



## 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: Passenger Demand to Double Over 20 Years.

The International Air Transport Association (IATA) expects 7.2 billion air travelers in 2035, compared to 3.8 billion in 2016. The Asia-Pacific region is expected to be the source of more than half the new passengers, according to IATA's 20-Year Air Passenger Forecast. China will displace the U.S. as the world's largest aviation market (defined by traffic to, from and within the country) in around 2029. India will displace the UK for third place in 2026, while Indonesia enters the top ten, bumping Italy. Growth will also increasingly be driven within developing markets, where over the past decade share of total passenger traffic has risen from 24% to nearly 40%.

### 2. DOT Announces New Consumer Protection Rules.

The U.S. Department of Transportation (DOT) issued an Advance Notice of Proposed Rulemaking requiring airlines to refund baggage fees when luggage is substantially delayed; airlines already reimburse fees for lost bags. Among other newly announced initiatives: The number of U.S. carriers required to report on-time performance, oversales and mishandled baggage rates to DOT would increase, as of January 1, 2018, when the threshold for reporting will be lowered to include carriers that account for at least 0.5% of domestic scheduled passenger revenue, rather than the current 1.0%. Under the new rule, carriers would have to report data for flights operated by domestic code share partners; the total number of mishandled and checked bags, rather than current rate per passenger; and how often they mishandle wheelchairs for travelers with disabilities. Airlines and online travel sites that display and sell airline tickets will be "prohibited from biasing on behalf of certain airlines how they present available flights for purchase without disclosing this bias." . . . DOT is conducting a separate rulemaking "to further explore requiring airlines and ticket agents to provide consumers with prices that include ancillary service fees alongside fares at all points of sale. . . . DOT is investigating "potentially unfair business practices" with a Request for Information to consumer groups, industry and others about impact on consumers when airlines restrict access to schedule and fare information; currently, some airlines prevent online travel sites from listing all fare and flight options. . . . To come, DOT will finalize rules that address whether to require that travel agents adopt minimum customer service standards, such as right to cancel a reservation within 24 hours and receive a prompt refund; and whether to define ticket agent to make it clear that all companies that market air transportation must follow the same consumer protection rules. . . . Airlines for

America (A4A) said some of the proposals “could harm customers by reregulating how airlines sell their products, driving up the cost of air travel.” U.S. Travel Association said the new rules will “mitigate travel headaches,” urged Congress to foster policy options that treat “lack of choices and air service for far too many flyers,” and asked the Administration “to benefit consumers, increase connectivity and spur competition by protecting Open Skies agreements and approving the entry of new low-cost competitors like Norwegian Air International into the U.S. aviation market.” Among Hill reactions, Senators Richard Blumenthal and Edward Markey said the DOT initiative “punts real reform and allows airlines to continue hiding the true cost of flying under a shroud of secrecy,” and called for “immediate action to ensure customers get an all-in price when shopping and full access to airline flights and schedules so they can comparison shop—not just promises of further review of these well-known problems.” . . . New Orleans Mayor Mitch Landrieu was named Chairman of the DOT Advisory Committee for Aviation Consumer Protection; members also include David Berg (A4A), Mario Rodriguez (Indianapolis Airport Authority) and Charlie Leocha (Travelers United).

**3. IG: DOT Tarmac Rule Temporarily Increased Cancellation Rates.**

DOT’s tarmac delay rule increased cancellation rates during the first three years of implementation (May 2010–April 2013), but then stopped having that effect, according to a report by the DOT Inspector General (IG); the analysis occurred through end of December 2014. Under the rule, airlines face fines of up to \$32,400 per passenger for incidents of domestic flights waiting more than three hours on the tarmac. The IG audit was required by the FAA Modernization and Reform Act of 2012 and requested by the House Aviation Subcommittee and the Senate Commerce Committee.

**4. U.S. Airlines Lose Bid to Dismiss Antitrust Lawsuit.**

A federal judge in Washington, D.C. said she could “reasonably infer the existence of a conspiracy” among American, Delta, Southwest and United, rejecting their bid to dismiss a proposed class-action case by passengers who charge them with conspiring to raise fares by keeping seating capacity artificially low. In her decision, the judge cited statements by several airline executives about the need for discipline in seating capacity, noting that the “plaintiffs sufficiently pled parallel conduct.” The U.S. Department of Justice is investigating possible conspiracy among the airlines.

**5. NTSB Investigates Airline Incidents.**

The National Transportation Safety Board (NTSB) is investigating the aborted takeoff of an American Airlines Boeing 767 at Chicago O’Hare, due to an engine-related fire; all 161 passengers and nine crew deplaned on the runway.

. . . NTSB is also investigating a FedEx MD-10 landing gear collapse and wing fire, on landing at Fort Lauderdale International, which briefly shut down the airport; both pilots evacuated safely and cargo was not affected. . . . A runway excursion of an Eastern Boeing 737-700 at New York LaGuardia is also under investigation. No injuries were reported; Vice-Presidential candidate Mike Pence was among the 36 passengers.

