



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. DOT Issues Final Order for Havana Service; Cuba Scheduled Flights Begin.

The U.S. Department of Transportation (DOT) finalized a July 7 tentative decision in the Havana carrier selection proceeding; the order allocates 20 daily frequencies to U.S. carriers for scheduled passenger services between the United States and Havana. They include: Alaska Airlines from Los Angeles, once daily. American from Miami, 4 times daily and Charlotte, once daily. Delta from New York (JFK), once daily; Atlanta, once daily; and Miami, once daily. Frontier from Miami, once daily. JetBlue from Fort Lauderdale, twice daily (except once on Saturdays); New York Kennedy, once daily; and Orlando, once daily. Southwest from Fort Lauderdale, twice daily and Tampa, once daily. Spirit from Fort Lauderdale, twice daily. United from Newark, once daily and Houston, once weekly (Saturdays). The decision requires that carriers begin Havana services within 90 days of issue date of final order. . . . JetBlue began service from Fort Lauderdale to Santa Clara de Cuba on August 31, the first scheduled flight to the island in over 50 years; DOT Secretary Anthony Foxx and other officials were on the historic flight. American will begin service from Miami to five Cuban airports on September 7. Under the U.S.-Cuba arrangement signed in February, six U.S. passenger airlines and FedEx have the opportunity to operate up to 10 daily roundtrips between the U.S. and each of Cuba's nine international airports, other than Havana, for a total of 90 daily roundtrips. . . . U.S. travelers must adhere to one of 12 categories authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control.

2. IATA: Travel Demand Softens.

"The demand for travel continues to increase, but at a slower pace," said Tony Tyler, Director General and CEO of the International Air Transport Association (IATA). "The fragile and uncertain economic backdrop, political shocks and a wave of terrorist attacks are all contributing to a softer demand environment." Global passenger traffic data for June shows that demand (measured in revenue passenger kilometers or RPKs) rose by 5.2% compared to the year-ago period. This was up slightly from the 4.8% increase recorded in May (revised). However, said IATA, the upward trend in seasonally-adjusted traffic has moderated since January. June capacity (available seat kilometers or ASKs) increased by 5.6%, and load factor slipped 0.3% to 80.7%. European carriers saw demand rise 2.1% in June, the smallest increase among regions, reflecting the negative impact of recent terrorism. While demand tends to

recover reasonably quickly after such events, the repeated nature of the attacks may have a more lasting impact.

3. U.S. Airlines Report First Half 2016 Profit of \$12 Billion.

Ten U.S. passenger airlines—Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit, United and Virgin America—collectively reported a first half 2016 pre-tax profit of \$12 billion, up from \$11.3 billion during same period 2015, reported Airlines for America (A4A). This translated to a profit margin of 15.5%, or 15.5 cents on every dollar of revenue. The year-over-year improvement is attributed to a 1.9% drop in operating expenses, with falling fuel prices making up for the increased labor, aircraft and airport costs. “U.S. airlines serve 2.2 million customers on 27,000 flights each day,” said A4A, which projected that 15.6 million passengers would fly in scheduled service on U.S. airlines over the Labor Day holiday period (Wednesday, August 31, through Tuesday, September 6), up 4% from 2015 Labor Day period, and noted that “expanded schedules and continuing declines in air fares are driving the projected increase.”

4. FAA Announces Indonesia Safety Rating Upgraded to Category 1.

Indonesia complies with International Civil Aviation Organization (ICAO) safety standards and has been granted a Category 1 rating, announced the U.S. Federal Aviation Administration (FAA), based on a March 2016 FAA assessment of safety oversight provided by Indonesia’s Directorate General of Civil Aviation. The rating had been lowered from Category 1 to Category 2 in 2007. With the International Aviation Safety Assessment Category 1 rating, Indonesian carriers that secure requisite FAA and DOT authority can establish service to the United States and carry the code of U.S. carriers.

5. Airlines Fined for Providing Inaccurate Information to Passengers.

DOT fined four airlines—Alaska (\$40,000), American (\$45,000), Southwest (\$40,000), and United (\$35,000)—for providing inaccurate information to passengers about how much compensation they could potentially receive for being denied boarding against their will (bumped) on oversold flights, and for lost, damaged or delayed baggage. “These consent orders are the result of an unprecedented series of inspections, ‘Task Force Lightning,’ conducted at airports nationwide,” said DOT, during which the airlines “failed to provide passengers with the required notices or provided notices that were incomplete, outdated, or contained inaccurate information.” Each airline contended that these were isolated incidents and stated their goal is to fully comply with consumer rules.

