



## WASHINGTON AVIATION SUMMARY

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### CONTENTS

I.	REGULATORY NEWS .....	1
II.	AIRPORTS .....	3
III.	SECURITY AND DATA PRIVACY .....	6
IV.	E-COMMERCE AND TECHNOLOGY .....	7
V.	ENERGY AND ENVIRONMENT .....	9
VI.	U.S. CONGRESS .....	11
VII.	BILATERAL AND STATE DEPARTMENT NEWS .....	13
VIII.	EUROPE/AFRICA .....	14
IX.	ASIA/PACIFIC/MIDDLE EAST .....	17
X.	AMERICAS .....	19

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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. IATA: 2017 Marked by Strong Demand, Record Load Factor.**

Global passenger traffic results for 2017 show that demand (revenue passenger kilometers or RPKs) rose 7.6% compared to 2016, reports the International Air Transport Association (IATA). Full year capacity rose 6.3%, and load factor climbed 0.9% to record calendar-year high of 81.4%. International passenger traffic rose 7.9%; capacity up 6.4%, load factor up 1.1% to 80.6%; all regions recorded year-over-year increases in international demand, led by Asia-Pacific and Latin America. Domestic air travel climbed 7%; capacity increased 6.2% and load factor was 83%, up 0.7% compared to 2016; all markets showed annual growth led by India, China and Russia, with wide variation. Middle East share of global traffic (9.5%) fell for the first time in 20 years; the market segment to/from North America was hit hardest due to factors including temporary ban on large portable electronic devices in the cabin and proposed U.S. travel bans affecting some countries in the region.

### **2. Proposed 2019 White House Budget Shifts ATC from FAA.**

The White House Fiscal Year 2019 budget proposal requires agencies to prepare reorganization plans to improve efficiency, effectiveness and accountability. At the Department of Transportation (DOT), air traffic control would be shifted from the Federal Aviation Administration (FAA) to “a non-governmental, independent air traffic services cooperative.” The FAA budget would be cut by nearly \$300 million from 2017 levels (an FY18 budget has not been approved); for example, the \$952 million request for NextGen—“an amount far below what is required for success,” commented Aerospace Industries Association—is down from \$1.1 billion. The budget maintains airport funding at \$3.35 billion and does not increase the passenger facility charge (PFC). The proposal requests \$93 million in discretionary resources for Essential Air Services, a reduction of \$57 million from 2017 enacted level of \$150 million. . . . The Department of Homeland Security (DHS) proposal includes \$71 million for new airport screening technology and would increase the Transportation Security Administration (TSA) passenger fee by \$1 per one-way trip in FY19 and another \$1.65 in FY20, the Customs and Border Protection (CBP) user fee from \$5.65 to \$8.40, and the immigration user fee from \$7.00 to \$9.00. Airlines for America (A4A) urged Congress to reject these increases and “return this revenue to its intended purpose.” Since 2013, \$1.3 billion per year in TSA fees have been diverted from paying for aviation security screening, said A4A. . . . The NASA budget proposal includes full funding for the experimental supersonic Low-Boom Flight Demonstrator,

meant to “build faster commercial airliners, creating jobs and cutting cross-country flight times in half.” Commercial space companies are working on similar concepts.

**3. Infrastructure Plan Calls for Privatization of Washington Airports.**

A \$1.5 trillion infrastructure plan proposed by the White House would give federal agencies authority to divest assets such as Reagan Washington National and Dulles International Airports. The “Rebuilding Infrastructure in America” plan would extend the streamlined non-hub PFC process to small hub airports to enable them “to more readily fund needed development.” It would limit FAA approval and oversight of nonaviation development activities at airports to “create more efficient FAA oversight of critical airfield infrastructure.” The plan would remove limits on the number and size of airports that participate in the pilot privatization program and decrease the percentage of airlines needed to approve privatization from 65% to a majority vote. It would clarify authority for incentive payments for accelerated construction under the Airport Improvement Program (AIP), and move oversight of AIP funds to post-expenditure audits to “expedite conveyance of funds to sponsors.” The infrastructure plan proposes to shorten timelines for the environmental permitting process. . . . Airports Council International – North America said the proposal addresses regulatory burdens long identified by the airport industry as barriers to infrastructure development, but lacks “a clear investment mechanism to meet the \$100 billion in well-documented airport infrastructure needs across the country.” American Association of Airport Executives said “the answer to building infrastructure is as easy as PFCs. Lifting the outdated federal cap on airport user fees would allow airports to utilize local dollars for investment immediately and to leverage those resources through bonds to further multiply their benefit into the future.” . . . Fitch Ratings noted that divestiture of Washington National and Dulles is unlikely, as they are managed by Metropolitan Washington Airports Authority (MWAA), an entity created by an interstate compact between Virginia and the District of Columbia, whose lease with the federal government extends through June 2067 and is non-cancellable without approval of all parties; MWAA's outstanding debt related to the airports (\$4.5 billion) and airline lease agreements in force (expiration 2024) are further impediments to divestiture.

