



## WASHINGTON AVIATION SUMMARY

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For further information, including documents referenced, contact:

Joanne W. Young  
Kirstein & Young PLLC  
1750 K Street NW  
Suite 200  
Washington, D.C. 20006  
Telephone: (202) 331-3348  
Fax: (202) 331-3933  
Email: [jyoung@yklaw.com](mailto:jyoung@yklaw.com)

<http://www.yklaw.com>

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. Administration Travel Ban Blocked; Revised EO Expected in March.

A January 27 Executive Order (EO) temporarily halting entry to the United States of all refugees and of citizens from Iraq, Iran, Syria, Yemen, Sudan, Libya and Somalia was deemed to be unconstitutional and blocked by federal judges on February 3, and was suspended on February 4 by the Department of Homeland Security (DHS). The EO, entitled “Protecting the Nation from Foreign Terrorist Entry into the United States,” was issued “without prior coordination or warning, causing confusion among both airlines and travelers,” said the International Air Transport Association (IATA), which urged governments “to provide sufficient advance coordination of changes in entry requirements so that travelers can clearly understand them and airlines can efficiently implement them.” The Administration said a revised EO will be issued in early March. . . . An internal report prepared by DHS intelligence analysts and leaked to the press found that “country of citizenship is unlikely to be a reliable indicator of potential terrorist activity”; in the past six years, individuals from 26 countries have been “inspired” to carry out attacks in the United States, said *The New York Times*, and few citizens from the seven countries affected by the ban have been granted visas by the U.S. State Department. (See also Section III.)

### 2. Trump Meets with Aviation Executives.

The White House released a transcript of a meeting with airline and airport executives, during which the President opined several times that a pilot should head the Federal Aviation Administration (FAA) and was critical of the progress under the NextGen ATC modernization program. At the meeting, Southwest Airlines CEO Gary Kelly promoted the proposed non-profit corporation that would manage ATC, saying, “We want the government out of managing the air traffic control system so that it can be adequately managed, adequately financed, and we can get this done.” Regarding concerns about competition from Norwegian Air and Persian Gulf carriers, Trump said, “I know you’re under pressure from a lot of foreign elements and foreign carriers [but] we want to make life good for them also. They come with big investments—in many cases, those investments are made by their governments. But they are still big investments.” . . . Following FAA issued a statement clarifying that it “has spent \$7.5 billion in congressionally appropriated funds on the air traffic modernization program known as NextGen over the past seven years. That investment has resulted in \$2.7 billion in benefits to passengers and the airlines to date, and is expected to yield more than \$160 billion in benefits through 2030.” FAA added that “the ongoing rollout is the result of rigorous

acquisition, program and portfolio management, and stakeholder engagement with the airline industry and other members of the aviation community.”

3. **American Seeks Extension on LAX-Beijing Service.**

As the Civil Aviation Administration of China (CAAC) has not made slots available at Beijing Capital to American for service from Los Angeles, the airline asked the U.S. Department of Transportation (DOT) to grant an extension of either one-year from the March 16 launch deadline, or within 90 days of obtaining commercially viable slots, whichever occurs first. . . . State-owned Air China, which operates daily Beijing-Los Angeles flights, has applied to DOT for renewal of its authority to operate scheduled service between Beijing and Houston. American has objected to the application on the basis of the failure of CAAC to make commercially viable slots at Chinese airports available to U.S. carriers. . . . IATA is working with CAAC to align China’s slot allocation process with the IATA Worldwide Slot Guidelines (WSG). “The network nature of the airline business means that global standards are critical for this process,” said Alexandre de Juniac at a meeting in Beijing. “They work best when everybody is using the same rules.”

4. **FAA Announces Category One Status for Kenya.**

FAA announced that Kenya complies with international safety standards and has been granted a Category 1 rating under the agency’s International Aviation Safety Assessment program, making direct flights possible from the U.S. . . . Meanwhile, an updated Notice to Airmen advises caution due to possible attacks on civil aviation by extremists opposed to Kenya’s military intervention in the Somali Civil War; Kenyan airports were targeted in 2014.

5. **FAA Releases Updated Drone Sighting Report.**

There were 1,274 possible sightings of unmanned aircraft systems (UAS), or drones, during FY 2016, compared with 874 for same period 2015, according to pilot, air traffic controller, law enforcement and citizen reports. Although the data contain several pilot reports of drone strikes on aircraft, FAA has not verified any collision between a civil aircraft and a civil drone. Every investigation has found the reported collisions were either birds, impact with other items such as wires and posts, or structural failure not related to colliding with an unmanned aircraft. . . . UPS successfully tested a drone that launches from the top of a UPS® package car, autonomously delivers a package to a home and returns to the vehicle while the driver continues along the route to make a separate delivery. Ohio-based Workhorse Group built the drone and car and conducted the test.

