



## 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: 7.8 Billion Air Passengers by 2036.**

A near doubling of air travelers to 7.8 billion is expected by 2036, reports the International Air Transport Association (IATA). The prediction is based on a 3.6% average Compound Annual Growth Rate noted in an update to IATA's 20-Year Air Passenger Forecast. The Asia-Pacific region will be the source of more than half the new passengers. China will displace the United States as the world's largest aviation market by 2022; the UK will fall to fifth place, surpassed by India in 2025 and Indonesia in 2030. Thailand and Turkey will enter the top ten largest markets, while France and Italy will fall to 11<sup>th</sup> and 12<sup>th</sup> place respectively. "Maximizing the potential benefits of aviation growth will depend on current levels of trade liberalization and visa facilitation being maintained," said IATA Director General and CEO Alexandre de Juniac. "If trade protectionism and travel restrictions are put in place, the benefits of air connectivity will decline as growth could slow to 2.7%, meaning 1.1 billion fewer passenger journeys annually in 2036. Conversely, if moves towards liberalization increase, annual growth could be more than two percentage points faster, leading to a tripling in passengers over the next 20 years."

In 2016, airlines carried 3.8 billion passengers on scheduled services system-wide, an increase of 7% over 2015, representing an additional 242 million air trips, according to the 2017 edition of the IATA World Air Transport Statistics (WATS). Regionally, Asia-Pacific ranked first, with a 35% market share (1.3 billion, 11.3% over 2015); followed by Europe, 26% market share (992.4 million, up 6.1%); North America, 24% market share (911.5 million, up 3%); Latin America, 7% market share (275.1 million, up 1.8%); Middle East, 5% market share (206.1 million, up 9.1%); and Africa, 2% market share (84 million, up 6%). The top five airlines ranked by total scheduled passengers (domestic and international) were: Southwest (151.8 million); American (144.2 million); Delta (143.3 million); China Southern (114.5 million); and Ryanair (112 million). U.S. citizens are the world's most prevalent travelers; 810 million passengers traveled on U.S. passports in 2016 comprising 21% of all passengers worldwide. New Model Airlines (NMAs), such as Low Cost Carriers (LCCs), accounted for 28.3% of all passengers in 2016, up from 27.1% of passengers in 2015.

### **2. Panel Recommends Changes to 1,500-Hour Pilot Training Rule.**

The Federal Aviation Administration (FAA) released two recommendations of the Air Carrier Training Aviation Rulemaking Committee (ARC) that would

reduce the 1,500-hour training requirement for first officers, as airlines struggle with a pilot shortage they attribute to lengthy, expensive training. In one plan, candidates would receive a 250-hour credit for completing an air carrier enhanced qualification program. The other would give pilots variable credit for completing an air carrier-sponsored course. . . . Air Line Pilots Association (ALPA), a participant on the ARC, said public release of the recommendations was premature and not an endorsement by FAA. ALPA said it supports existing pathways for training airline pilots, but not programs that shortcut or undermine training and experience necessary to develop judgment, noting that since the Airline Safety and FAA Extension Act in 2010 strengthened pilot training, qualification and experience requirements, there has not been a single U.S. airline passenger fatality, while more than 1,100 passengers died in U.S. airline accidents in the previous 20 years. “There are some special-interest groups who insist on putting profit ahead of passenger wellbeing,” said ALPA. “It will be incumbent upon all who are committed to safe skies to ensure that these interests do not unduly influence the outcome of the regulatory changes being proposed.” . . . In an article about the crippling pilot shortage at Alaska Air regional unit Horizon, the *Seattle Times* notes that 30% of 144,000 current U.S. holders of airline pilot certificates will reach mandatory retirement age within a decade.

**3. FAA Urges ICAO to Ban Laptops in Checked Bags.**

FAA asked the International Civil Aviation Organization (ICAO) Dangerous Goods Panel to prohibit large, personal electronic devices from checked baggage on passenger aircraft, after tests demonstrated substantial fire risk from lithium ion batteries in laptops. The European Safety Agency, Airbus, International Federation of Airline Pilots' Association, and International Coordinating Council of Aerospace Industries Association agree with the recommendation, as does ALPA, which commended FAA for “thoroughness in demonstrating the risks these batteries present when unmonitored” and called on ICAO to implement the recommendations. . . . ALPA and others objected to a decision by Department of Transportation (DOT) Secretary Elaine Chao to replace FAA as lead U.S. representative on ICAO’s Dangerous Goods Panel with the Pipeline and Hazardous Materials Safety Administration. “It is inappropriate to have an agency that is not responsible for the regulatory oversight of aviation to lead the delegation that is making recommendations to improve the safety of that sector of transportation,” said ALPA.

