



WASHINGTON AVIATION SUMMARY

October 2017 EDITION

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

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I. REGULATORY NEWS

1. FAA, Airlines Offer Aid in Natural Disasters.

The U.S. Federal Aviation Administration (FAA) is working with federal and local partners to rebuild aviation systems in the Caribbean and help the area recover from Hurricanes Irma and Maria. Commercial service has resumed at Luis Munoz Marin International Airport in San Juan, Puerto Rico, and Cyril E. King International Airport on St. Thomas. Flights at Princess Juliana International Airport, on St. Maarten, and other airports remain suspended due to extensive damage from Irma's 185 mph winds. Commercial aircraft carried more than 80% of tourists who visited Caribbean Small Island States in 2016, said the International Civil Aviation Organization (ICAO). . . . On the U.S. mainland, FAA brought a mobile ATC tower to Key West International Airport to service aircraft supporting relief and recovery of the Florida Keys, and airlines canceled thousands of flights as Hurricane Irma barreled through Florida and the Southeast, including Atlanta. . . . Mexico City International Airport suspended operations for several hours after a 7.1-magnitude earthquake struck about 75 miles south of the capital, less than two weeks after an 8.2-magnitude tremor shook the southern coast. Tourist destinations were unaffected, said Latin American Travel Association (LATA), adding, "tourism is crucial to the country's economy and, with an estimated \$2 billion in repairs on the horizon, Mexico can't afford to lose this huge source of income." . . . After viral reports of excessive airfares in disaster areas, Congress warned U.S. airlines to cap ticket prices and promptly issue refunds for canceled flights; airlines complied, waived fees, and attributed the high fares to computer programs that automatically raise prices for last-minute bookings. Many airlines are matching funds raised for relief and helping with recovery efforts. The UPS Foundation and FedEx each announced multiple \$1 million commitments. United flew a Boeing 777 to San Juan to transport customers and humanitarian resources. And Delta famously operated the last scheduled flights in and out of San Juan, just before ATC operations ceased, safely carrying 173 passengers to New York as Hurricane Irma neared. American reduced third quarter earnings expectations and Southwest estimates a \$100 million loss "from the devastating hurricanes and earthquakes."

2. DOT Gives Norwegian UK Final Approval for Transatlantic Ops.

The U.S. Department of Transportation (DOT) issued a final order awarding Norwegian Air UK (NUK) a foreign air carrier permit "to engage in foreign scheduled and charter air transportation of persons, property, and mail from

any point or points behind any Member State of the European Union, via any point or points in any Member State and via intermediate points to any point or points in the United States and beyond.” Norwegian CEO Bjorn Kjos said the approval “enables us to offer even more new routes, greater choice and lower fares,” adding, “work will now begin to establish which elements of Norwegian’s existing long-haul operations (including new and existing routes, aircraft and crew) will be operated by the NUK subsidiary in future.”

3. ARAC Recommends Change in Pilot Training Requirements.

FAA’s Aviation Rulemaking Advisory Committee (ARAC) recommended dozens of regulations for elimination or scaling back, in response to an Administration mandate, including a change in minimum training requirements for commercial pilots. The recommendation would allow co-pilots to earn credit toward the 1,500-hour flight requirement in the classroom rather than the cockpit. The minimum number of flight training hours required for first officers increased from 250 to 1,500, equal to a captain, following the 2009 Colgan Air crash near Buffalo, New York, which was attributed to pilot error and crew fatigue. Family members of the 50 Colgan Air victims, Air Line Pilots Association and safety groups want the 1,500-hour flight requirement maintained. Regional carriers say expensive training requirements caused the current pilot shortage. “There is only a shortage of pilots able to work for \$25,000 a year,” said the National Air Disaster Foundation.

4. Frontier Fined \$1.5 Million for Violating Tarmac Delay Rule.

DOT fined Frontier \$1.5 million for violating the tarmac delay rule. In December 2016, Frontier allowed 12 domestic flights at Denver International to remain on the tarmac for more than three hours during and after a snowstorm, without providing passengers an opportunity to deplane. Of the total assessed, \$900,000 will be credited to Frontier for compensation to passengers.

5. New FAA Management Advisory Council Members Named.

Seven new members were appointed to FAA’s 13-member Management Advisory Council (MAC), which advises senior management on policy, spending, long-range planning and regulatory matters. Jeffrey Shane, former DOT Undersecretary for Policy, is among those named. Former FAA Administrator Jane Garvey is among those departing.

6. Pilot Error Led to LaGuardia Runway Excursion.

Several flight crew failures were the probable cause of an October 27, 2016 runway excursion at New York LaGuardia, reports the National Transportation Safety Board (NTSB). The Eastern Air Lines chartered flight carried then vice-

presidential candidate Mike Pence and campaign workers. None of the 11 crewmembers or 37 passengers was hurt. The Boeing 737-700 sustained minor damage.

7. U.S. to Apply Hefty Tariff on Bombardier C-Series.

The U.S. Department of Commerce issued a preliminary determination in the probe of 100- to 150-seat large civil aircraft from Canada, calculating a subsidy rate of 219.63% which Bombardier would have to pay if it exports them to the U.S. Boeing petitioned Commerce to investigate illegal Canadian subsidies and unfair pricing practices, after Delta agreed to purchase 75 C series CS100s from Bombardier valued in excess of \$5 billion. The duties will be imposed if a concurrent price-dumping investigation by the U.S. International Trade Commission makes an affirmative final injury determination and Commerce finalizes its preliminary determination.