6. FAA's Small UAS Rule Takes Effect.

FAA's Small UAS Rule (Part 107) for operations of commercial unmanned aircraft systems (UAS or drones) weighing up to 55 pounds took effect on August 29. FAA estimates 600,000 commercial drones will be operating in the U.S. within the year. While the regulations contain beneficial safety provisions, such as limiting operations to line of sight and no night-time operations, said Air Line Pilots Association (ALPA), they do not ensure that those who remotely pilot drones for commercial purposes "are fully trained and are able to demonstrate knowledge via written test and skills via flight test before they are issued a commercial pilot certificate." Electronic Privacy Information Center is challenging the regulation, as it does not establish privacy rules. . . . Numerous initiatives announced by the White House following a Workshop on Drones and the Future of Aviation include chartering a UAS Safety Team to analyze safety data and develop non-regulatory interventions to mitigate potential causes of accidents. National Science Foundation will spend \$35 million over next five years to research how to design, control and apply UAS in such areas as prevention of airport bird strikes. National Aeronautics and Space Administration (NASA) will begin research on standards for detect and avoid and command and control technologies, with completion by FY2020. NASA and FAA will launch a data exchange working group to address coordinating information between operators and FAA. Project Wing will conduct research at an FAA UAS Test Site to help regulators answer critical safety and human factors questions for UAS cargo delivery operations, and will also begin to develop and deploy an open-interface, airspace management solution for safe low-altitude (under 400 feet) small UAS operations using existing low cost, scalable communication and information technologies.

7. Action Urged on Rogue Lithium Battery Shippers.

In a joint letter to regulators in the world's largest lithium battery manufacturing and export countries, IATA and organizations representing battery manufacturers and shippers called for rules to be enforced at point of origin including initial shipper and battery manufacturer, and significant fines and custodial sentences for non-compliance. The letter also called for cooperative enforcement initiatives between jurisdictions in situations where lithium batteries manufactured in one state are driven over a border to be flown from another state. IATA and the Rechargeable Battery Association (PRBA) have long called for governments to address dangers posed by "willful disregard of international regulations by rogue manufacturers and shippers and close existing legal loopholes that prevent prosecutions of serial offenders." Lack of enforcement is increasing pressure on airlines and regulators to unilaterally ban all forms of lithium battery shipments from aircraft, which, said PRBA,

“would put lives at risk by slowing delivery of life-critical and life-enhancing medical equipment and jeopardize the security of many countries because a large number of military applications are powered by lithium batteries.” . . . In related news, FAA has proposed safety standards for non-rechargeable lithium batteries for certain aircraft. . . . Speaking at ALPA’s annual Air Safety Forum, in Washington, a member of the industry-government panel that is developing a packaging standard for lithium-ion batteries said the first draft will not be issued by November as planned, but may be ready early next year.

8. DOT Air Travel Consumer Report for June.

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

	June '16 / '15	May '16	Full Year				
			2015	2014	2013	2012	2011
On-time arrivals %	78 / 74.8	83.4	79.9	76.2	78.34	81.85	79.6
Cancellations %	1.0 / 1.8	0.5	1.5	2.2	1.51	1.29	1.91
Mishandled baggage*	2.82 / 3.47	2.4	3.24	3.61	3.22	3.09	3.35
Consumer complaints:							
Airline service	1,492 / 2,048	1,134	20,170	15,539	13,176	15,338	11,546
Disability-related	83 / 68	66	939	784	683	741	628
Discrimination**	6 / 5	7	65	68	79	99	128

Notes: In June, airlines reported five tarmac delays of more than three hours on domestic flights and four of more than four hours on international flights. Three of the domestic tarmac delays involved flights diverted from Denver to Colorado Springs related to a June 28 thunderstorm.

* Reports per 1,000 passengers.

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

9. Aircraft Laser Strikes On the Rise.

Among topics covered at ALPA’s Air Safety Forum was an increase in laser strikes, despite public awareness campaigns and stiffer penalties. After a doubling of incidents reported to FAA between 2014 and 2015, “in 2016, we’re on pace for about a 10% to 20% increase,” said a researcher from MIT’s Lincoln Laboratory which has developed a ground-based geolocation network that facilitates detection of offenders. As most events take place during the landing phase of flight, sensors are positioned along the final approach to a runway. FAA has approved testing and Lincoln Laboratory hopes to transition to an operational prototype program by October.

II. AIRPORTS

1. Delta to Cancel Three Narita Routes.

Delta will end service to Tokyo Narita from New York Kennedy this fall and from Narita to Osaka and Bangkok. The canceled markets will be served by Delta code share partners, and Delta will continue to fly to Narita from several other U.S. and Asian airports.

2. Chicago Breaks Ground on New Runway at O'Hare.

Construction began on Chicago O'Hare's newest runway, 9C/27C, part of a \$1.3 billion infrastructure plan announced earlier this year with FAA, United and American. The 11,245-foot-long, 200-foot-wide runway will be the second largest at O'Hare, with construction split into phases to allow for other airfield projects.