**4. FAA Proposes Civil Penalty Against Compass Airlines.**

FAA proposed an \$869,125 civil penalty against St. Louis-based Compass Airlines, for allegedly failing to provide flight crews with complete weather information. The Delta Connection airline operated 47 flights in May and June

2015 to and from Monterrey, without the required Mexican Significant Meteorological Information in its flight weather packages. FAA further alleges that Compass did not notify its operations personnel about potentially hazardous meteorological conditions. . . . A civil penalty of \$3.7 million was proposed against Texas-based NavWorx, for allegedly producing and selling certain Automatic Dependent Surveillance-Broadcast (ADS-B) navigation units containing an internal Global Positioning System chip that did not meet FAA standards for integrity and for allegedly misleading customers about those products.

**5. jetBlue Wants Public Review of Air Canada-United JV.**

jetBlue asked DOT for public scrutiny of any joint venture proposal submitted by Air Canada and United under antitrust authority granted in 1997. United called jetBlue's request speculative, misleading and meritless. jetBlue raised similar concerns about the planned joint venture between Delta and Korean Air. jetBlue does not serve Canada or South Korea.

**6. Airlines Agree to Add Accessible Airport Kiosks.**

Alaska/Virgin, America and Spirit Airlines self-reported a temporary inability to comply with DOT kiosk/website rules serving individuals with disabilities and offered instead to adopt measures providing greater accessibility than required to avoid enforcement action. Spirit will make at least 50% of its kiosks at U.S. airports accessible by December 31, 2018, and Alaska/Virgin America by December 31, 2019; they will install only accessible kiosks in the future. ANA agreed to make its mobile site conform to the World Wide Web Consortium Mobile Web Best Practices and consult with individuals with disabilities regarding the site's accessibility and usability no later than November 2018. DOT has posted on its website two interactive guides designed to supplement disability-related trainings that airlines are required to provide to personnel and contractors.

**7. DOT Launches UAS Integration Pilot Program.**

The Department of Transportation will launch the Unmanned Aircraft Systems (UAS) Integration Pilot Program to test and validate advanced operations for drones in partnership with state and local governments in select jurisdictions. The program will help DOT and FAA develop a regulatory framework that will allow more complex low-altitude operations; identify ways to balance local and national interests; improve communications with local, state and tribal jurisdictions; address security and privacy risks; and accelerate approval of operations that currently require special authorizations. Concepts to be evaluated include night operations, flights over people, flights beyond the pilot's line of sight, package delivery, detect-and-avoid technologies, counter-UAS

security operations, and reliability and security of data links between pilot and aircraft. Prospective local government participants should partner with the private sector to develop pilot proposals, said DOT, which will evaluate applications and invite a minimum of five partnerships.

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

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

	Aug. '17 / '16	July '17	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	77.1 / 77.6	76.9	81.4	79.9	76.2	78.34	81.85
Cancellations %	2.2 / 1.4	1.1	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	2.45 / 3.15	2.79	2.70	3.13	3.61	3.22	3.09
Consumer complaints:	1,907 /	1,914	17,904	20,175	15,539	13,176	15,338
Airline service	2,251	92	862	944	784	683	741
Disability-related	98 / 97	7	94	65	68	79	99
Discrimination**	11 / 15						

Note: In August, airlines reported nine tarmac delays of more than three hours on domestic flights, and two of more than four hours on international flights.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. McCarran Flights Grounded During Las Vegas Massacre.

Las Vegas McCarran was temporarily closed on October 1, as hundreds of victims of a nearby massacre sought refuge at the airport, breaching perimeter fencing and running onto the airfield. McCarran staff “tended the wounded and offered food, water, blankets, phone chargers and reassurance,” reports the Associated Press. “Airport shuttle buses later took them to a central evacuation center.” Allegiant Air’s maintenance facility and Signature Flight Support were among companies offering aid and shelter. . . . The gunman fired from a nearby hotel on an open-air country music festival, murdering 58 people and injuring more than 500 before killing himself. He also shot at airport fuel tanks with intent to explode them. The Clark County Department of Aviation said the airport’s fueling system remained operational, noting, “jet fuel is treated kerosene and is not classified as a flammable liquid, but as a combustible liquid. Contrary to speculation, there is almost zero likelihood gunfire damage could trigger a fire or explosion at a commercial fuel storage facility. Likewise, in the event of an actual, uncontained tank fire, these systems are engineered to vent flames upward into the air rather than explode.” The FBI said the shooter had no connection to a terrorist group. . . . An Associated Press investigation found that McCarran had 30 known perimeter security breaches between 2004 and 2016.

