



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: “Terror Attacks Unacceptable by Any Measure,”

Following the downing of a charter flight in Egypt and terror attacks on the ground in Paris, Beirut, Mali and elsewhere, nations increased surveillance and took steps to protect against further terrorism. . . . “Civil aviation and the international tourism that it enables are instruments of peace. Their violation by terror attacks in recent weeks—including the claimed downing of an airliner—is unacceptable by any measure,” said the International Air Transport Association (IATA), with the Global Travel Association Coalition. “We are confident in government resources and intelligence to combat emerging threats. And we are resolute in our commitment to work together under the leadership of governments to keep our passengers and crew safe.”. . . The U.S. Department of Homeland Security enhanced security at foreign last-point-of-departure airports, amid emerging evidence that a bomb destroyed a Russian carrier Metrojet (Kogalymavia) operated Airbus A321 on October 31; a branch of the Islamic State in the Sinai Peninsula took responsibility for the calamity. Flight 7K9268 went down shortly after departing Sharm el-Sheikh for Saint Petersburg, killing all 224 on board, mostly Russian tourists. The UK advised against all but essential travel by air to the Red Sea resort, and world authorities sent experts to Egypt to ensure that airport security standards are in place. The International Civil Aviation Organization (ICAO) said a panel scheduled to meet in March 2016 will emphasize airport security. . . . Following terror attacks in Paris on November 13 that killed 130 people, European Union governments tightened checks at Schengen Area external borders for all travelers. Ministers also agreed to hasten Passenger Name Record (PNR) sharing and reduce firearms trafficking. The passport-free Schengen area comprises 22 EU countries plus non-EU Norway, Switzerland, Iceland and Lichtenstein. . . . Six employees of Russian carrier Volga-Dnepr were among 19 people killed in a terror attack on a Mali hotel on November 20. Air France and Turkish Airlines employees were among freed guests who had been trapped or held hostage in the building. . . . The U.S. State Department issued a worldwide travel alert for U.S. citizens, stating that “ISIL (aka Da’esh), al-Qa’ida, Boko Haram, and other terrorist groups continue to plan terrorist attacks in multiple regions.” The alert, which expires on February 24, 2016, also cites “a continuing threat from unaffiliated persons planning attacks inspired by major terrorist organizations but conducted on an individual basis.” And, the White House said it is “aggressively strengthening” the U.S. Visa Waiver Program (see Section III).

2. Revised IATA Forecast Shows Dip in Long-Term Demand.

In an updated forecast, IATA projects passenger numbers will reach 7 billion by 2034, with a 3.8% average annual growth in demand (2014 baseline year), rather than previous projection of 7.4 billion; this compares to 3.3 billion in 2014 and 3.5 billion this year. The revision reflects negative developments in the global economy that could dampen demand for air transport, especially slower economic growth projections for China. The five fastest-increasing markets for additional passengers per year, over the forecast period, will be China (758 million new passengers for total 1.196 billion), the U.S. (523 million for total 1.156 billion), India (275 million for total 378 million), Indonesia (132 million for total 219 million) and Brazil (104 million for total 202 million). Seven of the ten fastest-growing markets in percentage terms will be in Africa.

3. UN Protects Spectrum for Global Flight Tracking.

The International Telecommunication Union (ITU) adopted a primary allocation of the 1090 MHz frequency band for reception by satellite of Automatic Dependent Surveillance-Broadcast (ADS-B) signals from aircraft. “This important step will extend air traffic surveillance coverage of equipped aircraft to all of the earth’s surface, from the 30% coverage available today,” said ITU, a United Nations specialized agency, which has worked closely with ICAO to take urgent action in the wake of recent tragedies, such as the disappearance of Malaysia Airlines Flight MH370. . . In other news, China will contribute AUD\$20 million to the search for MH370; the Boeing 777-200 disappeared on March 8, 2014, en route from Kuala Lumpur to Beijing with 239 on board; most of the passengers were Chinese.

4. Extension for American’s Los Angeles-Tokyo Haneda Route Approved.

The U.S. Department of Transportation (DOT) dismissed Delta’s request to revoke American’s Los Angeles-Tokyo Haneda authority because American failed to begin service quickly enough, and approved American’s extension request for the startup date. American has secured viable slot times at Haneda, effective December 31, 2015, and plans to inaugurate daily, year-round, nonstop service on February 11, 2016; the Boeing 787-8 flights will be operated as part of American's joint business with fellow oneworld member Japan Airlines. Backup authority was awarded to Hawaiian for proposed Kona-Haneda services.

