



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. IATA: Strong Airline Profitability to Continue in 2018.

Global industry net profit will rise to \$38.4 billion in 2018, forecasts the International Air Transport Association (IATA), compared to \$34.5 billion expected in 2017 (revised from \$31.4 billion forecast in June). Highlights of expected 2018 performance include a rise in overall revenues to \$824 billion (+9.4% on 2017 revenues of \$754 billion), in passenger numbers to 4.3 billion (+6% on the 4.1 billion passengers in 2017), and cargo carried to 62.5 million tons (+4.5% on the 59.9 million tons in 2017). All regions are expected to report improved profitability in 2018 and to see demand growth outpace capacity expansion. “These are good times for the global air transport industry,” said Alexandre de Juniac, IATA Director General and CEO, but the industry also faces challenges. He urged governments “to raise their game—implementing global standards on security, finding a reasonable level of taxation, delivering smarter regulation and building the cost-efficient infrastructure to accommodate growing demand.” IATA noted that fuel is expected to be 20.5% of total costs in 2018 (up from 18.8% in 2017); and labor costs are now a larger expense item than fuel (30.9% in 2018).

2. U.S. Airlines See Drop in Profit.

U.S. scheduled passenger airlines reported an after-tax net profit of \$3.7 billion in Q3 2017, down from \$4.7 billion in Q2 and \$3.8 billion in Q3 2016, reports the U.S. Department of Transportation (DOT). The 24 airlines reported a \$6.3 billion pre-tax operating profit, down from \$7.7 billion in Q2 and \$7.2 billion in Q3 2016. Total Q3 operating revenue was \$45.6 billion, with \$34.2 billion from fares. Total Q3 operating expenses were \$39.3 billion; fuel costs accounted for \$6.8 billion (17.3%) and labor costs for \$13.6 billion (34.6%). Airlines collected \$1.2 billion in baggage fees in Q3, and \$720.2 million from reservation change fees; these are the only ancillary fees paid by passengers that are reported as separate items. Other fees, such as revenue from seating assignments and on-board sales of food, beverages, pillows, blankets and entertainment are combined in different categories and cannot be identified separately.

3. DOT Withdraws Proposed Transparency Rules.

DOT withdrew two proposed consumer protection rulemakings, as “part of the Administration’s effort to reduce regulation and control regulatory costs.” DOT said the Ancillary Airline Passenger Revenue rule, proposed in July 2011, “would require airlines to incur significant costs to implement when airlines

already provide significant amounts of data on air carrier ancillary fee revenue.” As for the Transparency of Airline Ancillary Service Fees rule, proposed in January 2017, DOT said “existing regulations already provide consumers information regarding fees for ancillary services, including baggage fees.” A coalition of 17 Attorneys General asked DOT to reverse the decision, which is also opposed by travel and consumer groups. Senate Democrats said the Administration “thinks transparency is a bad word, but it’s airline passengers who will curse when they get hit with hidden fees.”

4. **DOT Opens New Havana Frequency Allocation.**

DOT is opening a proceeding to assign U.S.-Havana roundtrip slots surrendered by Alaska, Delta, Frontier and Spirit. American, JetBlue, Southwest, United and Delta are all seeking one or more daily slots from those returned.

5. **DOT Urged to Halt ATI Approvals Without New Consumer Protections.**

The Air Travel Fairness (ATF) urged DOT to reject applications from airlines for new or expanded antitrust immunity (ATI) agreements “without first instituting new protections from the harm these cartel-like schemes are causing consumers.” The type of airline mergers, acquisitions, joint ventures and codeshare agreements that have been approved in the U.S., and between the U.S. and Europe, have contributed to a reduction in competition, fewer choices and higher prices for consumers, said ATF, citing a study conducted by aviation economists GRA, and supported by travel and consumer groups. The study found that many airlines are making less information available to independent and neutral distributors of tickets. “DOT is legally required to prevent anticompetitive practices in air transportation,” said ATF, according to section 49 of the U.S. Code on Policy.

6. **ICAO Addresses “Smart Bag” Lithium Batteries.**

The Dangerous Goods Panel of the International Civil Aviation Organization (ICAO) proposed that installed lithium battery power banks be removed from “smart bags” to be checked or carried in the cabin, and that the luggage “be designed in a manner to allow the user to remove the power bank and for the power bank to be marked with the Watt-hour rating.” Alaska announced that, effective January 15, 2018, smart bags, also known as smart luggage, self-propelled luggage and ebags, “will only be accepted as a checked or carry-on bag if the lithium battery can be removed due to a potential safety hazard. Bags with non-removable lithium batteries or power banks will not be accepted as checked or carry-on baggage.” Other airlines, including Delta, American and Southwest, also issued precautions. Smart Bag features include location tracking, battery charging and digital weighing.