**4. U.S. Airlines Address Service Animal Rules.**

In its response to a DOT request for suggested rule changes, Airlines for America asked for a review of outdated rules and asked for clarity on vague situations, such as the definition of service animals. “It’s bordering on the absurd when someone says ‘emotional support peacock’ and everyone knows exactly what they’re talking about,” said A4A, referring to a widely publicized

incident in which United denied boarding to just such a bird, then announced a tightening of its service animal policy, effective March 1. In January, Delta issued stringent requirements for boarding with service animals, “as a result of a lack of regulation that has led to serious safety risks involving untrained animals in flight.” Delta noted “an 84% increase in reported animal incidents since 2016, including urination, defecation, biting and even a widely reported attack by a 70-pound dog.”

**5. Full FAA Regulation of All Drones Urged.**

Following an incident in which a drone flew just a few feet above a Frontier Airlines Airbus A320 that was approaching Las Vegas McCarran, airlines, pilots and air traffic controllers jointly called on Congress to modify a law that restricts FAA from applying rules or regulations to those operating unmanned aircraft systems (UAS) for recreation or as a hobby. “The likelihood that a drone will collide with an airline aircraft is increasing. By providing the FAA with the full authority to regulate all UAS operations, the safety of passenger and cargo flights will be protected,” said Air Line Pilots Association, Airlines for America and National Air Traffic Controllers Association. “Small drones are very difficult to visually acquire by pilots in flight or by air traffic controllers in the tower, and small drones do not currently have electronic anti-collision technologies that are compatible with airline collision avoidance systems. However, equipped with anti-collision technology, flight crews would likely be aware of the drone’s proximate location soon enough to take evasive action that would ensure that there was no threat of collision with the drone.”

**6. NTSB Cites Chaos in American Airlines Flight 383 Evacuation.**

The National Transportation Safety Board (NTSB) reports that an uncontained engine failure on an American Airlines Boeing 767, in October 2016, was caused by a turbine disk defect, which sent metal fragments through a fuel tank and wing structure, as Flight 383 was about to take off from Chicago O’Hare. All 161 passengers and nine crewmembers evacuated as emergency responders battled a fuel-fed fire. The airplane was damaged beyond repair. Several passengers were injured during a chaotic evacuation, one seriously. NTSB said flight and cabin crew communications were among numerous evacuation problems, as were passengers who insisted on exiting the burning airplane with carry-on luggage.

**7. Airline Incidents/Accidents.**

An engine cowling fell off a United Boeing 777 traveling to Honolulu from San Francisco. Pilots conducted an emergency landing and passengers deplaned normally, said the airline. Passengers tweeted footage of the exposed engine violently shaking above the Pacific Ocean. . . . A Delta Airbus A330-300 bound

for Atlanta returned to Lagos after an issue with one of two engines. The flight landed safely and all 231 passengers and 13 crew exited via emergency slides, some taken to hospital with non-critical injuries. . . . A Saratov Airlines Antonov An-148 lost contact with air traffic control several minutes after takeoff from Moscow Domodedovo and crashed, killing all 65 passengers and six crew. Initial flight data recorder examination indicated incorrect flight speed data due to icing, said the Interstate Aviation Committee. . . . An Iran Aseman Airlines ATR 72 crashed on a mountain in central Iran; there were no survivors among the 66 passengers and crew. . . . IATA reports six fatal accidents in 2017; five involved turboprops; a cargo jet crash killed 35 people on the ground as well as crew. IATA member airlines experienced zero fatal accidents or hull losses in 2017.

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

Based on data filed by 12 reporting carriers; tarmac data filed by all carriers.

	Dec. '17 / '16	Nov. '17	2017	2016	2015	2014	2013
On-time arrivals %	80.3 / 75.6	88.3	80.2	81.4	79.9	76.2	78.34
Cancellations %	1.2 / 1.6	0.3	1.5	1.2	1.5	2.2	1.51
Mishandled baggage*	3.15 / 3.58	1.83	2.46	2.70	3.13	3.61	3.22
Consumer complaints:							
Airline service	1,242 / 1,723	1,299	18,148	17,908	20,175	15,539	13,176
Disability-related	58 / 58	63	851	865	944	784	683
Discrimination**	9 / 5	13	98	95	65	68	79

Notes: (1) In December, airlines reported 96 tarmac delays of more than three hours on domestic flights, of which 77 were Atlanta arrivals during the December 17 power outage; 14 at Atlanta during a December 8 snowstorm; and four at Dallas/Fort Worth during a December 31 snow and ice storm. All but two of 21 tarmac delays of more than four hours on international flights were related to the Atlanta power outage. (2) In 2017, carriers posted a bumping rate of 0.34 per 10,000 passengers, the lowest annual rate based on historical data since 1995.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. Newark Terminal Construction Begins by Mid-Year.

