



## WASHINGTON AVIATION SUMMARY

July 2017 EDITION

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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: Industry Faces Threat of Protectionist Measures.

“To deliver aviation’s many benefits we need borders that are open to people and trade,” said Alexandre de Juniac, Director General of the International Air Transport Association (IATA), at the 73rd IATA Annual General Meeting (AGM) and World Air Transport Summit in Cancun. “Today we face headwinds from those who would deny the benefits of globalization and point us in the direction of protectionism. This is a threat to our industry. We must bear witness to the achievements of our connected world. And we must ensure the benefits of aviation for future generations.” . . . Among other remarks, de Juniac urged governments to enhance collaboration with the industry to meet rising security challenges, avert a looming infrastructure crisis and build smarter regulation. The ban on large portable electronic devices in the cabin by the U.S. and UK on some flights from the Middle East and North Africa “tests the confidence of the industry and the public,” he said, suggesting alternatives, such as more intense screening at the gate and skills training in the short-term, and faster and more advanced explosive detection technology in the medium-term, adding that “painfully slow certification processes must be accelerated.” Citing a looming infrastructure crisis in many parts of the world, de Juniac urged full implementation of IATA Worldwide Slot Guidelines and building capacity where demand exists, but urged caution and economic regulation when privatizing aviation infrastructure assets. “Privatization has failed to deliver promised benefits in many countries,” he said, and “airlines pay the bill—usually a big one.” Amid “the potency of social media to hold individual companies and entire industries instantly accountable, Smarter Regulation principles are absolutely critical”, de Juniac said; “hastily-built regulation almost always brings unintended consequences.” . . . Singapore Airlines CEO Goh Choon Phong assumed his duties as Chairman of the IATA Board of Governors for a one-year term, succeeding Willie Walsh, CEO of International Airlines Group. Qantas will host the 2018 AGM in Sydney.

### 2. Qatar Airways Intends to Take American Airlines Stake.

American Airlines Group in an SEC-8K filing said oneworld partner Qatar Airways planned to buy up to 10% of the U.S. carrier, noting that company rules prohibit anyone from acquiring 4.75% or more of outstanding stock without advance Board approval. Qatar Airways then said its initial investment will not exceed 4.75% without prior consent of the American Airlines Board, adding it “intends to build a passive position in the company with no involvement in management, operations or governance.” The proposed

investment was not solicited, said American, in the filing, and “does not alter American Airlines’ conviction on the need to enforce the Open Skies agreements with the United Arab Emirates and the nation of Qatar and ensure fair competition with Gulf carriers, including Qatar Airways.” U.S. foreign ownership laws limit percentage of foreign voting interest to 24.9%. American Airlines’ common stock is listed on the Nasdaq Stock Market, and Qatar has indicated the purchase would be made on the open market. The transaction is subject to review by the U.S. Department of Justice Antitrust Division.

3. **IATA: Global Airlines Expect \$31.4 Billion Profit in 2017.**

IATA revised its 2017 industry profitability outlook upwards. Airlines are expected to report a \$31.4 billion profit (up from previously forecast \$29.8 billion) on revenues of \$743 billion (up from previously forecast \$736 billion), a \$7.69 average profit per passenger. . . . April traffic data show demand rose by 10.7% over April 2016; capacity increased by 7.1%, and load factor by 2.7% to 82%, an April record. Falling airfares accounted for half the demand growth in April. The cabin ban on carriage of large portable electronic devices from 10 Middle Eastern and African airports to the U.S. “appears to have weighed down Middle East-North America passenger traffic.”

4. **First Quarter 2017 U.S. Airline Financial Data.**

The 24 U.S. scheduled service passenger airlines reported after-tax net profit of \$1.9 billion in Q1 2017, compared to \$2 billion in Q4 2016 and \$3.1 billion in first quarter 2016, said the U.S. Department of Transportation (DOT). A \$3.3 billion pre-tax operating profit was reported for Q1 2017, compared to \$4.1 billion in Q4 2016 and \$5.6 billion in Q1 2016. Total operating expenses were \$36.4 billion, with fuel costs accounting for \$5.9 billion (16.3%), and labor for \$12.8 billion (35.1%). Total operating revenue was \$39.7 billion, with \$29.4 billion from fares (74%); \$1 billion from baggage fees (2.6%); and \$723.6 million from reservation change fees (1.8%). Baggage and reservation change fees are the only ancillary fees reported to DOT as separate items. Fees from seating assignments and on-board sales of food, beverages, pillows, blankets, and entertainment are combined in different categories and cannot be identified separately.