8. DOT Air Travel Consumer Report for July.

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

| | July '17 / '16 | June '17 | Full Year | | | | |
|----------------------|-------------------|-------------|-----------|--------|--------|--------|--------|
| | | | 2016 | 2015 | 2014 | 2013 | 2012 |
| On-time arrivals % | 76.9 / 75.2 | 76.2 | 81.4 | 79.9 | 76.2 | 78.34 | 81.85 |
| Cancellations % | 1.1 / 1.9 | 1.1 | 1.17 | 1.5 | 2.2 | 1.51 | 1.29 |
| Mishandled baggage* | 2.79 / 3.32 | 2.65 | 2.70 | 3.13 | 3.61 | 3.22 | 3.09 |
| Consumer complaints: | | | | | | | |
| Airline service | 1,914 / 1,964 | 1,605 | 17,904 | 20,175 | 15,539 | 13,176 | 15,338 |
| Disability-related | 92 / 72 | 77 | 862 | 944 | 784 | 683 | 741 |
| Discrimination** | 7 / 8 | 3 | 94 | 65 | 68 | 79 | 99 |

Note: In July, airlines reported 16 tarmac delays of more than three hours on domestic flights, and six of more than four hours on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Flying in the Face of Protectionism and Policy Uncertainty.

Passenger traffic jumped 6.6% in first half 2017 and undoubtedly will exceed 8 billion in 2017 compared to 7.7 billion in 2016, said Montreal-based Airports Council International (ACI) upon release of its latest “World Airport Traffic Report,” covering 2,400 airports in 175 countries. “There is a growing disconnect between global gross domestic product growth levels, which have remained modest after 2011, and passenger traffic growth, which continues to be robust year after year,” said ACI World Director General Angela Gittens. Despite economic uncertainty regarding trade policies in the United States and the United Kingdom, business confidence has persevered. Air freight volumes (excluding mail) increased over 8% for first half 2017, driven by inventory build-ups, augmented export orders and strengthened consumer demand reflected in increased online purchases. Last year, the greatest number of passengers traveled through airports in the Asia-Pacific region. Atlanta remained the busiest airport worldwide with 104 million passengers, followed by Beijing with 94 million and Dubai with 84 million. The fastest-growing airports with over 15 million passengers are Bangalore (22.2 million), Hoh Chi Minh (32.5 million,) and New Delhi (55.6 million). Hong Kong and Memphis were the busiest cargo airports with 4.6 and 4.3 million metric tonnes respectively. The world’s fastest-growing airports handling over 250,000 metric tonnes of air cargo during 2016 were Moscow, Doha and Hanoi. Worldwide aircraft movements increased 2.7% in 2016 to 91.8 million, with mixed levels of growth across all six regions. Atlanta retained its position as the busiest airport in terms of aircraft movements, followed by Chicago and Los Angeles. Aircraft movements increased by 660,000 in People’s Republic of China, 510,000 in the United States, and 257,000 in India.

2. CVG’s Candace McGraw Named ACI-NA Chair.

Candace McGraw succeeded Bill Vanecek as Chairman of Airports Council International–North America (ACI-NA). McGraw is CEO of Cincinnati/Northern Kentucky; she will be the first ACI-NA chair to serve for a two-year term. Vanecek is Director of Aviation at Buffalo Niagara. . . . Whether to raise the maximum passenger facility charge (PFC) from \$4.50 to \$8.50 was debated at the ACI-NA Annual Conference and Exhibition in Fort Worth. American CEO Doug Parker said airlines remain opposed to the ticket tax, but will continue to finance airport projects. ACI-NA CEO Kevin Burke said that may be the case at hub airports, but the increased PFC is needed to support small and mid-size airports, many of which need improvements.

3. Additional AIP Grants Awarded.

FAA continued to award Airport Improvement Program (AIP) grants for runway, taxiway and other infrastructure projects. More than 1,750 new grants to over 1,400 airports for a total of some \$3 billion have been awarded this year, providing funds for 755 runway and 631 taxiway projects. Among \$277.5 million awarded in September to 67 airports in 22 states were discretionary grants of \$22 million for Fort Lauderdale/Hollywood International to implement noise mitigation measures. Another \$318.1 million awarded to 78 airports in 34 states included \$52.2 million for Dallas-Fort Worth, \$21.3 million for Houston Bush Intercontinental and \$22.7 million for New York Kennedy.

4. \$1.1 Billion Modernization Plan for Pittsburgh International.

A \$1.1 billion modernization plan for Pittsburgh International includes a new landside terminal adjacent to the renovated airside terminal with 51 gates, a dozen more than used today. The plans also call for an expanded security checkpoint, a newly configured international arrivals process and a new parking garage, “and eliminate critical points of failure like the train and baggage delivery system,” said Allegheny County Airport Authority (ACAA), which expects to break ground in 2019 with completion in 2023. The plan does not include use of local tax dollars. The 25-year-old airport handles 8 million passengers annually on 16 carriers. During the past two years, nonstop destinations increased 80%.