3. Record 62.4 Million Travelers at New York Airports in First Half 2016.

A record 62.4 million travelers used New York area airports during first six months 2016, announced Port Authority of New York and New Jersey, "attributed to lower ticket prices, nearly 6% below same period last year as a result of more competition among international carriers, as well as lower jet fuel costs and increased airline seat capacity." Passenger traffic increased 6.3%, with domestic at 6.7% and international at 5.5%. Kennedy (28 million), Newark (19.3 million) and LaGuardia (14.3 million) each set passenger records; passenger traffic at Atlantic City International grew 1.6%. Port Authority airports are undergoing multi-billion-dollar redevelopment projects.

4. \$1 Billion Expansion Program for Nashville.

A \$1 billion expansion program for Nashville International will be phased in over the next five to seven years, reports Metropolitan Nashville Airport Authority (MNA), with funding to come from bonds, federal and state aviation grants, passenger facility charges and other airport resources; no local tax dollars will be used. Plans include expanded parking, concourses and lobby areas, new gates, an international arrivals building and added federal security screening lanes. By 2035, the Greater Nashville Area population is expected to surpass 2.5 million, and after three consecutive years of passenger records airport traffic will grow from 12 million today to more than 20 million, said MNA President and CEO Rob Wigington.

5. Philadelphia Airport Acquires 20 Acres.

The City Planning Commission authorized the acquisition of 20.8 acres adjacent to Philadelphia International as part of a long-range expansion plan, which includes lengthening two runways, replacing current rental-car surface lots with a consolidated rental-car center, and designing an automated people mover to transport passengers between terminals. The *Philadelphia Inquirer* reports the centralized rental-car operation is one of the intended uses for the \$14 million acquisition, which will be funded by fees paid by airlines and airport vendors.

6. Cuba Selects France, Turkey, Russia for Airport Contracts.

Cuban authorities selected Aeroports de Paris, in association with TAV Airports, and in consortium with Bouygues Batiment International, to enter into exclusive talks concerning development of Havana Jose Marti International Airport, under a concession contract, reports the U.S.-Cuba Trade and Economic Council. The project comprises renovation, extension and operation of the existing international terminals. When completed in 2020 the terminals will provide handling capacity for over 10 million; current traffic is close to five million passengers “and the possible liberalization of air traffic, especially with the USA, carries rapid growth potential.” Jose Marti, also known by its former name Rancho-Boyerros, is a hub for Cubana, Aerogaviota and Aero Caribbean. The project also ultimately includes development of San Antonio de los Banos Airport. In June, Moscow-based Azimut signed an agreement with Cuba’s Aviaimport to provide air traffic control equipment and training. The Ministry of Tourism of the Republic of Cuba (MINTUR) reported a total of 3,524,779 visitors in 2015 compared to 3,002,745 in 2014. MINTUR reported that Cuba has approximately 66,389 hotel rooms of which 11,309 are in Havana; most are at resort locations and are of one- to three-star quality.

7. Fraport to Sell Partial Pulkovo Stake; Remains Airport Operator.

Fraport and consortium partners at St. Petersburg Pulkovo will sell part of their shares in Thalita to Qatar Investment Authority (QIA). Thalita is parent company of Northern Capital Gateway, the consortium that has a 30-year concession for operating Pulkovo. Fraport will reduce its stake in Thalita by 10% to 25%, with €30 to €40 million profit expected. Transaction closing is expected in second half 2016. Fraport will retain its role as airport operator in the consortium. QIA is expected to acquire shares from the other partners for a total stake of 24.99% in Thalita. Pulkovo passenger traffic rose from 8.4 million in 2010 to 13.5 million in 2015. . . . A Barcelona court will try Ferrovial executives for allegedly paying bribes for large public works contracts, reports UNITE HERE, the union for airport food and retail employees.

8. Jakarta Opens \$560 Million Terminal 3.

A new terminal at Soekarno-Hatta International near Jakarta opened for Garuda Indonesia domestic flights; international services will be added gradually, with construction to be completed next year. The \$580 million Terminal 3 ultimately will have capacity to handle 25 million passengers per year. State-owned Angkasa Pura II is the airport operator. Renovations of Terminals 1 and 2 are planned, as are a people mover system between terminals, a fourth terminal, and a third runway.

III. **SECURITY AND DATA PRIVACY**

1. **False Alarms Create Panic at New York, Los Angeles Airports.**

Unidentified loud noises led to panic at New York Kennedy on August 14, with people running for cover, evacuations and the grounding of flights for hours. No evidence of a rumored shooter emerged. Airport operator Port Authority of New York and New Jersey said the response to the false shooting report by 250 Port Authority and city police “was timely and tactically sound,” though communications to passengers and airport employees were inadequate. New York Senator Charles Schumer called for a Department of Homeland Security formal investigation. Travel agents urged Governors Andrew Cuomo (New York) and Chris Christie (New Jersey) to open an independent investigation, specifically noting the lack of communication that worsened the “hours-long stretch of mass panic, stampedes and other unsafe and unacceptable conditions.” In sum, said a *New York Times* editorial, “officials were slow to respond and seemed confused or even ignorant of security protocols, and there were reports of TSA agents abandoning their posts. There was no obvious chain of command, and no coordination among the responsible agencies—all of which was deeply alarming, given the terrorist attacks this year at airports in Brussels and Istanbul.” . . . Similar chaos at Los Angeles International on August 28 began when police drew their guns and detained a masked man carrying a sword that turned out to be plastic. False reports of gunfire led people to panic, with some fleeing onto the tarmac near moving planes, reports the *Los Angeles Times*. Arriving flights were diverted and 281 departures were delayed.

