



WASHINGTON AVIATION SUMMARY

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The Kirstein & Young law firm specializes in representing U.S. and foreign airlines, airports, leasing companies, financial institutions and aviation-related companies before U.S. Government agencies, Congress, the courts and in commercial and financing matters.

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I. REGULATORY NEWS

1. IATA: Industry Painted with Hue of a Very Regrettable Incident.

Videos went viral of a passenger being violently dragged from a United flight at O'Hare by Chicago Aviation Department police, because he refused to give up his seat. And, said Alexandre de Juniac, Director General and CEO of the International Air Transport Association (IATA), headlines began painting "an entire industry with the hue of a single and very regrettable incident." Questions have been raised about passenger rights, denied boarding procedures, actions of local law enforcement, and overbooking practices, noted de Juniac, but "the best results will not come out of angry, knee-jerk responses that seek resolution in 140 characters, or a newspaper comment piece written before the entire incident has revealed itself. If there is something in this incident that requires changes at an industry level the next step is a robust dialogue." . . . The Department of Transportation (DOT) said it is reviewing the United Express Flight 3411 event, and launched a microsite for consumers, "Got Flights? Know Your Rights." . . . In initial apologies, United CEO Oscar Munoz said fares would be refunded to all passengers on the flight and enumerated immediate actions to follow "this truly horrific event." The airline later issued a formal "Review and Action Report" (see Section X). . . . United Continental Holdings said Munoz will not become Chairman as planned, and compensation for senior executives will be tied to progress in improving the customer experience. . . . Members of Congress ordered Munoz and DOT to provide detailed reports of the incident, scheduled hearings and introduced new passenger protection bills (see Section VI). . . . The Chicago Aviation Department officers who were called in by the airline to forcibly remove the passenger were placed on administrative leave. . . . And the passenger, who suffered a concussion, a broken nose and the loss of two teeth, settled out of court with the airline for an undisclosed sum.

2. Federal Government Hiring Freeze Ends.

The Administration replaced a January 23 government hiring freeze with guidance to "reorganize federal agencies and reduce wasteful or duplicative functions." Agencies are to achieve near-term workforce reductions and cost savings and submit a draft plan by June 30.

3. FAA ARAC to Act as Regulatory Reform Task Force.

The Federal Aviation Administration (FAA) tasked its Aviation Rulemaking Advisory Committee (ARAC) with evaluating whether any existing regulations should be repealed, replaced or modified, to comply with a February Executive

Order. Criteria are those that eliminate jobs or inhibit job creation; are outdated, unnecessary, or ineffective; impose costs that exceed benefits; or create serious inconsistency or otherwise interfere with regulatory reform initiatives and policies. Initial recommendations are due June 1.

4. DOT Reports 2016 Air Fares Down 8.5%.

The average 2016 inflation-adjusted fare of \$349 was down 8.5% from \$382 in 2015, the lowest since 2009, and down 26.1% from the all-time annual high of \$472 in 2000, reported DOT. Unadjusted, the 2016 average fare of \$349 was up 12.5% from the post-recession low of \$310 in 2009, but down 10.9% from the peak of \$392 in 2014. In recent years, airlines have obtained additional revenue from fees charged to passengers, and from other sources. U.S. passenger airlines collected 74.7% of total revenue from passenger fares during third quarter 2016, down from 87.6% in 1995; third-quarter data are the most recent available.

5. DOT Air Travel Consumer Report for February.

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

	Feb. '17 / '16	Jan. '17	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	82.6 / 83.6	76	81.4	79.9	76.2	78.34	81.85
Cancellations %	1.5 / 1.6	2	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	2.16 / 2.64	3.40	2.70	3.13	3.61	3.22	3.09
Consumer complaints:							
Airline service	950 / 1,501	1,651	17,904	20,175	15,539	13,176	15,338
Disability-related	55 / 68	75	862	944	784	683	741
Discrimination**	5 / 7	12	94	65	68	79	99

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

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. ACI: Traffic at World's 20 Busiest Hubs Up 4.7% in 2016.

Traffic at the world's 20 busiest hubs grew 4.7% in 2016, according to ACI preliminary estimates; with over 1.4 billion passengers, this group represents 18% of global passenger traffic. Atlanta remained the world's busiest airport, with 104 million passengers, 2.6% more than 2015, followed again by Beijing and Dubai. Los Angeles moved from 7th to 4th rank, with 8% growth. Tokyo Haneda, in 5th place, saw growth of 5.5%. The world's airports saw total passenger growth of 5.6%. Delhi and Doha, the 21st and 50th busiest airports, each achieved growth of over 20%. Cargo markets revived in second half 2016. Hong Kong remained the world's largest air cargo hub, followed by Memphis and Shanghai Pudong. Doha moved from 20th to 16th rank with a jump of 20.8% in air cargo volumes.