5. Star Alliance Launches “Connection Service” at Chicago O’Hare.

Star Alliance launched “Connection Service” to help customers arriving at Chicago O’Hare reach their onward flight with another alliance member. Connection Service staff are alerted when a connection is at risk, meet the customer on arrival and ensure that customer and bags are expedited and reach the onward flight. If a connection cannot be reached, the customer is assisted with re-booking. “Customers benefiting from the Connection Service are eligible to use the Express Connection lane, to enable them to get through customs and immigration quicker. Checked bags that need to be rechecked are specially tagged so they are handled faster.” Star Alliance Connection Centers have been operating behind the scenes for more than a decade, expediting checked bags at risk of missing their onward flight at 11 airports.

6. North American Airport Satisfaction Reaches All-Time High.

Orlando International ranks highest among mega airports in the J.D. Power 2017 North America Airport Satisfaction Study, followed by Detroit Metro and Las Vegas McCarran. Among large airports, John Wayne Orange County, Tampa and Dallas Love Field topped the list. Sacramento, Indianapolis and

Ted Stevens Anchorage rank highest among medium airports. Overall customer satisfaction scores reached an all-time high, driven primarily by fewer security check issues and technology investments, such as self-service bag-check kiosks and smartphone apps. The study is based on responses from 34,695 North American travelers from January through August 2017.

7. **Amsterdam Schiphol Chooses Design for New Terminal.**

Amsterdam Schiphol chose the design of KAAN Architecten, in collaboration with ABT, Estudio Lamela and Ineco, for a new terminal, an expansion of the existing terminal meant “to ensure that all the facilities are under one roof.” The new facility opens in 2023, with handling capacity of 14 million more passengers annually.

8. **Pulkovo Stake Acquired by International Consortium.**

A 25% stake in Pulkovo International operator Thalita Trading was acquired by a consortium comprised of the Russian Direct Investment Fund (RFPI), Russian-Chinese Investment Fund (RKIF), Mubadala Development (UAE), Baring Vostok Private Equity Fund V and related funds. Transaction value was estimated at €240 million. Thalita is a holding company of Northern Capital Gateway (VVSS), a consortium that includes Qatar Investment Authority and Fraport. Pulkovo recorded traffic growth of 21.2% in August, handling 1.9 million passengers, said Fraport.

9. **Iraq Bans International Flights to Kurdish Cities.**

Iraq's Transport Ministry ordered international airlines to halt service to Kurdistan airports Erbil and Sulaimaniyah, following a Kurdish vote in favor of independence from Iraq. The Erbil International website states the airport “will remain open to domestic and humanitarian flights, but it reserves the right to review airport operations based on available resources and its ability to maintain safety standards.” Erbil is served by 11 passenger and cargo carriers flying to 23 destinations and is used for anti-ISIL military air operations.

III. **SECURITY AND DATA PRIVACY**

1. **New Travel Ban Issued.**

The Trump Administration replaced previous orders with a new travel ban, which indefinitely prohibits travel to the United States from Chad, Iran, Libya, North Korea, Syria, Venezuela, and Yemen, with various exceptions. Iraq and Somalia will be subject to additional scrutiny. The restrictions are conditional and may be lifted as countries meet requirements for cooperation with the United States. The Department of Homeland Security (DHS) and other departments developed the new requirements “based on accepted international norms, best practices, and expert determinations regarding the minimum information the United States needs to validate traveler identities, prevent fraud, and ensure individuals do not represent a national security or public-safety threat,” said the White House. The Supreme Court canceled arguments on the previous ban, issued in March, and asked lawyers to submit briefs regarding the new edict by October 5.

2. **GAO: TSA Should Systematically Evaluate Security Countermeasures.**

The Transportation Security Administration (TSA) has a tool to compare the security effectiveness of some aviation security countermeasures, but has no efforts underway to systematically evaluate potential cost and effectiveness tradeoffs across all countermeasures, reports the Government Accountability Office (GAO). Data is available for effectiveness of passenger prescreening, checkpoint and checked baggage screening and explosives detection canines, but not for Behavior Detection and Analysis (BDA) and the U.S. Federal Air Marshal Service (FAMS). GAO recommends that TSA limit future funding for BDA until it can provide valid evidence supporting most of its behavioral indicators. And, TSA should explore and pursue methods to assess the deterrent effect of passenger aviation security countermeasures, with FAMS as a top priority; FAMS deploys armed law enforcement officers on certain flights at an annual cost of about \$800 million (FY 2015).

3. **TSA Requires Enhanced Screening of Cargo from Turkey.**

TSA is requiring enhanced screening of cargo from Turkey to address emerging threats. The directive mandates voluntary measures already in use by Turkey and will ensure “cargo flying to the United States is screened and secured in accordance with the Air Cargo Advance Screening Program,” reports Reuters.

4. ICAO AVSEC2017.

'Faces-on-the-Move' was among numerous innovations on display at the 'ICAO Global Aviation Security Symposium' (AVSEC2017). Developed by Ottawa-based face recognition solutions company Face4 Systems, the technology identifies persons of interest as they enter or move through an airport or other sensitive area and is being explored by many major hubs. It pushes out the security perimeter, enhances existing protocols, does not affect traveler flow and requires no additional staffing, says the company. AVSEC2017, held at ICAO Headquarters in Montreal in collaboration with Airports Council International, brought together international aviation security professionals "to advance the cultivation of a new mind-set towards aviation security, one that embraces AVSEC as a culture beyond a set of standards, [and] to address the threat posed by terrorists targeting civil aviation by reinforcing, strengthening and promoting the international framework of aviation security standards." . . . ICAO proposed formation of a single global drone registry that would make data accessible in real time, at its Unmanned Aircraft Systems (UAS) Industry Symposium, with harmonized manufacturing and operating standards. David Pekoske, Keynote speaker for the opening session, made his first international appearance as the new TSA Administrator.