### 2. IATA: Passenger Charges Double at EU Airports.

“Tighter EU regulation is needed to stop airport monopolies from taking money from the pockets of travelers to reward investors,” said IATA. Over the 2006-2016 period, the average cost of an air ticket remained virtually the same, including ancillary charges, while the revenue portion of the ticket price for airlines fell from 90% to 79% and the portion of the ticket price taken by the airport and passenger taxes doubled. Had airport charges remained constant over the period, concludes a recent IATA study, consumers could have benefitted, on average, €17 per one-way trip. “The trend of increasing private ownership of European airports adds urgency to the situation. Since 2010 the number of European airports in private hands has almost doubled,” said IATA Director General and CEO Alexandre de Juniac, adding, “In many cases privatization has failed to deliver promised benefits to passengers and the local economy often suffers the results of higher costs. The balancing role of effective and strong economic regulation is essential.”

### 3. Nashville Plans \$1 Billion Renovation.

The final plan for a \$1 billion renovation of Nashville International includes new gates; expanded parking, concourses, ticketing and baggage claim areas;

federal security screening lanes; and an on-site hotel. A new international arrivals building sets the stage for attracting new nonstop flights to Europe, Asia, Latin America, said Metropolitan Nashville Airport Authority (MNA). The project will be phased in over the next five-to-seven years, with all funding coming from bonds, federal and state aviation grants, passenger facility charges (PFCs) and other airport funds. Nashville passenger traffic will grow from 12.2 million today to more than 20 million by 2035, said MNA President and CEO Rob Wigington, and currently is served by 12 airlines.

4. **Portland Signs \$151 Million Contract with Skanska USA.**

Port of Portland (Oregon) signed a \$151 million contract with Skanska USA to renovate Portland International, including a two-story expansion of Concourse E, with six additional gates, as well as airside work, baggage handling system modifications and renovations to the existing terminal. Construction has started with anticipated completion in 2020. The project is funded primarily by airlines serving the airport.

5. **Revised Heathrow Expansion Consultation Released.**

The government is on track to publish final proposals for a third runway at Heathrow in first half 2018 for a vote in Parliament, said Transport Secretary Chris Grayling, upon release of a revised draft Airports National Policy Statement, which includes long-term aviation forecasts and a new national air quality plan; comments are due December 19. "Leaving the EU is a new chapter for Britain and provides us with a great opportunity to forge a new role in the world," said Grayling. "We are determined to seize that opportunity and having the right infrastructure in place will allow us to build a more global Britain."

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

1. **Kirstjen Nielsen Nominated as DHS Secretary.**

The President nominated Kirstjen Nielsen to be Secretary of Homeland Security. As Deputy White House Chief of Staff, she currently reports to General John Kelly, who is the previous Department of Homeland Security (DHS) Secretary. Nielsen worked at DHS under Kelly and in the George W. Bush Administration. Congressman Bennie Thompson (D-MS), Ranking Member of the Committee on Homeland Security, urged careful scrutiny of Nielsen during Senate confirmation hearings, saying her record as Senior Director for Preparedness and Response at the White House Homeland Security Council during the Bush Administration's "botched response to Hurricane Katrina" and "the ongoing tragedy in Puerto Rico and the U.S. Virgin Islands, along with other homeland security challenges facing our Nation," raise questions "about her suitability" for the position of DHS Secretary.

2. **New Screening Procedures for U.S.-Bound Passengers.**

Pre-boarding interviews with all passengers on U.S.-bound flights are being conducted, as part of protocols issued by DHS in June requiring 180 airlines operating to the U.S. to improve security. Some airlines are authorized to delay compliance, as they hire and train staff to carry out the new procedures. In the U.S., the Transportation Security Administration (TSA) is implementing new procedures for carry-on items. Announced earlier this year, they require travelers to place electronics larger than a cell phone in bins for X-ray screening. Passengers are advised to arrive at the airport up to two hours in advance of flight departure to allow enough time for additional bag checks, and to organize carry-on bags and keep them uncluttered. . . . TSA Administrator David Pekoske said he wants to improve safety at airport public spaces, citing the bombing outside Brussels Airport and mass shootings near Las Vegas McCarran and at Fort Lauderdale Airport. In remarks at the Airports Council International-North America Public Safety and Security Conference, he noted the vulnerability of masses of people in airport security lines.

3. **TSA PreCheck Expands.**

TSA Precheck added All Nippon Airways, Cathay Pacific, Contour Aviation, Finnair and Korean Air, bringing the number of participating airlines to 42. The expedited screening program is in place at 200 U.S. airports.

4. **CBP Deploys Facial Recognition Technology at Kennedy.**

U.S. Customs and Border Protection (CBP) deployed facial recognition biometric technology at one TSA checkpoint at New York Kennedy for 30 days;



international travelers' photographs taken at TSA's Terminal 7 international checkpoint are compared against travel document photographs. CBP said it will use the facial images for analytical purposes only and all images will be deleted within 14 days. The agency "is assessing the use of biometric technology as part of a future end-to-end process, from check-in to departure, in which travelers use biometrics instead of their boarding pass or ID throughout the security and boarding process."