**6. Samsung Galaxy Note7 Phones Banned from Airplanes.**

DOT and the Pipeline and Hazardous Materials Safety Administration issued an emergency order to ban all Samsung Galaxy Note7 smartphone devices from air transportation in the United States, effective October 15, 2016, due to fire and smoke incidents. The device may not be transported by a person or in carry-on or checked baggage, nor can it be shipped as air cargo. Samsung suspended manufacture and sale of the device and established exchange booths at airports around the world.

**7. FAA Proposed Rule Requires Pilot Professional Development.**

The Federal Aviation Administration (FAA) issued a Notice of Proposed Rulemaking (NPRM) meant to ensure that U.S. air carrier pilots adhere to standard procedures and prevent behavior which could lead to errors. The rule would require leadership and command training and mentoring training for pilots-in-command. It would also require carriers to establish Pilot Professional Development Committees to develop, administer and oversee formal pilot mentoring programs. Following the Colgan Air Flight 3407 accident, air carriers and unions pledged support for professional standards and ethics committees, a code of ethics, and safety risk management meetings. The NPRM responds to a 2010 law and NTSB recommendations.

**8. FAA Proposes \$78,000 Civil Penalty Against Amazon.**

FAA proposed a \$78,000 civil penalty against Amazon.com, for allegedly offering FedEx an undeclared shipment containing a flammable liquid for air transportation on August 7, 2015, in violation of Hazardous Materials Regulations. The leaking box was not properly packaged, marked and labeled as containing hazardous material and Amazon did not provide shipping papers indicating the amount, type and hazardous nature of the material inside, and did not provide required emergency response information with the shipment. Amazon has repeatedly been cited for HazMat violations.

**9. Domestic Air Fares Drop in Second Quarter.**

The average domestic air fare decreased to \$353 in second quarter 2016, compared to \$390 in second quarter 2015, adjusted for inflation, reports DOT. Average fares have declined for six consecutive quarters after reaching an

inflation-adjusted recent high of \$403 in fourth-quarter 2014. U.S. passenger airlines collected 74.3% of total revenue from fares during second quarter 2016, down from 87.6% in 1995, as additional revenue obtained from ancillary and other fees has increased.

**10. August Passenger Airline Employment Up 4.3%.**

U.S. scheduled passenger airlines employed 414,242 workers in August, 4.3% more than in August 2015, reports DOT. Full-time equivalent employment was up 2.5% at the four network airlines, up 11% at the six low-cost carriers, and up 3.3% at the 12 regional carriers.

**11. DOT Air Travel Consumer Report for August.**

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

	August '16 / '15	July '16	Full Year				
			2015	2014	2013	2012	2011
On-time arrivals %	77.6 / 80.3	75.2	79.9	76.2	78.34	81.85	79.6
Cancellations %	1.4 / 1.0	1.9	1.5	2.2	1.51	1.29	1.91
Mishandled baggage*	3.15 / 3.27	3.32	3.24	3.61	3.22	3.09	3.35
Consumer complaints:							
Airline service	2,250 / 2,211	1,963	20,170	15,539	13,176	15,338	11,546
Disability-related	96 / 85	70	939	784	683	741	628
Discrimination**	15 / 5	8	65	68	79	99	128

Notes: Airlines reported 15 tarmac delays of more than three hours on domestic and five of more than four hours on international flights in August.

\* Reports per 1,000 passengers.

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

**12. Embraer to Pay \$107 Million to Resolve Foreign Corrupt Practices.**

Embraer agreed to pay a penalty of more than \$107 million in connection with schemes involving bribery of government officials in the Dominican Republic, Saudi Arabia and Mozambique to secure aircraft sales, said the U.S. Department of Justice. The Brazilian conglomerate earned profits of \$84 million on the sales. As part of a three-year deferred prosecution agreement, Embraer admitted to involvement in a conspiracy to violate anti-bribery and books and records provisions and to its willful failure to implement an adequate system of internal accounting controls; and agreed to continue to cooperate with the department's investigation, enhance its compliance

program, implement a more adequate system of internal accounting controls, and retain an independent corporate compliance monitor. Embraer also reached settlement with the U.S. Securities and Exchange Commission (SEC), under which it agreed to pay \$83.8 million in disgorgement and \$14.4 million in prejudgment interest. The SEC has agreed to credit the disgorgement that Embraer pays to Brazilian authorities, with whom Embraer also reached a settlement and agreed to pay \$20 million in disgorgement. Brazilian authorities have charged 11 individuals for their alleged involvement in Embraer's misconduct in the Dominican Republic. Saudi Arabian authorities have charged two individuals for their alleged involvement in Embraer's misconduct in Saudi Arabia.