5. **Dan Elwell Named Deputy Administrator of FAA.**

Daniel Elwell was sworn in as Federal Aviation Administration (FAA) Deputy Administrator, the second highest-ranking official at the agency responsible for ensuring aviation safety and air traffic control services. “Dan’s insight and experience will serve the FAA and public well,” said FAA Administrator Michael Huerta. “He has a strong background as a military and civilian pilot, as well as holding key leadership positions within the aerospace industry.” Elwell

previously served as FAA Assistant Administrator for Policy, Planning and Environment from 2006 to 2008. Most recently, he has been serving as the Senior Advisor on Aviation to Secretary of Transportation Elaine Chao. Before returning to public service, Elwell was President and Managing Partner of Elwell and Associates, an aviation consulting firm. Elwell also was Senior Vice President for Safety, Security and Operations at Airlines for America and Vice President at the Aerospace Industries Association.

**6. DOT Air Travel Consumer Report for April.**

Based on data filed by largest reporting carriers.

	April '17 / '16	March '17	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	78.5 / 84.5	79.9	81.4	79.9	76.2	78.34	81.85
Cancellations %	1.6 / 0.9	1.8	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	2.53 / 2.31	2.24	2.70	3.13	3.61	3.22	3.09
Consumer complaints:							
Airline service	1,909 / 1,123	1,132	17,904	20,175	15,539	13,176	15,338
Disability-related	66 / 52	56	862	944	784	683	741
Discrimination**	12 / 4	4	94	65	68	79	99

Note: In April, airlines reported one tarmac delay of more than three hours on a domestic flight and none of more than four hours on international flights.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. FAA Announces \$527.8 Million in AIP Grants.

FAA is issuing \$527.8 million in Airport Improvement Program (AIP) grants to 584 U.S. airports, with discretionary funding going to 38 airports based on high-priority needs. Among discretionary grants are \$60 million for Chicago O'Hare to begin construction of Runway 9C/27C; \$7.9 million for Dallas Love Field to rehabilitate the passenger terminal apron pavement; \$12.4 million for Denver International for airfield renovations; and \$20 million for Fort Lauderdale to fund a runway extension completed in 2014. FAA said the grants "will ensure the projects at these airports are either under construction or completed prior to the onset of the winter season, which comes early in late fall in some parts of the country."

### 2. American to Invest \$1.6 Billion in LAX Terminals.

American Airlines signed a letter of intent that sets the framework for negotiation of a new 15-year lease at Los Angeles International Airport (LAX) and includes commitments of more than \$1.6 billion to improve Terminals 4 and 5 over the next 7-10 years. The agreement calls for American to receive additional gates as it adds destinations. Improvements include a new vertical circulation core with connection to the landside Automated People Mover (APM) train system; unifying passenger check-in and baggage claim areas; improving check-in facilities in T5; centralizing the T4 and T5 security screening checkpoint at the APM level; and connecting T4 and T5 on landside and airside. Improvements would be made while "tearing down lobby areas of T4 and T5 one small section at a time and building a new facility while keeping the airport up and running," said owner/operator Los Angeles World Airports.

### 3. Groundbreaking Held for \$2.4 Billion Newark Expansion.

A groundbreaking ceremony was held at Newark Liberty for a \$2.4 billion expansion of 44-year-old Terminal A. The new terminal, to be constructed in a phased approach until 2022, will have capacity to accommodate 13.6 million passengers annually, and will include 33 gates, a parking garage complex and related infrastructure improvements. It will have the capacity to accommodate 13.6 million passengers annually.

### 4. Dallas/Fort Worth Initial Infrastructure Projects Approved.

Dallas/Fort Worth said airlines have approved several projects addressing immediate needs, including passenger boarding bridges, airfield rehabilitation, a new cellphone lot and improved baggage handling, at a cost of around \$400

million, reports the *Dallas Star-Telegram*. Officials said the approved projects preface a 10-year infrastructure program that will cost billions.

**5. Southwest International Concourse Opens at Fort Lauderdale.**

Broward County unveiled a \$333 million renovation and expansion of Terminal 1 at Fort Lauderdale-Hollywood International that includes a new five-gate international concourse built by Southwest Airlines, and a centralized security checkpoint for all three concourses on the ticketing level. Southwest started flights to Montego Bay, Grand Cayman, Cancun, and Belize City from the airport; flights to Dominican Republic, Puerto Rico and Providenciales, Turks and Caicos begin in November.

**6. Denver International Plans to Team with Ferrovial.**

Under a proposed private-public partnership (P3), Denver International would split costs of a four-year Jeppesen Terminal renovation with Great Hall Partners, a team led by Madrid-based Ferrovial Airports, estimated at up to \$775 million. Ferrovial would operate concessions for 30 years, airport officials told *The Denver Post*. DIA would receive an 80% share of concession revenue and pay \$30 million annually to Ferrovial. The project would result in “faster security screening, vastly expanded concession space and the ability to handle millions more passengers a year,” without expanding the 1.5 million-square-foot terminal building. The contract will be presented to the Denver City Council in July for approval. Separately, Denver plans to add 30 gates by 2020 and build a seventh runway.