7. DOT Violates Anti-Lobbying Provision.

DOT violated an anti-lobbying provision in the Financial Services and General Government Appropriations Act, 2017, when it “retweeted” and “liked” a tweet urging followers to tell Congress to pass a proposed FAA reauthorization bill that would privatize air traffic control, said the Government Accountability Office (GAO). DOT not only endorsed the message, but also created agency content, said GAO, obligating and expending appropriated funds in violation of a legal prohibition: “No part of any funds appropriated in this or any other Act shall be used by an agency of the executive branch, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes, and for the preparation, distribution or use of any kit, pamphlet, booklet, publication, radio, television, or film presentation designed to support or defeat legislation pending before Congress, except in presentation to Congress.” DOT said it does not agree with GAO’s findings.

8. FAA Releases UAS Remote Tracking Report.

The Unmanned Aircraft Systems (UAS) Identification and Tracking Aviation Rulemaking Committee (ARC), of the Federal Aviation Administration (FAA), completed a report and recommendations on technologies available to identify and track drones in flight and associated issues. Among highlights, FAA should: coordinate any identification (ID) and tracking system with the air traffic control system, and exempt drones operating under air traffic control or those operating under the agency’s discretion (public aircraft operations, security or defense operations, or with a waiver); promote fast-tracked development of industry standards while a final remote ID and tracking rule is developed; and review privacy considerations, including developing a secure system in which only persons authorized by FAA can access identifiable information. FAA will use the data and recommendations in the ARC report in crafting a proposed rule for public comment. . . . Meanwhile, the National Transportation Safety Board (NTSB) determined the operator of a drone that collided with a U.S. Army helicopter in September “failed to see and avoid the helicopter because he was intentionally flying the drone out of visual range and did not have adequate knowledge of regulations and safe operating practices.” He was flying recreationally and did not hold an FAA remote pilot certificate. The helicopter landed safely; the drone was destroyed. . . . A report recently released by FAA concludes that drones that collide with large manned aircraft can cause more structural damage than birds of the same weight for a given impact speed. Unlike the soft mass and tissue of birds, most drones are made of more rigid materials. The testing showed that the stiffest components of the drone—such as the motor, battery and payload—can cause the most damage. Additional research on engine ingestion is planned, in collaboration with engine manufacturers. FAA will use the research results to help develop

operational and collision risk mitigation requirements for drones. . . . The newly enacted National Defense Authorization Act includes a provision reinstating the registration requirement for recreational drone operators. A federal judge had overturned an FAA rule requiring all drone operators to be registered.

9. FAA Proposes \$1.76 Million Fine for Sale of Unapproved Galley Carts.

FAA proposed a \$1.76 million civil penalty against Commercial Aircraft Equipment of Dallas, for allegedly producing aircraft galley carts without required FAA approval. The Biskay Holdings subsidiary sold the 160 modified airline galley carts and misidentified them as approved.

10. DOT Air Travel Consumer Report for October.

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

	Oct. '17 / '16	Sep. '17	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	84.8 / 85.5	83.6	81.4	79.9	76.2	78.34	81.85
Cancellations %	0.7 / 1.0	3.3	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	2.04 / 2.06	1.99	2.70	3.13	3.61	3.22	3.09
Consumer complaints:							
Airline service	1,188 / 1,270	1,576	17,904	20,175	15,539	13,176	15,338
Disability-related	66 / 80	63	862	944	784	683	741
Discrimination**	8 / 8	6	94	65	68	79	99

Note: In October, airlines reported no tarmac delays of more than three hours on domestic flights, and two of more than four hours on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Power Outage at Atlanta Creates Havoc.

A power outage halted air traffic for 11 hours at Hartsfield-Jackson Atlanta, the world's busiest airport, stranding travelers in smoke-filled terminals and planes at the onset of holiday travel. Delta, which handles nearly 80% of passengers coming through the airport every day, canceled 1,400 flights over a nearly 24-hour period, said CEO Ed Bastian, who told the *Atlanta Journal-Constitution* he plans to seek compensation for lost revenue that could reach \$25 million to \$50 million plus costs. Delta and other airlines allowed customers affected by the outage to make a one-time itinerary change, and temporarily embargoed travel for unaccompanied minors. . . . A fire that led to the power outage was caused by an electrical failure in the tunnel beneath the airport concourses, said Atlanta fire officials, who, with the Atlanta Police Department, Bureau of Alcohol, Tobacco and Firearms and the FBI Joint Terrorism Task Force determined no evidence of foul play and no information to suggest there was an insider threat or any connection to terrorism.