## II. AIRPORTS

### 1. UK Supports New Runway at Heathrow.

The UK announced tentative approval for a third runway at London Heathrow, subject to public consultation and parliamentary vote, with final approval possible next year. “When it opens in 2025, new airport hub capacity will allow up to 40 more long haul destinations,” said Heathrow Airport Ltd., and “increase the number of domestic routes served, ensuring every region and nation of the UK can get to global markets and increase cargo capacity.” The airport, airlines operating there and the Civil Aviation Authority (CAA) will work on design and costs to ensure the project “remains affordable [and] “keeps landing charges close to current levels,” said the government; costs will be covered by the private sector. . . . Proposed noise measures will include a six-and-a-half-hour ban on scheduled night flights, use of quieter planes and “a more reliable and predictable timetable of respite for those living under the final flight path”; total mitigation package for community most affected by expansion worth up to £2.6 billion.

### 2. AAAE, ACI-NA Ask FAA to Rescind PFC Proposal.

The American Association of Airport Executives (AAAE) and Airports Council International-North America (ACI-NA) asked FAA to rescind a draft proposal on the Passenger Facility Charge (PFC) program, as it “would increase the regulatory burden on airports, unnecessarily expand FAA's involvement with an inherently local program, and slow the PFC application and approval process at a time when airports are calling for an expedited review process and less federal intervention in managing local PFC revenues.” They said the 212-page proposal goes well beyond adopted congressional mandates, and asked FAA to provide airports with an opportunity to discuss concerns and recommend changes, and then issue a new revised order. FAA was considering extending the October 31 deadline to December 30.

### 3. United Signs Long-Term Lease at Washington Dulles.

United extended its lease at Washington Dulles through 2024. The current lease was set to expire at the end of 2017, but the state of Virginia “incentivized the negotiation of a seven-year extension of the lease with airlines by providing \$50 million—\$25 million in airport funding per year in 2017 and 2018—to reduce airline operating costs and further strengthen the competitive position of Dulles, said Metropolitan Washington Airports Authority (MWAA). The agreement also establishes a new capital program from 2018 through 2024 for upkeep and improvement of airport infrastructure, including

terminals, airfield pavement, passenger conveyance, baggage handling, utilities, roads, airline gates and the international arrivals facility. Extending the agreement term at Dulles through 2024 is consistent with terms in place for airlines at Reagan National, said MWWA.

4. **\$950 Million Expansion Approved for Phoenix Terminal 4, Sky Train.**

The Phoenix City Council approved a \$950 million Sky Harbor expansion plan, which includes an eight-gate concourse in Terminal 4 and an extension of Sky Train service from Terminal 3 to the rental-car center. The projects will be funded with passenger fees, other airport revenue and bonds, reports the *Arizona Republic*, and will be completed by 2021. The Sky Train extension will eliminate a fleet of 108 buses. . . . The \$150 million first phase of a Terminal 3 upgrade will open by yearend; it includes improved ticket counters and a new consolidated security checkpoint with video monitors. The entire \$600 million Terminal 3 project will be completed in 2020.

5. **United's Houston Tech Ops Center Construction Begins.**

United broke ground on its Technical Operations Center at George Bush Intercontinental, in partnership with City of Houston and Houston Airport System. This phase of United's Houston expansion includes 200,000 square feet of additional hangar capacity for maintaining widebody aircraft, in addition to a new warehouse distribution center, technical services building and administrative offices. Completion expected in late 2018.

6. **American Completes Philadelphia Project.**

American Airlines completed its Philadelphia International Terminal F renovation and expansion project, with the opening of a \$35 million baggage claim facility. The expansion increased concession space by 20,000 square feet and included a new security screening checkpoint and a secure pedestrian corridor linking Terminal F to the airport's six other terminals. "The \$100 million Terminal F project was complemented by the construction of a new ramp control tower and a 3,400-space parking garage," said the airport.

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

#### **1. Partnership Stressed at IATA's AVSEC.**

Speaking before the 25th AVSEC World conference in Kuala Lumpur, IATA's Director General and CEO Alexandre de Juniac called on industry and governments to forge "an even stronger partnership to provide durable solutions to aviation's security challenges," which include overflying conflict zones, landside security at airports, insider threats, cybersecurity, harmonization of PNR (passenger name record) and API (advance passenger information) requirements and airport checkpoints. De Juniac noted four principles to guide cooperative security efforts: risk-based measures to ensure that limited resources are applied where threats are greatest; information sharing among governments and with industry to enable effective risk-assessments; global standards in security systems to support effective collaboration between all parties in all locations; and mutual recognition of standards to improve effectiveness and efficiency. He emphasized the necessity for speed, as threats emerge and evolve quickly. AVSEC World was hosted by Malaysia Airlines and jointly presented by IATA with the International Civil Aviation Organization and Airports Council International. . . . "Terrorists are still intensely focused on attacking aviation," U.S. Transportation Security Administration chief Peter Neffenger told AVSEC; "over the past year we have seen the downing of Metrojet flight 9268 over the Sinai with loss of 224 lives, the attempted destruction of Daallo flight 159 over Mogadishu, and attacks on Brussels and Istanbul airports. We need to weave security into the fabric of aviation," said Neffenger, and create a fully integrated system "that reduces vulnerabilities and prevents attacks, but most importantly, to do so in a manner that avoids jurisdictional disputes and handoffs from one element to another." He noted that the mandate of United Nations Security Council Resolution 2309, adopted in September, provides "an unprecedented opportunity to work across borders to develop a common strategy, to determine objectives, and to establish goals for a worldwide aviation security system."