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

#### 1. **David P. Pekoske Nominated to Head TSA**

The White House nominated former Coast Guard Vice Commandant David Pekoske to be the next Administrator of the Transportation Security Administration (TSA). He “has extensive experience in strategy development, operational leadership, crisis management, risk assessment, financial management, and team building,” said Homeland Security Secretary John F. Kelly. If confirmed, Pekoske will replace acting TSA Administrator Huban Gowadia.

#### 2. **DHS Implementing Heightened Security Measures.**

The U.S. Department of Homeland Security (DHS) is implementing heightened security measures, both seen and unseen, in phases, at 280 airports that serve as last points of departure to the United States, in 105 countries. They include enhanced screening of electronic devices, more thorough passenger vetting, and new procedures to mitigate the potential threat of insider attacks. “We will also lay out a clear path to encourage airlines and airports to adopt more sophisticated screening approaches, including better use of explosive detection canines and advanced checkpoint screening technology [and] encourage more airports to become Preclearance locations,” said DHS Secretary Kelly. Current restrictions on large personal electronic devices (PEDs) from 10 last point of departure airports with flights to the United States will be removed, should the 10 airports comply with the new measures and when such procedures are verified by TSA inspectors. DHS said it “will work with aviation stakeholders to ensure these enhanced security measures are fully implemented. Those stakeholders who fail to adopt these requirements with certain timeframes run the risk of additional security restrictions being imposed.” . . . Airlines for America (A4A) urged the Administration to maintain its focus on a risk-based approach to aviation security, and to work collaboratively with airlines and airports to effectively implement the new security directives. “We recognize and share DHS’s commitment to addressing threats to aviation security. U.S. airlines not only share that commitment, but have substantial, practical expertise on these matters as we work every day to protect our passengers, crew, aircraft and the public,” said A4A President and CEO Nicholas Calio. “While we have been assured that carriers will have the substantial flexibility necessary to implement these measures on a global scale, we believe that the development of the security directive should have been subject to a greater degree of collaboration and coordination to avoid the significant operational disruptions and unnecessarily frustrating consequences for the traveling public that appear likely to happen.”

**3. DHS Implements Travel Restriction Provisions.**

The Supreme Court allowed parts of the Executive Order, “Protecting the Nation from Foreign Terrorist Entry into the United States,” to take effect pending a full hearing in October, and DHS, in coordination with the Departments of State and Justice, began implementation of certain travel restrictions. “The temporary suspension of entry applies, with limited exceptions, only to foreign nationals from Sudan, Syria, Iran, Libya, Somalia, and Yemen, who are outside the United States as of June 26, who did not have a valid visa at 5 p.m. EST on January 27, and who do not have a valid visa as of 8 p.m. EDT on June 29.” Among those to whom the travel restrictions do not apply are “foreign nationals who have a credible claim of a bona fide relationship with a person or entity in the United States.”

**4. CBP Deploys Biometric Technology at Airports**

U.S. Customs and Border Protection (CBP) deployed facial recognition biometric exit technology at Washington Dulles for a daily flight from the United States to Dubai, following a pilot program at Hartsfield-Jackson Atlanta. Deployments are planned for additional airports this summer. “Using the flight manifest, CBP builds a flight-specific photo gallery from the travel document the traveler provided to the airline. CBP then compares the live photo against the document photo in the gallery to ensure the traveler is the true bearer of the document. If the photo captured at boarding is matched to a U.S. passport, the traveler—having been confirmed as a U.S. citizen—is automatically determined to be out of scope for biometric exit purposes and the photo is discarded after a short period of time. CBP remains committed to protecting the privacy of all travelers.” . . . In a JetBlue collaboration with CBP, a test of a new self-boarding process is underway on flights from Boston Logan to Aruba. Customers who opt in during the boarding process “can put away their boarding passes and devices and simply step up to the camera for a quick photo.” Additional airline-led tests will go live this summer.



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

### **1. JetBlue, Utrip Launch AI-Based Trip Planning Portal.**

JetBlue is partnering with trip planning platform Utrip to enable travelers to create detailed, personalized itineraries online. The portal, available through JetBlue Vacations, uses artificial intelligence (AI) and locally curated recommendations. Utrip technology “optimizes each itinerary based on a customer’s preferences, budget, geography and other relevant factors.”