2. St. Louis Lambert Accepted into FAA Airport Privatization Program.

FAA accepted the City of St. Louis's preliminary application for Lambert International to participate in the Airport Privatization Pilot Program. Lambert is the second medium hub airport to join the program. The announcement "demonstrates the Administration's commitment to leveraging innovative financing strategies to revitalize our nation's aviation infrastructure," said DOT Secretary Elaine Chao. "As we've already seen in San Juan, this approach to airport management increases productivity, revenue and operating efficiency for airports, creating greater access to capital for infrastructure needs." With the approval of Lambert Airport, the city may select a private operator to manage the airport, negotiate an agreement, and submit a final application to FAA for approval. "The privatization pilot program was designed to encourage innovative financing solutions, and we're pleased that an increasing number of airport operators are participating," said FAA Administrator Michael Huerta.

3. Construction Begins on \$1.6 Billion LAX Midfield Satellite Concourse.

Construction of the 750,000 square-foot Midfield Satellite Concourse (MSC) at Los Angeles International has begun. The \$1.6 billion, five-level facility will include 12 new gates, dining and retail space and a 1,000-foot-long underground pedestrian tunnel with moving walkways connecting to the Tom Bradley International Terminal (TBIT). Buses will also be used to transport passengers between the concourse and other LAX terminals. Construction preparations entailed relocation of the airport's rotating beacon, fiber communication infrastructure and FAA equipment to other parts of the airfield, and demolition of a former Trans World Airlines hangar. Opening is expected

at end of 2019, said Deborah Flint, CEO of Los Angeles World Airports (LAWA). . . . Delta is relocating from Terminals 5 and 6 to Terminals 2 and 3, where it is planning improvements valued at up to \$1.9 billion over the next seven years. A total of 28 airlines are affected by the realignment, which began in January when American swapped four gates in Terminal 6 for four gates held by Delta in Terminal 5. After the move, Delta will operate 23 gates alongside partners including Aeromexico, Virgin Atlantic and WestJet. Delta has proposed a facility connecting to TBIT which would enable seamless access to partners, including Air France-KLM, Alitalia, China Eastern, China Southern and Korean Air.

4. Alaska Adds Dallas Love Field Service.

The combined Alaska Airlines and Virgin America added new daily Embraer 175 nonstops from Dallas Love Field to Seattle, San Diego, Portland, and San Jose. Virgin America will operate a second daily nonstop to Seattle with an Airbus 320. Starting this summer, Virgin America jets will be replaced with E175s on Love Field service to New York LaGuardia and Reagan Washington National. The fleet changes will free up Virgin America planes for long-haul San Francisco flights to Philadelphia, New Orleans, Nashville, Indianapolis, Raleigh-Durham and Kona, and Los Angeles to Philadelphia. Virgin America will continue to operate three daily flights from Love Field to Los Angeles and to San Francisco.

5. San Diego Names New President/CEO.

Kimberly Becker becomes President/CEO of San Diego County Regional Airport Authority as of May 1, succeeding Thella Bowens who has retired. Becker most recently was Director of Mineta San Jose and previously worked at Teterboro and Burbank airports.

6. Oslo Airport Expansion Increases Capacity to 32 Million Passengers.

Oslo Airport operator, Avinor, completed a NOK 14 billion passenger expansion, nearly doubling capacity to 32 million passengers annually; the airport handled 25 million passengers in 2016. Improvements include 11 new jet bridged gates and 10 new remote aircraft parking spaces. Norway's Minister of Transport Ketil Solvik-Olsen said the project was completed within budget and on time.

III. **SECURITY AND DATA PRIVACY**

1. **DHS Chief John Kelly: The Threat Against Aviation.**

Speaking on “Face the Nation,” on CBS News, Department of Homeland Security (DHS) Secretary John Kelly said the threat against aviation is what keeps him awake at night. “We know that would be the Super Bowl for the terrorists to knock down an airplane in flight, particularly if it was full of Americans. We have taken measures overseas to reduce that threat, but it’s something I watch every day, ask four or five times a day, because there are a number of plots that we’re watching very, very closely.” In a speech at the George Washington University Center for Cyber and Homeland Security, Kelly said the program to ban electronics larger than a cell phone on some commercial flights to the United States likely will expand given the sophisticated threats aviation faces. “The research and developers of numerous terrorist networks and cells are relentless in their attempts to produce the ‘silver bullet’ of aviation destruction. Before electronic devices we had the printer cartridge bomber, before that the shoe and underwear bombers, the explosive liquids plot, and the box-cutter hijackers of 9/11. They never stop and neither can we.” The retired Marine Corps general named proactive measures the agency is taking to prevent cyberattacks and other threats and defended DHS employees, who “have been political pawns . . . asked to do more with less, and less, and less.”