2. Oakland Modernizes International Arrivals Building.

Oakland opened an expanded and renovated international arrivals area in Terminal 1. The \$45 million modernization adds 13,000 feet of space, needed to accommodate a 134% surge in international passenger traffic in the last two years. In 2017, Southwest introduced service to Puerto Vallarta and Los Cabos; Norwegian to London, Copenhagen and Barcelona; and British Airways and Level (IAG's low-cost, long-haul brand) to London and Barcelona, respectively. In 2018, Norwegian begins service to Rome and Paris. Domestically, American begins service to Dallas/Fort Worth, and Southwest to Orlando, Minneapolis, Indianapolis and San Antonio and resumed service to New York Newark. Port of Oakland operates the San Francisco Bay Area facility; Bryant Francis is Director of Aviation.

3. State Gambling Revenues Fund Pittsburgh Int'l.

In an overhaul of Pennsylvania gambling laws, legislators reauthorized \$12.4 million a year for Pittsburgh International, reports the *Post-Gazette*. Allegheny County Airport Authority CEO Christina Cassotis said the funds will continue to be used to help pay debt service and for economic development, including incentives to airlines that begin service to new destinations. During the past two years, the airport has increased nonstop destinations more than 80%. A planned \$1.1 billion modernization includes a new landside terminal; officials expect to break ground in 2019 with completion in 2023.

4. Star Members to Co-Locate at Beijing Capital International.

Star Alliance, Air China and Beijing Capital International signed a Memorandum of Understanding to co-locate in the same terminal to implement automation initiatives such as off-airport check-in, fast bag drop and self-tagging. Common handling solutions, optimized transfer processes and the Star Alliance Connection Service will provide further benefits. “The opening of the second Beijing airport at Daxing presents us with an opportunity to cement our commitment to Beijing Capital,” said officials; 17 Star members serve the airport and operate 742 flights per day, connecting Beijing with 177 destinations in 41 countries.

5. Heathrow Finds Savings of £2.5 Billion on Expansion Plans.

Heathrow identified potential savings of £2.5 billion on expansion plans that were “developed in close cooperation with the airlines” and would ensure that airport charges stay “close to today’s levels,” as mandated by the government. Proposals include repositioning new buildings over existing public transport and baggage infrastructure and building additional capacity at Terminals 2 and 5, rather than a dedicated terminal or satellite building. Detailed options will be presented in January. . . . International Airlines Group (IAG) had called for transparency on how Heathrow expansion cost proposals are calculated. CEO Willie Walsh said the airport risks becoming a European white elephant if costs spin further out of control. “Britain needs cost-effective airport infrastructure that benefits the country’s economy rather than Heathrow’s shareholders. This is even more critical if the UK wants to compete on the global stage post Brexit.”

6. Gatwick to Double Size of Pier 6 in North Terminal.

Gatwick will invest £180 million to more than double the size of Pier 6 in the North Terminal. The project, to be managed by Bechtel, will occur in four phases and is due to be operational by first quarter 2022. Prior to start of construction, the stand for the Airbus A380 will be moved from its current location on Pier 6 to a newly created stand on Pier 5, and a taxiway will be widened and re-aligned to enable moving the A380. Gatwick is more than half way through a £2.7 billion investment program.

7. Budapest to Become Cargo Hub for China’s STO Express.

Budapest Airport signed agreements with Chinese logistics companies STO Express and intermodal company EKOL, based in Hungary, with intent to establish a network to transport products from China, through Budapest, to customers in Europe. STO will operate scheduled cargo flights to Budapest, “which is likely to generate a significant increase not only in total cargo traffic, but also in the field of e-commerce, the main profile of the Chinese company.”

Products ordered online accounted for 4-5% of retail sales in Hungary in 2017, with 20% growth in the segment during January to June period, compared to same period 2016; online transactions reached \$600 million during first half 2017. Cargo traffic at Budapest has increased by 36% since December 2015. From January to October 2017, the airport handled 103,700 tons of air cargo, up 14.5% over same period 2016. Budapest Airport's new air cargo base, the Cargo City, will begin operations in summer 2019.

III. **SECURITY AND DATA PRIVACY**

1. **Kirstjen Nielsen Sworn in as Homeland Security Secretary.**

Kirstjen Nielsen was sworn-in as the sixth Department of Homeland Security (DHS) Secretary. Nielsen was Deputy White House Chief of Staff, reporting to General John Kelly, who is the previous DHS Secretary. She worked at DHS under Kelly and in the George W. Bush Administration.

2. **Merger of PreCheck, Global Entry Programs Discussed.**

Transportation Security Administration (TSA) Administrator David Pekoske said he and Customs and Border Protection (CBP) Acting Administrator Kevin McAleenan are discussing a possible merger of TSA's PreCheck and CBP's Global Entry programs. Under the TSA Modernization Act introduced in the Senate, TSA and CBP would be required "to streamline and integrate the requirements and operations of such programs to reduce administrative burdens, including applications for inclusion and determining whether a valid credential can satisfy the requirements for another credential; increase information and data sharing across such programs; and allow the public to access and link to the applications for enrollment in all of such programs from one online portal."