### **2. Sabre’s FareNabber API Improves Flight Search Process.**

Sabre launched FareNabber API, “which will empower travel companies and developers to create a smarter, more personalized experience for consumers when shopping for airfares.” Travelers can be notified of preferred flights by selecting their preferences including: origin and destination; number of passengers; date flexibility, including days of the week; departure time or arrival time window; preferred airlines; and maximum acceptable fare per person.

### **3. Lufthansa AirlineCheckins.com Revised.**

The Lufthansa Innovation Hub released a revised test version of AirlineCheckins.com, which automatically checks in travelers for more than 100 airlines worldwide. “Checking into a flight 24 hours in advance while packing, wrapping up work, planning your itinerary and more adds another level of stress to the air travel experience, particularly for those who travel often, such as business travelers, or families with multiple passengers,” says Lufthansa; “our aim is to eliminate this hurdle, making travel a bit more pleasant.” AirlineCheckins.com is the first industry-wide solution. In the initial test phase, it was used by 5,000 travelers from 60 countries.

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on June 9 was \$56.8/barrel, down 2.4% on the month and down 7.2%, compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2017 was \$63.3/barrel; impact on 2017 fuel bill was \$22.6 billion.

### 2. **IATA Resolution Calls for Governments to Support SAF Production.**

The IATA AGM approved a resolution calling for governments to implement policies to accelerate deployment of sustainable aviation fuels (SAF), and expedite development of production facilities. Such policies could include: easier access to finance, including loan guarantees and capital grants; supporting demonstration plants and supply chain research and development; putting SAF on an equal footing with automotive biofuels through equivalent public incentive; and legislative certainty to give investors confidence to finance new production facilities. The resolution also reaffirmed the industry's commitment to work with governments to implement the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) global CO2 emissions agreement.

### 3. **Airlines, A4A Renew Commitment to Curb Flight Emissions.**

Several U.S. airlines, as well as Airlines for America (A4A), affirmed support for CORSIA, after Donald Trump said the United States would withdraw from the Paris climate change accord. The State Department told Reuters that the aviation agreement is under review, as are all regulatory policies agreed to by the Obama Administration.

### 4. **Heathrow Ranks Airlines' Emissions, Noise.**

Heathrow is ranking the 50 busiest airlines at the airport on emissions and noise in a quarterly publication. The "Fly Quiet and Clean League Table" shows a red, amber or green rating for seven noise and emissions criteria. Initial data show British Airways short-haul, Aer Lingus and Etihad Airways are the cleanest and quietest airlines. As part of the airport's efforts to reduce the number of aircraft operating at night, and to provide more predictable periods of noise respite for local residents, the table also includes a new metric tracking unscheduled night operations.

## VI. U.S. CONGRESS

### 1. House, Senate Committees Advance FAA Reauthorization Bills.

With current FAA reauthorization set to expire on September 30, legislation was passed in House and Senate Committees. The House “21st Century Aviation Innovation, Reform, and Reauthorization (21st Century AIRR) Act” would reauthorize FAA through September 30, 2023. H.R. 2997 would spin off FAA’s Air Traffic Organization into a congressionally chartered, nonprofit user co-op called the American Air Navigation Services Corporation, which, said Transportation Committee Chairman Bill Shuster (R-PA), would be governed by a Board comprised of representatives of major, regional and cargo carriers; general and business aviation; air traffic controllers; airports; and commercial pilots; and impose cost-based user fees to aircraft operator customers; general aviation operators would be exempt from user fees. Shuster’s bill also would fund the Airport Improvement Program (AIP), create new consumer protections, streamline the FAA certification process and address safe integration of drones into the national airspace. Among amendments, language was included that would direct DOT to ensure airlines applying for foreign carrier permits under the U.S.-EU Open Skies agreement do not undermine labor standards contained in the agreement.

The “FAA Reauthorization Act of 2017,” introduced by Senate Commerce Committee Chairman John Thune (R-SD), reauthorizes FAA through fiscal year 2021. S. 1405 does not separate air traffic control from FAA, but “acts on recommendations of independent government watchdogs for improving the FAA’s transition to 21st century air traffic control technologies (NextGen) and requires FAA to assess how each NextGen program contributes to a more safe and efficient air traffic control system and its current implementation status.” Among numerous consumer protections, the bipartisan Senate bill directs FAA to review safety implications of passenger seat pitch; prohibits airlines from removing boarded passengers, except for security or safety reasons; eliminates the dollar amount limitation on involuntary denied boarding compensation; addresses airline policies for pregnant travelers and funding for lactation rooms in secured airport terminal areas; requires airlines to promptly return ancillary fees for services not received; and creates a standard method for airlines to disclose ancillary fees. S. 1405 increases AIP funding by \$400 million to an annual level of \$3.75 billion; streamlines the Passenger Facility Charge application process; and requires a study and recommendations on upgrading and restoring airport infrastructure. It reauthorizes the Essential Air Service Program and the Small Community Air Service Development Program. It implements international safety standards on bulk transport of