5. DOJ Opposes United's Newark Slot Acquisition amidst LCC Concerns

The U.S. Department of Justice (DOJ) filed a civil antitrust lawsuit seeking to block United’s planned acquisition of 24 Delta takeoff and landing slots at Newark Liberty, stating that United already controls 73% of allocated slots at

Newark—over 10 times more than its closest competitor. The complaint alleges that United grounds as many as 82 slots daily at Newark, depriving passengers of options that would exist if the slots were flown; and details how consumers benefit when slots are held by United’s rivals. “Airlines at Newark are among the highest in the country while United’s service at Newark ranks among the worst,” said DOJ. “Allowing United to acquire even more slots at Newark would fortify United’s monopoly position, and weaken rivals’ ability to challenge that dominance, leaving consumers to pay the price.” . . . The complaint cited a joint letter from the CEO’s of Alaska, Allegiant, Frontier, Spirit, and Virgin Airlines (new entrants) to the White House, FAA, and DOT, noting that they “have been frustrated in their attempts to obtain slots at commercially viable times of the day to provide this needed new service and competition at the NYC Airports.” The November 3 letter urged DOT and FAA to finalize its rulemaking to reform the slot regime at JFK, LaGuardia and Newark (NYC Airports). The carriers argued that the incumbent airlines—American, United, Delta—have “underutilize[d] their assigned slots, and even not use some of their slots at all” to keep fares high and prevent new entry. The new entrants advocated that the final rule should increase competition and entry by: tightening the slot utilization rules; aggressively allocating slots to new entrants; establishing a robust secondary market for slot transactions; rigorously reviewing slot transactions for competition and the public interest; and considering an average seat requirement for the slot utilization rule.

6. DOT Finds American Violated 24-Hour Rule.

DOT issued a cease and desist order against American for violating the regulation that requires airlines to hold a reservation at the quoted fare for 24 hours without payment, or allow a reservation to be cancelled within 24 hours without penalty. Following consumer complaints, DOT investigated the carrier’s cancellation of hundreds of reservations for travel to China made during a five-hour period in March, related to a mistaken fare sale situation. The investigation determined that American improperly cancelled reservations that were subject to the 24-hour guaranteed hold rule. DOT ordered American to provide alternate transportation options to passengers whose reservations were cancelled by offering a zero dollar economy class ticket (plus applicable taxes and fees), or a reduced price business class ticket, for air transportation to China between the same city pairs as the cancelled tickets. Affected passengers have one year to complete the travel.

7. U.S. Airline Employment Increased 3.3% in September.

Full-time equivalent employment (FTE) at U.S. scheduled passenger airlines increased 3.3% in September, over September 2014, reported DOT. American employed the most FTEs (96,700) among network airlines, Southwest the most (48,642) among low-cost airlines, and SkyWest the most (10,049) among regionals. The four network airlines collectively reported 3.6% more FTEs; Alaska and Delta increased, and United reduced FTEs. The six low-cost carriers reported 6.5% more FTEs, with Allegiant, Spirit, JetBlue, Virgin America and Southwest reporting increases. The 12 regional carriers reported 2.7% fewer FTEs, with PSA, Compass, Mesa, Horizon, GoJet, SkyWest and Republic reporting increases.

8. New ICAO Recommendations on Lithium Battery Shipments.

State and industry experts on the ICAO Dangerous Goods Panel (DGP) recommended that lithium batteries have a state of charge of 30% or less when carried in shipments on commercial aircraft. The proposal “was felt to be prudent enough to improve aviation safety while a packaging performance standard is being developed,” said ICAO President Olumuyiwa Benard Aliu. ICAO’s Air Navigation Commission must review the recommendation before the UN aviation agency’s 36-State Council ultimately makes a final decision.

9. UAS Task Force Recommends Registration Process.

The Federal Aviation Administration (FAA) accepted final recommendations of its Unmanned Aircraft Systems (UAS) Registration Task Force Aviation Rulemaking Committee, comprised of 25 experts representing commercial and general aviation, airports, retailers, manufacturers, law enforcement and hobbyists. With record holiday sales of drones anticipated, FAA has begun the rulemaking process for establishing registration procedures.

10. DOT Air Travel Consumer Report for September.

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

	Sept. '15 / '14	Aug. '15	Full Year				
			2014	2013	2012	2011	2010
On-time arrivals %	86.5 / 81.1	80.3	76.9	78.34	81.85	79.6	79.8
Cancellations %	0.4 / 1.4	1.0	2.18	1.51	1.29	1.91	1.76
Mishandled baggage*	2.46 / 2.96	3.33	3.62	3.22	3.09	3.35	3.51

Consumer complaints:							
Airline service	1,857 / 1,158	2,205	15,532	13,176	15,338	11,546	10,988
Disability-related	115 / 60	82	774	683	741	628	572
Discrimination**	8 / 6	5	68	79	99	128	143

Notes: In September, airlines reported no tarmac delays of more than three hours on domestic flights and none more than four hours on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. \$5 Billion Landside Access Program Planned for LAX.

A \$5 billion Landside Access Modernization Program (LAMP) program planned for Los Angeles International (LAX) features an elevated 2.25-mile-long Automated People Mover (APM) that will connect the Central Terminal with a new Consolidated Rent-A-Car facility (CONRAC), with stops at new parking facilities and a station connecting to the regional transit system, as well as roadway improvements to enhance access to the proposed facilities. Los Angeles World Airports (LAWA) has initiated the environmental review and clearance process for LAMP, and has opted for the Design-Build-Finance-Operate-Maintain (DBFOM) method to deliver the APM and CONRAC; the proposed construction timeline is from 2017 to 2023. Separately, LAWA plans to develop a remote lounge providing seamless transfer to and from scheduled commercial aircraft for passengers willing to pay for privacy and heightened security. The 10-year lease with security consultants Gavin de Becker and Associates could generate \$34 million.