2. **Elaine Duke Sworn in as DHS Deputy Secretary.**

Elaine Duke was sworn in as DHS Deputy Secretary, following confirmation by the U.S. Senate. In this capacity, she will serve as COO for the Department. Among several leadership positions in the federal government, she served as Deputy Assistant Administrator for Acquisition at the Transportation Security Administration (TSA), “delivering an acquisition program that met the post 9/11 legislative mandate to federalize passenger and baggage screening at U.S. airports.”

3. **Airlines Advised on New PED Restrictions.**

With the recent ban on Portable Electronic Devices (PEDs) larger than a cell phone in passenger cabins of some international commercial flights, Flight Safety Foundation (FSF) and the European Aviation Safety Agency (EASA) cautioned airlines about safe transport of devices containing lithium batteries to mitigate the risk of fire in the cargo hold. In particular, PEDs placed in checked baggage must be completely switched off and well protected from accidental activation. FSF urged airlines to communicate clearly “the new

regulations and existing IATA guidance to passengers and staff to ensure that passenger items prohibited in the cargo compartments, such as spare lithium batteries, are not packed in checked baggage due to the mistaken belief that they are not allowed in the cabin.”

4. DHS Unveils Trusted Traveler Comparison Tool.

DHS released a tool to help prospective applicants find the Trusted Traveler Program that best matches their citizenship and travel preferences. Enrollment in the TSA PreCheck, Global Entry, NEXUS, SENTRI and FAST programs, managed by U.S. Customs and Border Protection and TSA, has grown to 10.8 million members from 4 million in FY14. Trusted Traveler memberships are valid for 5 years.

IV. E-COMMERCE AND TECHNOLOGY

1. Malaysia Airlines First to Adopt Global Flight Tracking.

Malaysia Airlines will be the first airline customer for flight tracking service from SITAONAIR, Aireon and FlightAware, expected to be operational in 2018. Under the agreement, all of the carrier's aircraft will have access to minute-by-minute, global data delivered by SITAONAIR's AIRCOM® FlightTracker. Aireon's space-based Automatic Dependent Surveillance-Broadcast (ADS-B) data is added to data from FlightAware's multiple global sources, complementing active Air Navigation Service Provider (ANSP) Future Air Navigation System (FANS) activity data. SITAONAIR says the service works for all ADS-B Out-equipped aircraft; no new avionics or modifications are needed. The service is meant to prevent events like the disappearance of a Malaysia Airlines Boeing 777-200ER on March 8, 2014, with 239 passengers and crew onboard. . . . In related news, the Australian Transport Safety Bureau said new modeling and analysis of drift patterns corroborate analysis from late 2016 that MH370 most likely is in a new search area. The latest tests used a flaperon modified to be consistent with one recovered from Reunion Island in July 2015. Australia, Malaysia and China suspended the three-year search of the southern Indian Ocean earlier this year after failing to find any trace of the aircraft.

2. FCC Proposes to Terminate Plan to Allow Inflight Cellphone Calls.

The Federal Communications Commission (FCC) wants to terminate its 2013 Notice of Proposed Rulemaking that sought to relax rules on using certain frequencies on aircraft, allowing airlines to decide whether to enable mobile calls. "I stand with airline pilots, flight attendants, and America's flying public against the FCC's ill-conceived 2013 plan to allow people to make cellphone calls on planes," said current FCC Chairman Ajit Pai. "I do not believe that moving forward with this plan is in the public interest. Taking it off the table permanently will be a victory for Americans across the country who, like me, value a moment of quiet at 30,000 feet." Association of Flight Attendants applauded the decision, saying voice calls on planes would jeopardize safety and security, increase conflict and exponentially raise the annoyance level of everyone in the cabin, and adding that "DOT should follow the FCC's lead and ban voice calls inflight. That's the only sensible, safe and secure course of action." Noting "no technical or safety reason why inflight mobile data and voice applications should not be allowed to operate on board aircraft," Telecommunications Industry Association said airlines are already allowed to

provide Wi-Fi and “FCC should encourage competition and innovation by allowing them to provide access through additional network technologies.”

3. **Qatar First Airline to Achieve IATA Baggage Tracking Compliance.**

Qatar Airways is the first airline to achieve compliance with IATA Resolution 753, which requires tracking of baggage from start to finish of each journey. Real time updates are provided through a “Track My Bags” feature on the airline’s website and mobile app, from check-in through transfer and arrival, as well as reference to bag tags and baggage belt. Resolution 753 was developed to reduce mishandling and baggage fraud, and is mandatory for all IATA airlines, which have until June 1, 2018 to comply.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on April 7 was \$66.1/barrel, up 1.0% on the month and up 44.8% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2017 was \$64.8/barrel. Impact on 2017 fuel bill was \$25.5 billion.