lithium batteries and reviews existing regulations and potential improvements to battery safety. It improves communicable disease preparedness. It supports contract air traffic control towers, which largely serve rural communities. It directs FAA to study current policy and evaluate advancements in supersonic aircraft design that could mitigate noise concerns and other factors behind the current ban on domestic supersonic jet travel, and improves FAA processes for certifying aircraft designs and modifications and ensuring benefits of such certification processes for manufacturers competing in global markets. It criminalizes reckless drone behavior around manned aircraft and runways, authorizes FAA drone registration authority, and boosts enforcement while creating new opportunities for testing and promoting innovative uses. An amendment that addresses the pilot shortage would give FAA authority to broaden exceptions to the 1,500 hours of flying experience rule. Other amendments would ensure airline change and cancellation fees are reasonable, protect privacy from commercial and government drones, and ban cell phone calls on planes.

**2. DHS Authorization Introduced in House.**

The “DHS Authorization Act of 2017” was introduced by House Homeland Security Committee Chairman Michael McCaul (R-TX) and moved to the Rules Committee to be consolidated with bills from other committees with jurisdiction over DHS. H.R. 2825 reauthorizes grant programs “significantly above the President’s FY ‘18 budget request and currently appropriated levels.” It consolidates programs and eliminates overlapping positions; strengthens information and intelligence sharing among federal, state and local authorities; enhances cargo security; improves airport access controls, employee vetting, perimeter security, and insider threat mitigation efforts; expands use of explosive detecting canine teams; and reforms airport checkpoint procedures and international standards, including emergency response and foreign airport personnel vetting. An amendment that would allow TSA to keep revenue from passenger security fees was rejected. Enacted legislation would authorize DHS for the first time since it was established in 2002.

**3. House Passes Transportation Security Bills.**

The House passed several transportation security bills. Among them, the “Traveler Redress Improvement Act of 2017” (H.R. 2132) requires TSA to better respond to complaints from travelers frequently targeted for additional screening. The “DHS MORALE Act” (H.R. 2283) requires DHS to establish a steering committee to help improve workforce morale. The “Streamlining DHS Overhead Act” (H.R. 2190) improves management of department real estate. The “REPORT Act” (H.R. 625) requires that DHS, with the Department of

Justice, the Federal Bureau of Investigation (FBI), and, as appropriate, the National Counterterrorism Center, submit to Congress an unclassified report on terrorism incidents in the United States as investigations are completed. The “DHS Acquisition Review Board Act of 2017” (H.R.1282) establishes a Board to oversee acquisition. And, the “DHS FIRM Act” (H.R. 2131) directs DHS to improve consistency regarding workforce discipline.

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

### **1. New Cuba Policy Limits Travel.**

The White House announced a revised Cuba policy on June 16 that aims to “end economic practices that disproportionately benefit the Cuban government or its military, intelligence, or security agencies or personnel at the expense of the Cuban people.” The amended regulations, when implemented, will ban individual travel and require that U.S. citizens travel to Cuba only “for legitimate educational purposes and under the auspices of an organization subject to the jurisdiction of the United States, and all such travelers must be accompanied by a representative of the sponsoring organization.” “U.S. travel to Cuba was liberalized during the Obama Administration by expanding legal travel in 12 categories, self-authorization, and allowing both airlines and cruise lines to offer passenger service to the island,” said advocacy organization Engage Cuba. “Rolling back expanded travel could cost airlines and cruise lines \$3.5 billion and affect 10,154 jobs in those industries” during the first term of the Trump Administration. . . . American Society of Travel Agents (ASTA) said, for its members, “much will depend on the details of new Treasury and Commerce Department regulations coming in the next few months, and ASTA plans to fully participate in that process. While challenges remain in terms of Cuba’s readiness for large volumes of American travelers, the past few years have seen a growth in business for U.S. travel agencies, tour operators, airlines, cruise lines, hotel and other travel companies. That progress is now at risk.” ASTA added, “the American people are the best ambassadors of U.S. values abroad, and should be allowed to freely travel to any destination they wish without restriction from their own government. Rather than shutting the door to this market 90 miles off our shores, we call on policymakers to enact legislation to do away with the statutory Cuba travel ban once and for all.”

### **2. Qatar Airways Subject to Blockade.**

After Saudi Arabia, the United Arab Emirates, Bahrain and Egypt cut diplomatic and transport ties with Qatar, which, they say, supports terrorist activities, Qatar Airways Group CEO Akbar Al Baker urged the International Civil Aviation Organization (ICAO) to declare the blockade an illegal act. It “is unprecedented, and it is in direct contradiction to the convention that guarantees rights to civil overflight,” he said. “We are not a political body, we are an airline, and this blockade has stripped us of the rights which are guaranteed to us.” Al Baker said global operations continued to run smoothly.