2. SFO, United Open Renovated Terminal 3 East Concourse.

A \$253 million, 53,000 square foot expansion of Terminal 3 East at San Francisco International opened for business with eight new retail and dining outlets, a concourse connecting two boarding areas, a consolidated central security checkpoint, three additional aircraft boarding gates, and an additional United Club location.

3. FAA Proposes \$200,000 Fine for Detroit Airport Authority.

FAA proposed a \$200,000 civil penalty against Detroit's Wayne County Airport Authority (WCAA) for allegedly failing to maintain safe airfield conditions during a November 2014 storm. FAA alleges WCAA failed to treat a taxiway and a deicing pad at Metro-Wayne with deicer fluid. One commercial jet slid off the untreated taxiway onto grass, a cargo jet was stranded due to icy conditions after exiting a runway, and three airliners were stranded on the deicing pad for three hours each due to icy pavement conditions. FAA also claims that WCAA failed to: notify airlines of changing runway conditions; activate the airport "snow desk" to coordinate snow removal operations; monitor snow removal operations and issue information about conditions affecting runways, taxiways and ramp areas; conduct frequent runway inspections and friction tests; provide enough qualified personnel on the airfield to comply with the FAA-mandated Snow and Ice Control Plan (SICP); and issue a timely notice that a runway was closed.

4. BWI Unions Call for Probe of Airport CEO Appointment.

Labor unions representing workers at Baltimore Washington International Thurgood Marshall Airport (BWI) asked the State of Maryland to investigate the appointment of Ricky Smith as CEO of the Maryland Aviation Administration, which runs BWI, and to require legislative oversight over such appointments going forward. During Smith's tenure as Director of Cleveland Hopkins International, FAA fined the City of Cleveland for not adequately staffing snow removal teams at Hopkins. The unions say they "are concerned about their work environment if understaffing becomes an issue at BWI, but they are even more troubled by the ramifications for passenger safety." They also expressed concern about "an allegation of retaliation against a whistleblower at Cleveland Hopkins who says he helped to bring some of the staffing problems to light." Smith was BWI COO before moving to the Cleveland position in 2006 and earlier had worked at Maryland's State Highway Administration.

5. Orix-Vinci to Operate Kansai and Osaka Airports.

New Kansai International Airport Company (NKIAC) selected a consortium led by Japanese financial services group Orix and France's Vinci as Preferred Negotiation Right Holder for a 44-year concession to run international and domestic airport Kansai and domestic airport Osaka, effective April 1, 2016. Orix and Vinci each will hold a 40% stake in Orix-Vinci, and Japanese companies a combined 20%. State-owned NKIAC will retain ownership of runways, terminals and other facilities. Annual passenger traffic is 20 million at Kansai, and 14.6 million at Osaka. Vinci operates 27 airports, including 11 in France, 10 in Portugal, three in Cambodia, and one in Chile.

6. Saudi Arabia to Begin Privatizing Airports in 2016.

Saudi Arabia will begin privatizing airports and related services in 2016, in a government plan to boost productivity and efficiency and ease State financial burdens, said General Authority for Civil Aviation. King Khalid International will be privatized as Riyadh Airports Company and the air navigation sector as Air Navigation Services Company, followed by the information technology sector which will become the Saudi Company for Aviation Information Systems. Saudi Airlines Catering and Saudi Ground Services have already been privatized, as will additional aviation units under a five-year schedule ending in 2020.

III. **SECURITY AND DATA PRIVACY**

1. **U.S. “Aggressively Strengthening” Visa Waiver Program.**

Given the ongoing threat posed by foreign terrorist fighters, the White House is “aggressively strengthening” the Visa Waiver Program (VWP) and bolstering relationships with VWP partners. Among actions planned: the Department of Homeland Security (DHS) will immediately begin modifying its Electronic System for Travel Authorization applications to capture information from VWP travelers regarding past travel to countries constituting a terrorist safe haven. The FBI Director will evaluate terrorism information sharing between the United States and VWP countries, in consultation with the Director of National Intelligence and the Secretaries of State and Homeland Security, and provide a report to the President within 60 days identifying options to mitigate any deficiencies. DHS will offer assistance to countries to better facilitate terrorism information sharing, specifically to include biometric pilots. The DHS Secretary will work with Congress to seek authority to increase Advance Passenger Information System (APIS) fines from \$5,000 to \$50,000 for air carriers that fail to verify a traveler’s passport data.

2. **G20 Countries Agree to Strengthen Global Aviation Security.**

G20 Summit attendees in Turkey agreed to collaborate to strengthen global aviation security. “Almost 80% of all air travel worldwide is undertaken by citizens from G20 countries, so it is in our interest to take action to do all we can to keep it safe,” said UK Prime Minister David Cameron. “We need robust and consistent standards of aviation security in every airport in the world. And we must provide technical and financial assistance to countries with particularly vulnerable locations.” Cameron said the UK “will at least double its spending on aviation security this Parliament to ensure we can help tighten security worldwide.”

3. **CBP Expands Global Entry to UK Citizens.**

U.S. Customs and Border Protection Commissioner (CBP) will expand Global Entry to UK citizens, with registration to begin December 3. The CBP Trusted Traveler Program allows for expedited clearance of pre-approved, low-risk travelers, and currently is available at 46 U.S. airports and 13 preclearance locations. The program has more than 2.5 million members, and CBP receives 70,000 new applications each month. Global Entry members are also eligible to participate in the Transportation Security Administration (TSA) PreCheck expedited screening program.