**5. Former TSA Administrator Neffenger Joins AAAE.**

Former TSA Administrator Peter Neffenger will serve as Senior Advisor to American Association of Airport Executives, effective November 1, with a focus on "driving innovative solutions and technological advances." Neffenger was the 29th Vice Commandant of the U.S. Coast Guard.

**6. Dubai Airport to Install Face-Scanning Tunnel.**

Dubai International Airport will replace security clearance stations at Emirates' Terminal 3 with a tunnel that scans travelers' faces from a range of angles with about 80 cameras. Travelers will register their face scans at kiosks in the airport and, as they pass through the tunnel, can view a simulation of a real-life aquarium or other settings or ads. At the exit, the pre-registered traveler receives either a green "have a nice trip" message, or a red sign that alerts security personnel to intervene. The airport plans to introduce iris in motion scanning as well.

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

### **1. From IATA's World Passenger Symposium in Barcelona.**

Amazon, eBay, Uber, Tesla and the like have demonstrated the value of breakthrough and customer-centric thinking, Dubai Airports CEO Paul Griffiths told the IATA World Passenger Symposium in Barcelona. Among his remarks: Today's travel processes were developed over time and from an outdated perspective, which suited the convenience of the supplier versus the customer. A complete rethink and redesign of aviation processes and infrastructure are needed, with the customer at their heart. Airports cannot be designed in isolation; they must be designed as part of global, multi-modal, and rapidly evolving transportation network. The starting point for this transformation is real-time shared access to comprehensive and standard information about travelers. The technology exists to pave the way for customized experiences. Biometrics can link the passenger to that information, which can be stored in the cloud for timely access by all partners in a simplified and seamless supply chain. The aviation value chain will construct a customer service platform that can be all things to all people.

Based on 10,675 responses to the IATA 2017 Global Passenger Survey, top desires are automation of more airport processes, a single biometric identity token, real-time information sent to personal devices, more efficient security without having to remove or unpack personal items, and more seamless border control. 82% want to use a digital passport on their smartphones; 68% want to self-tag and 48% want to self-drop bags; and 72% prefer to self-board. The number of passengers using automated immigration gates and kiosks increased by 6% in 2017, reaching 58% with a satisfaction rate of 90%.

IATA and Airports Council International launched the New Experience in Travel and Technologies (NEXTT) initiative, which aims to enhance the on-ground transport experience, guide industry investments and help governments improve the regulatory framework. NEXTT will: explore transferring on-site processes off-site, such as security processing and baggage check and drop-off; investigate how advance processing technology, such as tracking and identification technology, automation and robotics can improve safety, security, the customer experience and operational efficiency; and promote better use of data, predictive modelling and artificial intelligence to facilitate real-time decision-making. Airports already actively involved in projects that explore NEXTT concepts include Amsterdam Schiphol, Bangalore, Dubai, Heathrow and Shenzhen.

**2. JetBlue Drops 12 OTAs.**

In a move to reduce distribution costs, JetBlue withdrew its flights from some online travel agencies (OTAs), including CheapFlightsFares, SmartFares, MyFlightSearch, VacationExpress, FlyFar, FlightNetwork, Vayama, WhatsCheaper, Vegas, JetsetVacations, QuickTravel and Kiwi. The company said it will continue partnerships with major OTAs and encourage travelers to book through its website.

**3. United Offers Boarding Passes for Partner Airlines Via Mobile App.**

United customers can access boarding passes on their smart phones for the entire itinerary when connecting to 19 airline partners. The airline said its app “is relied on over 500 million times a year by customers.” . . . In other news, United launched a voluntary overbooking compensation system that notifies passengers checking in that their flight may be oversold and provides compensation options. Delta has a similar program.

## **V. ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on October 13 was \$69.9/barrel, down 0.4% on the month and up 12.8%, compared to a year ago, reports IATA. Jet fuel price average for 2017 was \$64.2/barrel; impact on 2017 fuel bill was \$24.4 billion.

### **2. ICAO Emphasizes Sustainable Alternatives to Jet Fuel.**

Delegates to the Second ICAO Conference on Aviation and Alternative Fuels, held in Mexico City, agreed on a new 2050 Vision which will help ensure that conventional jet fuels are substituted with sustainable alternatives, and that alternative fuel deployment must adhere to sustainability criteria being developed by a task force at ICAO. . . . “Biofuels are not the solution to airlines’ growing CO2 emissions,” says Friends of the Earth, which, concerned about plans that may threaten the world’s rainforests, believes governments should “take urgent measures to reduce the climate impact of aviation by stemming and ultimately reversing its growth. This will require ending subsidies – including tax exemptions – for aviation, ending airport expansion, and investing in alternatives, including rail transport.”