Port Authority of New York and New Jersey awarded a \$1.41 billion contract to Tutor Perini/Parsons for design and construction of the one-million sq.-ft., 33-gate common-use domestic Terminal One at Newark Liberty. Munich Airport International will handle design and terminal operations advisory services. The Terminal One Redevelopment program “also will provide a more efficient roadway network and create parking for about 3,000 vehicles”; total project cost is \$2.7 billion. Work on the terminal is anticipated to begin by mid-year, with partial opening in 2021 and full operation in 2022. Agency officials have been authorized to enter into new lease agreements with airlines expected to operate in the new terminal.

### 2. \$30 Million CBP Facility Approved for Stewart.

The Port Authority Board of Commissioners approved a new \$30 million U.S. Customs & Border Protection facility at Stewart, with capacity to screen up to 400 international passengers per hour. Last year, 450,000 commercial airline passengers used the Hudson Valley airport, including 141,000 international fliers, up from 275,000 total passengers in 2016. Also planned is a carport that will cover 450 spaces with a solar panel rooftop to produce green energy to help power the terminal.

### 3. \$1.1 Billion Concourse Planned for Honolulu.

A \$1.1 billion concourse will be built over the next 10 years at Daniel K. Inouye International in Honolulu to replace 50-year old facilities. Features of the new 800,000 sq.-ft. Diamond Head Concourse include 12-14 widebody gates in initial phase, expandable to 21; a 200,000 sq.-ft. Customs and Border Protection facility with ability to process 4,000 arriving passengers per hour; improved security screening checkpoint and baggage screening facilities; and an airport employee parking area. Governor David Ige advocates establishment of a Hawaii Airports Corporation, “as it will allow for quicker decision making and a streamlined process for budgeting and procurement [and] enable the state to bring our airports up to international standards and prevent Hawaii from falling farther behind other leading global destinations.” Funding for the project is provided through concessions and airline revenue.

### 4. Pittsburgh to Begin \$1.1 Billion Terminal Upgrade.

The \$1.1 billion terminal modernization program at Pittsburgh International is underway, with Allegheny County Airport Authority issuing a Request for

Qualifications from architect-engineering firms. The project includes a three-level, 632,000-sq.-ft. main terminal addition to the existing airside terminal, refurbishment of airside terminal concourses, a six-story garage connected by two pedestrian bridges, a rental car facility, paved lots for commercial vehicle staging and a cell phone lot, and a new roadway system to support the new terminal complex. Construction to begin in 2019, with completion date of 2023. The airport serves nine million passengers annually on 17 carriers.

**5. Dubai Completes Installation of Smart Passport Gates.**

Dubai International now operates 127 smart gates, reducing average transaction times from minutes to under 10-15 seconds for travelers with machine-readable passports or UAE residency cards. . . . DXB 2017 international passenger traffic reached 88.2 million, with India as single largest destination country, followed by the UK. Markets showing most significant growth were Russia and China, following a relaxation of UAE visa regulations for those countries. Top regions in terms of percentage growth were South America (36.1%), Eastern Europe (25.3%) and Asia (17.9%). “With passenger traffic expected to reach 90.3 million in 2018, our focus in the new year will be on the DXB Plus program which aims to expand the airport’s annual capacity to 118 million passengers through process improvements and use of new technology,” said CEO Paul Griffiths.

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

1. **DHS Deputy Secretary Elaine Duke to Retire.**

Deputy Secretary of Homeland Security Elaine Duke will retire in April, after 30 years in the federal government, 10 with DHS. She briefly served as Acting Secretary in 2017.

2. **TSA, Airports Demonstrate New Technologies.**

The Transportation Security Administration and airports continue to demonstrate pilot projects that “enhance security while easing the screening process for travelers.” At Los Angeles International, travelers can opt to use facial recognition technology to verify their identity. An enhanced Advanced Imaging Technology unit, or body scanner, does not require travelers to raise hands over their head; it alerts the TSA officer if a passenger is improperly positioned in the unit, allowing adjustment and rescanning, which could reduce need for a pat down. Automated screening lanes (ASLs) earlier trialed and later installed at LAX automate carry-on bag screening functions such as moving bins into the X-ray machine and returning them to the front of the checkpoint. The system features automatic diversion of bags that may contain a prohibited item. Bins are 25% larger than typical and can hold a roll-board bag. Unique Radio Frequency Identification tags are attached to each bin, allowing accountability of carry-on property throughout the screening process. ASLs have been introduced at Bush Intercontinental also; Houston Airport System paid \$3.9 million for the lanes.