4. **CBP Expanding Use of Body-Worn Cameras.**
CBP will broaden its review of body-worn cameras, intending to scale deployment based on risk at checkpoints, aircraft certificate inspections, vessel boarding and interdictions, and outbound operations at ports of entry. Before implementing a body-worn camera program, CBP will address policy and privacy questions related to deployment, video data storage, and training, and resolve issues such as funding.
5. **IATA: “Terror Attacks Unacceptable by Any Measure,”**
See Section I, item 1.
6. **Bills Would Tighten Visa Waiver Program.**
See Section VI, item 1.
7. **House Bill Requires TSA to Consult on Rule Changes.**
See Section VI, item 3.
8. **Bill Would Allow Gun Licenses as ID at Airport Checkpoints.**
See Section VI, item 4.

IV. E-COMMERCE AND TECHNOLOGY

1. Lufthansa Partners with Google Flights.

A new agreement allows U.S. customers to book Lufthansa fares directly within Google Flights on desktop and mobile devices without changing websites. 'Book on Google' "is an important step in realizing our new sales and distribution strategy, which strives to modernize existing booking processes as well as to develop new and alternative distribution channels," said the carrier.

2. Gogo Receives STC for 2Ku on Boeing 737-800.

Gogo received a Supplemental Type Certificate (STC) from FAA, required to launch its 2Ku next generation satellite connectivity service on Aeromexico's Boeing 737-800s. Aeromexico selected wireless inflight entertainment product Gogo Vision, used on customers' devices, for its 737-700 and Embraer 190 and 170 fleets. . . . Gogo and ForeFlight, which makes a flight planning and electronic flight bag app for Apple iPad and iPhone, have partnered to make the ForeFlight Mobile application available to customers using Gogo's ATG 1000 in-flight connectivity system via the Gogo Biz network service. ForeFlight serves pilots in all segments of aviation.

3. Sabre: The Future of Airline Profitability.

"Nearly 60% of travelers would be willing to pay for premium services during their travel experience [and] 98% of airlines plan to invest in expanded ancillary services in the next three years to become better retailers and drive incremental revenue," according to a new report from Sabre Airline Solutions. "Capturing additional wallet share across the broader travel chain is a prime opportunity for airlines as a central spoke in the travel wheel. This would include the retailing of non-air products." The report says high performing airlines of the future will focus on "creating a customer-centric experience as a conduit to delivering a differentiated engagement"; this transformation "will impact almost all elements of an airline including talent, organizational structure and business process and enabling technologies. Properly executed, these new capabilities will drive increased customer loyalty, better operating performance, increased revenues and lower costs."

V. **ENERGY AND ENVIRONMENT**

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

The average aviation jet fuel price on November 20 was \$57/barrel, down 4.4% on the month and down 41.1% compared to a year ago, reports the International Air Transport Association. Average fuel price for 2015 was \$68.2/barrel. Impact on 2015 fuel bill was -\$88.4 billion.

2. **ICAO to Develop Ground Emission Reduction Projects.**

In advance of the 2015 United Nations Climate Change Conference (COP21), in Paris, ICAO adopted a formal Declaration to ensure its continuous leadership on environmental issues relating to international civil aviation, including greenhouse gas (GHG) emissions; and expressed concern about calls for air transport revenues to be taxed by States for use in non-aviation-related climate change mitigation programs. . . . ICAO adopted the first aviation-related Clean Development Mechanism (CDM) methodology under the UN Framework Convention on Climate Change (UNFCCC). The CDM approach relates to projects that will encourage innovation and significantly reduce emissions from aircraft while they maneuver at airports. The methodology will quantify CO₂ reductions from use of electric aircraft taxiing systems. ICAO and the UNFCCC secretariat are also cooperating in development of a methodology covering supply and use of solar power for aircraft operations at airport arrival and departure gates. Under the CDM, emission reduction projects in developing countries can earn Certified Emission Reduction (CER) credits. These saleable credits, each representing one ton of CO₂, can be used by industrialized countries to meet part of their emission reduction targets under the Kyoto Protocol.

3. **Norwegian Leads in Transatlantic Fuel Efficiency.**

Norwegian Air Shuttle was the most fuel-efficient airline on transatlantic routes in 2014, on average achieving 40 passenger kilometers per liter (pax-km/L) of fuel with its predominately Boeing 787-8 fleet, according to a report on the top 20 airlines by the International Council on Clean Transportation. Delta, which had the largest transatlantic market share of any carrier, and Icelandair both provided the industry average fuel efficiency of 32 pax-km/L. Legacy carriers that fell below the industry average include American, United and US Airways, as well as Iberia and Alitalia. The three least-efficient airlines (Lufthansa, SAS and British Airways) collectively were responsible for one-fifth of transatlantic available seat kilometers and burned 44% to 51% more fuel per passenger

kilometer than Norwegian. Among other report highlights: a nonstop round-trip transatlantic flight averaged one ton of CO₂ per passenger, equivalent to a 35-kilometer daily commute in a Toyota Prius over a work year; and first class and business seats accounted for only 14% of available seat kilometers flown on transatlantic routes but one-third of total carbon emissions.