3. **Biometric Exit Program Under Fire.**

DHS was asked by Senators Edward Markey (D-Mass.) and Mike Lee (R-Utah) to stop expansion of the biometric exit program and provide Congress with its explicit statutory authority to use and expand a biometric exit program on U.S. citizens. They questioned the accuracy, efficacy and transparency of the opt-in face scanning program, which is operating at nine U.S. airports on select international flights. The Senators cited the Center on Privacy and Technology at Georgetown University Law Center, which reports: "Congress has repeatedly ordered the collection of biometrics from foreign nationals at the border, but has never clearly authorized the border collection of biometrics from American citizens using face recognition technology. Without explicit authorization, DHS should not be scanning the faces of Americans as they depart on international flights—but DHS is doing it anyway. DHS also is failing to comply with a federal law requiring it to conduct a rulemaking process to implement the airport face scanning program—a process that DHS has not even started."

4. DHS Amends VISA Waiver Program.

DHS announced Visa Waiver Program (VWP) changes, which require participating countries to screen travelers crossing their borders against U.S. counterterrorism information and initiate public information campaigns to reduce overstays. An assessment of VWP countries to ensure they implement safeguards against the aviation sector is also required. The changes were made in consultation with the Department of State and other federal agencies, said DHS, which also is calling on Congress to codify existing VWP requirements in the following areas: reporting of foreign terrorist fighter information to multilateral organizations, such as INTERPOL and EUROPOL; systematically collecting and analyzing passenger travel data (Advance Passenger Information/Passenger Name Records); and concluding arrangements to permit U.S. Federal Air Marshals to operate onboard U.S. air carriers for last point of departure flights to the United States. VWP allows citizens of 38 countries to travel to the United States for stays of up to 90 days without a visa.

5. Supreme Court Allows Enforcement of Travel Ban.

The Supreme Court allowed the Administration to enforce a ban on travel to the United States by residents of Chad, Iran, Libya, Somalia, Syria and Yemen, as well as North Korea and some Venezuelan government officials. Lower courts continue to consider appeals, which contend the ban is discriminatory and violates federal immigration law.

IV. E-COMMERCE AND TECHNOLOGY

1. Sabre Renews Partnerships with Alaska, Fareportal.

Alaska Airlines renewed its agreement with Sabre Travel Network GDS for five years, to include technology “that enables both direct and indirect channels, giving travelers the freedom to purchase tickets and ancillaries wherever they prefer.” . . . Sabre renewed its partnership with online travel agency Fareportal to provide advanced shopping technology and access to Sabre’s inventory of travel services.

2. Travelport Achieves IATA NDC Level 3 Certification.

Travelport was certified as a “Level 3” aggregator under IATA’s New Distribution Capability (NDC) initiative, and will work with Farelogix to implement a connection with a major global airline. UK-based Travelport had net revenue of over \$2.3 billion in 2016.

3. 15 Arab Carriers Sign Amadeus Distribution Agreement.

Amadeus signed a 10-year global distribution system (GDS) agreement with 15 airlines in the Middle East and North Africa, negotiated by the Arab Air Carriers Association (AACO). The contract follows a previous 10-year agreement with 13 AACO airlines, signed in 2008.

4. Ryanair Ends Amadeus Partnership, Sues Expedia.

Ryanair severed its GDS partnership with Amadeus, saying “a new commercial agreement could not be reached.” The airline will continue to use the Navitaire platform, an Amadeus company, and “will continue to service travel agents through its GDS partnerships with Travelport and Sabre whose commercial agreements remain unchanged.” . . . Ryanair sued online travel agency Expedia for offering its flights and packages without permission.

5. Gogo Gaining on 2Ku Installations.

More than 500 aircraft are flying with Gogo 2Ku inflight connectivity technology, as total awards surpass 2,000 aircraft; the company has shortened install times to around 30 hours.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on December 8 was \$76.8/barrel, up 0.7% on the month and up 21.7%, compared to a year ago, reports IATA. Jet fuel price average for 2017 was \$66/barrel; impact on 2017 fuel bill was \$27.9 billion.

2. **ICAO Seminar Notes Progress on Green Airports.**

In her opening remarks at the ICAO Seminar on Green Airports, held in Montreal, Secretary General Fang Liu said 2016 was a record year for installation of renewable energy capacity worldwide, while costs of solar photovoltaics and wind energy decreased by 80% and 30%, respectively, in the past five years; “We can take this as a historic turning point in our efforts to design and realize sustainable airports.” . . . Indianapolis Airport Executive Director Mario Rodriguez described efforts that include a solar-energy generating operation on airport property; an expanding electric shuttle bus fleet; the BlueIndy electric car-sharing service; and a bee apiary to preserve the endangered Indiana honey bee. The latter initiative received the Airports Council International-North America 2017 Environmental Achievement Award.