**3. Iran's Airlines Continue Airbus, Boeing Purchases.**

Aseman Airlines and Boeing finalized a purchase agreement for 30 B-737 MAX jets, reported Iran's state news agency IRNA. Boeing "has applied to the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) for approval of a license to perform under this transaction." Aseman Managing Director Hossein A'laei said a Memorandum of Understanding (MoU) was signed in March. Aseman is the third largest airline in Iran, after Iran Air and Mahan. . . . Iran Air's fleet renewal continues. Five of 20 ATRs on order will be delivered this year, and another 11 in 2018, said Managing Director Farhad Parvaresh, as pilots and technicians are trained. Iran Air has also purchased Boeing and Airbus aircraft. . . . Tehran-based Iran Airtour Airlines signed an MoU for 45 Airbus A320neo Family aircraft at the Paris Air Show, contingent upon all necessary approvals, including those from the OFAC. Airbus "will continue to act in full compliance with the Joint Comprehensive Plan Of Action (JCPOA) and associated rules."

**4. WTO Upholds Ruling Against State Tax Reduction for Boeing.**

In the latest phase of the long-running state subsidies dispute between Airbus and Boeing, the World Trade Organization (WTO) upheld a ruling that Washington state aerospace business tax rate reduction is an illegal subsidy. Another 28 state and federal funding programs were challenged and have been resolved. The U.S. will appeal. Boeing claimed victory, saying the EU and Airbus should "comply with their global trade obligations and eliminate and remedy the \$22 billion of launch aid and other illegal subsidies that are harming U.S. aerospace companies and American workers." Airbus said the EU prevailed "in demonstrating the continuing existence of a number of illegal subsidies, including R&D support provided by NASA and the Department of Defense, and the multi-billion-dollar tax breaks from Washington State, [and] in demonstrating continuing adverse effects caused by some of those subsidies." . . . The U.S. International Trade Commission voted to allow a Boeing antidumping complaint against Bombardier to continue, stating there is indication "that a U.S. industry is threatened with material injury by reason of imports of 100- to 150-seat large civil aircraft from Canada that are allegedly subsidized and sold in the United States at less than fair value." Canada and Quebec have openly pledged to finance Bombardier programs, including the C Series. Boeing alleges that a sale of Bombardier C Series jets to Delta for far less than cost is depressing prices. Canada said it will defend Bombardier's interests and is reviewing military procurement that relates to Boeing.

## **VIII. EUROPE AND AFRICA**

### **1. EU Proposes New Competition Measures.**

The European Commission (EC) proposed rules allowing European Union (EU) governments and airlines to submit complaints about alleged discriminatory practices in non-EU countries and illegal subsidies benefiting non-EU airlines. If the EC finds that such practices cause injury to European airlines it can impose financial penalties or suspend ground and other services, but not flights, and rights of the overseas airline in Europe. The proposal would not interfere with bilateral air service agreements. It does not amend current rules that limit non-EU stakes in European airlines to 49%, but provides “criteria along which ownership and control shall be assessed while recalling that account should be taken of the specificities of each particular case when conducting the assessment.” Approval by the European Parliament and member states is needed.

### **2. Alitalia Files for U.S. Bankruptcy Protection.**

Alitalia filed for Chapter 15 protection at U.S. Bankruptcy Court in New York to protect U.S.-based assets. . . . In Italy, administrators appointed by the government received more than 30 expressions of interest in the carrier and gave eligible parties access to data; non-binding proposals are due July 21, after which “special commissioners will evaluate and define the program of the extraordinary administration.”

### **3. Lufthansa to Add U.S. Service.**

Next summer, Lufthansa will offer five weekly San Diego flights from Frankfurt. Flights from Munich to Chicago will increase from seven to ten times per week. The Airbus A380 will be introduced on Munich to Los Angeles.

### **4. Norwegian Begins Transatlantic Service from Edinburgh.**

Norwegian launched nonstop transatlantic flights to Edinburgh from Stewart, Providence and Hartford; Stewart to Belfast and Dublin; and Providence to Belfast, Bergen and Cork. Stewart will be the home of Norwegian’s third U.S. crew base, with two Boeing 737 MAX aircraft stationed there and 30 pilots and flight attendants. . . . In Europe, Norwegian was forced to cancel flights, stranding thousands of passengers, due to an acute shortage of pilots.