4. **Alaska Airlines Partners with Indian Tribes for Renewable Fuel.**

Alaska Airlines is partnering with Indian tribes for renewable fuel made from forest waste, through the Northwest Advanced Renewables Alliance Tribal Partnership Program (NARA TPP). The airline will conduct a demonstration flight in 2016 using 1,000 gallons of jet fuel derived from twigs and small branches that would otherwise have been burned in slash piles after timber harvest. TPP and other NARA partnerships are made possible by a \$39.6 million grant from the U.S. Department of Agriculture's National Institute of Food and Agriculture (NIFA).

5. **Boeing, Neste Seek Fuel Standard Approval.**

Boeing will work with Neste to achieve American Society for Testing and Materials (ASTM) fuel standard approval allowing commercial use of high freezing point renewable aviation fuel by airlines. In 2014, Boeing successfully tested Neste's renewable aviation fuel in a 15% blend with petroleum jet fuel in the Boeing ecoDemonstrator. The 787 made an initial flight with the biofuel blend in one engine, followed by several flights with the blend in both engines. Neste says its fuel is produced entirely from renewable and sustainable raw materials; will reduce GHG emissions by up to 90%; is free of aromatics and sulfur, which should result in cleaner turbine exhaust emissions; is energy dense; and has good thermal stability properties making it an excellent blending component.

VI. U.S. CONGRESS

1. Bills Would Tighten Visa Waiver Program.

The White House announced the Administration is working with Congress to provide statutory authority for key security enhancements to the Visa Waiver Program, amid heightened terror activity. . . . Meanwhile, Dianne Feinstein (D-CA) will co-sponsor a Senate bill requiring those using the VWP to have a passport with an e-chip to store biometric data, and prohibiting use of the VWP for travel to the U.S. by anyone who traveled to Syria or Iraq in the last five years. “The program is important to the business community and the tourism industry and I have supported it, but I also believe it is the soft underbelly of our national security policies,” said Feinstein. Senator Rand Paul (R-KY) introduced legislation, based on language he proposed in 2013, to suspend visa issuance for countries with a high risk of terrorism. Issuance of visas to nationals of such countries would be suspended until the Department of Homeland Security (DHS) certifies and Congress votes to approve that: 1) Aliens already admitted from high-risk countries have been fingerprinted and screened, pose no terrorist risk, and are being monitored for terrorist activity. 2) Enhanced security measures are in place to screen future applicants and prevent terrorists from entering the country. 3) DHS' visa entry-exit system is 100% complete and a tracking system is in place to catch attempted overstays. The bill also would impose a 30-day waiting period for all entries to the U.S. in order for background checks to be completed, unless the traveler has been approved through the Global Entry program. . . . U.S. Travel Association called Paul’s proposal “a discredited 1930’s approach—sweeping isolationism—to a decidedly 21st-century problem,” and urged Congress not to scapegoat the VWP but instead consider measures that would increase travel security without economic risk, such as expanding preclearance and immigration advisory programs that move security screening overseas and relieve pressure on gateway airports; working with other governments to build their watch listing and vetting systems; increasing availability of the Global Entry Program; and implementing specialized screening for travelers who have recently traveled to countries of law enforcement concern, such as Syria, or for certain dual passport holders.

2. Amendment Would Ensure Consumer Protections.

An amendment by Ed Markey (D-MA), John Thune (R-SD) and Bill Nelson (D-FL) removed language that would have exempted online travel agencies and metasearch sites, like Google and TripAdvisor, from consumer protections that

would apply to airlines and all other ticket agents from the Senate FY2016 Transportation appropriations bill. “Customers deserve to know that, no matter where they shop for or purchase their ticket, they are protected by the same standards of transparency and customer service,” said Airlines for America (A4A), applauding amendment sponsors for their leadership to ensure that all entities displaying or selling airline tickets are operating on a level playing field. . . . A4A also weighed in on a provision in the Congress-approved highway bill that diverts funds “collected for aviation security to pay for highways, transit and bike paths,” calling it “a bait and switch on the already overtaxed traveling public.” Passenger advocacy group Travelers United also protested diversion of the fees.

3. House Bill Requires TSA to Consult on Rule Changes.

A new bill would require TSA to consult with the House Aviation Security Advisory Committee before making modifications to the prohibited items list. In 2012, TSA changed the prohibited items list to allow small knives and sporting goods equipment to be stowed in carry-on luggage and eventually allowed on planes. Under pressure from the Committee on Homeland Security and stakeholders, TSA later reversed its position. Subsequently, the Government Accountability Office (GAO) recommended that TSA put protocols in place to consult stakeholders before making changes to the prohibited items list. The Partners for Aviation Security Act (H.R. 3144) now advances to the Senate for consideration.