#### **2. IG: DOT Cybersecurity Incident Handling Ineffective, Incomplete.**

A DOT IG audit determined that DOT, which reported 2,200 cybersecurity incidents in 2014 alone, does not have effective monitoring in place for its networks and information systems that contain sensitive data. DOT's Chief Information Officer (CIO) has not ensured that the Security Operations Center has access to all departmental systems nor required the Center to consider incident risk. FAA conducts its own monitoring of the national airspace system (NAS) through its Cyber Operations Center and the audit found incidents in

NAS systems that FAA should have reported. The CIO's "lack of enforcement of DOT's cybersecurity policies coupled with the weaknesses in FAA's monitoring puts the Department's information systems at risk for compromise," concluded the IG.

**3. PreCheck Partner Search Canceled Due to Cybersecurity Concerns.**

TSA canceled its search for private sector partners for PreCheck expansion due to concerns about whether vendors would adequately safeguard passenger information, in light of the increased and evolving cybersecurity risks over the past year. The Request for Proposal (RFP) was issued last October. "As currently written, there is risk in using personally identifiable information during the testing phase of the process," said TSA. "While risk mitigations were included in the current RFP testing approach to protect the sensitive data during testing, TSA has determined it will no longer accept the risk associated with sharing the test data." A future enrollment solicitation "will align with DHS cybersecurity best practices and TSA's continuing focus on cybersecurity and privacy to protect people and programs."

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

### **1. Passengers Want ‘Off Airport’ Digital Self-Service Options.**

Travelers want to do more traditional airport processes ‘off airport’ using digital self-service options, according to IATA’s 2016 Global Passenger Survey. The percentage of passengers who checked in online and used a mobile boarding pass rather than a printed one increased to 71% this year from 69% in 2015. Among other findings, culled from 6,920 responses worldwide, passengers want uniquely-tailored travel options and are prepared to offer their personal data to access them; to have the same connectivity in the air as on the ground; to self-tag bags, use electronic bag tags, and track bags throughout the journey; and to have bags picked up from home and delivered to the airport, or to drop off bags away from the airport. Airport security and border control processes were two of the largest “pain points” for passengers. Since 40% of passengers choose their route based on their airport transfer experience, IATA says, airlines and airports can’t afford to ignore their wishes.

### **2. Real-Time Bag Tracking to Save Industry \$3 Billion.**

Radio Frequency Identification (RFID) technology, which can accurately track baggage in real time across key points in the journey, could reduce the number of mishandled bags by up to 25% by 2022 and save the industry \$3 billion, said IATA and global IT provider SITA at the IATA World Passenger Symposium in Dubai. Initial RFID deployments by airlines show a 99% success rate. According to the SITA 2016 Baggage Report, technology has helped reduce the number of mishandled bags by 50% from a record 46.9 million in 2007, saving the industry \$22.4 billion, despite a sharp rise in passenger numbers in the same period. RFID supports IATA’s Resolution 753, which requires that by 2018 airlines track baggage from start to finish. . . . Delta introduced a map view of passengers’ bags at the last scanned location on the Fly Delta mobile app. The carrier has launched systemwide RFID bag tags and tracking technology at 84 U.S. airports. All domestic stations now offer map view of the bag’s journey and international stations will receive this technology in the coming months.

### **3. Sabre Launches Traveler Experience Platform.**

Sabre introduced its Traveler Experience Platform, a consumer-grade mobile app with booking capabilities of GetThere for air and hotel, itinerary management and messaging features of TripCase and e-payment solutions of Sabre Virtual Payments. A travel risk management solution, SafePoint, helps travelers check in with their employer via a GPS location and request

assistance if an emergency arises. The technology allows travelers “to self-manage in-transit booking, payments, expense reporting, safety and security matters.” According to a Sabre survey, 77% of business travelers in North America prefer using self-service technology to manage travel, but use nine different apps to do so.