### **3. Countdown to CORSIA.**

Airlines included in the carbon offsetting and reduction scheme for international aviation (CORSIA) will need to offset emissions from January 1, 2021, Air Transport Action Group (ATAG) Executive Director Michael Gill reminded delegates to the Global Sustainable Aviation Summit in Geneva, and all airlines that fly international routes will need to start monitoring and reporting their fuel use from January 1, 2019, with very few exceptions, “whether their government has signed up to volunteer for the CORSIA or not.” Gill said 72 countries have volunteered to join CORSIA, which was agreed to by governments meeting at ICAO last year. “Over 40,000 commercial flights have already been made on sustainable fuel,” Gill noted, “and we expect that number to grow exponentially as more airports join the four that are already providing this new source of fuel to airlines through their normal supply systems: Oslo, Los Angeles, Stockholm and Bergen.”

### **4. Qantas to Use Biofuel on Los Angeles–Australia Flights.**

Over the next ten years, Qantas will purchase eight million gallons of renewable jet fuel each year from U.S. based SG Preston, for use on its aircraft operating from Los Angeles International to Australia from 2020. The fuel consists of 50% biofuel produced from renewable plant oils, which do not compete with food

production, blended with 50% traditional jet fuel. Successful domestic trial flights were conducted in 2012 on Qantas' Airbus A330 Sydney-Adelaide service and Jetstar's A320 Melbourne-Hobart service.

**5. Virgin Australia to Supply Sustainable Biofuel at Brisbane.**

Virgin Australia is leading a two-year trial of sustainable biojet supplied to airlines through Brisbane Airport's fuel supply system. Gevo, which initially will supply jet fuel from its Texas-based hydrocarbon plant, and derived from isobutanol produced at its commercial isobutanol plant in Minnesota, said Queensland offers huge potential for low-cost sugar feedstocks "to produce sustainable aviation fuels based on Gevo's alcohol-to-jet technology." Queensland Premier Annastacia Palaszczuk said Virgin Australia Group's commitment to coordinate the purchase, supply and blending of the biojet could "catalyze investment in Queensland's biofutures and sugarcane industries."

**6. Stage 5 Noise Standard on New Aircraft Designs Adopted.**

FAA has adopted Stage 5 Airplane Noise Standards, requiring new airplane type designs in the subsonic jet airplanes and subsonic transport category large airplanes to operate at least 7 decibels quieter than airplanes in the current fleet. The rule takes effect on January 1, 2018; it does not affect operation of U.S. aircraft flying now or new aircraft type designs submitted before the Stage 5 compliance date. The Airbus A380 and A350 family models and Boeing 747-8 and 787 family models meet the new noise limits. In 1975, there were 200 million people flying in the United States, with 7 million exposed to significant aircraft noise, said FAA; in 2015, U.S. passenger numbers had almost quadrupled, yet the number of people exposed to aircraft noise had dropped to 340,000, a 94% reduction in aircraft noise exposure.

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

### **1. Cuban Airport Security Act Passes House, Introduced in Senate.**

An updated version of the Cuban Airport Security Act was introduced in the Senate by Marco Rubio (R-FL). Identical legislation introduced by John Katko (R-NY) was approved by the full House. The bill would require TSA to audit each of Cuba's 10 international airports, establish a pact with Cuba that would allow TSA inspectors to conduct complete assessments of Cuban airports, and develop a standard basis for Federal Air Marshal agreements with foreign governments and partners. U.S. airlines would be required to publicly disclose agreements with Cuban government entities that expect them to employ Cuban nationals recruited, hired or trained by Cuban government affiliates. "The Castro regime remains a top national security threat to the United States and is a close ally of countries like Iran, Russia, Venezuela and North Korea," said Rubio; the fact that it controls the vetting and hiring of many airport employees in Cuba "is a serious vulnerability."

### **2. Senate Committee Approves TSA Modernization Act.**

The Senate Commerce Committee passed the TSA Modernization Act, which funds the agency for three years and establishes a five-year term for the Administrator. It requires TSA to develop certification standards for use of third party explosive detection dogs; to establish private sector partnerships in PreCheck and meet targets for expanding PreCheck enrollment; to post wait times at airport security checkpoints online and in airports; and to authorize third party testing and evaluation of screening equipment and harmonize and recognize international testing and evaluation to enable faster deployment of the latest, most effective screening technologies.

### **3. Bill Would Strengthen Airline Access to Pilot Driving Records.**

The Pilot Records Improvement Enhancement Act of 2017, introduced in the Senate by Tammy Duckworth (D-IL) and David Perdue (R-GA), would improve compliance with the Pilot Records Improvement Act of 1996, which requires airlines to obtain the motor vehicle driving record of pilot applicants from the National Driver Register (NDR). The NDR contains information about drivers who have had their motor vehicle operator's license suspended or revoked, or have been convicted of serious driving violations such as a DUI.

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

### 1. **United States, Turkey Suspend Visa Services.**

Expressing “profound concern over the detentions of Turkish national employees of our diplomatic mission to Turkey and of several American citizens,” the U.S. State Department suspended non-immigrant visa services at its facilities in Turkey. Turkey then followed suit at its embassies and consulates in the United States.