2. **FAA Begins EIS for New Charlotte Douglas Runway.**

FAA began an Environmental Impact Statement (EIS) for a new parallel runway at Charlotte Douglas International, where flights are expected to increase at an average of 1.9% annually, from 545,000 in 2016 to 740,000 in 2033. The Airport Capacity Enhancement Plan recommends a 12,000-foot-long runway be completed by 2023. The EIS will identify alternatives and will study effects on operations if the runway is not built. FAA has given the airport a \$3.75 million Airport Improvement Program grant for the project.

3. **NextGen Procedure Provides Environmental Benefit at MSP.**

NextGen aircraft arrival procedures implemented in March 2015 at Minneapolis-St. Paul International Airport (MSP) “have resulted in the biggest known air quality benefit of any single action in MSP history,” reports the Metropolitan Airports Commission (MAC). Using data supplied by FAA and Delta, Sun Country and Endeavor airlines, MAC estimates that airlines burn 2.9 million fewer gallons of fuel per year using optimized profile descents (OPD) than they would using traditional staged descents on approach to MSP. As a result of the reduced fuel burn, arriving aircraft emit 28,465 fewer metric tons of carbon dioxide into the atmosphere annually.

VI. U.S. CONGRESS

1. Congress Passes Stopgap Funding Bill to Avoid Government Shutdown.

Congress avoided a government shutdown by just hours with legislation that funds the government through May 5.

2. Legislation Proposed After United Express Flight 3411 Incident.

Among a flurry of bills that followed the United Express Flight 3411 incident, the “Bumping on Overbooked Airplanes Requires Dealing Fairly Act” (BOARD Fairly Act), introduced in the House, instructs DOT to modify rules to ensure that an air carrier (1) may not refuse to transport a passenger holding a confirmed reserved space on a flight to provide a seat for another passenger, regardless of whether such passenger is an airline employee; (2) solicits a volunteer to relinquish his or her space before boarding the aircraft; and (3) if necessary, continues to increase the amount of compensation offered until a volunteer willingly accepts the offer in exchange for relinquishing a confirmed reserved space. No one could be removed from a plane except for genuine security or safety reasons said bill sponsors, Illinois Democrats Jan Schakowsky and Raja Krishnamoorthi. . . . The “Transparency, Improvements, and Compensation to Keep Every Ticketholder Safe (TICKETS) Act,” introduced by Senate Democrats: prohibits airlines from preventing ticket-holding passengers from flying if they have been approved to clear the boarding area and board the plane, unless they present security or health risks; eliminates the ceiling for compensation provided to a ticket-holding passenger who is involuntarily denied boarding; requires air carriers to specify on a passenger’s flight itinerary and receipt its policies on voluntary and involuntary denial of boarding procedures, and post policies publicly at airport gates; requires the DOT Secretary to review over-selling practices and whether to limit the number of oversold tickets per flight; and requires flight crews seeking accommodation to check in 60 minutes prior to departure. The bill was endorsed by Public Citizen, the consumer health and safety non-profit organization founded by Ralph Nader. . . . The “Customers Not Cargo Act,” which would prohibit airlines from “forcibly removing passengers after they have boarded due to oversales or airline staff seeking to fly as passengers,” was introduced in the Senate by Chris Van Hollen (D-MD).

3. Lawmakers Oppose Changes to Reagan National Perimeter Rule.

As Congress considers the 2017 FAA reauthorization bill, a bipartisan coalition of Virginia, Maryland and Washington, DC members of Congress opposed attempts aimed at changing the current High Density and Perimeter rules at

Reagan Washington National Airport, in a letter to Senate Commerce and House Transportation leaders. Flight activity resulting from continued “legislative loosening” of the rules, combined with airline mergers and commercial transactions, “have led to significant congestion and stress on Reagan National’s facilities and a decline in commercial domestic passenger volume at Dulles International,” they wrote. Since 2000, passenger traffic at National has grown 50% while Dulles traffic has declined by 9%. In past debates, proposals to change the slot and perimeter rules have threatened to derail the entire FAA reauthorization process, they added, urging passage of a bill “that leaves intact the current rules governing operations at Reagan National Airport.” FAA funding expires September 30.

4. Essential Air Service Examined in Senate Committee Hearing.

A hearing to examine the Essential Air Service (EAS) program, which the Administration proposes to eliminate in the Fiscal Year 2018 budget, was held by the Senate Subcommittee on Aviation Operations, Safety, and Security, in the run-up to FAA reauthorization negotiations. Chairman Roy Blunt noted that “cuts to rural aviation programs are a perennial request of both Republican and Democratic Administrations.” . . . The hearing also examined the Federal Contract Tower program. FAA contracts with private air traffic control (ATC) providers at 253 airports. Cost-effectiveness has been validated by repeated DOT Inspector General audits, said Spencer Dickerson, an official with the American Association of Airport Executives and the U.S. Contract Tower Association. Contract towers handle 28% of all U.S. tower operations and help reduce congestion at large commercial service airports, acting as reliever airports. Dickerson said any proposal to shutter or cut the Contract Tower Program could have a significant impact on military and national security, as many are located near military bases and serve as readiness or training facilities. Among recommendations, he urged Congress to remove the \$2 million cap on Airport Improvement Program eligibility for contract tower construction, and to include explicit protections for the Contract Tower Program should the proposal for a not-for-profit corporation to operate ATC become a reality.