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

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

	Dec. '16 / '15	Nov. '16	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	86.5 / 77.8	86.5	81.4	79.9	76.2	78.34	81.85
Cancellations %	1.6 / 1.7	0.3	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	3.58 / 3.97	2.02	2.70	3.13	3.61	3.22	3.09
Consumer complaints:							
Airline service	1,726 / 1,566	1,020	17,904	20,175	15,539	13,176	15,338
Disability-related	58 / 83	73	862	944	784	683	741
Discrimination**	5 / 5	14	94	65	68	79	99

Notes: In December, airlines reported 21 tarmac delays of more than three hours on domestic flights, 14 of which involved Frontier Airlines during a Denver snowstorm, and three tarmac delays of more than four hours on international flights. In 2016, there were 84 domestic flights with tarmac delays longer than three hours and 36 international flights with tarmac delays longer than four hours at U.S. airports.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. Port Authority Approves \$32.2 Billion 10-Year Capital Plan.

A \$32.2 billion 2017-2026 Capital Plan approved by the Port Authority of New York and New Jersey Commission allows for \$11.6 billion in major redevelopment projects to advance at the region's major airports, including the \$4 billion LaGuardia Terminal B replacement, the largest transportation public-private partnership in the United States; work on Terminal A at Newark Liberty; and redevelopment of Kennedy International, under which Port Authority investments "are expected to leverage billions of dollars of private sector investment." Funds also are included to extend a rail link from Newark Penn Station to Newark Liberty, and to build AirTrain LaGuardia with access to Manhattan. All projects remain subject to Port Authority authorization and initial review of agency revenue and ability to finance them.

### 2. Orlando South Terminal Complex Construction to Begin Soon.

Construction will begin soon on the \$1.8 billion South Terminal Complex Phase 1 Terminal C at Orlando International, including 16 gates with flexible configuration to accommodate super jumbos, Radio Frequency Identification (RFID) baggage tracking, a "concessions in the park" area, and an expanded parking garage. "The South Terminal is designed to be intuitive so the passenger is drawn from one element to the next, creating an exciting and memorable arrival," said Phil Brown, Executive Director of Greater Orlando Aviation Authority. Completion expected in 2020.

### 3. Seattle Breaks Ground on North Satellite Modernization Project.

Port of Seattle broke ground on the North Satellite Modernization Project. The \$550 million expansion and renovation, supported by the Port and Alaska Airlines, will open in two phases in 2019 and 2021. Alaska is Sea-Tac's largest airline and the sole tenant of the North Satellite.

### 4. United Previews \$277 Million Houston Bush Terminal.

United previewed its new \$277 million Terminal C North at Houston Bush Intercontinental, in partnership with the Houston Airport System and airport hospitality group OTG. The facility will open in March. United, with United Express, offers 500 daily flights from the airport to 170 destinations in Asia, Europe and the Americas, and is one of Houston's largest employers.

5. **Delta Continues Service at Dallas Love Field.**

The U.S. Court of Appeals for the Fifth Circuit ruled that Delta can continue to operate from a Southwest gate at Dallas Love Field, denying a Southwest appeal and upholding a January 2016 lower court injunction that prevented Southwest from evicting Delta. Southwest will continue to litigate the issue in U.S. District Court.

6. **Mineta San Jose Offers Citizenship Services to Immigrant Employees.**

Mineta San Jose is the first airport partner of the New American Workforce program, which will make citizenship services available onsite for airport employees and their families. "The airport's significant growth in domestic and international flights is supported by a diverse group of employees who understand the languages and cultures of our global travelers," said Director of Aviation Kim Becker. "Supporting our airport employees' path to citizenship allows us to have a more stable and well-trained workforce." The airport is named in honor of San Jose native Norman Mineta, a former Congressman and DOT Secretary.

7. **New Honduran Airport to Replace Toncontin.**

Construction began on Palmerola International on the site of an existing air base in Comayagua, Honduras, with completion expected by mid-2018. The airport will replace Toncontin, which is situated in the capital city of Tegucigalpa and is dangerous due to a short runway and proximity to mountainous terrain. The \$163 million facility will have one runway and capacity for 1.5 million passengers a year. The 30-year contract to design, build, finance, operate and maintain Palmerola was awarded to Munich International operator EMCO. The project is funded by the Spanish government through a debt restructuring program with Honduras (\$53 million), private investors (\$87 million), and the Honduras government (\$23 million).