4. Bill Would Allow Gun Licenses as ID at Airport Checkpoints.

Representatives Diane Black (R-TN) and Bill Flores (R-TX) introduced legislation to allow Americans to use handgun carry permits as identification at airport screenings in the House. The Nondiscriminatory Transportation Screening Act (H.R. 4026) would maintain strong protections for gun owners’ privacy rights and prohibit government tracking of individuals who choose to present this identification at airport screenings, said bill’s sponsors. Currently, TSA explicitly bans use of handgun licenses at airport checkpoints. . . . In other news, bills that would prohibit sale of firearms to individuals suspected of terrorism were introduced in the House and Senate. According to GAO, individuals on the consolidated terrorist watch list cleared a background check for a gun transaction in 94% of attempted transactions in 2013 and 2014 (455 out of 486 times), and in 91% of attempted transactions (2,043 of 2,233 times) between February 2004 and December 2014.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S., Cuba Hold Second Bilateral Commission Meeting.

The United States and Cuba held their second Bilateral Commission to review progress on shared priorities, including regulatory issues, telecommunications, claims, environmental protection, human trafficking, human rights, migration and law enforcement. The Washington talks “also provided an opportunity to discuss priorities for 2016 and to identify mechanisms to continue narrowing our differences,” said the U.S. State Department. The next meeting will be held in Havana in early 2016. . . . “Direct scheduled air links are a much anticipated outcome of the thawing of relations between the U.S. and Cuba,” said IATA Director General Tony Tyler at a Havana press conference. To help facilitate transactions between airlines and travel agents, IATA intends to establish a Billing and Settlement Plan (BSP) in Cuba in 2016.

VIII. EUROPE AND AFRICA

1. Lufthansa Reaches Agreement with ver.di Union Members.

Lufthansa and trade union ver.di reached agreement on pay and pension benefits for about 30,000 personnel from Lufthansa, Lufthansa Cargo, Lufthansa Technik and LSG Sky Chefs. Negotiations with cabin crew continue. Some 4,600 flights were canceled during a seven-day strike, and the airline has invited unions to a December 2 summit.

2. Norwegian Granted UK Operating License.

Norwegian obtained a UK Operating License and said a new 'Norwegian UK' subsidiary "will open the door for further UK expansion and potential new routes to Asia, South America and South Africa." Norwegian UK will begin operating in first quarter 2016 at London Gatwick where the airline has 10 aircraft and 400 crew based. Norwegian also operates from Manchester, Birmingham and Edinburgh and says it has flown 3.9 million UK passengers to 34 global destinations over the past year. In November, Norwegian launched its fifth transatlantic route from Gatwick with the UK's only direct route to Puerto Rico. In May, Boston will become the carrier's fifth U.S. destination served from the UK. In other news, Norwegian began direct flights from Copenhagen and Stockholm to Las Vegas.

3. airberlin Adds U.S., Cuba Service.

airberlin will add summer season service from Dusseldorf to New York Kennedy, Los Angeles, Dallas/Fort Worth, San Francisco and Boston. Twice weekly service from Dusseldorf to Havana, subject to governmental approval, will be added, and flights from Dusseldorf to Varadero will increase from two per week to three. In related news, CEO Stefan Pichler said a new strategic plan that aims to improve financial results by €310 million by end of 2018 will include improved network and fleet planning, measures to increase revenue and a program to reduce costs. Collaboration with Etihad Airways Partner Alitalia and oneworld partner American Airlines will increase; Etihad owns a 29.2% stake in airberlin.

4. German Investor Rescues airBaltic.

The Latvian government approved plans to sell 20% of airBaltic to German investor Ralf Dieter Montag-Girmes for €52 million, and agreed to invest a further €80 million in the airline to "spur its Horizon 2021 business plan and fleet modernization." Latvia's Finance Minister Janis Reirs was appointed interim Transport Minister, following the resignation of Anrijs Matiss.

5. Estonian Ceases Operations.

Bankrupt Estonian Air ceased operations after the European Union ruled it would have to repay State aid of €85 million euros plus interest, and could not receive additional restructuring aid. Estonian Air was owned by the government (97.34%) and SAS Group (2.66%). A new State-owned carrier, Nordic Aviation Group, is offering direct flights from Tallinn to Amsterdam, Brussels, Copenhagen, Stockholm, Oslo, Kiev, Trondheim and Vilnius, in cooperation with such airlines as BMI, Trade Air, NextJet and Carpatair. Adria Airways provides the flight operator's certificate, commercial platform and ticketing system. Nordic Chairman Peeter Tohver said the new airline "is not the legal successor of Estonian . . . European Union rules are very harsh, that is why we start with a clean sheet and a new team."

6. South African Names New CEO.

Musa Zwane was named acting CEO of South African Airways. The maintenance chief is the latest of seven CEOs in three years, as the government works on a turnaround plan for the loss-making carrier.

7. Singapore, Lufthansa Announce Joint Venture on Key Routes.

See Section IX, item 3

IX. ASIA/PACIFIC AND MIDDLE EAST

1. ACCC to Reauthorize American Airlines-Qantas Alliance.

The Australian Competition and Consumer Commission (ACCC) issued a draft determination proposing to reauthorize American Airlines-Qantas coordination of trans-Pacific operations for another five years, citing “benefits for passengers travelling between Australia and the U.S. through enhanced products and services including new frequencies and destinations, more online connections, better scheduling, greater loyalty program benefits and improved lounge access.” Authorization previously was granted in September 2011, and interim authorization was granted in July 2015 to facilitate introduction of two new alliance services from December 2015—between Sydney and Los Angeles operated by American, and between Sydney and San Francisco operated by Qantas.