5. House Passes Aviation Employee Screening Bill.

The House passed the “Aviation Employee Screening and Security Enhancement Act,” which would improve employee vetting requirements and procedures governing the way airports issue security credentials, and reform TSA’s employee screening operations to be more targeted and effective. Sponsor John Katko (R-NY) said the bill “will provide policymakers with critical, previously unavailable data relating to the cost and feasibility of providing full employee screening at domestic airports.” A report released earlier this year

by the Transportation and Protective Security Subcommittee on insider threats revealed security vulnerabilities and gaps in employee screening and access controls at airports across the country. In related news, 26 suspects, including airline and airport staff, were charged with trafficking cocaine at Luis Munoz Marin International Airport in San Juan, Puerto Rico. The suspects smuggled drugs aboard DHL, American, JetBlue and Southwest flights to Miami, New York, Philadelphia and Orlando, reported the Associated Press.

6. Counterterrorism Screening Act Introduced in House and Senate.

The “Counterterrorism Screening and Assistance Act” introduced in the House and Senate “to coordinate strategy with foreign partners to identify and close loopholes in international airport security that could allow terrorists to travel undetected,” would require the President to submit a plan to Congress within 180 days of enactment that catalogs ongoing initiatives and programs to enhance partner-country capacity to interdict terrorist and foreign fighter travel; call on DHS and the State Department to accelerate delivery of certain Customs and Border Protection and State Department security and screening systems to countries deemed to be of greatest risk and concern for terrorist and foreign fighter travel; and require the State Department, in coordination with DHS, to submit an annual report to Congress that assesses partner-country efforts to meet standards and identify areas for improvement.

7. Regulatory Accountability Act Introduced in Senate.

The Regulatory Accountability Act was introduced in the Senate by Rob Portman (R-OH) and Heidi Heitkamp (D-ND). The legislation, among other things, would codify the duty to analyze costs and benefits of new regulation and bipartisan regulatory executive orders in place from President Reagan through President Obama. The bill would require federal agencies to build in an automatic review for the largest, most significant rules at least once every 10 years to ensure that they still meet regulatory objectives.

8. “Flags of Convenience Don’t Fly Here Act” Introduced.

See Section VII, item 1.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. “Flags of Convenience Don’t Fly Here Act” Introduced.

The “Flags of Convenience Don’t Fly Here Act” was introduced in the U.S. House of Representatives by ranking members of the Committee on Transportation and Infrastructure and the Aviation Subcommittee to “preclude DOT from issuing a foreign air carrier permit for U.S. operations to an airline that exploits a ‘flag of convenience’ to avoid regulations of its home country.” The legislation requires DOT to ensure that new foreign air carrier permits issued to European airlines are consistent with fair labor standards and competition requirements of the U.S.-E.U.-Norway-Iceland Air Transport Agreement. The bipartisan bill seeks “to protect U.S. jobs” and was applauded by pilot and flight attendant unions, which opposed issuance of a foreign air carrier permit to Norwegian Air International.

2. Iran Agrees to Purchase Additional Commercial Aircraft.

Boeing signed a Memorandum of Agreement (MOA) with Iran Aseman Airlines, for 30 Boeing 737 MAX airplanes, with list price value of \$3 billion, and purchase rights for another 30 aircraft. Deliveries would begin in 2022. The company “negotiated the MOA under authorizations from the U.S. government following a determination that Iran had met its obligations under the nuclear accord signed in 2015.” Approval is needed from the U.S. Treasury’s Office of Foreign Assets Control (OFAC). In December, Boeing and Iran Air announced an agreement for 80 aircraft, including 50 MAX 8s, 15 777-300ERs and 15 777-9s, valued at \$16.6 billion at list prices. . . . Iran Air signed a firm order for 20 ATR 72-600 turboprops with options for 20 more. Toulouse-based ATR is a joint venture of Airbus and Leonardo. Iran Air has already taken delivery of Airbus A320s and A350s. . . . Lufthansa’s talks with Iran Air about providing catering, flight training, maintenance, repair and overhaul services are seeing delays due to political developments, reports *Gulf News*.