3. **TSA PreCheck Adds Five Airlines.**

Air France, Brussels Airlines, KLM, Philippine Airlines and World Atlantic have been added to the TSA PreCheck expedited screening program, bringing the number of participating airlines to 47.

4. **Orlando International Airport Considers Private Screeners.**

Greater Orlando Aviation Authority voted in favor of starting the process to replace federal screeners with a private company, if Congress and TSA fail to find ways to ease checkpoint wait times. San Francisco is the only large airport of 22 participating in TSA’s Screening Partnership Program, which contracts services to private companies that operate under federal oversight and must comply with TSA procedures.



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

### **1. Star Alliance Creates Digital Services Platform.**

Star Alliance launched a digital services platform (DSP) that can gather data provided by a member airline or third-party and make it available to all members, enabling them to build it into their own customer-facing applications. For instance, a United customer travelling on fare types that include complimentary advance seat selection can choose a specific seat at time of reservation for the entire journey on United and Singapore Airlines, rather than only at time of check-in. Lufthansa is using the technology to provide baggage tracking information for customers on journeys that include flights on other Star airlines. The DSP was developed and implemented with Accenture. Once a service is available, member airlines can decide whether to make it available to customers. The Alliance aims to identify “frequent issues or areas for improvement that may arise when customers are travelling on one or more airline, as well as in the event of service disruptions.” Another initiative enables customers to claim missing mileage from member airline flights online; by year end frequent flyer program websites will allow customers to check flight availability and book redemption seats online for flights operated by all 28 Star airlines.

### **2. Seamless Air Alliance to Develop 5G Inflight Services.**

The Seamless Air Alliance has been formed by Airbus, Delta, OneWeb, Sprint and Bharti Airtel to develop 5G inflight services. The group hopes to “eliminate the immense costs and hurdles commonly associated with acquisition, installation, and operation of data access infrastructure, by streamlining system integration and certification, providing open specifications for interoperability, increasing accessibility for passengers, and enabling simple and integrated billing.” OneWeb will launch its first production satellites this year; Sprint will launch its 5G network next year. Inflight connectivity provider Gogo is joining the Alliance, which seeks additional industry operators.

### **3. ATPCO Acquires Routehappy.**

Routehappy has been acquired by airline-owned fare information source ATPCO. “Routehappy has created an offering that solves many of the challenges that airlines encounter in delivering consistent messaging, branding, and merchandising through multiple distribution channels,” said ATPCO President and CEO Rolf Purzer; “by aligning Routehappy’s complementary rich content with ATPCO’s fare and pricing data, airlines can ensure consistent and differentiated offers for their products in every sales

channel.” Routehappy founder and CEO Robert Albert will continue to lead the company as a strategic business unit of ATPCO.

**4. SIA to Launch Blockchain-Based Airline Loyalty Digital Wallet.**

Singapore Airlines Group plans to launch a blockchain-based digital wallet capability that will allow members of its frequent-flyer program to use KrisFlyer miles for point-of-sale transactions at participating retail merchants. Following a successful proof-of-concept exercise carried out in collaboration with KPMG Digital Village and Microsoft, KrisFlyer is signing up retail merchant partners, initially in the Singapore market. The SIA-owned private blockchain involves only merchants and partners.

**5. IAG Invests in Hangar 51 Start-Up Volantio.**

International Airlines Group (IAG) is investing in Volantio, following the U.S. start-up’s successful participation in IAG’s global accelerator program Hangar 51. Volantio has developed a platform called Yana™, which enables airlines to proactively identify flexible passengers on high demand flights and offer them alternative seats on lower demand flights with added incentives. Volantio will receive funding from IAG’s multimillion pound investment fund for digital transformation.

**6. Air Ticket Arena Allows Passengers to Bid for Unsold Seats.**

UK-based startup Air Ticket Arena enables passengers to bid online for unsold seats offered by airlines, which determine minimum acceptable price. The company website solicits investors and advises airlines “to set up revenue targets and load factors and Air Ticket Arena will do rest for you, with all the benefits included.”

## **V. ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on February 9 was \$76.7/barrel, down 6.4% on the month and up 15.2% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2018 was \$82.2/barrel; impact on 2018 fuel bill was \$36.2 billion.

