedy begin October 25. All subject to government approval. . . . JetBlue reached an agreement in principle with Air Line Pilots Association after three years of negotiations. . . . JetBlue is code sharing on JetSuiteX flights to Las Vegas from Burbank, Concord and Oakland in California. JetSuiteX operates Embraer ERJ-135s from private air terminals, with "no security lines, no boarding queues, no baggage claim." JetBlue and Qatar are investors in parent JetSuite, which is launch customer for Zunum Aero's hybrid-electric airplane, whose backers include JetBlue and Boeing; test flights are planned for 2019, with first delivery in 2022. "Service

will be flexible: walk-on and walk-off, more akin to hopping on a bus or train than boarding an airliner,” said officials of Kirkland, Washington-based Zunum.

5. **Spirit to Offer Wi-Fi.**

Spirit will install Wi-Fi on all of its planes by summer 2019, with service coverage projected for 97% of routes. Thales is bringing the Ka-band HTS (High Throughput Satellite) system onboard and in 2021 will launch the SES-17 satellite, which will increase speeds and coverage “to an unprecedented level in the industry.” Spirit President Ted Christie introduced an ‘Invest in the Guest’ pledge with the announcement of Wi-Fi installation.

6. **Allegiant, Dispatchers Reach Tentative Agreement.**

Allegiant and International Brotherhood of Teamsters, representing flight dispatchers, reached tentative agreement on their first collective bargaining contract. Results of a ratification vote are expected by end of July. Allegiant currently employs 34 flight dispatchers. . . . Allegiant took delivery of its first U.S.-produced A320 from the Airbus facility in Mobile, Alabama. Allegiant is transitioning to a single fleet type and currently has 99 Airbus aircraft either in service or committed for future delivery.

7. **Air France-KLM, Delta, Virgin Atlantic Expand Partnership.**

See Section VIII, item 2.

8. **Delta Adds Transatlantic Service.**

See Section VIII, item 3.

9. **United, Lufthansa Cargo Sign Joint Venture Agreement.**

See Section VIII, item 4.

10. **Lufthansa Introduces Economy Light on North American Routes.**

See Section VIII, item 5.

11. **Foreign Airlines Ordered to Follow Chinese Law.**

See Section IX, item 3.

12. **Delta to Relaunch U.S.-Mumbai Service.**

See Section IX, item 4.