**4. Kayak Adds Amadeus Master Pricer with Instant Search.**

Travel search engine Kayak has implemented Amadeus Master Pricer with Instant Search technology, providing “bookable recommendations for both round-trip and one-way searches and access to the cheapest fares.” . . . Bad weather, natural disasters and strike action cost the travel industry up to an estimated \$60 billion annually, equating to some 8% of global industry revenues, says a new report from Amadeus and T2RL, “Shaping the Future of Airline Disruption Management.” Regulations such as the U.S. tarmac delay rule and mandatory compensation for delays across the EU incentivize airlines to develop standard procedures for handling disruption situations, and initial proof of concepts from IT vendors indicate a breakthrough likely in coming years. . . . Another Amadeus study, “Travel Distribution: The End of The World As We Know It,” commissioned from London School of Economics, examines artificial intelligence, virtual reality and portable technology and recommends industrywide collaboration for aggregating, processing and harnessing big data, or the “explosion of complexity and differentiation of services in the short term could translate into potential confusion for the consumer.” The role of IT companies with major consumer interfaces in travel distribution will continue to grow, notably through the use of virtual assistants, payment technologies and integration into social media. The influence of 'mega-meta-OTA' hybrids (online travel agents with metasearch capabilities and global brands) will penetrate deeper into the distribution chain, with the ability to negotiate better content and conditions.

## V. ENERGY AND ENVIRONMENT

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

The average price of aviation jet fuel on October 14 was \$61.8/barrel, up 12.5% on the month and up 4.5% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2016 was \$51.8/barrel. Impact on 2016 fuel bill was -\$22.7 billion.

### 2. ICAO Approves Global Carbon Offsetting and Reduction Scheme.

The International Civil Aviation Organization (ICAO) approved a global market-based measure (GMBM) to control CO<sub>2</sub> emissions from aviation; 191 member states reached the historic agreement at the 39th General Assembly. Implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) will be phased in starting in 2021 on a voluntary basis and will become mandatory for all countries, excluding least developed countries and nations with very low levels of aviation activity, in 2027. Sixty-five countries, including the United States, have signed up for the voluntary phases, representing both developed and developing nations. CORSIA complements mitigation measures the air transport community is already pursuing to enable carbon neutral growth from 2020, including technical and operational improvements and advances in production and use of sustainable alternative fuels. . . . The European Commission applauded the agreement and will review its impact on the EU emissions trading system for aviation, said Transport Minister Violeta Bulc.

## VI. U.S. CONGRESS

### 1. Bill to Prevent Flight Attendant Fatigue Introduced in Senate.

Legislation to help prevent flight attendant fatigue was introduced by Democratic members of the Senate, before Congress adjourned for the election recess. The bill would require air carriers to provide all flight attendants with scheduled rest periods of at least 10 consecutive hours between duty periods and to include flight attendants in their Fatigue Risk Management Plans (FRMP). “These important safety policies were included in the House reauthorization bill,” noted Association of Flight Attendants-CWA (AFA). “The Senate version included an FRMP for flight attendants. Congress failed to include either in the FAA extension passed earlier this year.”

### 2. Senators Oppose Reduced Flight Training Hours for Pilots.

Democratic Senators led by Kirsten Gillibrand and Dianne Feinstein urged FAA to reject proposals to reduce flight hours required for commercial first officer training to as low as 500 hours for individuals with military experience, in an effort to increase pilot employment rates. At least 750 to 1,500 hours of flying experience currently are required to become a commercial co-pilot. Following the 2009 Colgan Air Flight 3407 crash, Congress mandated new training hour requirements “that would ensure that the families of those killed in the crash, along with all Americans, have the strongest possible safety regulations,” wrote the Senators; . . . Regional Air Service Alliance (RASA), comprised of airports of all sizes, says small community air service is threatened by a reduced supply of pilots. “Much of the debate over required pilot training hours is discussed under the guise of safety based on one truly unfortunate accident [Flight 3407],” says RASA. “NTSB concluded that the accident was the result of pilot error, but did not relate that to the hours of experience for the flight crew.”

### 3. Mica Receives FAAMA Lifetime Achievement Award.

John Mica (R-Fla.) is the first recipient of a Lifetime Achievement Award from FAA Managers Association (FAAMA). Mica was Chairman of the Aviation Subcommittee and House Transportation Committee and currently is Chairman of the Transportation and Public Assets Subcommittee. His “successes include the proper accreditation of sick leave for FAA managers, restructuring locality pay and adjusting federal retirement plans to enhance flexibility, retention and benefit,” said FAAMA.