2. **Airports Report Significant Wait-Time Decline Since May Crisis.**

Chicago O’Hare peak Transportation Security Administration (TSA) checkpoint wait times have improved by more than 90%, announced Mayor Rahm Emanuel with TSA Administrator Peter Neffenger and other officials. In July, average peak wait time was seven minutes compared to 105 minutes during the May crisis when long lines at many airports caused created systemwide havoc, leading TSA to obtain federal funding for increased staffing and use of canine units at checkpoints and expand PreCheck enrollment, among other initiatives. At Chicago Midway, average peak wait times of 10 minutes are down from 55 minutes in May. . . . At Atlanta Hartsfield-Jackson, 96% of July’s main security checkpoint wait times were below 20 minutes, the highest percentage of sub 20-minute wait times in the seven years the airport has been monitoring such data. The decrease is attributed to two “innovation lanes” financed by Delta, which have improved screening efficiency by 30%, and to TSA initiatives.

3. CBP to Use IATA Cargo XML Standard.

IATA's Cargo-XML messaging standard will soon be utilized by U.S. Customs and Border Protection (CBP) to collect advance cross-border data on U.S. export shipments. The new data format will make electronic communication between CBP's Automated Commercial Environment (ACE) system, airlines and other air cargo stakeholders simpler and more efficient, said IATA, "and facilitate growth in trade, ensure cargo security, and foster participation in global commerce." IATA hopes to achieve global adoption of a standard air cargo messaging system.

IV. E-COMMERCE AND TECHNOLOGY

1. A4A Launches Dashboard Detailing Flight Operations.

An interactive data dashboard that provides access to aggregated flight operations information for the top 30 U.S. airports by passenger volume was launched by Airlines for America in partnership with Global Eagle Entertainment. The dashboard displays maps, real-time flight departures, completions, cancellations, on-time performance and weather conditions and provides a detailed, rolling 30-day analysis of completed and canceled flights. The site is meant to be used by passengers, airlines and airports.

2. JetBlue, Tata Expand Relationship.

Under a renewed agreement, Tata Consultancy Services will manage modernization of JetBlue's IT Foundation platform, among other programs. Tata will expand its innovation center in Pune, India, over the next two years to support critical JetBlue digital initiatives. The companies have cooperated for three years. . . JetBlue Technology Ventures (JTV) announced investment in San Francisco-based Mozio, which specializes in providing ground transportation solutions "that streamline the traveler experience to and from the airport." Launched in February "with the goal of finding and developing businesses that sit at the intersection of technology, travel and hospitality," JTV has also partnered with Tel Aviv-based Cockpit Innovation Hub to establish Navigator, a four-month accelerator for pre-seed startups now accepting applications. Located in GSV Labs in Redwood City, JTV is the first corporate venture capital subsidiary in Silicon Valley backed by a U.S. airline.

3. 2015 Ancillary Revenue \$26 Billion for Top Ten Airlines.

In 2008, the world's top ten airlines generated \$8.4 billion in ancillary revenue. "Fast forward to 2015 and the top ten tally has leapt to nearly \$26 billion," reports IdeaWorksCompany, with United's share ranking first at \$6.2 billion, followed by American, Delta, Air France/KLM, Southwest, Ryanair, Lufthansa, EasyJet, Qantas and Alaska. "It's a logical corollary that airlines with low average fares achieve the best percent of total revenue results," says IdeaWorks, noting that Spirit is top performer per passenger, at \$51.80 per customer in 2015, and in revenue share, at 43% of total sales.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on August 12 was \$54.6/barrel, down 4% on the month and down 11.2% compared to a year ago, reports the International Air Transport Association. Fuel price average for 2016 was \$50.1/barrel. Impact on 2016 fuel bill was -\$26.30 billion.

2. **ICAO Releases 2016 Environmental Report.**

ICAO released its 2016 Environmental Report, the work of the Committee on Aviation Environmental Protection, whose members are experts in areas such as noise, air quality, climate change, and aircraft end-of-life and recycling and climate change adaptation. The report includes case studies of benefits of mitigation actions. . . .The ICAO governing council reportedly adopted text on a global market-based measure (MBM) scheme that gives developing states the right to opt out initially. The resolution will be presented to all 191 member states at the General Assembly, to be held September 27 to October 7 in Montreal.