8. **ACI: Fares at Congested EU Airports €2.1 Billion/Year Higher.**

Consumers in Europe pay €2.1 billion a year in higher air fares due to airport capacity constraints and lack of competition, according to ACI Europe, citing a new study by SEO Amsterdam Economics and Cranfield University. By 2035 that figure will rise to €6.5 billion. "Incumbent airlines are collecting scarcity rents at capacity constrained airports, which of course undermines their incentive to support capacity expansion and also helps explain why they so fiercely oppose increases in airport charges," said Augustin de Romanet, President of ACI Europe and President & CEO of Groupe ADP, during a reception at the European Parliament. "If airlines are pricing on the basis of what passengers are prepared to pay, rather than on a cost-basis, then lower

airport charges will not result in lower air fares, instead any savings will go straight into airlines' back pockets." He urged the European Commission to move toward a more passenger-focused and market-based approach to aviation regulation.

**9. UK Issues Draft Policy for Third Heathrow Runway.**

A draft UK Airports National Policy states the need for additional capacity, best met by a north-west runway at Heathrow. The policy requires Heathrow to add six domestic routes by 2030, bringing the total to 14, ban scheduled night flights, provide compensation to affected communities, and implement measures to limit carbon and air quality impacts during construction and operation. An Independent Commission on Civil Aviation Noise will be established. Public consultation closes May 25, followed by Parliamentary scrutiny; assuming the decision is made to proceed, a vote in the House of Commons is expected by winter 2017-18. Heathrow said the expansion would be Europe's largest privately funded infrastructure project.

**10. Dubai Concourse D Handled 16.6 Million Passengers in First Year.**

Dubai International's \$1.2 billion Concourse D handled 16.6 million passengers in its inaugural year of operation, with 60 airlines serving 90 destinations. The facility, the final major part of a \$7.8 billion program, increased airport annual capacity from 75 million passengers to 90 million.

**11. Qatar Spins Off Airport Management.**

An independent entity owned by Qatar Airways Group was established to manage and operate Doha Hamad International. The airport handled a record 37.3 million passengers in 2016 and plans to expand capacity to 50 million.

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

#### **1. Travel Ban Affects Bookings to U.S.**

U.S. Travel Association (USTA) urged the Administration “to be deliberate and crystal clear” in a revised Executive Order on travel and immigration, since the original caused “chaotic scenes at airports and deepening confusion among legitimate U.S. green card and visa holders, which could very likely deter international travel to the United States.” Indeed, demand for inbound travel fell significantly following the January 27 EO, according to data compiled from travel companies and research firms by the *New York Times*. For example, Cheapflights.com reported that searches for flights to the United States were down 38% from January 27 to 29, compared with the previous weekend, and down 16% from February 10 to 14 compared with average volume in January. USTA also asked the Administration to emphasize “who is welcome to visit our country,” adding, “We are a nation of hospitable people who value the contributions legitimate international travelers make to our lives, our communities and our economy.” USTA supports efforts to strengthen national security, but, said CEO Roger Dow “significant interests are at stake here—most notably, the millions of jobs supported by travel across America. To keep these jobs, the U.S. must remain an attractive destination—and President Trump would do well to make it clear that he prizes the legitimate business and leisure travelers who contribute so much to U.S. prosperity.”

#### **2. Schiphol to Use Shoe Scanners.**

Amsterdam Schiphol will be the first airport to use Delta R® scanners to accurately and rapidly detect dangerous substances in passengers' shoes at security checkpoints. The technology, which was developed by INTOS and Stage Gate 11 (SG11), uses UV rays to detect traces of drugs or explosives. SG11 is a technology incubator based at Schiphol. INTOS, a major Dutch interiors specialist, advised SG11 on design, material, sustainability and maintenance.