### **5. TUI-Etihad Joint Venture Negotiations Terminated.**

TUI Group and Etihad Aviation Group ended negotiations on a planned joint venture between TUI fly and Niki. The goal of the talks had been to form a



European leisure airline, said TUI, which “remains open for a partnership or the formation of joint ventures serving the strategic goal of reshaping the [German] market.” airberlin had planned to sell its 49.8% stake in Niki to Etihad for €300 million. Etihad then would have contributed this shareholding to the new leisure airline, and owned 25%, TUI 24.8%, and Austria's Niki Privatstiftung foundation holding the remaining 50.2%. airberlin and Niki are Etihad Airways Partners. Etihad reportedly wants to sell its 29.2% stake in airberlin, which seeks a new strategic partner.

**6. IACA Rebranded as AIRE.**

Airlines International Representation in Europe (AIRE) has been formed by the 16-member International Air Carrier Association (IACA) and LOT Polish Airlines, Turkish Airlines and Ukraine International. The group will focus on “implementation of an efficient economic regulation of monopolistic service providers, as well as ensuring good rule-making in Europe,” said Gunther Hofman, President of AIRE and Managing Director of TUIfly Benelux.

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

### **1. Delta, Korean Air Create Trans-Pacific Joint Venture.**

Delta and Korean Air reached agreement to create a joint venture, which, subject to regulatory approvals, includes: expanded code sharing in the trans-Pacific market; joint sales and marketing initiatives in Asia and the United States; colocation at key hubs; enhanced frequent flyer benefits; and increased belly cargo cooperation. The SkyTeam partners will also share costs and revenues on flights within the scope of the joint venture. Delta recently launched nonstops between Atlanta and Seoul. Korean Air will introduce a third roundtrip between Los Angeles and Seoul, and a second between San Francisco and Seoul. The joint venture will create a combined network serving more than 290 destinations in the Americas and more than 80 in Asia.

### **2. Etihad Doubles A380 Service to New York.**

Etihad replaced a Boeing 777-300ER with an Airbus A380 on its second daily New York Kennedy service. The A380 features The Residence, First Apartments, Business Studios and Economy Smart Seats. . . . Etihad is suspending San Francisco service, due to “lower-than-planned yields and load factors.” Daily service started in late 2014 and was reduced to three times weekly earlier this year. The carrier said actions taken by the American government on entry visas and restrictions on electronic devices in aircraft cabins have had a direct impact on demand for air travel into the U.S.

### **3. Aeromexico, Jet Airways to Code Share Between Mexico, India.**

Aeromexico and Jet Airways signed a Memorandum of Understanding (MoU), under which they will code share between Mexico and India via common gates at London Heathrow, Paris Charles de Gaulle and Amsterdam Schiphol. Initially, Aeromexico will place its code on Jet Airways’ direct services from London Heathrow to Mumbai and Delhi. In turn, Jet Airways will place its code on Aeromexico flights from London Heathrow to Mexico City. The MoU also includes reciprocal frequent flyer benefits. Grupo Aeromexico is a SkyTeam member and codeshares with Delta, Alaska, Avianca, Copa and WestJet. Jet Airways participates in Etihad Airways Partners.

### **4. New Service from China to Southern California via Anchorage.**

North Carolina-based Dynamic International Airways will operate twice-weekly roundtrip charter flights between Ontario International and Nanchang, via Anchorage, for seven weeks beginning in July. Located in southeastern China,

Nanchang is the capital city of Jiangxi province. The service will operate Boeing 767-300ER aircraft configured to accommodate 235 passengers with 21 lie-flat business class seats and 214 economy class seats. In the past, Dynamic's Nanchang service has been operated from Los Angeles International Airport. Ontario International Airport is about 35 miles east of downtown Los Angeles.

**5. Virgin Australia, HNA Alliance Tentatively Approved.**

The Australian Competition and Consumer Commission (ACCC) issued a draft determination proposing to grant conditional authorization to Virgin Australia, the HNA Group of airlines, Hong Kong Airlines and Hong Kong Express Airways to coordinate international passenger transport services between Australia and mainland China, and Australia and Hong Kong. The draft authorization is for a period of five years. Virgin Australia currently does not operate direct flights to China or Hong Kong, but intends to launch a direct Melbourne-Hong Kong service in July, pending necessary approvals, a route served by Cathay Pacific and Qantas.

**6. Qatar Airways Intends to Take American Airlines Stake.**

See Section I, item 2.

**7. Qatar Airways Subject to Blockade.**

See Section VII, item, 2.

**8. Iran's Airlines Continue Airbus, Boeing Purchases.**

See Section VII, item 3.

**9. TUI-Etihad Joint Venture Negotiations Terminated.**

See Section VIII, item 5.