IV. E-COMMERCE AND TECHNOLOGY

1. FedEx Reports \$300 Million Impact from Cyberattack.

FedEx reported an estimated \$300 million impact from the June 27 'NotPetya' cyberattack affecting its TNT Express unit. Worldwide operations were significantly affected; most services resumed and substantially all TNT Express critical operational systems have been restored. However, TNT Express volume, revenue and profit still remain below previous levels. FedEx lowered its fiscal 2018 forecast due to the ongoing impact of the cyberattack.

2. Amadeus Report Examines Traveler Preferences.

A new Amadeus report, "Embracing Airline Digital Transformation: A Spotlight on What Travelers Value," discusses "a model of product vs service vs convenience, in order for airlines to be able to market intuitively each upsell opportunity." In a survey conducted for the report, 56% of travelers said total package was most important, while 24% valued lowest price. . . . A pop up service enabling travelers to check in and drop off bags for any airline at a location away from the airport has been developed by Off Airport Check-In Solutions (OACIS) using Amadeus' Airport Common Use Service cloud technology. The mobile service can be set up at any location—cruise terminal, hotel, train station, conference or event—and used by individuals or groups. OACIS checks in the traveler and luggage and securely transports bags to the airport baggage system. Virgin Australia is the first airline to adopt the service and has piloted it in Sydney for cruise ships. OACIS, an Australian company founded by a team with experience across aviation, airport security, technology and innovation, plans to expand to New Zealand and other markets in the next 12 to 18 months. . . . Eurowings will add light ticketing, an XML connectivity, to its capabilities in the Amadeus system enabling agents to book any Eurowings fares and add ancillary products to the booking . In addition, Eurowings flights are available alongside Germanwings, meaning that bookings on both airlines can be combined. Travel agents using Amadeus sold 10% more LCC and hybrid carrier flights in first half 2017, and bookings with these carriers grew +80% over the last four years, said Amadeus.

3. SITA: Airlines, Airports to Invest \$33 Billion in IT This Year.

Airlines and airports are estimated to spend nearly \$33 billion on IT this year, according to "SITA 2017 Air Transport IT Trends Insights," with investment priorities in cyber security, cloud services and passenger self-service. Spending as a percentage of revenue will rise to 3.30% or \$24.3 billion for airlines in 2017, and 5.05% or \$8.43 billion for airports. To help minimize the

impact of disruption on the passenger experience and their business, airlines plan to invest in prediction and warning systems, which rely heavily on artificial intelligence (AI). Chatbots are in use by 4% of airlines and 9% of airports; by 2020, 68% of airlines and 42% of airports plan to adopt AI-driven chatbot services; airports plan to use chatbots for services such as notifications and airport guides and are looking to beacons and sensors to help provide context and location-aware services. Airlines expect sales via mobile apps to double by 2020 and reach 17% of their total sales. . . . The SITA report was released at the Future Travel Experience conference in Las Vegas, where innovations like a fully autonomous and self-propelling baggage robot were demonstrated.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on September 15 was \$71.3/barrel, up 11.3% on the month and up 28.9%, compared to a year ago, reports the International Air Transport Association (IATA). Jet fuel price average for 2017 was \$63.6/barrel; impact on 2017 fuel bill was \$23 billion.

2. **Intercontinental Flights Could Remain Exempt from ETS Rules Until 2020.**

The European Parliament voted to prolong the intercontinental exemption from EU Emissions Trading System (ETS) rules until December 2020, pending introduction of a worldwide scheme to offset CO2 emissions from air transport.

3. **Auckland Pipeline Fracture Grounds Flights.**

A pipeline fracture resulted in a 10-day fuel shortage and rationing for airlines operating from Auckland Airport. Hundreds of flights were canceled, delayed or rerouted. Extended use of a satellite-guided flight path, the Green X23A SMART Approach, was authorized to enable airlines to save 2,000 liters of fuel per day. A military tanker and trucks delivered fuel, and officials and public employees canceled their nonessential flights. Refining New Zealand said the 60,000 liters of fuel spilled from the rupture were contained in surrounding soil and a culvert. Near month's end, the government said "airlines are continuing to operate their networks on the 50% fuel allocation from Auckland, with increasing stability and minimal disruption to passengers. The number of flight cancellations has been steadily decreasing."

4. **British Airways, Partners to Convert Waste to Jet Fuel.**

British Airways is partnering with renewable fuels company Velocys and recycling and waste management company Suez to develop a waste-to-renewable jet fuel plant in the UK. The airline plans to power its fleet with increasing amounts of sustainable jet fuel in the next decade. The first plant will convert hundreds of thousands of tonnes of household waste per year into clean-burning, sustainable fuels. In related news, the UK Transport Department published changes to the Renewable Transport Fuels Obligation, including sustainable jet fuel in its incentive scheme for the first time.

VI. U.S. CONGRESS

1. Congress Extends FAA Authorization for Six Months.

Congress voted to extend authorization for FAA through March 31 just two days before funding was set to expire, giving the House and Senate time to debate their respective long-term proposals.