#### **3. Report: Attack on Airline, Airport Could Cost Billions in GDP Losses.**

Potential economic losses of the recent deadly attack at Ft. Lauderdale-Hollywood International Airport could top billions of dollars, measured in terms of U.S. Gross Domestic Product (GDP), over the next two years, according to the Center for Risk and Economic Analysis of Terrorism Events (CREATE) at University of Southern California (USC). Such attacks instill fear causing a reduction in airline travel and tourism with spillover effects in industries that profit from air travel, from hotels to restaurants to jet fuel. Participants in a



nationwide study were asked about perceptions of terrorism risk, how they would respond emotionally, their confidence in the government to handle the threat and their travel decisions. In one scenario, an attack at a Los Angeles International checkpoint that kills 20 people and injures 98 would result in a \$17 billion decrease in GDP due to lost air travel. In a second scenario, an attack on an airliner departing Los Angeles that kills two people and injures 10 would result in a \$13 billion decrease in GDP. Both scenarios assume air traffic nationwide would be halted briefly as a security measure, but most of the impact comes from the public's fear of flying and the effects on the supply chain. In both cases, airlines would lose about \$1.5 billion in gross revenue in the first year after the attack and \$690 million in gross revenue the second year. To mitigate behavioral impact of an attack, said researchers, airlines and the Transportation Security Administration (TSA) must be seen as doing everything that they reasonably can to protect the public; there can be no evidence of negligence in security procedures. And these organizations should routinely communicate with the public about ongoing threats and steps taken to improve security. The research was funded by the TSA.

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

### **1. OAG Acquired by Vitruvian Partners.**

OAG (AXIO Aviation Holdings) has been acquired by private equity firm Vitruvian Partners for \$215 million. OAG provides future and historical flight details for 900 airlines and 4,000 airports.

### **2. Lufthansa's Open API Allows Third-Party Ticket Sales.**

Lufthansa's Open API (Application Programming Interface) now allows direct ticket sales through third-party digital channels. "Developers can use the interface to integrate direct booking links for offers from Lufthansa, Eurowings and Austrian Airlines into their web- and app-based offers [and] receive compensation for the prominent display of Lufthansa products on their websites whenever the API integration generates bookings on lufthansa.com."

### **3. Fareportal, Amadeus Extend Partnership.**

Amadeus now provides Fareportal with access to 40 countries across Europe, Asia-Pacific and Latin America, in addition to continuing coverage in North America and the UK. Fareportal is "a leading innovator in the ancillary services category."

### **4. Sabre to Provide Enhanced Services to Gulf Air.**

Under a new agreement, Sabre will provide expanded technology to Bahrain's national carrier Gulf Air, covering reservations, departure controls, mobile concierge services, ancillary inventory and "and all other aspects that touch passengers directly."

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on February 24 was \$66.8/barrel, up 2.4% on the month and up 61.3% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2017 was \$66.2/barrel. Impact on 2017 fuel bill was \$28.4 billion.

### 2. **EC to Continue Limited Scope for ETS.**

The European Commission (EC) proposed to amend the EU Emissions Trading System (ETS) to continue covering flights between airports in the European Economic Area (EEA) only. No new requirements would be introduced for flights into and out of the EEA until 2021 when the International Civil Aviation Organization's (ICAO) global market-based measure (CORSIA—Carbon Offsetting and Reduction Scheme for International Aviation) is introduced. The EC proposal requires ratification by the European Council and the European Parliament.

### 3. **O'Hare Runway Rotation Test Provided Noise Relief to Residents.**

After conducting a six-month Fly Quiet Runway Rotation Test at O'Hare, Chicago Department of Aviation (CDA) reports that 67% of aircraft operations that occurred during Fly Quiet hours utilized the designated rotation runways, which provided relief to residents in communities most affected by aircraft noise. The test, the first of its kind at a major airport, was designed to achieve a more balanced distribution of noise exposure for Chicago and suburban communities surrounding O'Hare during overnight hours. An online public survey was available to residents of communities surrounding O'Hare during the test. Of 6,160 survey responses submitted, 61% indicated that the test should continue. CDA has developed a second runway rotation test that would continue to balance nighttime noise and provide relief to the most impacted communities surrounding O'Hare. A second test would need to be approved by the FAA and the O'Hare Noise Compatibility Commission before it could be implemented.

### 4. **Honeywell Joins Clean Sky Joint Undertaking.**

Honeywell has joined the Clean Sky 2 Joint Undertaking, the largest European research program developing innovative technologies aimed at reducing carbon dioxide emissions and noise levels produced by aircraft. As a Clean Sky core partner, Honeywell received €35 million for projects ranging from cockpit solutions to health monitoring, particularly at its engineering centers in

the Czech Republic, France and the UK, and to advance its electromechanical actuators, which help improve aircraft performance and encourage lower operating costs.