3. Boeing Files Complaint Against Bombardier.

Boeing asked the U.S. Department of Commerce and the International Trade Commission to investigate subsidies and pricing of the Bombardier CSeries and halt sales in the U.S. market. Bombardier and Canada rejected Boeing’s allegations of government subsidies and predatory pricing. Brazil earlier filed a similar complaint with the World Trade Organization on behalf of Embraer.

VIII. EUROPE AND AFRICA

1. Alitalia Bankruptcy Looms as Workers Reject Job Cuts.

Alitalia employees voted against a restructuring plan that included salary and job cuts. A government bridge loan was expected as the airline prepared to begin bankruptcy procedures. Alitalia declared bankruptcy in 2008; in 2014 Etihad acquired a 49% stake in the Italian flag carrier.

2. Norwegian Adds Denver, Seattle Nonstops to London Gatwick.

Norwegian will launch twice-weekly Boeing 787-9 nonstops from Denver to London Gatwick on September 16, and four weekly from Seattle on September 17, bringing its U.S.-London services to nine. The Norwegian low-cost, long-haul UK network expands into Asia in September with four weekly flights from Gatwick to Singapore Changi, increasing to five in winter. Norwegian UK “was established in 2015 to give the airline a stronger foothold in the UK market, and allow it to access bilateral traffic rights to a series of new markets in Asia, Africa and South America. NUK is headquartered at London Gatwick, and will use British-registered Dreamliner aircraft and Gatwick-based crew to operate the new services.” . . . Norwegian reported a \$174 million first quarter loss, due in part to higher fuel costs and a strengthened Norwegian krone against the British pound, euro and Swedish krona, said CEO Bjørn Kjos.

3. Delta, Jet Airways, Virgin Atlantic Expand Code Share Agreement.

Jet Airways and Virgin Atlantic expanded their code share agreement for flights between India and the United States via London Heathrow, with Delta. Jet Airways is an Etihad Airways Partner.

4. United, Lufthansa Cargo Sign Cargo Joint Venture Agreement.

United and Lufthansa Cargo signed a joint venture agreement for extensive cargo cooperation on routes between the U.S. and Europe. Initially the carriers will align their cargo IT systems and business processes, with total implementation later this year.

5. IAG Startup Level Attracts Strong Bookings.

International Airlines Group's (IAG) new long-haul, low cost airline, LEVEL, logged 100,000 bookings during its first month of business. Launched March 17, the first Airbus A330 flight takes off June 1 from Barcelona to Los Angeles then to San Francisco (Oakland), Punta Cana and Buenos Aires. “This is just the start,” said IAG CEO Willie Walsh. “In summer 2018, we will have more

aircraft and will operate more destinations from Barcelona. We're also planning to expand LEVEL operations to other European cities." Other IAG brands are AerLingus, British Airways, Iberia and Vueling.

6. South African, Hawaiian Launch Interline Partnership.

South African and Hawaiian Airlines established an interline agreement that enables customers to purchase a single itinerary for travel on flights of both carriers with connections via New York Kennedy between Hawaiian Airlines' neighbor island network in Hawaii and destinations in Africa served by SAA.

7. "Flags of Convenience Don't Fly Here Act" Introduced.

See Section VII, item 1.

8. New CEO Named for Etihad Airline Equity Partners.

See Section IX, item 4.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Japan Airlines Offers Daily Tokyo Haneda-New York Flights.

Japan Airlines is offering new daily Boeing 777-300ER service between Tokyo Haneda and New York Kennedy, as part of a joint venture with oneworld partner American Airlines. The new route complements daily Tokyo Narita service to New York.

2. Emirates to Reduce Some U.S. Service.

Emirates will reduce frequencies to Fort Lauderdale, Orlando, Seattle, Boston and Los Angeles starting in May. “Recent actions taken by the U.S. government relating to the issuance of entry visas, heightened security vetting and restrictions on electronic devices in aircraft cabins have had a direct impact on consumer interest and demand for air travel into the U.S.,” stated the airline, which also flies to Chicago, Dallas, Houston, New York Kennedy and Newark, San Francisco and Washington DC. “This is not a permanent arrangement,” said President Tim Clark. “We are as bullish and as confident about the U.S. markets as we have been. It is not something that Emirates does lightly when it starts pulling capacity out of markets that it’s spent millions of dollars developing and operating.”

3. Qatar to Add U.S. Service; Plans to Operate Indian Carrier.

Qatar Airways will launch San Francisco service in 2018, among numerous new destinations. . . . Speaking to media at Arabian Travel Market in Dubai, Group CEO Akbar al-Baker said an agreement to acquire 49% of Meridiana, Italy’s second largest airline, will be finalized soon. He also announced plans to operate a domestic Indian carrier. . . . The company unveiled Qsuite, which features the industry’s first double bed in Business Class, and this summer will become the first airline in the Middle East to launch high-speed broadband connectivity. Initially available on the Boeing 777 and Airbus 350, Inmarsat’s GX Aviation product will offer seamless connectivity through its proprietary Global Xpress Ka-band satellite network.