2. Senate Bill Would Authorize TSA Funding for Three Years.

The “TSA Modernization Act,” introduced in the Senate, would authorize TSA funding for three years—\$7.81 billion in FY 2018, \$7.85 billion in FY 2019, and \$7.89 billion in FY 2020—while reauthorizing TSA aviation security policies and programs. Total budget authority for TSA in FY 2017 was \$7.77 billion. The bill also includes reforms such as establishing a five-year term for the TSA Administrator, expanding PreCheck through private sector partnerships and deploying new security technology.

3. GAO Report on Ancillary Fees.

According to a GAO report requested by Senate Commerce Committee Democrats, DOT has taken or proposed actions to improve transparency of airline fees for optional services, including monitoring and enforcing airline compliance with existing regulations; collecting, reviewing, and responding to consumer complaints; collecting additional data on revenue generated from fees; and educating airlines and consumers about existing regulations and consumer rights related to ancillary fees. But consumers and other stakeholders noted additional transparency challenges, such as when booking fares on online travel sites. Among other GAO findings, customers who paid for at least one checked bag on average paid more in total airfare and bag fees than they did when airfares included checked baggage. Airlines surveyed said they consider customer demand and willingness to pay, as well as competitor prices, when setting prices for optional services. Total annual revenue from baggage and cancellation or change fees increased from \$6.3 billion in 2010 to \$7.1 billion in 2016. . . . Writing in “Roll Call,” Airlines for America CEO Nicholas Calio took issue with an amendment to a proposed Senate FAA Reauthorization bill that directs DOT “to prescribe regulations prohibiting an air carrier from imposing specified fees that are unreasonable or disproportional to the costs it incurs.” The “Forbid Airlines from Imposing Ridiculous Fees Act of 2017” (FAIR Fees Act) “would drive up the price of airline tickets while eliminating customers’ ability to choose which services they do and do not want,” writes Calio. “Airlines face 13,000 regulations across 20 different federal agencies,” he added. “The regulatory tentacles of four

Cabinet-level departments and six federal agencies touch nearly every aspect of an airline's operations. This has made our industry the 6th-most federally regulated industry out of 107 American industries."

4. Bill to Ban Small Knives on Planes Introduced.

A bill that would prohibit implementation of a policy change to permit small, nonlocking knives on passenger aircraft was introduced on the anniversary of the 9/11 terrorist attacks by members of the House and Senate. TSA added knives to the prohibited items list following the attacks, in which knives and box cutters were used to hijack four aircraft. In 2013, TSA proposed allowing small folding blades to be carried onto aircraft, but later reversed course after public opposition. The new legislation would prohibit TSA from removing small, non-locking knives from the prohibited items list. The legislation is supported by Association of Flight Attendants, Allied Pilots Association, Transportation Trades Department AFL-CIO, and International Association of Machinists & Aerospace Workers.

5. Congress Targets Iranian Airlines.

An amendment to the "National Defense Authorization Act" requires DHS to submit a list of airports where Mahan Air operates and determine what security measures should be imposed on flights originating from those airports and traveling to the United States. The "Mahan Airlines and Terrorism Prevention Act" was also introduced as a standalone bill by Senator John Cornyn (R-TX). "In recent efforts to further destabilize Syria, Mahan Air joined forces with Iran's Islamic Revolutionary Guard Corps (IRGC) to transport weapons and personnel," said Cornyn, and "concealed IRGC Quds Force operatives' travel to and from Iraq by evading standard security protocols and altering flight manifests." . . . The House adopted two amendments to the "Make America Secure and Prosperous Appropriations Act" that block sales of commercial aircraft to Iran. One prohibits the Office of Foreign Assets Control (OFAC) from using funds to authorize a license necessary to allow aircraft to be sold to Iran. The other "ensures Iran will not receive loans from U.S. financial institutions to purchase militarily-fungible aircraft by prohibiting OFAC from using funds to authorize the financing of such transactions."

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **U.S. Citizens Warned to Avoid Travel to Cuba.**

The State Department issued a Travel Warning advising U.S. citizens to avoid travel to Cuba and is reducing diplomatic staff amid reports of physical symptoms by embassy employees “from attacks of an unknown nature.” While no private U.S. citizens have been affected, “the attacks are known to have occurred in U.S. diplomatic residences and hotels frequented by U.S. citizens.” The U.S. is maintaining diplomatic relations with Cuba; both countries are investigating the matter. . . . Meanwhile, United filed for authority to expand Houston-Havana service from Saturday-only to daily, with Boeing 737-800s or Embraer E175s operated by Mesa as United Express; United flies Newark to Havana daily. And FedEx requested another extension, to June 15, 2018, to begin five-weekly Miami-Varadero services. The allocation was to begin by April 15; an initial extension to October 15 was approved by DOT, which earlier this year opened a new proceeding for U.S.-Havana frequencies vacated by Frontier and Spirit Airlines.

2. **Industry Calls for Sense of Urgency in Brexit Aviation Negotiations.**

Maintaining connectivity in Brexit talks is at the top of the agenda of British Secretary of State for Transport Chris Grayling, reports IATA Director General and CEO Alexandre de Juniac. “Brexit is scheduled for March 2019. Airlines will begin planning for that period about six months from now—with tickets going on sale in September 2018. The timeline is very tight. We will need to see major progress in the coming months or risk significant disruption.” A sense of urgency in the aviation part of the complex negotiations ahead is needed, says de Juniac. “For the sake of the more than 130 million passengers who travel each year between the UK and the EU, let us hope that a collapse of air connectivity is not an unintended consequence of diplomatic brinkmanship.” . . . Airlines for America CEO Nicholas Calio told UK Aviation Minister Martin Callanan and other MPs that disruption could be catastrophic, with 140 passenger flights and 43 cargo flights a day between the U.S. and Britain, reports *The Guardian*. “We are trying to imbue a sense of urgency and educate policymakers on both sides of the UK and EU that this needs to be dealt with and can’t be subject to what would be a series of political decisions.”