**5. ICAO Seminar Addresses Alternative Fuels.**

A seminar on alternative fuels held by ICAO reviewed the state of worldwide activities on their use in aviation, life-cycle analysis methodologies and sustainability criteria, financing and assistance programs, and legal and regulatory frameworks that support development and deployment. The role of biofuels in States' Voluntary Action Plans for reducing CO<sub>2</sub> emissions, ICAO assistance projects, and the global market-based measure (GMBM) scheme were also addressed. The event served as a basis for the ICAO Conference on Aviation Alternative Fuels to be convened later in 2017. . . . In related news, the International Energy Agency and Food and Agriculture Organization of the UN published the "How2Guide for Bioenergy," which helps to navigate supply chain complexities in planning and implementing biofuel strategies, including stakeholder relations, measuring against baselines, and assessing and implementing technologies.

## VI. U.S. CONGRESS

### 1. House Aviation Subcommittee Holds FAA Reauthorization Hearings.

With current FAA authority set to expire in September, the House Transportation Subcommittee on Aviation is holding hearings on a reauthorization bill. The first, “Building a 21st Century Infrastructure for America: State of American Aviation Manufacturing,” examined FAA certification processes for aircraft and components. House Transportation Committee Chairman Bill Shuster (R-PA) asked witnesses from FAA, Pratt and Whitney, Boeing and Textron what Congress can do to help maintain global leadership. “I don’t want to see America’s aviation industry go the way of our steel, auto, and textile industries,” he said. Subcommittee Chairman Frank LoBiondo (R-NJ) said U.S. civil aircraft manufacturing is a top net exporter, but recent global competition, as well as redundant, outdated and inefficient rules and regulatory processes, have jeopardized that lead. The Boeing witness called for type certificate validation by foreign aviation authorities to be quick and efficient. FAA’s Peggy Gilligan said the agency has improved the certification process. Committee ranking member Peter DeFazio (D-OR) called European Aviation Safety Agency charges to revalidate an FAA-issued certificate “unreasonable,” and suggested provisions for reciprocity in the FAA bill. Gilligan said U.S. and European officials are working on an agreement to reduce fees on large projects. Last year’s FAA reauthorization proposal, which stalled due to the debate over air traffic privatization, contained bipartisan reforms to the certification system. . . . The next hearing, the “State of American Airports,” will be held on March 1.

### 2. Voice Calls on Planes Revisited.

Rep. Peter DeFazio urged DOT to issue a final rule prohibiting inflight voice calls. “Beginning in 2008 with H.R. 5788, Democratic and Republican colleagues and I have introduced the ‘Halting Airplane Noise to Give Us Peace Act’ (HANG UP Act), which has been reintroduced and repackaged into broader legislation, consistently with strong bipartisan support,” DeFazio wrote in a letter to Secretary Elaine Chao. “But the issue has taken on new urgency now that mobile technology has matured enough to make inflight voice calls technically feasible, even if ill-advised.” DeFazio says the calls create security and safety risks. DOT has issued proposals on the matter and recently sought comments on whether voice calls on flights should be banned; DeFazio said 96% of 1,700 respondents expressed support for a ban, as the comment period drew to an end in February.

**3. DeFazio Wants PFC Cap Removed.**

DeFazio urged President Trump to increase the passenger facility charge (PFC) cap for airport development. “The PFC, which is statutorily authorized but locally collected, generates revenue for safety-critical and expansion projects that will restore aging airports to their former glory,” wrote DeFazio in a letter offering solutions to repair U.S. infrastructure without adding to the deficit. FAA has identified a need for \$32.5 billion in federal airport improvement projects over the next five years, he added; “that’s \$6.5 billion per year—essentially double current funding for airport grants.” DeFazio said raising the PFC cap by \$4.00 (from current limit of \$4.50) to \$8.50 would raise PFC revenue from \$3 billion per year currently to \$5.7 billion per year.

**4. Congress Reports on “America’s Airports: The Threat from Within.”**

The House Homeland Security Committee released a report entitled, “America’s Airports: The Threat from Within,” following a two-year investigation conducted by the Transportation and Protective Security Subcommittee. Among key findings, most airports do not have full employee screening at secure access points and are unable to demonstrate security effectiveness of existing employee screening efforts, which consist largely of randomized screening by TSA or airport law enforcement personnel. The report cited insider threat examples, including an attempt to detonate a bomb, gun and drug smuggling, and expressed willingness to smuggle explosives, as well as employees who became involved in terrorist activities overseas. “America’s aviation sector remains a crown jewel of ISIS and other terrorist groups targeting our homeland,” said Committee Chair Michael McCaul (R-TX), and “we must be ready to confront them at every turn.” . . . Subcommittee Chairman John Katko (R-NY) introduced the “Aviation Employee Screening and Security Enhancement Act of 2017,” to “serve as a roadmap for TSA, airports, and air carriers to close security vulnerabilities” at U.S. airports. . . . McCaul and Katko reiterated their concern a week later, when 12 current and former TSA and airport employees were indicted for smuggling 20 tons of cocaine through Puerto Rico’s Luis Muñoz Marín International Airport between 1998 and 2016.