### 2. **FAA Enhances China Aviation Safety Partnership.**

FAA and the Civil Aviation Administration of China (CAAC) signed an Implementation Procedures for Airworthiness (IPA) document, under the U.S.–China Bilateral Aviation Safety Agreement, which allows each authority to leverage approvals completed by the other with respect to design, production, and airworthiness of aircraft and parts. The IPA also allows FAA and CAAC to submit applications for validation for all categories of aviation products and addresses globalization challenges such as complex business models separating design and production.

### 3. **FAA, EASA Update Safety Agreement.**

An update to an agreement between FAA and the European Aviation Safety Agency (EASA) regarding aircraft certification revises Technical Implementation Procedures to permit increased acceptance of approvals without technical involvement by the authority conducting the validation, and, in certain cases, to allow a streamlined validation process to expedite issuance of a type certificate without technical review. Typically, FAA and EASA do not completely duplicate each other’s certification of aircraft products; instead each performs a validation of certification activities. These changes give both entities the opportunity to have greater reliance on regulatory capabilities and technical competencies of one another’s aircraft certification systems. When technical involvement is necessary to validate a product, a work plan will be required to define the extent of the validating authority’s involvement. The revision will go into effect six months from the signing date of September 22, 2017.

### 4. **DHS Acting Secretary Meets with Foreign Leaders.**

In London meetings, Acting Secretary of Homeland Security Elaine Duke and UK Home Secretary Amber Rudd agreed to collaborate on raising the baseline of aviation security worldwide; to pursue sustained, constructive engagement with technology companies in the digital fight against terrorists; and to conduct joint threat assessments and briefings to help non-governmental partners better counter terrorist trends and tactics, especially online. . . . In Italy, Duke and

Interior Minister Marco Minniti signed the Secure Real Time Platform (SRTP) Implementing Arrangement, “which enhances the ability of both countries to identify known or suspected terrorists, irregular migrants, and other persons of interest through the exchange of fingerprints.” They discussed raising global aviation security standards and continued cooperation in initiating bilateral preclearance negotiations. . . . “The value of the Passenger Name Record (PNR) Agreement between the United States and the European Union as an essential law enforcement and counterterrorism tool that must be preserved by all parties,” was confirmed at a G7 Interior Ministers’ Meeting in Ischia, Italy, with EU Commissioners and in meetings with Italian, Canadian and French Ministers.

**5. Airbus to Acquire Majority Stake in Bombardier C Series.**

Airbus will provide procurement, sales and marketing, and customer support to the Bombardier C Series Aircraft Limited Partnership (CSALP), under a new agreement. Subject to regulatory approvals, Airbus will acquire a 50.01% interest in CSALP. Bombardier and Investissement Quebec will own approximately 31% and 19% respectively. Headquarters, primary assembly line and related functions will remain in Quebec, with additional production at Airbus’ manufacturing site in Mobile, Alabama. “The single aisle market is a key growth driver, representing 70% of the expected global future demand for aircraft,” said Airbus. Delta has ordered 75 of the C Series, leading Boeing to bring trade actions against Bombardier that, if finalized, would have imposed huge import duties on U.S. sales; Boeing argues that subsidies from the governments of Canada and Quebec allow Bombardier to sell the planes at low prices. Boeing and Airbus are involved in a long-running dispute over state subsidies.



## VIII. EUROPE AND AFRICA

### 1. Air Berlin Ceases Operations, Assets Sold.

Air Berlin ceased operations and assets were sold, subject to regulatory approvals. Lufthansa will acquire NIKI and LG Walter for €210 million. easyJet will acquire some Berlin Tegel operations for €40 million, leasing up to 25 Airbus A320s, hiring flight crews and taking over other assets including slots. A consortium comprising Nayak and Zeitfracht will acquire maintenance unit airberlin Technik; Zeitfracht also will buy Leisure Cargo.

### 2. Lufthansa, easyJet Among Alitalia Bidders.

Lufthansa and easyJet made offers for Alitalia assets, while a reported investment by U.S. private equity group Cerberus Capital Management would allow the carrier to remain intact. Alitalia entered formal bankruptcy proceedings in May; continued operations have been enabled by government loans of €900 million. The sale process has been extended to April 30 from November 5.

### 3. Monarch Ceases Operations.

UK-based Monarch Airlines and Monarch Travel Group declared insolvency and ceased operations, leaving 110,000 customers overseas and some 300,000 future bookings cancelled. The scheduled airline flew to 40 destinations from London Gatwick, Birmingham, Manchester, Leeds-Bradford and Luton. The Civil Aviation Authority (CAA) secured a fleet of more than 30 aircraft, flying to more than 30 airports, to return passengers to the UK at no cost over a two-week period. "This is the equivalent of operating, at very short notice, one of the UK's largest airlines," said CAA, adding "This is the UK's largest ever airline to enter administration." Monarch Aircraft Engineering Limited (MAEL) is not in administration and business continues as usual. Separately, MAEL announced it will carry out line maintenance work for China Airlines which begins Airbus A350 service to Gatwick in December.