3. **Alaska Most Fuel-Efficient Airline for Seventh Year.**

Alaska was the most fuel-efficient U.S. airline in 2015 and 2016, burning about 13% less fuel per passenger mile than the industry average, according to a report released by the International Council on Clean Transportation, an independent, nonprofit research organization based in Washington, D.C. Frontier and Spirit were in second place in 2016 and 2015, respectively, while Virgin America, which is now part of Alaska Air, was the least efficient carrier in both years.

4. **London Luton Releases 30-Year Vision for Sustainable Growth.**

A newly released vision for sustainable growth for London Luton (2020-2050) would accommodate an increase of passenger capacity from 18 million to 38 million and 240,000 annual air traffic movements “by making the best use possible of the existing, single runway,” per government mandate.

VI. U.S. CONGRESS

1. Stopgap Measure Averts Government Shutdown.

Just before leaving for the holidays, the House and Senate cleared a stopgap measure that extends funding for federal agencies through January 19, narrowly avoiding a government shutdown.

2. House Passes Cybersecurity Legislation.

The House passed the Cybersecurity and Infrastructure Security Agency Act of 2017 (H.R. 3359), which amends the Homeland Security Act of 2002 to authorize a Cybersecurity and Infrastructure Security Agency of the Department of Homeland Security. A bill to improve and streamline security procedures related to general aviation and commercial charter air carriers (H.R. 3669) was also passed.

3. House Homeland Security Committee Approves Several Bills.

The House Homeland Security Committee approved a number of bills, among them, the Global Aviation System Security Reform Act of 2017 (H.R. 4559); the Security Assessment Feasibility for Equipment Testing and Evaluation of Capabilities for our Homeland Act (H.R. 4561); the Counterterrorism Information Sharing Improvement Act of 2017 (H.R. 4569); and the Domestic Explosives Detection Canine Capacity Building Act of 2017 (H.R. 4577). . . . The Screening and Vetting Passenger Exchange Act of 2017 (H.R. 4581) was introduced by Brian Fitzpatrick (R-PA).

4. Legislation Introduced to Reauthorize NTSB.

The National Transportation Safety Board Reauthorization Act (S. 2202), introduced in the Senate Commerce Committee, authorizes NTSB at an average level of \$113.4 million through fiscal year 2023 and offers several reforms to modernize and improve transparency in investigations, recommendations and Board Member discussions.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. State Dept. Addresses Gulf Airline Subsidies.

State Department officials met with U.S. airlines and unions to discuss Open Skies agreements with United Arab Emirates (UAE) and Qatar. At issue is the long running contention by Delta, American and United that Qatar Airways, Etihad and Emirates are heavily subsidized by their governments, creating unfair competition and threatening U.S. jobs. The State Department set aside demands by the three U.S. airlines to freeze all new flights to the U.S. by Qatar and UAE airlines and renegotiate Open Skies agreements with those countries, but will continue informal discussions. Reportedly, additional steps will be taken if sufficient progress is not made by an unspecified date.

2. FAA Urges Clarity on Post-Brexit Safety.

In meetings with the European Commission and UK Transport Minister Chris Grayling, FAA Administrator Michael Huerta urged clarity on whether the UK will retain a role in the European Aviation Safety Agency (EASA), after Brexit takes effect, or establish its own system. Remaining in EASA would avoid increased certification costs for airlines and manufacturers, he stressed. . . . The Commission confirmed in a “Notice to Operators” that, unless agreed otherwise, the UK will become a third country on March 30, 2019, affecting air carrier operating licenses, air transport agreements and aviation certificates and licenses.

3. U.S.-Brazil Open Skies Accord Gains Traction.

The lower house of Brazil’s Congress approved an Open Skies agreement with the United States, reached in 2010 but opposed by some Brazilian airlines concerned about competition from U.S. airlines. Senate approval is needed for final ratification. The U.S. DOT would then approve a joint business agreement between American Airlines and LATAM, which has already been cleared by Brazil’s antitrust agency and by authorities in Uruguay and Colombia. United and Avianca Brazil plan to cooperate, and Delta has a 10% stake in Gol. Brazil is considering a gradual end to limits on foreign investment in its airlines, currently capped at 20%.

4. U.S.-Sri Lanka Open Skies Agreement Amended.

The U.S.-Sri Lanka Open Skies Agreement of 2002 was amended to expand rights for U.S. carriers. “The amendment strengthens global express delivery cargo networks, enhances bilateral connectivity and competitiveness, and facilitates economic growth and job creation.” The signing took place during

the 10th ICAO Air Services Negotiation Event (ICAN 2017) held in Colombo, Sri Lanka. ICAN provides a venue to discuss civil aviation issues with bilateral partner governments to resolve business issues and obtain new rights for U.S. carriers. The U.S. delegation included representatives from the Departments of State and Transportation.