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

### **1. Amendments to Cuba Sanctions Regulations Announced.**

The Obama Administration announced new amendments to Cuba sanctions, effective October 17. The changes authorize “people subject to U.S. jurisdiction to provide civil aviation safety-related services to Cuba and Cuban nationals.” Air cargo is generally authorized to transit Cuba. Monetary value limitations are removed for what authorized travelers may import from Cuba into the United States as accompanied baggage, including alcohol and tobacco products. Persons subject to U.S. jurisdiction are further authorized to import Cuban-origin merchandise acquired in third countries into the United States as accompanied baggage, again without value limitations. Also removed is the prohibition on foreign travelers importing Cuban-origin alcohol and tobacco products into the United States as accompanied baggage; Cuban-origin goods must be imported for personal use, and normal limits on duty and tax exemptions will apply. Persons subject to U.S. jurisdiction may provide services to Cuba or Cuban nationals related to developing, repairing, maintaining, and enhancing certain Cuban infrastructure in order to directly benefit the Cuban people. Congress has not lifted the trade embargo on Cuba, and House Speaker Paul Ryan said “normalizing relations have only emboldened the regime at the expense of the Cuban people”; he intends to maintain the embargo.

### **2. EU Appeals Latest WTO Ruling on Airbus Subsidies.**

The European Union (EU) launched an appeal against a September World Trade Organization (WTO) ruling that upheld a U.S. complaint regarding illegal subsidies for Airbus.

## **VIII. EUROPE AND AFRICA**

### **1. FedEx Plans €200 Million Expansion of Paris Distribution Hub.**

FedEx Express will expand its distribution hub at Paris Charles de Gaulle. The commitment includes €200 million in capital and a 30-year lease; construction begins next summer with completion by 2019. The facility will feature the company's first automated sorting system for over-sized packages and a 40% increase in sorting capacity. FedEx unit TNT will open a ground hub north of Paris in the Ile de France region along with three TNT ground depots.

### **2. British Airways Offers New Orleans, Fort Lauderdale Services.**

British Airways begins four weekly London Heathrow-New Orleans flights on March 27. The Boeing 787-8 service will "connect quickly and easily onto more than 130 destinations within the British Airways network, throughout Europe and beyond." A three-times-weekly B777-200 service to Fort Lauderdale from Gatwick begins July 6.

### **3. Shakeup Ahead for Air France-KLM Management.**

Air France CEO Frederic Gagey reportedly will step down in early November, as the company attempts to improve labor relations. Air France-KLM CEO Jean-Marc Janailac, who replaced Alexandre de Juniac in July, would become Chairman of Air France as well, according to press reports.

### **4. Norwegian to Serve Oakland from Copenhagen.**

Norwegian begins twice weekly Copenhagen to Oakland service in March, bringing the number of its U.S. destinations from Copenhagen to nine. . . . Norwegian Air International's application to begin flights to the United States under terms allowed by the U.S.-EU Open Skies agreement remains unresolved. In April, DOT provisionally approved the Dublin-based carrier's two-year-old application. The EU plans to pursue formal arbitration. In a letter sent to DOT in October, JetBlue warned of potential retribution, should it one day seek authorization from EU states for transatlantic services.

### **5. Icelandair Adds U.S. Service.**

As part of the 2017 schedule, Icelandair will offer up to double daily service to Washington Dulles, daily to Chicago, up to nine weekly flights to Denver, and up to five weekly to Portland. Year-round service to Tampa begins September 7, and seasonal service to Philadelphia starts on May 30. "With new gateways, increased flights and a boost in capacity, including the addition of recently acquired Boeing 767s to the fleet," said CEO Birkir Holm Gudnasson,

“Icelandair will offer the largest flight network in its 79-year history.” . . . Icelandair joined Airlines for Europe (A4E), which launched in January 2016. Other members are Aegean, airBaltic, Air France KLM, easyJet, Finnair, International Airlines Group (IAG), Jet2.com, Lufthansa Group, Norwegian, Ryanair, TAP Portugal and Volotea.

**6. WOW Offers Daily Flights to Los Angeles, San Francisco.**

WOW Airbus A330-300 service from Reykjavik to Los Angeles and San Francisco will become daily next Spring, with fares from \$99. Launched in 2011 by Icelandic entrepreneur Skúli Mogensen, WOW flies to 31 destinations in Europe and North America from Reykjavik; annual passenger capacity is projected to reach 1.8 million in 2016, compared to 840,000 in 2015.

**7. LOT Offers Direct Service to Newark, Los Angeles.**

LOT Polish Airlines will begin four weekly nonstops from Warsaw to both Newark and Los Angeles in April. Flights to Los Angeles, its first direct West Coast connection, will operate with Boeing 787s. Newark initially will utilize leased Boeing 767-300s, followed by Boeing 787s. LOT also flies to New York Kennedy. The air services market in Poland and Central and Eastern Europe “is bound to grow at a much quicker pace than in other European countries,” said CEO Rafal Milczarski, predicting that LOT’s passenger numbers could exceed 10 million by 2020, compared to 4.3 million in 2015. “LOT is going to continue with developing its hub at the Warsaw Chopin Airport but ultimately its offering will have to be transferred to another, centrally located airport in Poland,” he added. The company estimates that in 2020 it will operate 70 aircraft, including 16 Dreamliners.

**8. Delta, Virgin Atlantic, Jet Airways Expand Code Share Cooperation.**

See Section IX, item 1.