### 4. Bellew Departs Malaysia for Return to Ryanair.

Malaysia Airlines CEO Peter Bellew will re-join Ryanair as Chief Operations Officer on December 1, assuming responsibility for all flight operations, ground operations and engineering. The Irish carrier said he will have "a specific responsibility for pilot production, training and career development with a mission to ensure that the pilot rostering failure which Ryanair suffered in early September will never be repeated." An Irish national, Bellew left previous Ryanair employment in 2014, when he was Director of Flight Operations. . . . Malaysia named Izham Ismail Executive Director and Group CEO, effective December 1 upon the departure of Peter Bellew who is on administrative leave.

Captain Izham, currently COO, started his career with Malaysia Airlines as a pilot in 1979. His appointment is in line with a plan that “provides for the development and succession of Malaysian leadership talent.”

**5. Iberia to Serve San Francisco, Nicaragua, Guatemala.**

Iberia will begin seasonal service to San Francisco, offering three weekly nonstops from April through September. Service to Nicaragua and Guatemala begins next October.

**6. Icelandair to Serve Dublin With North America Connections.**

Icelandair will begin year-round service to Dublin in May. The non-stops will operate six days a week with connections from 20 gateways in North America. Icelandair introduced a new pricing structure comprised of Economy Light, Economy Standard and Economy Flex.

**7. Wizz Air Applies for UK Air Operator Certificate.**

Wizz Air filed an application with the UK Civil Aviation Authority for an Air Operator’s Certificate and hopes to begin operations in the UK in March with UK-registered aircraft. The London Luton base of Wizz Air Hungary will become a Wizz Air UK operation. Routes not taken over by Wizz Air UK will continue to be operated by Wizz Air Hungary. Wizz Air CEO József Váradi said the move is “part of our broader strategy to ensure that our UK operations are Brexit-ready.” In the past 12 months, Wizz Air carried more than 7 million passengers on its UK routes, representing 14% growth year on year.

**8. China Eastern, Delta Complete Capital Increases in Air France-KLM.**

Delta and China Eastern each has taken 10% of Air France-KLM’s share capital, for a total amount of €751 million. One director each will sit on the board of AF-KLM, which said the “further major strengthening of its strategic partnerships with its new shareholders [will allow it] to regain the offensive, to reinforce its commercial integration with its principal partners and to continue improving its financial structure.”

**9. SIA, Lufthansa Launch Joint Venture.**

Star Alliance partners Singapore Airlines and Lufthansa Group have launched a joint venture. Lufthansa plans to reintroduce services between Singapore and Munich from March 2018.

**10. Lufthansa Signs Contracts with Pilot Union.**

Lufthansa and Vereinigung Cockpit signed contracts that, subject to approval by union members, will save the company “15% of staff costs in the cockpit—

before wage increases to be paid in the future,” and “allow the hiring of junior pilots of Lufthansa, Lufthansa Cargo and Germanwings.” A defined pension benefit will be replaced by a contribution scheme.

**11. Norwegian Air Argentina Granted Routes.**

See Section X, item 6.

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

### **1. U.S. Firm to Search for MH370.**

The Malaysian government accepted an offer from Houston-based Ocean Infinity to search for Malaysia Airlines flight MH370, which disappeared over the Indian Ocean on March 8, 2014, en route from Kuala Lumpur to Beijing with 239 people aboard. Under a 'no find no fee' arrangement, Ocean Infinity will search the seafloor in an area believed to be "the next most likely location" to find the Boeing 777-200ER, said Australian Transport Minister Darren Chester. Australia led the initial underwater search, which was suspended in January, and will provide technical assistance to Malaysia and Ocean Infinity.

### **2. American, China Southern to Code Share.**

China Southern and American Airlines are expanding their partnership with extensive code sharing. American holds a 2.9% stake in China Southern. . . . China Southern ordered eight Boeing 777-300ERs and 30 Boeing 737-800s, valued at \$5.65 billion, with deliveries scheduled for 2019-2020. A "two hub" strategy for the Guangzhou-based carrier calls for a presence at the new Beijing airport, which opens in October 2019. . . . China Southern Airlines Cargo and Air France KLM Martinair Cargo signed a new Memorandum of Understanding to "strengthen and shape their strategic cargo cooperation [which] could lead to an integrated commercial and operational cargo cooperation model (joint venture) between Europe and China."

### **3. United Adds Auckland, Singapore Service.**

United resumed Boeing 777-300ER seasonal service between San Francisco and Auckland, six days per week through December 17 and then daily through March 22. United and joint venture partner Air New Zealand launched a microsite ([united.com/airnz](http://united.com/airnz)) that provides information on both carriers and destination tips. United began service between Los Angeles and Singapore, the longest nonstop to or from the United States.