5. U.S.-EU Safety, ATM Modernization Agreements Amended.

Amendments to two agreements were signed by FAA Administrator Michael Huerta and European Union (EU) officials. An amendment to the Aviation Safety Agreement enables FAA and the EU to finalize arrangements for reciprocal acceptance of approvals associated with Flight Simulator Training Devices and Pilot Licensing, and permits future collaboration in aircraft operations and air traffic safety oversight. The other amendment expands collaboration in the area of air traffic management modernization to cover the full life cycle of activities from development to deployment.

VIII. EUROPE AND AFRICA

1. Norwegian Adds U.S. Flights to Madrid, Amsterdam, Milan.

Norwegian announced four new routes from the United States to Europe. Service from New York Kennedy to Madrid Barajas begins July 18, and to Amsterdam Schiphol on May 7. Service from Los Angeles International to Madrid begins July 16, and to Milan Malpensa on June 18. Norwegian will be the only airline operating year-round nonstops from Los Angeles to Madrid and Milan. To support Los Angeles growth, Norwegian will open its fourth American crew base with 150 cabin crew during first quarter 2018. In other news, Norwegian will acquire an additional 28 weekly slots at London Gatwick.

2. First Strike in Ryanair History Staged by German Pilots.

The first strike in Ryanair history was staged on the Friday of Christmas weekend by pilots in Germany, represented by Vereinigung Cockpit (VC). To avoid threatened disruption, Ryanair had recognized unions in Ireland, the UK, Germany, Italy, Spain and Portugal as representatives for pilots in those countries, “as long as they establish Committees of Ryanair pilots to deal with Ryanair issues, as Ryanair will not engage with pilots who fly for competitor airlines.” Ryanair said it will meet with cabin crew unions “in due course.” . . . In other news, Italy’s antitrust regulator initiated non-compliance proceedings against Ryanair, for failing to update its website and emails to ensure Italian customers were informed of their rights to re-booking, re-routing and compensation in the case of flight cancellations.

3. Air France Budget Carrier Joon Begins Operations.

Air France’s budget brand Joon began operations with Airbus A320-200 flights from Paris Charles de Gaulle to Berlin, Lisbon, Porto and Barcelona. For the 2018 summer season, Joon will fly 228 flights a week to 13 destinations.

4. easyJet Acquires Air Berlin’s Tegel Assets.

The European Commission approved unconditionally the acquisition of certain Berlin Tegel assets of bankrupt Air Berlin by easyJet, concluding the transaction would not adversely affect competition. easyJet will lease Air Berlin aircraft, take over slots and offer employment to former Air Berlin flying crew. “This move is consistent with easyJet’s strategy of purposeful investment in strong number one positions in Europe’s leading airports,” said new CEO Johan Lundgren, successor to Carolyn McCall and former TUI executive. UK-based easyJet also operates three licensed airlines within the EU and Switzerland. . . . Milan Malpensa is now included in ‘Worldwide by easyJet,’ a

program launched at Gatwick in September that enables customers to connect easyJet flights to other airlines' long haul flights and buy flights for complementary networks on easyJet.com. Participating airlines to date are Norwegian, WestJet and Italian leisure carrier Neos.

5. Lufthansa Acquisition of LGW Approved.

The European Commission approved the acquisition of Air Berlin unit Luftfahrtgesellschaft Walter (LGW) by the Lufthansa Group. To address competition concerns, Lufthansa agreed to reduce the number of Düsseldorf slots to be acquired, and to forego purchase of Niki since the two airlines overlapped on around 130 routes. Lufthansa said all LGW personnel will transfer to Eurowings with their current contracts, and 33 LGW aircraft will be added to the Eurowings fleet.

6. Bankrupt Niki Suspends Operations.

When Lufthansa dropped its bid for Air Berlin unit Niki, the Austrian carrier filed for bankruptcy protection and suspended operations. Former Formula One champion Niki Lauda is said to be among those interested in acquiring the airline he founded.

7. SAS Begins Operations Under Irish AOC.

Scandinavian Airlines (SAS) obtained an air operator certificate (AOC) in Ireland. Nine Airbus A320neos will be allocated to operational bases in London and Malaga.

8. Darwin Declared Bankrupt, Ceases All Operations.

Lugano-based Darwin was declared bankrupt and its operating license voided. Etihad sold its 33.3% stake in the Swiss regional carrier in July to Luxembourg fund 4K Invest, which also owned Slovenian carrier Adria Airways. Darwin most recently was operated as Adria Airways Switzerland.

9. Airbus Announces Top Management Succession Plan.

Airbus COO and Commercial Aircraft President Fabrice Brégier will step down in February, to be succeeded by Airbus Helicopters CEO Guillaume Faury. The company said CEO Tom Enders does not wish to seek another term beyond his current mandate which runs until April 2019.