3. **Big 3 vs Gulf Carriers: And the Beat Goes On.**

In remarks to Aero Club of Washington, JetBlue President/CEO Robin Hayes criticized United, Delta and American for continuing claims that subsidies from United Arab Emirates (UAE) and Qatar to Gulf carriers Etihad, Emirates and

Qatar violate Open Skies agreements. He questioned why the 'Big 3' U.S. airlines have not followed established procedures and filed an official complaint under the International Air Transportation Fair and Competitive Practices Act. Partnership for Open and Fair Skies, the voice of the U.S. Big 3, rejoined that JetBlue financially benefits from Emirates' subsidies; JetBlue code shares with Emirates. . . . Qatar Airways CEO Akbar Al Baker suggested, at a Boeing event, that the U.S. Big 3 "shut up and mind their own business." . . . U.S. Travel Association (USTA) launched "Voices for Open Skies," a website supporting rejection of Big 3 efforts. International visitors arriving on Gulf carrier flights supported 114,000 American jobs in 2016, and Gulf carriers deliver 620,000 passengers and \$140 million in revenue directly to U.S. carriers per year, says USTA, which also notes the Big 3 U.S. airlines and their international partners control 80% of the transatlantic flight market.

VIII. EUROPE AND AFRICA

1. Delta to Launch Year-Round Indianapolis-Paris Nonstops.

Delta, in cooperation with joint venture partner Air France KLM, will offer Boeing 767-300ER nonstops from Indianapolis to Paris Charles de Gaulle, beginning May 24, 2018. The new route is the first year-round nonstop to Europe from Indiana, which offered \$5 million in incentives to attract transatlantic flights.

2. United to Add Summer Service to Europe.

United announced new daily nonstops for the summer 2018 schedule, subject to government approval, including New York Newark to Porto and Reykjavik; San Francisco to Zurich and Washington Dulles to Edinburgh.

3. Norwegian Begins Denver, Seattle Nonstops from London.

Norwegian launched twice-weekly Boeing 787 service from Denver to London Gatwick, increasing to three weekly in November; and began four weekly Seattle-Gatwick Dreamliner flights. Upcoming U.S. launches include: Providence to Guadeloupe (October 29) and Martinique (October 30); Fort Lauderdale to Martinique (October 30); New York Newark to Rome (November 9), Los Angeles (November 11) and Paris (February 28); Oakland to Rome (February 6) and Paris (April 10); Chicago to London (March 25); Austin to London (Mach 27); Denver to Paris (April 9); and Boston to Paris (May 2).

4. Icelandair, WOW to Serve Dallas.

Flights from Reykjavik to Dallas Fort Worth will begin in May, by Icelandair (four weekly, B757-200), and WOW (three weekly, A330).

5. Ryanair Apologizes for Cancellations, CAA Begins Enforcement Action.

Ryanair CEO Michael O'Leary apologized for the cancellation of thousands of flights due to a misallocation of pilot annual leave, and offered disrupted customers alternative flights or full refunds and compensation. As thousands of additional cancellations were announced, the UK Civil Aviation Authority (CAA) began enforcement action against Ryanair "for persistently misleading passengers with inaccurate information regarding their rights." The CAA is also investigating the airline's rerouting policy. . . . Ryanair dropped its bid for Alitalia as Italy launched a probe of the cancellations and noted they were not caused by circumstances outside Ryanair's control and caused substantial inconvenience to consumers.

6. Lufthansa Adds U.S. Service; Expands Eurowings.

Lufthansa will begin five weekly Berlin Tegel-New York Kennedy and three weekly Dusseldorf-Miami nonstops, on November 8, utilizing Airbus A330-300s. Both routes will be transferred to Eurowings for the 2018 summer timetable. A rapid expansion of Eurowings Group is planned, with a €1 billion investment for purchase and lease of up to 61 aircraft, partly dependent on successful conclusion of negotiations to acquire parts of Air Berlin Group. Eurowings operates 20 aircraft under an existing wet lease agreement with Air Berlin. Subject to approval by antitrust authorities, the Eurowings Group can grow to 81 aircraft. Eurowings Group is expected to require up to 3,000 additional cockpit and cabin jobs, due to the hiring and intended acquisition of companies of the Air Berlin Group. Job advertisements and staffing have already started. . . . Lufthansa Chairman Wolfgang Mayrhuber resigned and was succeeded by Karl-Ludwig Kley, in a planned move.

7. Air Berlin Bidding Closes October 12.

Negotiations will continue through October 12 for all or parts of Air Berlin, which filed for bankruptcy in August after Etihad withdrew financial support. Lufthansa and easyJet are leading contenders. Others include British Airways parent IAG, a partnership of Niki Lauda and Thomas Cook Group, TUIfly, and Zeitfracht. Air Berlin will cease long-haul flight operations by October 15, as leasing companies withdraw aircraft. Dusseldorf-Los Angeles service ceased in September.

8. “Worldwide by easyJet” Offers Airline Connectivity.