4. New CEO Named for Etihad Airline Equity Partners.

Etihad Aviation Group named Robin Kamark CEO of the Airline Equity Partners unit, which includes stakes in airberlin, Alitalia, Jet Airways, Air Serbia, Air Seychelles, Etihad Regional and Virgin Australia. The former SAS executive will succeed Bruno Matheu, who is leaving for personal reasons, and report to Group President and CEO James Hogan who plans to step down from the company later this year.

5. Delta, Virgin Australia Increase Los Angeles-Melbourne Service.

Delta joint venture partner Virgin Australia increased direct Boeing 777-300ER flights between Los Angeles and Melbourne to five weekly. Together they offer 25 weekly flights between Australia and the United States and round-trip connectivity from 230 destinations in the Americas to 49 across Australia and New Zealand.

6. Senior Management Changes at Swire, Cathay Pacific.

Swire Pacific announced senior management changes effective May 1. Ivan Chu, CEO of Cathay Pacific and Chairman of Hong Kong Dragon Airlines, was named Chairman of John Swire & Sons (China) Ltd.; he will remain on the boards of Cathay Pacific as a non-executive Director and Swire Pacific. Cathay Pacific COO Rupert Hogg will be promoted to CEO and will become Chairman of Cathay Dragon.

7. Dubai Aerospace to Acquire AWAS.

Dubai Aerospace Enterprise signed a definitive agreement to acquire the AWAS group of aircraft leasing companies, from funds managed by Terra Firma Capital Partners and the Canadian Pension Plan Investment Board. Terms of the transaction were not disclosed. Dublin-based AWAS has a fleet of 263 owned, managed and committed narrow and wide-body aircraft, including 23 new aircraft on order to be delivered before the end of 2018, and serves 85 airline customers in 45 countries. The combined company “creates a Top 10 aircraft leasing platform with an owned, managed and committed fleet of 394 aircraft, valued at more than \$14 billion.” AWAS CEO is industry veteran David Siegel, formerly CEO of US Airways and Frontier Airlines.

8. Delta, Jet Airways, Virgin Atlantic Expand Code Share Agreement.

See Section VIII, item 3.

9. Qatar to Add U.S. Service; Plans to Operate Indian Carrier.

See Section IX, item 3.

X. AMERICAS

1. United Issues “Review and Action Report” on Flight 3411 Incident.

United CEO Oscar Munoz issued a “Review and Action Report” on the United Express Flight 3411 event on April 9, in which the violent removal of a passenger attracted worldwide attention, and announced actions the airline is taking to prevent such an occurrence in the future. Munoz and the Chicago Department of Aviation also responded to requests for information from Congress. . . . In sum, the Republic Airlines flight operating as United Express from Chicago to Louisville was full when four crew members arrived at the gate needing to get to Louisville for a flight they were operating the next morning. Seeking volunteers to give up their seats, the gate agent offered an \$800 travel credit plus cost of meals and hotel, but no one accepted the offer. The agent then followed the airline’s involuntary denial of boarding selection process and asked four customers to deplane. Two did and received compensation. The other two were the injured passenger and his wife; he refused to deplane. Authorities were contacted. Officers from the Chicago Department of Aviation arrived, were unable to convince the passenger to deplane voluntarily and forcibly removed him. He ran back onto the airplane and was removed again. He was later taken to a local hospital. All customers then deplaned, later re-boarded and departed for Louisville. . . . United announced policy changes, effective immediately or to be rolled out this year. Among them, the carrier: will limit use of law enforcement to safety and security issues only; will not require seated customers to deplane involuntarily unless safety or security is at risk; will increase customer compensation incentives for voluntary denied boarding up to \$10,000; will ensure crews are booked onto a flight at least 60 minutes prior to departure; will create an automated check-in process to gauge customer interest in giving up a seat on overbooked flights in exchange for compensation; will reduce overbooking on certain flights; will launch an app that enables flight attendants and gate agents to compensate customers proactively when a disservice occurs; and will adopt a no-questions-asked policy on permanently lost bags, paying \$1,500 for the value of the bag and its contents. . . . In related news, Southwest and American announced they will reduce overbooking and Delta raised compensation for passengers who give up their seats on overbooked flights to up to \$9,950.