3. **NASA to Fund Green Aviation Concepts.**

NASA's Transformative Aeronautics Concepts Program selected five green technology concepts for a two-year study, three of which target electrically-propelled aircraft. NASA initiatives seek to cut fuel use by half, lower harmful emissions by 75%, and significantly reduce aircraft noise.

4. **Dallas/Fort Worth Achieves Carbon Neutral Status.**

Airport Carbon Accreditation, an international organization that monitors airport efforts to manage and reduce carbon emissions, upgraded Dallas/Fort Worth (DFW) International to "Level 3+ Neutrality," making DFW the first airport in North America and one of only 23 airports worldwide to achieve carbon neutral status. Since 2010, DFW has achieved 29% reduction in carbon emissions on a per passenger basis as well as an overall 38% reduction in energy costs, even while total passengers at the airport increased by 15% over the same period.

VI. U.S. CONGRESS

1. Senators Address Airline Technology Failures.

Senators Edward Markey (D-MA) and Richard Blumenthal (D-CT) queried 13 airlines about efforts to ensure that information technology (IT) systems are reliable and resilient, following recent failures at Southwest and Delta that resulted in thousands of flight cancellations across the country, and a router issue at United last year that grounded all of the airline's flights for two hours. In the letters, the Senators inquired about safeguards and backups in place to protect against power outages, cyberattacks and other hazards, and about policies that would allow passengers to be rebooked on another airline or on another mode of transportation in the event of irregular operations caused by the airlines, as well as reimbursement and compensation policies. "Now that four air carriers control approximately 85% of domestic capacity, all it takes is one airline to experience an outage and thousands of passengers could be stranded," said the letters, which were sent to CEOs of American, Delta, Southwest, United, JetBlue, Alaska, Spirit, Frontier, Hawaiian, Allegiant, Virgin America, Sun Country and Island Air Hawaii.

2. Senators Urge Administration to Promote Airline Competition.

Senators Richard Blumenthal (D-CT), Edward Markey (D-MA) and Elizabeth Warren (D-MA) called on the Administration to follow through with a recent Executive Order to promote competitive markets in all sectors, including airline pricing. Recent reports indicate that some airlines refuse to provide flight information to certain third-party price comparison travel websites, including online travel agents and meta-search websites, they wrote to National Economic Council Director Jeffrey Zients, urging him to recommend that DOT "use its existing statutory authority to ensure that consumers have unfettered access to airlines' flight schedule and pricing information." Blumenthal and Markey sent a similar request to DOT in March but no action has been taken. A study conducted last year by a Yale University researcher and commissioned by Travel Technology Association found that if U.S. airlines selectively restrict access to fare and schedule information it will cost U.S. travelers an additional \$6.7 billion dollars annually.

3. GAO: Aviation Trust Fund Lost \$1 Billion To \$2 Billion.

The Government Accountability Office (GAO) found that diversion of non-commercial jet fuel tax revenues from the Airport and Airway Trust Fund to the Highway Trust Fund, stemming from a 2005 change in tax law, has resulted in a loss to the aviation fund of \$1 billion to \$2 billion intended for airport

improvements and system modernization. The report also casts doubt on the rationale behind the tax law change and the provision's utility going forward, said the National Air Transportation Association (NATA), which requested the report from Congress. "In 2005, the policy change was justified by a belief the 2.5-cent per gallon difference between the highway diesel and jet fuel tax rates somehow incentivized truckers to use jet fuel. This ignores the fact that in 2005 the average price of highway diesel was \$1.30 less than jet fuel. Today, the disparity between those prices is even greater," said NATA officials, who called on Congress to repeal the 2005 provision "and return these funds to the important work of modernizing our nation's aviation infrastructure."

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S.-Mexico Air Transport Agreement Takes Effect.

A U.S.-Mexico air transport agreement signed last December came into force in August. Among new flights announced: Delta—daily New York Kennedy-Cancun and Los Angeles-Los Cabos and Saturday Kansas City-Cancun; Southwest—daily Los Angeles to Cancun, Los Cabos and Puerto Vallarta, and Oakland to Los Cabos and Puerto Vallarta, subject to Mexican approvals; and American—Los Angeles to Cancun and Puerto Vallarta. Aeromexico will add four weekly Embraer 170 nonstops from Mexico City to Austin, its fourth destination in Texas and 17th in the United States. . . . Southwest is seeking Mexico City slots that would be divested as a result of Delta's proposed joint venture with Aeromexico; American asked DOT to ensure that all carriers have the opportunity to compete for the divested slots.

2. DOT Issues Final Order for Havana Service; Cuba Scheduled Flights Begin.

See Section I, item 1.