### **2. First Dedicated U.S.-Australia Biofuel Flight.**

The first dedicated biofuel flight between the U.S. and Australia operated with a 10% blend, reducing carbon emissions by 7% on the Los Angeles-Melbourne route compared to normal operations. The Qantas Boeing 787-9 used biofuel processed from Brassica Carinata, a non-food, industrial type of mustard seed, developed by Canadian-based Agrisoma Biosciences. In a partnership announced in 2017, the companies will work with Australian farmers to grow the country's first commercial aviation biofuel seed crop by 2020. Carinata requires no specialized production or processing techniques, is water efficient and is sown in either fallow areas where food crops fail or between regular crop cycles, known as "cover cropping." Qantas' first trans-Pacific biofuel flight was made possible with the support of AltAir Fuels and World Fuel Services. Australia's first biofuel trial flights were operated on Qantas Airbus A330 Sydney-Adelaide and Jetstar A320 Melbourne-Hobart roundtrips, both powered with biofuel derived from used cooking oil (split with 50:50 conventional jet fuel) certified for use in commercial aviation.

## **VI. U.S. CONGRESS**

### **1. Bill Would Allow Foreign Ownership of U.S. Airlines.**

A bill that would reduce the compulsory U.S. ownership requirement for U.S. air carriers from 75% to 51% was introduced in the House by Dave Brat (R-Va.), a member of the bipartisan Travel and Tourism Caucus. The Free to Fly Act repeals a restriction that hinders investment in U.S. airlines, “an outdated relic from the Great Depression [that] increases the cost of capital and limits consumer choices,” said Brat. H.R. 5000 would allow foreign carriers to establish U.S.-based subsidiaries that are regulated under U.S. law and employ only American workers. Brat said the bill has been endorsed by U.S. Travel Association and consumer groups.

### **2. FAA Reauthorization Debates Resurface.**

Congress is expected to take up debate on reauthorization measures as FAA’s current six-month extension expires at the end of March, and stakeholders are pitching their concerns. In remarks to the Aero Club of Washington, Air Line Pilots Association President Tim Canoll emphasized efforts to push back against provisions in the Senate reauthorization bill that would “weaken pilot training and qualification regulations that have helped to keep flying safe.” The air traffic control privatization measure in the House bill is supported by IATA, Director General and CEO Alexandre de Juniac told the Wings Club in New York, at Aviation Day USA. “U.S. air traffic controllers do an excellent job,” said de Juniac. “But the U.S. air traffic management system is falling behind in the introduction of new and more efficient technology. That is why IATA supports the long-delayed transformation and modernization of America’s air traffic management system by placing it in an independent not-for-profit structure outside of government.”

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

### 1. **U.S., Singapore Enhance Airworthiness Cooperation.**

FAA and Civil Aviation Authority of Singapore officials signed enhanced Bilateral Aviation Safety Agreement Implementation Procedures for Airworthiness (BASA-IPA), providing mutual recognition of airworthiness of civil aeronautical products and including an expanded scope of modifications and repairs allowed beyond cabin interiors. The enhancements reduce duplicate certification activities for design approvals issued to air operators and aeronautical design industries from both countries, resulting in significant time and cost savings.

### 2. **EU Ministers Adopt Positions on Brexit Transition.**

“The UK will remain bound by obligations stemming from all existing EU international agreements, on trade and also on aviation, during the transition period after Brexit,” said European Union (EU) Ministers, in adopting a new set of Brexit negotiating directives and allowing the European Commission to start talks with the UK on the issue. Any transition arrangement—to last for 21 months, until December 31, 2020—would demand that the whole body of EU law continue to apply to the UK during the transition period as if it were a Member State. Changes adopted by the EU during that period would also apply in the UK. “During transition, the UK will continue to take part in the Single Market, the Customs Union and all Union policies,” said EU chief Brexit negotiator Michel Barnier. “It will continue to have all the economic benefits. Therefore, it must also apply all the EU rules. The Single Market cannot be à la carte.” Barnier warned that the EU would not be able to ensure that the UK can retain benefits from international agreements: “Our partners around the world may have their own views on this, for instance the 70 countries covered by trade deals.”

## **VIII. EUROPE AND AFRICA**

### **1. Lufthansa, Verdi Conclude Long-Term Labor Agreements.**

Lufthansa and Verdi concluded a long-term collective labor agreement for ground employees of Lufthansa, Lufthansa Cargo, Lufthansa Technik and LSG Sky Chefs in Germany. Subject to approvals, the 33-month agreement provides pay increases of up to 6% in two phases, the second contingent upon company profitability. . . . Lufthansa named Brussels Airlines Chief Commercial Officer Christina Foerster to replace Brussels CEO Bernard Gustin on April 1, among other top management changes. Foerster is the first woman CEO in Lufthansa Group, where she has held several executive positions. . . . Lufthansa Group low-cost subsidiary Eurowings is closing its long-haul base at Cologne Bonn and moving Airbus A330-200s to Dusseldorf, where new U.S. destinations will include Fort Myers, Miami and New York.