## **X. AMERICAS**

### **1. Southwest to Reduce Cuban Operations.**

Southwest will cease services to Varadero and Santa Clara de Cuba on September 4, finding no “clear path to sustainability serving these markets, due primarily to the continuing prohibition in U.S. law on tourism to Cuba by American citizens.” The carrier will maintain Havana service from Fort Lauderdale and Tampa, and has applied to DOT for a third daily roundtrip frequency between Ft. Lauderdale and Havana. Several U.S. carriers have reduced or withdrawn from Cuban services.

### **2. Delta, Aeromexico Launch Cargo Joint Cooperation Agreement.**

Delta Cargo and Aeromexico Cargo launched their joint cooperation agreement and have co-located warehouses in Mexico, Boston, New York Kennedy, Miami, San Francisco and Chicago, with Orlando and Detroit to open this summer. The two companies will also be able to implement joint sales and marketing initiatives in both countries. The agreement will allow customers to work with either carrier to transport cargo across a broad network of flights and joint trucking options. Developments are also underway to integrate technologies and create a seamless experience to customers. . . . Through the Delta-Aeromexico alliance, Delta will provide service in the U.S. through its connecting hubs in Atlanta, Detroit, Los Angeles, Minneapolis-St. Paul, New York, Salt Lake City and Seattle; Aeromexico will offer greater access to Mexico through its hubs in Mexico City, Monterrey and Guadalajara.

### **3. Colombia Approves American-LATAM Colombia JBA.**

Colombia's civil aviation agency (Aerocivil) unconditionally approved a Joint Business Agreement (JBA) between American Airlines and LATAM Airlines Colombia. The oneworld members still need U.S. regulatory approval. Aerocivil also approved a joint venture between LATAM Airlines Colombia and International Airlines Group.

### **4. JetBlue Pilots Receive \$2.5 Million ALPA Grant for Negotiations.**

The pilots of JetBlue, represented by Air Line Pilots Association (ALPA), received access to a \$2.5 million allocation from ALPA's Major Contingency Fund “to support the pilots' critical phase of endgame contract negotiations.” The allocation comes after more than two years of direct contract negotiations with JetBlue management. “While we continue to narrow our differences on key parts of the contract, the pace at the table has slowed,” said ALPA, which seeks “compensation, work rules, and benefits in line with our fellow pilots

across the industry.” If unable to reach agreement by the end of this year, said ALPA, “we will consider this a labor dispute and will be ready to execute an aggressive plan that will use both traditional and nontraditional union tactics to achieve our goal of securing our market-rate contract.” In March 2015, JetBlue’s pilots became the first employee group to initiate labor negotiations in the company’s 18-year history, and currently are the only unionized workforce at the airline; they are working without a collectively bargained contract. . . . JetBlue was among airlines fined by Mexico’s federal consumer office Profeco, which says the carriers are violating rules by charging fees on first checked bags on flights from Mexico and engaging in misleading advertising, discriminatory acts, and other passenger rights abuses. The other cited airlines are Aeromexico, Interjet, Volaris and VivaAerobus. Proceedings are pending against United and American.

**5. Allegiant to Lease 13 Airbus A320s.**

Allegiant signed an agreement with ALAFCO Aviation Lease and Finance Company to lease 13 Airbus A320 aircraft, in a planned transition to an all-Airbus fleet by 2019. The 13 eight-year-old aircraft are expected to enter service with Allegiant beginning in first quarter 2018, configured with 186 seats and the CFM56-5B engine type. The agreement includes an option to purchase at the end of the lease term. This is the inaugural entry into the North American market for Kuwait-based ALAFCO.

**6. Mesa Pilots Vote on a New Tentative Agreement.**

Pilot leaders at Mesa Airlines, represented by ALPA, reached tentative agreement with management. Contract improvements include pay increases for all pilots, increased vacation accrual, and better retirement benefits. A ratification vote began June 26. The pilot group has been in contract negotiations for more than six years with no pay increases since 2010. Since emerging from Chapter 11 bankruptcy in March 2011, Mesa has doubled in size. The regional operates as American Eagle from Phoenix and Dallas/Fort Worth and as United Express from Washington Dulles and Houston.

**7. Qatar Airways Intends to Take American Airlines Stake.**

See Section I, item 2.

**8. New Cuba Policy Limits Travel.**

See Section VII, item 1.

**9. Lufthansa to Add U.S. Service.**

See Section VIII, item 3.

10. **Norwegian Begins Transatlantic Service from Edinburgh.**  
See Section VIII, item 4.
11. **Delta, Korean Air Create Trans-Pacific Joint Venture.**  
See Section IX, item 1.
12. **Etihad Doubles A380 Service to New York.**  
See Section IX, item 2.
13. **Aeromexico, Jet Airways to Code Share Between Mexico, India.**  
See Section IX, item 3.
14. **New Service from China to Southern California via Anchorage.**  
See Section IX, item 4.