**9. Shanghai-Based Juneyao Named Star Alliance Connecting Partner.**

See Section IX, item 4.

**10. Etihad to Increase Dallas/Fort Worth Service; Partner with TUI.**

See Section IX, item 7.

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

### **1. Delta, Virgin Atlantic, Jet Airways Expand Code Share Cooperation.**

Delta and Virgin Atlantic expanded cooperation with Jet Airways to provide code share connections from nine U.S. destinations operated by Delta to Mumbai and Delhi via London Heathrow and onward to 20 destinations in India. Delta and Jet also code share via Amsterdam Schiphol and Paris Charles de Gaulle. In 2017, subject to government approvals, Virgin Atlantic will expand its code share with Jet on flights from Heathrow to 10 cities across North America. Jet Airways participates in Etihad Airways Partners.

### **2. Hainan Recruiting 500 Worldwide.**

Hainan Airlines is conducting a worldwide campus recruitment drive with stops in China, the UK and Boston, Berkeley, Seattle and Chicago. The carrier is “in urgent need” of individuals with specialization in all civil aviation segments and aims to create “a team of international talent, establish an international employee structure, and implement a global talent management strategy.” . . . Hainan parent HNA Group acquired a 25% stake in Hilton Worldwide from Blackstone for \$6.5 billion, after buying Radisson parent Carlson Hotels in April. Among HNA aviation holdings are airlines, Gategroup and SR Technics; its Avolon unit is buying CIT aircraft leasing assets.

### **3. Turkish Airlines CEO Temel Kotil Resigns.**

Turkish Airlines CEO Temel Kotil resigned to become head of manufacturer Turkish Aerospace Industries; he has been chief of the flag carrier since 2005. Kotil will be replaced by Bilal Ekşi, currently head of Turkey’s Directorate General of Civil Aviation and a former Turkish Airlines executive.

### **4. Shanghai-Based Juneyao Named Star Alliance Connecting Partner.**

Juneyao will become a Star Alliance Connecting Partner in second quarter 2017, allowing the Shanghai-based airline to offer services to qualifying Star passengers traveling on connecting itineraries, including lounge access; fast track security; and priority check-in, boarding, standby and baggage delivery. With a fleet of 56 aircraft Juneyao provides more than 1,700 weekly flights to 69 destinations in eight countries and regions. Star members operate 1,600 weekly services from Shanghai Pudong and Hongqiao airports.

### **5. Sichuan Launches Los Angeles Flights.**

Sichuan began twice-weekly Airbus A330 service from Chengdu via Hangzhou to Los Angeles. In July, United launched San Francisco service to Hangzhou,

where, reports Xinhua, the government aims to attract 4.35 million foreign visitors a year by 2020, generating \$4 billion in tourism revenue. Hangzhou hosted the September G20 summit.

**6. Emirates to Launch Fort Lauderdale Service; Code Share with GOL.**

Emirates starts daily Boeing 777-200LR service between Dubai and Fort Lauderdale on December 15, its 11th U.S. passenger route; onward flights available via code share partner JetBlue to U.S. destinations and the Bahamas, Cancun and Havana. “Amid seemingly endless airline consolidation and diminishing value for travelers, this new service from Emirates is a welcome development,” said U.S. Travel Association President and CEO Roger Dow. “We hope to see more of this type of service expansion, which provides a much-needed infusion of connectivity and healthy competition into our aviation market.” . . . Emirates and GOL announced a new code share and frequent flyer program partnership, subject to approval by Brazilian Federal Aviation Agency (ANAC).

**7. Etihad to Increase Dallas/Fort Worth Service; Partner with TUI.**

Etihad will increase frequency on the Dallas/Fort Worth-Abu Dhabi route to daily in February. The Boeing 777-200LR service currently is three-per-week, with onward service available via code share partner American Airlines. . . . Etihad Aviation Group (EAG) and TUI “are in discussions to create a strong European leisure airline group,” which would comprise tourist operations of airberlin group and German TUIfly and serve destinations from Germany, Austria and Switzerland. TUIfly’s 75,000 employees serve 30 million customers a year worldwide; TUI Group owns 300 hotels, 14 cruise liners, six European airlines with 140 aircraft and a distribution network of 1,800 travel agencies and online portals. airberlin, the second largest airline in Germany, carried 30.2 million passengers in 2015. EAG comprises Etihad Airways, Etihad Engineering, Hala Group and Airline Equity Partners, and owns minority investments in airberlin, Air Serbia, Air Seychelles, Alitalia, Jet Airways, Virgin Australia, and Swiss-based Darwin Airline, trading as Etihad Regional. . . . Etihad signed a code share agreement with South African low cost carrier kulula, which flies to Cape Town, Durban, George and East London via Johannesburg. Erik Venter, CEO of kulula parent Comair, said additional opportunities for the relationship will be explored. EAG said with its equity airline partners it will support almost 425,000 jobs and contribute \$3.6 billion to the African economy in 2016.