### **2. Norwegian Reports 2017 Loss.**

Norwegian reported a £27.4 million loss for 2017, with total revenue of £2.8 billion (+19% over 2016). The airline carried 33 million passengers (+13%); load factor was unchanged at 88%. “Norwegian is far better positioned for 2018, with stronger bookings, a growing network of intercontinental routes complementing our vast European network and not least, a better staffing situation,” said CEO Bjorn Kjos. . . . Norwegian launched “the UK’s first low fare route to South America,” with four weekly Boeing 787 nonstops from London Gatwick to Buenos Aires, to increase to daily; fares started at £259.90 one-way. Dreamliner flights from Gatwick to Chicago and Austin begin in March. Dreamliners entering the fleet this year feature an expanded 56-seat Premium cabin. Norwegian plans to increase Gatwick to Los Angeles frequency from nine to 11 weekly, and from two to four weekly to Fort Lauderdale. Kjos noted long-term ambitions to secure slots for a triple-daily Gatwick-New York service, and said Asia expansion “will build upon the successful launch of the world’s longest low-cost route to Singapore with destinations such as Tokyo, Shanghai and Beijing planned if the airline receives access to the Siberian corridor.” . . . Norwegian signed collective bargaining agreements with Spanish pilot union SEPLA and with its long-haul crews based in Italy.

### **3. Alitalia, Aerolineas Argentinas Sign JBA.**

SkyTeam members Alitalia and Aerolineas Argentinas signed a Joint Business Agreement (JBA), following a code share pact signed in 2017. The JBA, subject to regulatory clearances, seeks to find ways to jointly coordinate more

convenient schedules and connections, and eventually add new destinations. “There are more than 20 JBAs around the world,” said Alitalia; “in only a decade international seats offered under this type of agreement went from 7% to approximately 75%. This allows profitable competition on international routes without the need for acquisitions or large capital bets in fleet or other resources.”

**4. Meridiana Rebranded as Air Italy.**

Meridiana has been renamed Air Italy. Owned by AQA Holding (51% Alisarda, 49% Qatar Airways), the airline announced a new code share agreement with Qatar, and new long-haul routes including Milan to New York, Miami and Bangkok from September 2018. Eight new aircraft—three Boeing 737 MAXs and five Airbus A330-200s—will join the fleet this year. Headquarters is at Olbia’s Costa Smeralda. Chairman Francesco Violante said the goal is to transport 10 million passengers per year by 2022, eight million of whom will use Milan Malpensa. “In support of this ambition, there is a great need to develop new skills and competencies amongst our people and for all to embrace change as a fantastic opportunity,” said Violante.

**5. Niki Rebranded as Laudamotion, Partners with Condor.**

Niki Lauda is relaunching former Air Berlin subsidiary Niki as Laudamotion. Thomas Cook unit Condor will market Laudamotion flights and handle some operational functions. “I have great expectations from the partnership with Condor,” said Lauda. “We bring a little Austrian charm to Germany and our passengers benefit from a more flexible and wider choice of flights to the most beautiful holiday destinations in the Mediterranean.”

**6. Ethiopian to Offer First Direct Africa-Chicago Flights.**

Ethiopian Airlines will begin three-times weekly service to Chicago O’Hare from Addis Ababa on June 9. The Boeing 787-8 flights will be operated with Star Alliance partner United. “Chicago will be our fourth destination in the U.S. and seventh in the Americas, fulfilling critical air connectivity in the U.S. by launching the only direct service between Chicago and Africa,” said Ethiopian Group CEO Tewelde Gebre Mariam. City of Chicago said it is partnering with the airline “to deliver new tourism and economic opportunities here and throughout Africa.”

**7. Europe Leads in 2017 à la Carte Revenue.**

Estimated airline à la carte revenue worldwide in 2017 was \$57 billion, according to “CarTrawler Global Statistics of à la Carte Revenue,” with European airlines leading at \$19.4 billion, followed by Asian carriers at \$15.8 billion, and North American carriers at \$14.8 billion. “Revenue from checked

baggage looms large with \$23.6 billion in estimated sales for 2017,” says travel technology platform CarTrawler, which, with IdeaWorksCompany also released the “Top 5 Revenue Innovation Champs for 2017.” Allegiant Air ranked first of the five, as the Las Vegas-based ultra low-cost carrier is creating “an abundance of new revenue streams” by building a hotel-condo resort on Florida’s west coast, near Punta Gorda Airport which it serves exclusively. Allegiant estimates the project will bring an additional 300,000 visitors annually to the area with a ten-year economic impact of \$1 billion. EasyJet ranks second of the Top 5, as “it is harnessing the power of long-haul partnerships to add customers to its European network,” signing WestJet and Norwegian to date to provide connections. IdeaWorks estimates Worldwide by easyJet will generate \$200,000 per week in new revenue. Delta, in third place, reinvested a portion of its big baggage revenue into a mobile application that allows travelers to track bags until carousel delivery, guarantees delivery within 20 minutes of arrival, and provides 2,500 SkyMiles if the standard is not met. “These enhancements treat baggage service as a true consumer product by providing added value for the fees paid by travelers.” In fourth place, Ryanair has the “most advanced mobile application for ancillary revenue retail efforts,” particularly “for seat assignment done right” and personalized messaging to alert consumers to “on sale” pricing for à la carte items. GOL ranks fifth for its subscription-based bonus mileage program that charges a monthly fee; Clube Smiles “lifts loyalty and ancillary revenue to new levels.”