**5. House Passes Transportation Security Bills.**

The House passed the “Airport Perimeter and Access Control Security Act of 2017,” which aims to improve airport security by mandating updated risk assessments and development of strategic security plans, including employee access control points and the airport perimeter. The House passed an identical measure last year, but it was not taken up by the Senate. . . . The “Transit Security Grant Program Flexibility Act” amends the “Implementing Recommendations of the 9/11 Commission Act of 2007” to permit use of

public transportation security assistance grant funds for backfill associated with security training. . . . The “Department of Homeland Security Support to Fusion Centers Act of 2017” would require the Government Accountability Office to review fusion centers located in jurisdictions with large and medium airports and whether it would enhance aviation security to assign TSA personnel to those centers. Fusion centers operate as state and major urban area focal points for the receipt, analysis, gathering, and sharing of threat-related information between federal, state, local, tribal, territorial and private sector partners.

## VII. BILATERAL AND STATE DEPARTMENT NEWS

### 1. Brazil Requests WTO Consultations with Canada on Bombardier C-Series.

Brazil requested consultations with Canada at the World Trade Organization (WTO) regarding subsidies benefiting the Bombardier C-Series program. Brazilian aircraft manufacturer Embraer, a Bombardier competitor, said the request “highlights the wide range and massive scale of subsidies provided to Bombardier, amounting to over \$4 billion in support, from the Canadian national, provincial, and local governments. In 2016 alone, over \$2.5 billion was provided to the Canadian aircraft manufacturer.” . . . Meanwhile, Canada announced it will provide \$372.5 million in repayable contributions to Bombardier over four years to fund research and development for the new Global 7000 business jet and activities related to C Series development. Aerospace accounts for nearly one-third of all research and development activity in Canada's manufacturing sector, which translates to \$28 billion of economic activity every year, said the government, and the aerospace sector employs, directly and indirectly, 211,000 people.

### 2. Airlines Raise Open Skies Concerns with Trump Administration.

American, Delta and United are lobbying the Trump Administration regarding their allegations that state-owned Persian Gulf carriers Emirates, Etihad and Qatar have received some \$50 billion in government subsidies, in violation of U.S. Open Skies agreements with the United Arab Emirates and Qatar, and their request that the U.S. freeze access to U.S. routes. . . . But U.S. Airlines for Open Skies (USAOS), comprised of Hawaiian, FedEx, JetBlue and Atlas Air, is urging Secretary of State Rex Tillerson, DOT Secretary Elaine Chao and other Administration officials to reject those complaints, saying the three large legacy airlines “are making demands that would jeopardize Open Skies and reduce competition in an already overly concentrated U.S. airline market.”



## VIII. EUROPE AND AFRICA

### 1. Norwegian Air to Fly to NY Stewart, Providence, Hartford.

Norwegian Air International, Norwegian's Irish subsidiary, will begin Boeing 737-MAX service to New York Stewart, T.F. Green in Providence, RI, and Hartford, in June, from Edinburgh, Belfast and Dublin. Initial fares started at \$65 one-way including taxes. The routes will be operated predominantly with crew from new bases at Edinburgh, Stewart and Providence, said the carrier, noting it "has more U.S.-based cabin crew than any other foreign airline." CEO Bjørn Kjos said the two new U.S. bases "will create another 150 American jobs." Other upcoming 2017 U.S. launches include Oakland-Copenhagen (March 28); Los Angeles-Barcelona (June 5); New York Newark-Barcelona (June 6); Oakland-Barcelona (June 7); Orlando-Paris (July 31); and Fort Lauderdale-Barcelona (August 22).

### 2. United Adds London-New York Frequency.

United will add a sixth daily Boeing 763-300 flight from London Heathrow to New York Newark during the summer period, from April 5 to October 28. Subject to government approval, United will add a seasonal Boeing 787 route between San Francisco and Munich on May 24, and capacity on one daily Newark-Tel Aviv flight will increase May 5 with use of a Boeing 777-300ER. Flights returning to the international summer schedule include Xi'an and Rome.