2. Delta Cancels 4,000 Flights Due to Storm.

Delta cancelled about 4,000 flights over five days as a result of severe weather in Atlanta and subsequent operational recovery, and estimates the disruptions will reduce June quarter pre-tax income by \$125 million. The airline

reportedly offered a \$200 voucher or 20,000 SkyMiles to compensate passengers whose flights were delayed more than three hours or cancelled during the period. . . . By this fall, Delta will operate more than 100 peak day departures from Boston to 32 destinations, with new routes to include Austin, Texas; Kansas City, Mo.; Jacksonville, Fla.; Buffalo, N.Y.; and Norfolk, Va.; and added service to Nashville, Tenn.. In December, Delta will expand weekend West Palm Beach and Fort Myers flights to daily, and weekend Ft. Lauderdale flights to twice daily. Nonstops to Caribbean destinations including Montego Bay, Punta Cana, St. Thomas and Nassau begin December 21.

3. American to Raise Pay for Pilots, Flight Attendants.

American's Chairman and CEO Doug Parker and President Robert Isom in a letter to employees said they intend to work with unions to adjust pay rates of pilots and flight attendants to levels equal to the highest rates currently in place at Delta and United. "These adjustments reflect a real philosophical change that is an important trait of the new American," wrote the executives. "As we move forward, if we see sizable discrepancies in pay rates between our team members and other major airlines and our contracts are still years away from their amendable dates, we will work to address those discrepancies." . . . American apologized for an incident in which a passenger in tears, carrying a baby, accused a flight attendant of nearly hitting her child while forcibly taking her stroller. Viral video showed the crying woman on American Flight 591, an irate passenger coming to her defense with an aggressive flight attendant, and a pilot trying to calm the situation. The flight attendant was removed from duty while the incident is investigated.

4. Alaska Ranks First in 2016 Airline Quality Rating.

After four years at the top of the Airline Quality Rating (AQR), a ranking of the leading 12 U.S. airlines, Virgin America slipped to third place in 2016, replaced by merger partner Alaska Airlines. Delta ranked second and JetBlue was fourth, followed by Hawaiian, Southwest, SkyWest, United, American, ExpressJet, Spirit and Frontier. Industry performance improved in all core elements tracked: on-time performance, involuntary denied boardings, mishandled bags and customer complaints. Research for the annual AQR is funded by Wichita State and Embry-Riddle. . . . Alaska Air Group subsidiary Horizon Air and pilots reached a tentative agreement to amend their eight-year contract to include enhanced salary and bonus provisions. Once ratified, the agreement will run with the current contract and become amendable in December 2024.

5. JetBlue Adds Orlando to Port-au-Prince Service.

JetBlue is seeking authority to begin Embraer 190 direct service between Port-au-Prince and Orlando in December. The carrier already operates nonstops to the Haitian destination from New York Kennedy, Boston and Fort Lauderdale.

6. Frontier Files for Initial Public Offering.

Frontier Group Holdings filed with the U.S. Securities and Exchange Commission to launch an initial public offering. Since being acquired by Indigo Partners led by William Franke in 2013, Denver-based Frontier has become an ultra-low-cost carrier serving 60 destinations in the U.S., Mexico and the Caribbean. Barry Biffle is President and CEO.

7. Cuba Update.

Among airlines canceling service to Cuba due to overcapacity, lack of demand and high operating costs, Spirit will cease twice-daily Fort Lauderdale-Havana flights by June 1, Frontier vacates the Miami-Havana route in June, and Silver Airways planned to end service on April 22 on eight non-Havana Cuba routes from Fort Lauderdale. In filings with DOT, JetBlue requested seven weekly frequencies to Havana, including six additional from Fort Lauderdale and one Saturday service from Boston; and American and Delta filed for additional Miami-Havana nonstops.

8. Brazil's Azul Raises Over \$600 Million in IPO.

Azul, the largest airline in Brazil in terms of departures and cities served, raised around \$624 million in a dual initial public offering (IPO) in Sao Paulo and New York. Chairman and CEO David Neeleman founded Azul in 2008; he had been founder and CEO of JetBlue. Azul strategic shareholders include United and HNA unit Hainan Airlines. International destinations include Fort Lauderdale, Orlando and Lisbon.

9. Norwegian Adds Denver, Seattle Nonstops to London Gatwick.

See Section VIII, item 2.

10. Delta, Jet Airways, Virgin Atlantic Expand Code Share Agreement.

See Section VIII, item 3.

11. United, Lufthansa Cargo Sign Cargo Joint Venture Agreement.

See Section VIII, item 4.

12. **IAG Startup Level Attracts Strong Bookings.**
See Section VIII, item 5.
13. **South African, Hawaiian Launch Interline Partnership.**
See Section VIII, item 6.
14. **Japan Airlines Offers Daily Tokyo Haneda-New York Flights.**
See Section IX, item 1.
15. **Emirates to Reduce Some U.S. Service.**
See Section IX, item 2.
16. **Qatar to Add U.S. Service; Plans to Operate Indian Carrier.**
See Section IX, item 3.
17. **Delta, Virgin Australia Increase Los Angeles-Melbourne Service.**
See Section IX, item 5.