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

### **1. IATA: Asia-Pacific Infrastructure Crisis Must be Addressed.**

Asia-Pacific is at center stage of the industry's overall growth, IATA chief Alexandre de Juniac told the Singapore Airshow Aviation Leadership Summit. Of 3.5 billion trips to, from or within the region in 2036, 1.5 billion will touch on China. As early as 2022, China will be the largest single aviation market. India is another emerging powerhouse. Ensuring sufficient and cost-efficient infrastructure is a top priority, said de Juniac, and in many key places infrastructure is not being built fast enough to meet growing demand. "And a worrying trend is airport privatization. We have not found the correct regulatory framework to balance the interests of the investors to turn a profit, with the public interest for the airport to be a catalyst for economic growth."

### **2. American, Qantas File New Application to Form Joint Business.**

American and Qantas filed an application with U.S. DOT seeking approval to form a joint business for flying between North America and Australia and New Zealand. An earlier request was withdrawn when DOT found the venture would reduce competition and requested additional evidence of benefits. The new application cites a study that finds the proposed joint business "will significantly improve service, stimulate demand and unlock more than \$300 million annually in consumer benefits that are not achievable through any other form of cooperation." It also warns that if the joint business is not approved, "American and Qantas will have no choice but to further reduce code sharing on their networks. This will jeopardize the number of services and routes each carrier flies between the U.S. and Australia and New Zealand." Australia and New Zealand authorities have approved the joint business proposal.

### **3. China's Okay Airways Seeks Investment from Foreign Airlines.**

Privately owned Okay Airways is seeking investment from foreign airlines, President Li Zongling told Reuters, and anticipates a stock market listing in mainland China between 2020 and 2021. Okay operates 26 Boeing 737s on 100 domestic and foreign routes, according to its website, and estimates that by end of 2020 it will have more than 50 Boeing passenger planes.

### **4. JAL, Alaska Airlines Expand Codeshare Network.**

Japan Airlines (JAL) and Alaska Airlines agreed to expand their code share partnership to include routes out of San Francisco and Los Angeles acquired in the Alaska merger with Virgin America. The new code share routes become

effective May 20. . . . JAL is expanding code share cooperation with Qatar on routes beyond Doha to the Middle East, Africa and Central Asia, as of April 1.

**5. Emirates to Reinstate A380 Service to Houston.**

Emirates will reinstate Airbus A380 service between Houston and Dubai from June 1, “in line with commercial demand,” increasing capacity per flight by more than 160 passengers compared to the current Boeing 777-300ER which replaced A380 service on the route in July 2016. The carrier will resume daily Fort Lauderdale and Orlando services in March, and launch Dubai-Newark nonstops on June 1. Emirates signed a contract for 20 additional A380s and 16 options valued at \$16 billion; a Memorandum of Understanding (MoU) was announced in January. Deliveries are to start as early as 2020. Emirates is the largest A380 operator with 101 in service today.

**6. Qatar Receives First A350-1000.**

Qatar Airways took delivery of the first Airbus A350-1000. With 37 on order, the airline is the largest A350-1000 customer, and the largest A350 XWB family customer with 76 on order. . . . Qatar Airways Group CEO Akbar Al Baker said losses predicted for the 2017 financial year, due to a regional embargo, will be softer than anticipated. “We’ve only lost the routes in the blockaded countries,” he told CNBC, “but we have expanded our network.” Saudi Arabia, United Arab Emirates, Bahrain and Egypt cut diplomatic ties with and closed land, sea and air borders to Qatar in June, alleging support of terrorism; Qatar is allied with Iran.

**7. Oman Plans Fleet, Network Expansion.**

Oman’s Ministry of Transport and Communications established Oman Aviation Group, to include Oman Air, Oman Airports Management and Omani Aviation Services. Oman Air is undergoing fleet and network expansion, with plans to operate up to 62 aircraft to 60 destinations by 2022. Oman Air’s Acting CEO is Abdulaziz Al-Raisi.