### 3. Lufthansa, Etihad Extend Cooperation.

Lufthansa and Etihad signed a four-year catering contract, under which Lufthansa's LSG Sky Chefs will provide services to Etihad in 16 cities in Europe, Asia and the Americas. Under a Memorandum of Understanding, Lufthansa Technik will explore cooperation in maintenance, repair and overhaul services across Etihad and its airline equity partners, and opportunities for synergies with Etihad Airways Engineering. Etihad and Lufthansa are also exploring cooperation in areas including freight operations, procurement and passenger services. Under a previously announced code share, Lufthansa will place its code on Etihad flights between Abu Dhabi and both Frankfurt and Munich; and Etihad will put its code on Lufthansa nonstops between Frankfurt and Rio de Janeiro and Bogota, subject to government approvals. Lufthansa signed a six-year agreement in December 2016 with airberlin, in which Etihad holds a 29% stake, for the wet-lease of 38 aircraft; Lufthansa's point-to-point carrier Eurowings will wet lease 33 aircraft, and Austrian Airlines, a Lufthansa Group airline, will take on five aircraft.

4. **Lufthansa, Pilot Negotiators Progress.**

Lufthansa agreed to an 8.7% pay increase for pilots at Lufthansa, Lufthansa Cargo and Germanwings, in four stages retroactive to January 1, 2016, among other mediation results. Talks with Vereinigung Cockpit continue.

5. **Air France Pilots Vote to Accept Low-Cost Boost Unit.**

Air France pilots voted to accept the creation of Boost, a new low-cost, long-haul subsidiary, but want additional guarantees. Air France hopes to launch the unit late this year or in early 2018. Air France-KLM Group reported a 2016 net profit of €792 million, compared to €118 million in 2015. Full-year operating income of €1.05 billion advanced 34.5% from €780 million.

6. **Nigeria Takes Control of Arik Air.**

Asset Management Corp. of Nigeria (AMCON) has taken over management of debt-ridden Arik Air. The government said Arik has about 30 aircraft, the largest fleet in Nigeria, holds 55% to 60% of the air transport market in Nigeria, and serves 18 domestic and 11 international destinations, though flights to London and Johannesburg are suspended. . . In other news, Abuja's airport will be closed for six weeks from March 8, during major runway repairs; flights will be rerouted to Kaduna airport.

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

### **1. Air Canada Adds Shanghai, Tel Aviv Service.**

Air Canada introduced daily Boeing 787-8 flights from Montreal to Shanghai, where Star Alliance partners Air China and Shenzhen Airlines, and partner Juneyao Airlines, offer connectivity to domestic China destinations. Air Canada will expand service to Israel, with seasonal Airbus A330-300 nonstops between Montreal and Tel Aviv and an increase of Toronto-Tel Aviv to daily year-round from six weekly. New routes to Algiers, Marseille, Reykjavík and Dallas from Montreal were also announced.

### **2. ANA Announces New President and CEO.**

Yuji Hirako, ANA Executive Vice President and Member of the Board, will succeed Osamu Shinobe as President and CEO from April 1; Shinobe will become Vice Chairman of ANA Holdings. Hirako has been with the company since 1981 and among his executive positions served as Senior Vice President for the Americas and Vice President of Corporate Planning.

### **3. China Reports 11% Growth in Passenger Traffic.**

Civil Aviation Administration of China reported 2016 increases of 11% in passenger traffic and 5.5% for cargo and mail traffic, compared to 2015. "By the end of 2016, China's civil aviation had ensured flight safety for 76 straight months, with the cumulative safe flight hours reaching 45.96 million. Accidents per 1 million aircraft movements in the past decade stood at 0.031," said CAAC Administrator Feng Zhenglin. "A systematic safety management system and an operating and monitoring system have also been built. However, an acute awareness of the safety situation in the civil aviation industry is still warranted, as 2016 also witnessed some safety incidents, adding to the risk of safe operation. CAAC has seriously dealt with these illegal acts in accordance with laws and regulations."

### **4. Hainan Adds Nonstops to Los Angeles from China.**

Hainan will launch twice weekly nonstops to Los Angeles International from Chengdu and Chongqing in March. The carrier already serves Los Angeles from Changsha.

### **5. Fuzhou Adds Service to New York, Los Angeles.**

Xiamen Airlines is offering three weekly direct flights to New York from Fuzhou, the capital of East China's Fujian province and the fourth Chinese city (after Beijing, Shanghai, Guangzhou). The carrier flies a three-times-weekly

Xiamen-Shenzhen-Seattle route and in June will begin direct service from Xiamen to Los Angeles.