VIII. EUROPE AND AFRICA

1. Lufthansa Cabin Crew Approves New Contract.

Lufthansa cabin crew voted in favor of a new three-year contract, ending strife which included the longest strike in the airline's history. The new accords "provide the Lufthansa Group with annual savings in the mid-double-digit-million-euro region [and] remove a high triple-digit-million-euro amount" from pension commitments. In return for these concessions, cabin personnel will see pay increases, guaranteed employment until 2021 and other benefits. Talks with pilots' union Vereinigung Cockpit broke down earlier in the month, but CEO Carsten Spohr told reporters he expects them to resume soon.

2. Qatar Airways Increases Shareholding in IAG to 20%.

Qatar Airways increased its shareholding in International Airlines Group (IAG) to 20.01% from 15.67%. Referring to a drop in the stock price of the British company after the Brexit vote, Qatar Group CEO Akbar Al Baker said: "The recent market valuation of one of the world's leading airline groups has provided what we believe is an attractive opportunity to increase our shareholding in IAG. We continue to be highly supportive of IAG's strategy and management team and we do not intend to increase our percentage shareholding further unless there are material changes to the current situation." IAG brands include British Airways, Iberia, Vueling and Aer Lingus.

3. British Airways Cabin Crew Back Industrial Action.

British Airways cabin crew, represented by the British Airlines Stewards and Stewardesses Association section of the Unite union, voted 91% in favor of industrial action to protest the airline's "Dashboard Performance Management" scheme, which the union says "is a needless replacement for the existing, functioning system and [may mask] a hidden agenda of future job losses which will hit passenger service on the premium carrier."

4. Ryanair to Expand Italian Operations After Tax Reversal.

Ryanair announced record investment and growth in the Italian market in 2017, including 10 new aircraft and 44 new routes (21 at Rome and Milan), after the government reversed a €2.50 municipal tax increase and favorably redrafted airport guidelines. The Irish carrier reversed a previously announced base closure in Pescara and expects to do the same with Alghero after the airport concludes a privatization project in September.

5. EASA Strengthens Medical Requirements for Pilots.

The European Aviation Safety Agency (EASA) is proposing an update of rules concerning pilot medical fitness as part of its action plan following the Germanwings Flight 9525 crash, which killed all 150 onboard and was deliberately caused by the pilot. Proposals include strengthening initial and recurrent medical examination of pilots, by including drug and alcohol screening, comprehensive mental health assessment, and improved follow-up in case of medical history of psychiatric conditions; improving training, oversight and assessment of aero-medical examiners (AMEs); and preventing fraud attempts, by requiring aero-medical centers and AMEs to report all incomplete medical assessments to the competent authority. The EASA Opinion will serve as the basis for a legislative proposal by the European Commission expected this year.

6. Japan Approves Iberia's Inclusion in Joint Business.

See Section IX, item 2.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Hainan to Offer First China-Las Vegas Nonstop.

Hainan Airlines filed an application with DOT to launch service to Las Vegas from Beijing, the first-ever nonstop between Mainland China and the tourist mecca. Flights will begin December 2, and initially will operate Mondays, Wednesdays and Fridays. . . . Hainan launched “Restaurant on Board” service, with menus designed by Michelin-starred chefs on flights departing Paris, Berlin and Brussels initially. . . . Hainan, a subsidiary of Chinese conglomerate HNA Group, completed its \$450 million investment in Azul, Brazil's third largest airline. With its 23.7% stake, Hainan is the single largest Azul shareholder and is appointing three members to the Azul Board. The two airlines plan to cooperate through “global networking synergy, code sharing, new route development, frequent flyer program, marketing programs and cargo cooperation, as well as other strategic initiatives.”

2. Japan Approves Iberia's Inclusion in Joint Business.

Japan's Ministry of Land, Infrastructure, Transport and Tourism granted an extension of antitrust immunity to include Iberia in the joint business between Japan Airlines, British Airways and Finnair, allowing the four airlines to cooperate commercially on flights between Europe and Japan. Iberia will start nonstop operations between Madrid and Tokyo Narita on October 18.

3. Qantas Reports Best Results in Its 95-Year History.

Qantas reported an underlying profit before tax of A\$1.53 billion for 12 months ended June 30, up 57% and the best result in its 95-year history. Qantas Domestic, Qantas International and Jetstar Group all reported record results; frequent flyer members increased by 580,000 to 11.4 million. The company plans to resume dividend payments, reward employees with a cash bonus, extend Wi-Fi to regional and international fleets and finalize the network and customer experience for the Dreamliner. “Transformation has made us a more agile business,” said CEO Alan Joyce, and we’re “determined to keep changing and adapting so that we can succeed no matter what environment we’re in.” . . . Qantas and Tourism Australia signed a three-year, \$20 million agreement to collaborate on attracting more visitors to Australia, with a focus on the United States, Asia, the UK and Europe.