## **X. AMERICAS**

### **1. Airlines Announce Dates for Cuba Service.**

Spirit begins tice daily service from Fort Lauderdale to Havana on December 1.... Delta will begin daily nonstops to Havana on December 1 from New York Kennedy, Atlanta and Miami. . . . Southwest will begin nonstops to Varadero from Fort Lauderdale on November 13; service from both Fort Lauderdale and Tampa to Havana begins December 12, subject to Cuban government approvals. . . . JetBlue begins daily service to Havana in late November from New York Kennedy; Orlando; and Fort Lauderdale, where a second daily roundtrip (except Saturdays) begins December 1. . . . Alaska Airlines begins the only nonstop to Cuba from the West Coast, with a daily flight from Los Angeles to Havana on January 5, delayed from originally planned November 29.

### **2. Anderson Retires from Delta Board.**

Former Delta CEO Richard Anderson retired as Executive Chairman; he is succeeded by Frank Blake, former Home Depot Chairman, who has been on the Delta Board since July 2014. . . Delta saw a 6.8% year-over-year decline in third quarter passenger unit revenues, attributed partly to a disruptive technology outage. “With further slowing of capacity growth in December quarter and additional traction on revenue management initiatives,” said President Glen Hauenstein, “we expect December quarter unit revenues to decline by 3-5% year over year.” He said Delta is assessing its transatlantic product amid competition from discount carriers like Norwegian and Wow.

### **3. American, Flight Instructors Reach Agreement.**

American Airlines reached agreement with flight crew training instructors and simulator instructors, represented by Transport Workers Union (TWU), for a new joint collective bargaining agreement. A new five-year contract including significant pay raises was reached with Flight Simulator Engineers represented by TWU and International Association of Machinists; to take effect November 7. American Airlines pilots are unhappy with the contract they signed last year, as it compares to new pacts for industry counterparts, and, reports Bloomberg, are seeking a merger of their independent Allied Pilots Association with Air Line Pilots Association.

### **4. Southwest Flight Attendants Approve Tentative Agreement.**

Southwest flight attendants approved a tentative agreement that includes a ratification bonus and annual wage rate increases over the life of the contract,

which becomes amendable on November 1, 2018. . . Southwest and Aircraft Mechanics Fraternal Association agreed on a tentative five-year extension for Aircraft Appearance Technicians, the group primarily responsible for aircraft detailing and appearance care services.

**5. JetBlue Takes Stake in JetSuite.**

JetBlue took a minority stake in JetSuite, which provides charter and scheduled service. In April, JetSuite introduced JetSuiteX for short-haul public charter flights sold by the seat and operating from private terminals. JetSuiteX flies 30 passenger jets to Burbank and other California points, Las Vegas and Bozeman, Montana. JetBlue CEO Robin Hayes said the investment “makes sense as we continue to execute on our West Coast plan and invest in innovative ideas that reflect the disruptive spirit of JetBlue.” The agreement provides for a JetBlue nominee to be appointed to JetSuite Board. JetBlue frequent fliers earn points on JetSuiteX flights; the companies plan further cooperation.

**6. Spirit Receives First Airbus A320neo.**

Spirit became the first American carrier to receive the Airbus A320neo, bringing the carrier’s fleet to 90, and is set to add five more neos by yearend. Spirit reported an 8.1% increase in third quarter total operating revenue to \$621.3 million, driven by a 12.6% increase in flight volume and 0.8-point increase in load factor, partially offset by a decrease in operating yields. “We saw sequential improvement in total revenue directly related to our own revenue initiatives as well as a modest improvement in the industry pricing environment,” said President and CEO Bob Fornaro.

**7. FedEx Plans €200 Million Expansion of Paris Distribution Hub.**

See Section VIII, item 1.

**8. British Airways Offers New Orleans, Fort Lauderdale Services.**

See Section VIII, item 2.

**9. Norwegian to Serve Oakland from Copenhagen.**

See Section VIII, item 4.

**10. Icelandair Adds U.S. Service.**

See Section VIII, item 5.

**11. WOW Offers Daily Flights to Los Angeles, San Francisco.**

See Section VIII, item 6.

12. **LOT Offers Direct Service to Newark, Los Angeles.**  
See Section VIII, item 7.
13. **Delta, Virgin Atlantic, Jet Airways Expand Code Share Cooperation.**  
See Section IX, item 1.
14. **Shanghai-Based Juneyao Named Star Alliance Connecting Partner.**  
See Section IX, item 4.
15. **Sichuan Launches Los Angeles Flights.**  
See Section IX, item 5.
16. **Emirates to Launch Fort Lauderdale Service; Code Share with GOL.**  
See Section IX, item 6.
17. **Etihad to Increase Dallas/Fort Worth Service; Partner with TUI.**  
See Section IX, item 7.