2. Hawaiian to Begin Service to Tokyo Narita.

Hawaiian will begin daily Airbus A330-200 nonstops between Honolulu and Tokyo Narita on July 22, 2016, complementing existing daily service to Tokyo Haneda.

3. Singapore, Lufthansa Announce Joint Venture on Key Routes.

Singapore Airlines (SIA) and Lufthansa will operate key routes between Singapore and Europe on a joint venture basis and expand code share ties. The agreement includes SIA subsidiary SilkAir, and Lufthansa subsidiaries Austrian Airlines and Swiss.

4. Middle East Expects 6% Annual Traffic Growth.

In the next 20 years, traffic in the Middle East will grow at 6% per year compared to a 4.6% world average, driving a need for 2,460 new passenger and freighter aircraft valued at \$590 billion, reported Airbus. Of these, nearly 1,890 will be for growth and 570 for replacements. By 2034, the fleet will increase from nearly 1,100 in 2015, to over 2,950. In the last decade, travel to from and within the region has quadrupled and over 90% of the world’s population can connect via the Middle East, where aviation supports two million jobs and \$116 billion in GDP. At the Dubai Air Show in November, Airbus announced confirmed orders that included 30 additional A321s for Vietjet; 30 for Korean Air; and four A330s and 15 A320neo aircraft for IAG. . . . Among Boeing announcements, Jet Airways confirmed an order for 75 737 MAX 8s; the Indian carrier is 24%-owned by Etihad. Prior to the Dubai Air Show, Boeing and EL AL agreed on an order for up to nine Dreamliners,

valued at more than \$2.2 billion. EL AL will lease six additional 787s from independent leasing companies as it looks to replace and grow its existing long-haul fleet, increasing capacity and providing greater route flexibility from its Tel Aviv hub . . . Boeing will establish a Middle East headquarters in Dubai South (formerly Dubai World Central), near Al Maktoum International Airport. The area will also house spare parts, distribution and maintenance training facilities. Dubai South is an emerging 145 sq. km. city in Dubai with planned population of one million, said the government, “a city of happy, creative and empowered people, an inclusive and cohesive society; the preferred place to live, work and invest, a smart and sustainable city.”

5. Etihad Begins A380 Service to New York.

Etihad began Airbus A380 service on one of two daily flights between Abu Dhabi and New York JFK, featuring The Residence at a fare of \$32,000 one-way; the three-room suite includes a shower, butler and private chef. . . . In other news, Etihad signed a 10-year agreement with Air France Industries KLM Engineering Maintenance for its Boeing 777 fleet. The pact gives Etihad and its equity partners access to a global pool of components and is the latest phase of a partnership with Air France-KLM begun in 2012, which includes code sharing on destinations in Europe, the Middle East, Asia and Australia.

6. Extension for American’s Los Angeles-Tokyo Haneda Route Approved.

See Section I, item 4.

7. HNA Group Takes 23.7% Stake in Azul.

See Section X, item 7.

X. AMERICAS

1. Delta Executive Named SkyTeam CEO.

Perry Cantarutti was named CEO of SkyTeam; he most recently was Delta Senior Vice President Europe, Middle East and Africa. Former KLM executive Michael Wisbrun was named Chairman of the SkyTeam governing board, which is composed of CEOs and Chairmen of the 20 member airlines. Leo van Wijk has retired after eight years as Chairman.

2. Delta Seeks to Acquire Up to 49% of Grupo Aeromexico.

Delta plans to increase its 4.1% stake in SkyTeam partner Grupo Aeromexico to up to 49%, subject to regulatory approvals. The carriers have code shared since 1994 and in 2012 Delta invested \$65 million in shares of Grupo Aeromexico. In March, Delta and Aeromexico filed an application with DOT seeking antitrust immunity for a new joint venture on flights between the United States and Mexico; the request also was submitted to Mexican antitrust authorities.

3. American's Passenger Service Employees Approve Five-Year Contract.

American Airlines passenger service employees approved a new five-year contract, including immediate and significant pay raises. The 14,500 U.S.-based employees are represented by Communications Workers of America and International Brotherhood of Teamsters.

4. United, Pilots to Extend Contract.

United reached agreement with Air Line Pilots Association for a contract extension, subject to ratification. . . . As part of an agreement to begin early and expedited negotiations with International Association of Machinists and Aerospace Workers (IAM), United extended, through January 15, 2019, its commitment not to outsource work currently performed by the IAM-represented group at all hub and station airport locations. . . . United has joint collective bargaining agreements covering most of its represented employees; is engaged in mediated negotiations with Association of Flight Attendants; and recently announced an agreement with International Brotherhood of Teamsters to put a proposed joint collective bargaining agreement out for ratification by the company's technicians and related employees.

5. Southwest Pilots Reject Agreement.

The Southwest Airlines Pilots Association (SWAPA) rejected a tentative contract agreement reached in September, and the entire SWAPA Negotiating

Committee resigned, as “required after a failed Tentative Agreement ratification”; SWAPA President Paul Jackson also resigned, urging the union “to bargain from a position of strength and unity as a group.” The carrier said it would resume discussions subject to the schedule and guidance of the National Mediation Board (NMB) in the spring. Pilots will continue working under their existing contract until a new agreement is reached. . . . Southwest filed a federal lawsuit in Dallas seeking a permanent injunction against Transport Workers Union to stop illegal strike action; the union said it had no intention of causing disruptions during the holiday season.