4. Australia Pacific Leaders Discuss Growth Opportunities.

“By 2025, 20 of the world’s richest 50 cities will be in Asia,” said Qantas Group CEO Alan Joyce, at the CAPA Australia Pacific Aviation Summit; “35% of all

consumer spending will come from China and India by 2030, with the Asia Pacific aviation market being bigger than Europe and North America combined by 2035.” Australia is experiencing rapid inbound and outbound growth, opening up opportunities for airports, local airlines and foreign airlines, and saw 22% growth in inbound visitors from China in 2015. World Travel & Tourism Council President David Scowsill said Chinese visitors to Australia are travelling independently, especially the younger travel market, and, said Tourism Australia MD John O’Sullivan, they are interested in surfing lessons, rather than the expected more passive beach experience of the past. Australia plans to introduce a 10-year visa for Chinese nationals by the end of 2016 and is working on online applications. But, cautioned Jetstar Group CEO Jayne Hrdlicka, “China is growing at such a fast rate their requirement for pilots is enormous, and they’re behind in developing their own pipeline and that’s creating tension in the region.” Low-cost Jetstar is now “larger than Singapore Airlines, larger than Malaysia Airlines and just a tiny bit smaller than Cathay Pacific in terms of aircraft,” said Hrdlicka, adding that the group interlines or codeshares with more than 40 full service airlines around the world. Virgin Australia unit Tigerair Australia launched international operations in March and plans to expand its international network via its partners in the Value Alliance, formed in May by low-cost carriers including Cebu Pacific, JEJU, Nok Air, NokScoot, Scoot, Tigerair and Vanilla Air. The CAPA Summit attracted over 40 airlines and 40 airports.

5. **FAA Announces Indonesia Safety Rating Upgraded to Category 1.**
See Section I, item 4.
6. **Delta to Cancel Three Narita Routes.**
See Section II, item 1.
7. **Qatar Airways Increases Shareholding in IAG to 20%.**
See Section VIII, item 2.
8. **Qatar to Acquire 10% Stake in LATAM Amid Losses.**
See Section X, item 10.

X. AMERICAS

1. American's Scott Kirby Named President of United.

American Airlines President Scott Kirby was named President of United with responsibility for operations, marketing, sales, alliances, network planning and revenue management. United CEO Oscar Munoz called the appointment “the culmination of the formation of my senior leadership team.” Kirby’s 30-year airline career includes senior management roles at America West and US Airways, where he was President, and key involvement in the America West-US Airways and US Airways-American mergers. . . . Kirby was replaced at American by COO Robert Isom, via the “Board of Directors’ ongoing succession planning process.” Isom began his airline career at Northwest in 1991, joined US Airways in 2007 and American in 2013 after the merger. As President, Isom will continue to oversee the airline’s operation and assume all revenue responsibilities, said American Chairman and CEO Doug Parker.

2. Southwest Reaches Pilot Accord; Randy Babbitt to Retire.

Southwest reached a tentative agreement with pilots, after 10 months of mediated talks following a rejected tentative agreement, and more than four years of negotiations. The Southwest Airlines Pilots’ Association Board will meet in mid-September to review the offer and decide if it should be put out for a membership ratification vote, which would conclude in early November. The agreement extends through August 31, 2020 and provides retroactive pay increases from 2013. It includes a compensation package that is market rate and aligns the retirement plan with the industry standard practices, said the union. It would allow the airline to build limited partnerships with other airlines for near international interline agreements and far-international code shares, with enforceable restrictions. . . . “We appreciate our pilots and recognize their role in the company’s success,” said Southwest Executive Vice President and COO Mike Van de Ven, who earlier was the subject of a union “no confidence” vote, along with CEO Gary Kelly. Referring to technology failures that halt operations, including “the most recent colossal breakdown” in July, unions representing flight attendants, mechanics, pilots and ground operations said executives “have prioritized short-term stock performance at the expense of long-term investment in people and infrastructure.” The airline Board declared it had no intention of removing either executive, citing financial strength of the airline. Kelly called the unions’ stance “tribalism at its worst,” reported the *Star-Telegram*, as his family trust purchased \$1 million worth of company stock, bringing his holding to about \$18 million. And the company announced that, unrelated to union unrest, Randy Babbitt, Senior Vice President of Labor

Relations, will retire this fall. During his tenure, Southwest reached contracts with six workgroups. A former FAA Administrator and ALPA President, Babbitt started his 50-year aviation career as a commercial pilot with Eastern Air Lines.

3. American Reaches Interim Agreement with Ground Workers.

American reached an interim agreement to provide significant pay increases to maintenance, fleet service and other related employees represented by TWU-IAM. The increases, effective immediately as negotiations continue toward a joint collective bargaining agreement, give employees “the highest hourly wage rates amongst their peers at other network carriers,” said the airline. A provision expands ability for maintenance and related and fleet service and related employees to perform work on either pre-merger American or US Airways aircraft.