**6. Singapore Orders 20 Boeing 777-9s, 19 B-787-10s.**

Singapore Airlines signed a letter of intent to purchase 20 Boeing 777-9s and 19 B787-10 Dreamliners. The proposed order, valued at \$13.8 billion based on published list prices, includes flexibility for the SIA Group to substitute the 787-10 orders for variants of the 787 family. SIA is already the launch customer for the 787-10, having placed an initial order in 2013 for 30 aircraft for delivery from the 2018/19 financial year. SIA also has outstanding orders with Airbus for five A380-800s and 57 A350-900s. Unit SilkAir has outstanding orders with Boeing for 37 B737 MAX 8s, while Scoot has orders for eight B787-8/9s and Tigerair has orders with Airbus for 39 A320neos.

**7. Etihad Announces 6% Passenger Increase in 2016.**

Etihad Airways carried 18.5 million people in 2016, up 6% on 2015. Capacity, measured in available seat kilometers (ASK), grew by 9% and passenger traffic, measured by revenue passenger kilometers (RPK), rose by 8%. Average load factor held steady at 79%. Etihad Aviation Group, which was announced in May 2016, includes Etihad Airways Engineering; Airline Equity Partners; Etihad Airport Services and Hala Group. The equity partner network includes airberlin, Air Serbia, Air Seychelles, Alitalia, Jet Airways, Virgin Australia and Etihad Regional. President and CEO James Hogan, who will step down in second half this year, said 2016 saw sustained growth in a very tough business environment.

**8. Lufthansa, Etihad Extend Cooperation.**

See Section VIII, item 3.

## **X. AMERICAS**

### **1. Delta Seeks to Raise Aeromexico Stake to 49%.**

Delta launched a cash tender offer to bring its ownership stake in Grupo Aeromexico to 49%. Delta currently owns 4.2% of outstanding shares of the company and holds options to acquire an additional 12.8%. Completion of offer is subject to acceptance by shareholders and receipt of antitrust approvals in Mexico. “The tender offer and investment will further strengthen the relationship that will be established when our joint cooperation agreement is implemented in the second quarter,” said Delta CEO Ed Bastian. . . . Delta will begin offering main cabin complimentary meals on some long domestic flights, including New York Kennedy to Los Angeles and San Francisco on March 1, and 10 other markets on April 24. Amenities for Delta Comfort+ passengers on those routes will be upgraded, as well. . . . Aeromexico will introduce service to Detroit from Mexico City on April 1 and from Monterrey on May 1, and between Guadalajara and San Jose, California, on July 1.

### **2. United to Add 47 Domestic Daily Roundtrips.**

United is adding 47 new daily roundtrips to its domestic schedule. . . . President Scott Kirby said United is working with Avianca Holdings and Avianca Brasil “to expand on our existing Star Alliance and strategic partnerships in the region as we continue building a great network in Latin America.” . . . United has hired Andrew Nocella, who resigned as American’s Senior Vice President of Network Planning; Kirby also left American for United . . . . In an expanded partnership with United, Mesa is adding 12 Embraer 175s; deliveries to begin in May. And, after years of stalled negotiations Mesa flight attendants are voting on whether to strike. Mesa operates flights for United as United Express and for American as American Eagle.

### **3. Spirit Comes to Pittsburg.**

Spirit Airlines has announced that Pittsburgh International Airport (PIT) will become the 61st city to join its expanding network, with new nonstop service to seven destinations, including Dallas/Fort Worth, Myrtle Beach, Fort Lauderdale, Orlando, Las Vegas, Houston and Los Angeles. The new services will be phased in between May 25, 2017 and July 13, 2017.

### **4. Hawaiian, Pilots Reach Tentative Agreement.**

Hawaiian and Air Line Pilots Association reached a tentative agreement on a contract amendment, with a ratification vote to take place between March 6 and 24. If ratified, the amendment becomes effective April 1 and remains in

effect until July 1, 2022. The company is in negotiations with flight attendants, whose contract became amendable in January.

5. **Azul Announces IPO.**

Sao Paulo-based Azul filed for a \$100 million initial public offering. Proceeds will be used to repay debt and for general corporate purposes, according to a statement to the U.S. Securities and Exchange Commission. Azul was founded in 2008 by JetBlue founder David Neeleman. A 2013 plan to list preferred shares was cancelled.

6. **Norwegian Air to Fly to NY Stewart, Providence, Hartford.**

See Section VIII, item 1.

7. **United Adds London-New York Frequency.**

See Section VIII, item 2.

8. **Air Canada Adds Shanghai, Tel Aviv Service.**

See Section IX, item 1.

9. **Hainan Adds Nonstops to Los Angeles from China.**

See Section IX, item 4.

10. **Fuzhou Adds Service to New York, Los Angeles.**

See Section IX, item 5.