“Worldwide by easyJet” was launched to enable customers to seamlessly connect their easyJet flight with those of launch partners WestJet and Norwegian using GatwickConnects. The service will expand to other airports; talks with additional airline partners are in advanced stages. “Legacy airlines have traditionally offered connectivity through costly and complex interline and code share agreements and procedures,” said easyJet; with this product, “these will be replicated by self-connect and sales partnerships through a digital, virtual hub which will offer the same sort of connectivity but more simply and efficiently.” Technology partner is Reykjavik-based Dohop which helps airlines and airports display and book non-interline connected flights. GatwickConnects allows the airport’s 1.7 million yearly self-connecting passengers to combine non-interlined flights provided by 10 airlines at Gatwick, while insuring against missed connections (replacement flights, hotels and meals), and provides bag drop desks in the airport’s baggage claim halls so luggage can be put on the onward flight and customers can go straight through security without checking in their bag again. . . . Ryanair plans

a similar initiative, “Connecting Partners” and said Air Europa and Aer Lingus are potential partners, while talks with Norwegian have ended.

9. **Qatar Airways Acquires 49% Stake in Meridiana.**

Qatar Airways finalized its acquisition of a 49% stake in AQA Holding, the new parent company of Sardinia-based Meridiana, Italy's second largest carrier after Alitalia. A 51% share is retained by Alisarda, which is owned by the Aga Khan Foundation.

10. **SAA Moves Toward Financial Sustainability.**

South African Airways (SAA) received emergency state funds to help repay loans of 3 billion rand to Citibank, thereby avoiding a default. Funds will be used also to assist SAA with its immediate working capital requirements,” said National Treasury. Vuyani Jarana was appointed CEO, effective November 1; he currently leads mobile communications company Vodacom Business Africa. Appointments to fill other critical executive positions will follow shortly, said Treasury; “the airline remains a strategic asset and in its role as the flag carrier, it serves as an economic enabler with direct and indirect benefits across a wide range of economic activity.” Numerous domestic and regional route reductions were made as part of a newly developed five-year plan that seeks to return the company to financial sustainability in the shortest time possible.

11. **Norwegian’s Gatwick-Singapore World’s Longest Low-Cost Route.**

See Section IX, item 5.

12. **Brazil Approves LATAM-American Airlines JV.**

See Section X, item 5.

13. **GOL, Air France-KLM Add Fortaleza Joint Hub.**

See Section X, item 6.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. China Approves UPS, SF Express Joint Venture.

China's Ministry of Commerce approved a joint venture of UPS and SF Express parent SF Holding. The companies will collaborate on provision of delivery services from China to the U.S. initially and to other trade lanes in the future. SF has 13,000 service points across 331 cities in China.

2. United to Begin Daily Houston-Sydney Nonstops.

United will begin daily Boeing 787-9 flights between Houston and Sydney on January 18, the only nonstop service to Australia from Houston. Together with its services from Los Angeles and San Francisco to Singapore, United will fly the three longest flights by a U.S. carrier.

3. Hawaiian, JAL Announce Partnership.

Hawaiian and Japan Airlines signed a partnership agreement that provides for code sharing, lounge access and frequent flyer program reciprocity, effective March 25, 2018, subject to government approval. They also intend to establish a joint venture for flights to/from Japan and beyond to multiple Asian markets. Hawaiian currently code shares with ANA.

4. Alaska, Singapore Partnership Plans.

Alaska Airlines and Singapore Airlines will enact a code share partnership, pending government approval. Alaska unit Virgin America and Singapore have a reciprocal frequent flyer program, which Alaska will take over in 2018. Singapore flies from Alaska's San Francisco hub to Singapore nonstop and via Hong Kong, and from Alaska's Los Angeles hub to Singapore via Seoul or Tokyo (Narita), with connecting service from Seattle and Portland.

5. Norwegian's Gatwick-Singapore World's Longest Low-Cost Route.

Norwegian UK launched its first route from Gatwick to Asia with a 12-hour, 45-minute Boeing 787-9 flight to Singapore, the longest route operated by a low-cost airline. The four weekly flights were priced from £149.90 one way.

6. Boeing Forecasts New Airplane Demand in China, Southeast Asia.

China will need 7,240 new airplanes over the next 20 years valued at nearly \$1.1 trillion, according to Boeing. Almost 20% of global new airplane demand will be from airlines based in China, as the outbound travel market continues its rapid growth toward 200 million passengers annually. . . . Boeing projects a demand for 4,210 new airplanes, valued at \$650 billion, over the next 20 years

in Southeast Asia, with annual traffic growth at 6.2%, outpacing the world's average growth rate by 1.5%. The region accounts for more than 10% of total global demand.

7. Tony Douglas Named CEO of Etihad Aviation Group.

Tony Douglas was named CEO of Etihad Aviation Group, effective January 2018. He has served as CEO of the UK Defense Equipment and Support department and of Heathrow Airport. In the UAE, he was CEO of Abu Dhabi Airports and of Abu Dhabi Ports Company. "With new infrastructure and attractions like the expanded airport, Louvre Abu Dhabi, and Abu Dhabi Global Market, Etihad has a central role in supporting the UAE's position as a global hub of transportation, tourism, commerce, and culture," said Douglas. Ray Gammell served as Interim Group CEO since James Hogan stepped down and will return to his position as Group Chief People & Performance Officer. Peter Baumgartner remains CEO of Etihad Airways.