6. IATA Urges Aviation Reform in Latin America.

Speaking at the Latin America and Caribbean Air Transport Association Airline Leaders Forum, Tony Tyler, IATA Director General and CEO, urged regional governments to “reform taxes and charges policies that impose crippling costs on the industry and overall economy.” Among his remarks: Brazil's airlines pay some of the highest fuel charges in the world, 17% above the global average; Ecuador is looking at a similar pricing model that could raise fuel costs there by as much as 30%; Panama plans to raise air navigation charges 97% over three years; Peru levies an unjustified 16% VAT on air traffic control charges; and a plethora of differing and conflicting consumer rights regulations perversely reduce consumer protection and convenience through higher fares, less choice, and more confusion, and raise costs for airlines. IATA forecasts regional demand in 2034 of 525 million annual passengers, more than double the 240 million expected this year. Boeing projects the Latin American commercial aviation market will grow at one of the highest rates in the world over the next 20 years, and forecasts a need for 3,050 new airplanes valued at \$350 billion. . . Tyler also referred to Venezuela's refusal to permit airlines to repatriate a collective \$3.8 billion of their own money, resulting in a 17% drop in passenger traffic in 12 months through August 31, compared to prior 12-month period. Airlines operating to Argentina are also seeing restrictions on repatriating funds, causing American to stop accepting Argentine pesos, though it will continue to operate 27 flights per week between the U.S. and Buenos Aires; the airline said it will work with the new Argentine government to resolve the issue.

7. HNA Group Takes 23.7% Stake in Azul.

HNA Group will acquire a 23.7% stake in Azul for \$450 million, making the Chinese conglomerate the single largest shareholder of the Brazilian carrier. HNA will appoint new members to the Azul board of directors and the companies will cooperate in code sharing, new route development, including entry into the Asian market, and loyalty programs. Azul founder and CEO

David Neeleman said the investment gives Azul the highest valuation in the Brazilian market, at \$1.9 billion; Neeleman founded JetBlue. HNA's vast holdings include 14 airlines and the recent \$2.8 billion acquisition of Zurich-based, global ground handling provider Swissport from European private equity firm PAI Partners. . . . In other news, Azul began daily service from Belo Horizonte to Orlando; the airline also operates daily flights from Florida to Sao Paulo. . . . Neeleman's acquisition of 61% of TAP, with Portugal's Humberto Pedrosa, has closed. The new owners—Atlantic Gateway consortium—vowed "to recapitalize TAP as a matter of urgency and to seek an immediate resolution of the most pressing problems that are currently threatening the company's survival," then signed a firm order with Airbus for 53 widebody and single aisle aircraft.

8. LATAM Losses Mount.

LATAM Airlines Group reported a third-quarter net loss of \$113.3 million, compared to a \$107.8 million net loss of a year-ago. As a result of a weaker macroeconomic environment in South America and devaluations of Latin American currencies during the period, especially the 55.5% depreciation of the Brazilian real, total third quarter revenues declined by 19.9%, compared to third quarter 2014. LATAM is reducing capacity and fleet commitments for 2016–2018. New international routes will include LAN Peru's first nonstop to Washington, DC, and TAM service from Sao Paulo to Johannesburg, subject to regulatory approvals. Cancellations planned for 2016 include weekly TAM service between Miami and Belo Horizonte, one of five weekly flights between Miami and Manaus, and four of 14 weekly flights between New York and Sao Paulo. The Group includes LAN and affiliates in Peru, Argentina, Colombia and Ecuador, and LAN Cargo; and TAM and its subsidiaries.

9. Air Canada Adds U.S. Destinations.

Air Canada will offer new nonstops beginning next summer, including Washington Dulles-Toronto, Salt Lake City-Toronto and San Jose-Vancouver; new city-pair routings include Chicago-Vancouver, Houston-Montreal, Denver-Montreal and San Francisco-Calgary. The company reached a 10-year agreement with flight attendants.

10. Bombardier Receives C Series Funding from Quebec.

The Quebec government has partnered with Bombardier, with a plan to invest US \$1 billion for a 49.5% equity stake in the C Series aircraft program. Type certification for the CS100 is expected soon, and entry-into-service (EIS) in first half 2016; Swiss International is launch operator. As Bombardier posted a third quarter loss of US\$4.9 billion, Quebec pension fund Caisse announced it

will acquire 30% of Berlin-based rail business, Bombardier Transportation, for US\$1.5 billion.

11. **Extension for American's Los Angeles-Tokyo Haneda Route Approved.**
See Section I, item 4.
12. **airberlin Adds U.S., Cuba Service.**
See Section VIII, item 3.
13. **ACCC to Reauthorize American Airlines-Qantas Alliance.**
See Section IX, item 1.
14. **Hawaiian to Begin Service to Tokyo Narita.**
See Section IX, item 2.
15. **Etihad Begins A380 Service to New York.**
See Section IX, item 5.