10. Norwegian Air Argentina Operations Authorized.

See Section X, item 11.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Cathay, Hong Kong Air to Offer New U.S. Service.

Cathay Pacific will introduce four weekly Airbus A350 nonstops to Washington, D.C. from Hong Kong on September 16. . . . Hong Kong Airlines began A350 service to Los Angeles, its first destination in the Continental United States, with San Francisco and New York to follow.

2. Air China Begins Shenzhen-Los Angeles Nonstops.

Air China began Boeing 787-9 nonstops between Shenzhen and Los Angeles. In 2016, Air China partnered with Shenzhen Airlines to launch the service via Beijing. The new non-stop route will reduce journey time to just over 12 hours. . . . In other news, Air China and Air Canada will expand code share services, as they work toward finalizing their planned joint venture. Air China will place its code on Air Canada's new daily Montreal-Shanghai flight, and its flights from Vancouver to Victoria, Kelowna, Saskatoon and Regina. Air Canada will place its code on Air China flights between Beijing and Zhengzhou, Xiamen, Shenzhen and Nanjing. The expanded code share cooperation comes into effect in April, subject to regulatory approvals. Currently, Air Canada code shares on flights operated by Air China between Beijing and Guangzhou, Chengdu, Chongqing, Wuhan, Xi'an and Shenyang, between Montreal and Beijing, and between Vancouver and Beijing. Air China code shares on flights operated by Air Canada between Vancouver and Calgary, Edmonton, Toronto, Montreal, Ottawa and Winnipeg, and between Montreal and Ottawa, Toronto and Winnipeg, as well as Vancouver and Toronto to Beijing and Shanghai. The Canada-China air travel market has grown by 14% annually over the past six years, said Air Canada President and CEO Calin Rovinescu. Air Canada operates up to 35 flights per week and Air China up to 11 flights per week between the two countries.

3. China's Airlines Enjoy \$1.3 Billion in Subsidies.

Local governments' subsidies to attract new flights to cities other than Beijing, Shanghai and Guangzhou reached at least \$1.3 billion in 2016, reports Bloomberg, citing China's Civil Aviation Data Analysis (Cadas). "Airlines still face significant operational risks even if their long-haul international flights from second-tier Chinese cities are subsidized," Cadas said. "Rather than bringing in more foreigners to China, local governments are subsidizing Chinese outbound travel, with little positive economic impact on local economies." . . . *China Daily* quoted an industry analyst at civil aviation website Carnoc, who said flights between major Chinese cities and the United

States “are quite saturated, and airlines are competing to launch direct flights between second-tier Chinese cities and the United States, although operating cost pressures exist. There is still demand for more China-U.S. routes, but the possible fluctuation of Sino-U.S. relations should also be taken into consideration.” . . . Hainan Airlines has launched a number of direct flights between second-tier Chinese cities and major U.S. cities, and, reports *China Daily*, wants to “launch direct flights between Shanghai and major U.S. cities, especially those that already offer direct flights to Beijing.” China's largest private air carrier plans to code share with Alaska Airlines and JetBlue to strengthen its coverage on the U.S. east and west coasts.

4. AirAsia Appoints New CEO; Aireen Omar Promoted.

Former Naza Corporation executive Riad Asmat was named CEO of AirAsia. He succeeds Aireen Omar, who was promoted to Deputy Group CEO of Digital, Transformation, Corporate Services. AirAsia Group CEO Tony Fernandes said Aireen's appointment “signals AirAsia's determination to successfully transform itself from an aviation company into a digital corporation”; she will spearhead non-airline companies, oversee large, strategic group-wide initiatives, and be responsible for AirAsia's digital strategy, promoting innovation throughout the group and encouraging collaboration across AirAsia's businesses and markets. Fernandes denied rumors that he is retiring.

5. Executive Shift at Air India.

Pradeep Singh Kharola is now Chairman and Managing Director of Air India, succeeding Rajiv Bansal. Kharola formerly was Managing Director of Bangalore Metro Rail and Chairman of Karnataka Urban Infrastructure Development and Finance Corp. The government plans to allow foreign investors to buy up to 49% of Air India.

X. AMERICAS

1. Delta, WestJet to Form Joint Venture.

Delta and WestJet agreed to expand their partnership by entering into a comprehensive trans-border joint venture. Highlights of the planned arrangement, subject to board and regulatory approvals, include coordinated schedules for nonstop flights to new destinations, expanded code sharing, seamless connections, and enhanced frequent flyer benefits. . . . In other news, Delta and partners Air France-KLM and Alitalia are offering Basic Economy fare on most transatlantic flights operating from April 10; a fee will be charged for first checked bag, there will be no seat assignments and tickets may not be changed. . . . Delta placed an order with Airbus for 100 A321neo ACF (Airbus Cabin Flex configuration) aircraft, for a total of 117. The A321 is the largest A320, seating up to 240 passengers.