**8. Gulf Air Announces Expansion Plans.**

Bahrain’s national carrier Gulf Air in 2018 will receive five Boeing 787-9 Dreamliners and two Airbus A320neo aircraft. Planned growth in years 2019-2023 includes service to Asia Pacific, Europe, Africa, the Indian Subcontinent and, ultimately, North America, said CEO Kresimir Kucko; “by 2023 Gulf Air’s reach will have expanded to over 60 destinations.”

## **X. AMERICAS**

### **1. American Plans \$467 Million in Pension Fund Contributions.**

American Airlines plans to contribute \$467 million to pension funds in 2018, reported Pensions & Investments. The company is required to contribute \$42 million; the additional \$425 million is a discretionary contribution. American contributed \$286 million to its pension plans in 2017.

### **2. Delta, Aeromexico to Offer New Detroit-Leon Route.**

Delta and partner Aeromexico will launch nonstops between Detroit and Leon, beginning April 30. Service will be operated by Aeromexico using Embraer 190s with 99 passenger seats, including 11 in Business Class.

### **3. Southwest Cargo to Expand Beyond U.S.**

Southwest will begin shipping cargo to Mexico in May, subject to government approvals, with additional international destinations to come. The carrier said the new options are made possible in part due to the rollout of Southwest Cargo's new point-of-sale and back office accounting system, Southwest Cargo Suite (SCS).

### **4. Alaska, Virgin America Flight Attendants Reach Tentative Agreement.**

A tentative joint collective bargaining agreement (JCBA) provides for immediate parity on pay rates for former Virgin America flight attendants, who will transition onto the Alaska (JCBA), said the Association of Flight Attendants-CWA (AFA). . . . In other news, AFA commended Alaska CEO Brad Tilden and United CEO Oscar Munoz for expressing strong support on the issue of sexual harassment and assault at airlines. AFA urged airline CEOs "to clearly and forcefully denounce the past objectification of flight attendants, reinforce our safety role as aviation's first responders and pledge zero tolerance." Passengers also are regularly the targets of harassment and assault, said AFA. A recent survey of nearly 2,000 flight attendants found that 20% had received reports of assault between passengers. In FY17, the FBI investigated 63 allegations of sexual assault on airplanes, with several public figures speaking out about their own experiences. But, says a PBS NewsHour report, no database tracks these incidents, and airlines are not required to report them to the federal government. And cabin crew report that training on how to handle harassment and assault is inadequate.

5. **UPS Adds New Freighter Orders.**

UPS ordered 14 Boeing 747-8 cargo jets and four new Boeing 767s; no existing aircraft are being replaced. Along with 14 B-747-8s ordered in 2016, the aircraft will be delivered by end of 2022, adding more than nine million pounds of cargo capacity. "Our intra-U.S. next-day and deferred air shipments are expanding to record levels, and UPS's international segment has produced four consecutive quarters of double-digit export shipment growth," said David Abney, Chairman and CEO, adding that recent legislation is enabling UPS "to utilize tax savings to significantly increase capital investments and to make them earlier than previously planned."

6. **Spirit Pilot Leaders Approve Terms of Tentative Agreement.**

Pilot leaders at Spirit Airlines, represented by Air Line Pilots Association, tentatively approved a five-year contract. Membership voting was scheduled to close on February 28. The parties had been in negotiations for nearly three years, with a contract amendable date of August 2015.

7. **Republic Reaches Contract Extension with Pilots.**

Republic Airline pilots ratified an extension of their 2015 collective bargaining agreement, which includes immediate pay raises retroactive to January 1, 2018. Additional raises over the next 23 months provide for total wage increase of 14% to 28%, dependent upon length of service. Improvements were made to vacation accruals and company retirement contributions. The agreement was reached ahead of an October 2018 amendable date; new amendable date is January 1, 2021. The airline's 2,000 pilots are represented by the International Brotherhood of Teamsters, Local 357. Republic operates 190 Embraer 170/175s and provides fixed-fee flights operated under its major airline partner brands of American Eagle, Delta Connection and United Express.

8. **Boeing, Embraer Venture Planned.**

Boeing reportedly will have a 51% stake in a joint company with Embraer, in a plan that does not include the Brazilian company's defense unit. . . . The Boeing 737 MAX 9 received an amended type certificate from FAA, officially certifying the airplane for commercial service. The single-aisle aircraft has capacity for 220 passengers and maximum range of 3,550 nautical miles. Launch customer is Lion Air Group.

9. **Alitalia, Aerolineas Argentinas Sign JBA.**

See Section VIII, item 3.

10. **Ethiopian to Offer First Direct Africa-Chicago Flights.**  
See Section VIII, item 6.
11. **American, Qantas File New Application to Form Joint Business.**  
See Section IX, item 2.
12. **JAL, Alaska Airlines Expand Codeshare Network.**  
See Section IX, item 4.
13. **Emirates to Reinstate A380 Service to Houston.**  
See Section IX, item 5.