8. Saudi Flyadeal Begins Operations.

Saudi Arabian Airlines Corp launched low-cost Flyadeal with Airbus A320 flights from Riyadh to Jeddah; 10,000 seats sold within 24 hours of the website announcement. The carrier is scheduled to receive seven more A320s through 2018. CEO is Con Korfiatis, who has held positions with several Asia Pacific airlines. The Kingdom has embarked on a tourism project that will turn 50 islands and sites on the Red Sea coast into luxury resorts, reports *Arabian Business*.

9. Qatar Airways Acquires 49% Stake in Meridiana.

See Section VIII, item 9.

X. AMERICAS

1. Regional Airlines and the Pilot Shortage.

A worsening pilot shortage is being felt acutely by regional carriers and threatening economic consequences that reach far beyond the industry, Chairman Bryan Bedford told the Regional Airline Association (RAA) at its 42nd Annual Convention. Between 2013 and 2016, 81 airports lost at least half their air service, he said, with 18 airports losing all. RAA believes the problem stems from the 2013 law requiring pilots to have 1,500 hours of cockpit training. In 1975, regionals transported 7.3 million passengers in the U.S. each year, compared to 154 million today. Bedford is Republic Airways' Chairman, President and CEO.

2. Another Viral Video of Passenger Forcibly Removed from Airline.

Another video of a passenger being forcibly removed from a flight has gone viral. A college professor who said she has a life-threatening animal allergy asked that two dogs be removed from a Southwest aircraft; the crew said she failed to provide the required medical certificate and was asked to deplane; she refused and was removed by local law enforcement at Baltimore/Washington Airport. Southwest apologized. . . . DOT will not penalize United for the April incident in which a passenger was violently dragged from a flight by Chicago security officials, determining no evidence that his civil rights were violated, nor that the airline violated involuntary bumping rules.

3. Labor vs. Airlines.

UPS aircraft mechanics asked the National Mediation Board (NMB) to be released from mediated contract negotiations. NMB may offer the mechanics and UPS the opportunity to let a neutral third-party arbitrator decide remaining contract issues. If they refuse arbitration, a 30-day cooling off period would be triggered and then mechanics could strike. UPS posted \$3.4 billion in profits and announced multimillion-dollar raises for top executives in 2016, said International Brotherhood of Teamsters (IBT), while "calling for devastating concessions in health benefits for current workers and retirees who spent their lives repairing the company's planes." . . . Atlas Air and Polar Air Cargo Worldwide filed a request for a preliminary injunction to require IBT to stop an "illegal and intentional work slowdown and service interruptions" meant to gain advantage in negotiations for a joint contract for Atlas and Southern Air crewmembers in connection with a pending merger. The disruptions are causing significant flight delays, said William Flynn, President/CEO of parent

Atlas Air Worldwide.” . . . Southwest and facilities maintenance technicians reached a five-year agreement that, if ratified, includes a complete set of work rules, wage scale and ratification bonus. . . . Mesa flight attendants ratified a four-year contract that includes initial pay raises of up to 20%, increased schedule flexibility and improved work rules.

4. **Canada News.**

Air Canada international nonstops, to begin in June for summer 2018, include Vancouver to Paris and Zurich, Toronto to Shannon, and Montreal to Tokyo Narita and Dublin. Rouge seasonal nonstops include Toronto and Montreal to Bucharest, Toronto to Zagreb and Porto, and Montreal to Lisbon. Year-round Montreal-Casablanca service will be transferred to Air Canada mainline from Rouge. Air Canada will offer Toronto-Buenos Aires nonstops; the route currently is served by Rouge via Santiago. A Vancouver-Melbourne service originally planned as seasonal will operate year-round. . . . WestJet’s Calgary-based ultra-low-cost carrier, dubbed Swoop, will launch next year with “a modern fleet of Boeing 737-800 aircraft and a management team with deep knowledge of the aviation market.”

5. **Brazil Approves LATAM-American Airlines JV.**

Brazil's antitrust authority approved a proposed Joint Business Agreement between LATAM Airlines Group and American Airlines, which has also been approved by regulators in Uruguay and Colombia. An application filed with DOT in May 2016 is contingent upon ratification of a U.S.-Brazil Open Skies treaty.

6. **GOL, Air France-KLM Add Fortaleza Joint Hub.**

Sao Paulo-based GOL and Air France-KLM selected Fortaleza as a joint hub to link with Amsterdam Schiphol and Paris Charles de Gaulle. Routes will be operated as of May 2018 by KLM with three weekly and Air France with two weekly flights. The strategic partnership has been in place for three years. Fortaleza is the capital of the northeastern Brazilian state of Ceara.

7. **Delta to Launch Year-Round Indianapolis-Paris Nonstops.**

See Section VIII, item 1.

8. **United to Add Summer Service to Europe.**

See Section VIII, item 2.

9. **Norwegian Begins Denver, Seattle Nonstops from London.**

See Section VIII, item 3.

10. **Icelandair, WOW to Serve Dallas.**
See Section VIII, item 4.
11. **Lufthansa Adds U.S. Service; Expands Eurowings.**
See Section VIII, item 6.
12. **China Approves UPS, SF Express Joint Venture.**
See Section IX, item 1.
13. **United to Begin Daily Houston-Sydney Nonstops.**
See Section IX, item 2.
14. **Hawaiian, JAL Announce Partnership.**
See Section IX, item 3.
15. **Alaska, Singapore Partnership Plans.**
See Section IX, item 4.