2. American Airlines, Pilots Agree to Solve Scheduling Glitch.

American Airlines reached an agreement with Allied Pilots Association to ensure “a full December schedule,” after a technical glitch allowed all pilots to take vacation time around Christmas. The airline paid pilots up to double normal pay rate during the period.

3. Hawaiian to Buy Island Air Assets.

Hawaiian Holdings, agreed to purchase Island Air's operating certificate and other assets for \$750,000, reports the *Honolulu Star-Advertiser*, a hearing on the sale is set for January 5. Island Air filed for Chapter 11 bankruptcy in October and ceased operations on November 10. . . . Hawaiian will launch daily nonstops between San Diego and Maui on May 1 with Airbus A321neo aircraft, which also will be deployed on summer nonstops between San Francisco and Honolulu, and Oakland and Kona. Daily A330 summer flights will be added to Narita-Honolulu and Maui-Los Angeles.

4. Horizon CEO Campbell Steps Down.

Horizon Air CEO Dave Campbell is leaving, effective January 5, following a turbulent year for the Alaska Air regional that saw thousands of cancellations due to a pilot shortage. Campbell held executive positions at American and JetBlue and joined Horizon as President in 2014. . . . Alaska began daily San Francisco-Kona Airbus A320 nonstops.

5. Spirit Announces Succession Plan.

Spirit Executive Vice President and CFO Ted Christie will become President and join the Board of Directors, effective January 1. Bob Fornaro currently is President and CEO. Christie will become CEO on January 1, 2019. . . . Spirit begins nonstops from Fort Lauderdale to Guayaquil, Ecuador, in March, and to Cap-Haïtien, Haiti in April. . . . Spirit transferred the listing of its common stock to the New York Stock Exchange from the NASDAQ Global Select Market on December 28.

6. Allegiant Flight Attendants Ratify Contract.

Allegiant flight attendants represented by Transport Workers Union voted to ratify their first collective bargaining agreement. The five-year contract was negotiated under the supervision of the National Mediation Board

7. Sun Country to be Acquired by Apollo Global Management.

Sun Country will be acquired by funds affiliated with Apollo Global Management, subject to regulatory approvals. The Minnesota-based leisure carrier, which flies 2.5 million passengers per year domestically and to Mexico, Costa Rica and the Caribbean, “presents compelling opportunities for innovation, efficiency and growth,” said Apollo. Sun Country is owned by brothers Marty and Mitch Davis; Jude Bricker, a former Allegiant executive, is President and CEO.

8. A4A, CANAERO to Promote U.S.-Mexico Air Transport.

Airlines for America and Camara Nacional de Aerotransportes (CANAERO) agreed to jointly promote air travel and tourism, facilitate movement of goods and strengthen development of air transport between the U.S. and Mexico. A U.S.-Mexico Air Services Agreement was ratified in 2016. There currently are 221 nonstop routes between the two nations served by 14 U.S. and Mexican passenger airlines, plus operations by 19 air cargo carriers. From 2010, cross-border air travel grew 7.2% annually to nearly 38,000 daily passengers in 2016. Through first half 2017, passenger volumes were up 10%.

9. Volaris Obtains Approval for Costa Rica Operations.

DOT awarded the Costa Rican affiliate of Mexican airline Volaris a foreign air carrier permit. Volaris Costa Rica will fly to Los Angeles International, New York Kennedy and Washington Dulles.

10. Avianca Brasil Starts Direct Sao Paulo-New York Flights.

Avianca Brasil began nonstop, daily Airbus A330-200 flights from Sao Paulo Guarulhos to New York Kennedy, having earlier launched direct flights to Miami. . . . The Star Alliance member is in talks with United to enhance their

code share arrangement. CEO Frederico Pedreira said the talks are proceeding in parallel with partnership negotiations between United and Colombian airline Avianca Holdings. . . . Avianca Holdings and minority shareholder Kingsland Holdings withdrew lawsuits against one another. Kingsland's complaint against Avianca, its controlling parties and United alleged that negotiations with United were not in the best interest of the company and were meant to enrich German Efromovich, who controls most of Avianca's shares through Synergy Group and serves as Avianca's Chairman. Avianca countersued, calling Kingsland's charges baseless.

11. Norwegian Air Argentina Operations Authorized.

Argentina's Ministry of Transportation granted Norwegian Air Argentina a 15-year authorization to operate on 72 domestic and 80 international routes, with access to airports in major cities including Buenos Aires. Flights begin in 2018. CEO is Ole Christian Melhus.

12. Norwegian Adds U.S. Flights to Madrid, Amsterdam, Milan.

See Section VIII, item 1.

13. Cathay, Hong Kong Air to Offer New U.S. Service.

See Section IX, item 1.

14. Air China Begins Shenzhen-Los Angeles Nonstops.

See Section IX, item 2.