4. United Reaches Agreements with Flight Attendants, Technicians.

Under a newly ratified agreement, all United flight attendants will be joined by a single contract. The five-year pact, reached in June with National Mediation Board (NMB) assistance, “includes double digit pay increases, enhanced job security provisions, maintains and improves healthcare, protects retirement and increases flexibility.”. . . United and Teamsters reached a mediated agreement in principle for a joint contract covering technicians and related employees. “Upon ratification, this will be the first time in almost a decade that all United work groups will have labor contracts in place,” said United CEO Oscar Munoz.

5. Delta Expanding in Boston; Pilots Threaten Strike.

Delta is expanding in Boston with two daily Boeing 757-200 flights to San Francisco, and a daily CRJ-900 flight to Nashville operated by Delta Connection carrier Endeavor Air. Service to Seattle, Orlando and Milwaukee will increase, among other changes. . . . Delta offered pilots a 27% raise over four years, reports Bloomberg, short of the 37% over three years proposed by pilots, after talks under NMB supervision stalled. Pilots opened a strike center in Atlanta on July 13 to “serve as the hub of operations for organizing pilot participation during ongoing contract negotiations, and for strike activities in the event a strike becomes necessary.”. . . The Delta One suite, the first business class cabin to feature a sliding door at each suite, will debut on Delta's first Airbus A350, which will primarily serve U.S.-Asia routes and is due to enter service in fall 2017. Each aircraft will have 32 suites with flat-bed seats. Delta will be the first U.S. airline to take delivery of the A350.

6. **Hawaiian Pilots to Open Strike Operations Center.**

Hawaiian Airlines pilots will open a Strike Operations Center near Honolulu International on September 14, with preparations in place to immediately stop flying should NMB establish the required 30-day cooling-off period prior to a strike or lockout, said ALPA, adding it hoped to reach an agreement but is prepared for any eventuality.

7. **Frontier Pilots File Grievance in Move Toward Arbitration.**

ALPA filed a grievance against Frontier that will lead to arbitration, demanding the company negotiate new pay rates under an agreement reached in 2011, when the airline “was on the precipice of failure” and pilots agreed to significant financial concessions and a two-year extension to their collective bargaining agreement. In exchange, management had agreed to return a substantial portion of future profits to employees once it recorded pretax profits of 5% or more in two consecutive years. “The company is now enjoying a third straight year of pretax margins substantially higher than 5%, and is among industry margin leaders and “they’re renegeing on that deal,” said ALPA, claiming that Frontier pilots are “the lowest-compensated narrowbody jet pilots in the United States.” Frontier is privately owned by Indigo Partners.

8. **Allegiant Building \$24 Million Orlando Training Center.**

Allegiant is building a \$24 million, 43,000 square-foot facility adjacent to Orlando Sanford International Airport, for training pilots, flight attendants and mechanics on a full range of flight simulators, cabin trainers, and classroom resources for Airbus A320 and Boeing MD80 aircraft. Thirty local, full-time instructors and support staff will operate the facility. Completion is expected by first quarter 2017. Allegiant also operates a training center in Las Vegas for West Coast-based crews. . . . Allegiant added seven new routes, including two to San Juan, Puerto Rico, with one-way fares as low as \$44.

9. **Atlas Begins Air Transport Service for Amazon.**

Atlas Air Worldwide (AAWW) flew the first of 20 Boeing B767-300 converted freighters to be provided to Amazon. The aircraft, in Amazon’s “Prime Air” livery, flew from Seattle to Wilmington, Ohio. Under long-term agreements, AAWW’s Titan Aviation unit will dry lease the aircraft to Amazon. Subsidiary Atlas Air will operate the aircraft on a CMI (crew, maintenance and insurance) basis. The dry leases will have a term of 10 years, while the CMI operations will be for seven years. . . . Atlas also entered into a five-year agreement to provide FedEx Express with five 747-400 freighters from 2017 through 2021 for peak flying seasons (December and potentially earlier). This is their first

long-term agreement. AAWW is the parent company of Atlas Air, Southern Air and Titan Aviation, and majority shareholder of Polar Air Cargo Worldwide.

10. Qatar to Acquire 10% Stake in LATAM Amid Losses.

LATAM reported second quarter declines of -13.7% in passenger and -22.3% in cargo revenue, reflecting a continuing “weak macroeconomic environment in South America, especially in Brazil, and devaluations of Latin American currencies during the period.” Losses were offset by a 12% decrease in total operating expenses. . . . Shareholders voted in favor of Qatar Airways acquiring a 10% stake in LATAM; the transaction is expected to conclude during fourth quarter 2016.

11. DOT Issues Final Order for Havana Service; Cuba Scheduled Flights Begin.

See Section I, item 1.

12. Delta to Cancel Three Narita Routes.

See Section II, item 1.

13. U.S.-Mexico Air Transport Agreement Takes Effect.

See Section VII, item 2.

14. Hainan to Offer First China-Las Vegas Nonstop.

See Section IX, item 1.