### **4. Hong Kong Airlines to Offer San Francisco Nonstops.**

Hong Kong Airlines will launch four weekly Airbus A350 nonstops to San Francisco on March 25, subject to government approval, as well as service to New York later in 2018. "Our transition from a regional airline to a global carrier continues to gain traction, as San Francisco becomes our third destination in North America," said officials. Service to Vancouver and Los Angeles began in 2017.

5. **Air China to Begin Direct Shenzhen-Los Angeles Service.**

Air China will offer three weekly Boeing 787-9 flights from Shenzhen to Los Angeles from December 7. The direct service will replace Air China's current Shenzhen-Beijing-Los Angeles route, which opened February 1. Los Angeles is the first U.S. destination to receive more than 1 million Chinese visitors annually, reports Xinhua, and China is the top Asia-Pacific destination for U.S. tourists, with more than 5 million trips in 2016.

6. **Hainan Adds New York Service.**

Hainan Airlines began Boeing 787 nonstops to New York Kennedy from Chongqing and Chengdu. Hainan now offers 14 non-stop city pairs between China and North America, said Hainan President Sun Jianfeng. Hainan Airlines Holding seeks to increase its stakes in domestic carriers Xinhua (+10.3% to 62%), Changan (+37.6% to 73%) and Shanxi (+49.4% to 97%), reports Bloomberg. . . . Parent HNA Group is creating a \$7.6 billion digital tourism platform, HiApp, bringing together its own and other travel businesses, which will compete with China's online travel agent Ctrip.com.

7. **FedEx Building New Incheon Terminal.**

FedEx will construct a new terminal at Seoul Incheon, to be completed in 2021. At 23,425 square meters, it will be double the size of the current facility and have capacity to sort up to 18,000 packages an hour.

8. **AirAsia Japan Begins Service.**

Nagoya-based AirAsia Japan launched with twice-daily Airbus A320 flights to Sapporo. "We will expand as fast as we can to connect Nagoya with the rest of Japan, North Asia and ASEAN and make Nagoya a major inbound destination to rival Tokyo and Osaka," said AirAsia Group CEO Tony Fernandes.

9. **Bellew Departs Malaysia for Return to Ryanair.**

See Section VIII, item 4.

10. **China Eastern, Delta Complete Capital Increases in Air France-KLM.**

See Section VIII, item 8.

11. **SIA, Lufthansa Launch Joint Venture.**

See Section VIII, item 9.

## **X. AMERICAS**

### **1. U.S. Airlines Respond to Natural Disasters.**

U.S. passenger and cargo carriers continued to provide humanitarian aid to Puerto Rico and the U.S. Virgin Islands in the wake of Hurricanes Maria and Irma. Among efforts, JetBlue transported more than 110 tons of donated supplies from New York to Puerto Rico on a Boeing 747 donated and operated by Atlas Air Worldwide. The Port Authority of New York and New Jersey sent supplies to help rebuild San Juan Luis Munoz Marin Airport, enabling more airlift and capacity into the capital. . . . The Virgin Islands Port Authority said all airlines have resumed service. Five gates are open at St. Thomas Airport, with all to open by December 1. St. Croix is fully operational but undergoing repairs. St. Maarten Princess Juliana Airport reopened October 10 for limited commercial service on American, Delta, Insel Air and Seaborne. JetBlue, KLM and Air France were to resume flights by month's end. . . . Caribbean Tourism Organization expects 1% to 2% growth in 2017 and 2018 arrivals, compared to 5.2%, between January and June 2016. A Global Caribbean Tourism Recovery Team is being formed to coordinate technical support, capacity building, communication strategy, multilateral and bilateral agency engagement, and management of public/private partnership arrangements. . . . U.S. airlines announced third quarter impact of mainland, Caribbean and Mexican natural disasters: American (8,000 cancellations, pre-tax earnings reduced by \$75 million); United (8,300 cancellations, pre-tax earnings reduced by \$185 million); Delta (pre-tax earnings reduced by \$120 million); Southwest (5,000 cancellations, revenues reduced by \$100 million); Spirit (\$40 million revenue loss). JetBlue projected fourth quarter capacity growth 3% lower than planned, due to reduced Caribbean flying; negative impact on revenue \$70-\$90 million based on current booking trends; operating income will be reduced \$50-\$70 million, evenly split between Hurricanes Irma and Maria.

### **2. American Responds to NAACP Travel Advisory.**

A travel advisory issued by the NAACP warned African Americans that “booking and boarding flights on American Airlines could subject them to disrespectful, discriminatory or unsafe conditions.” The organization, founded in 1909, cited recent incidents that “suggest a corporate culture of racial insensitivity and possible racial bias.” American Chairman and CEO Doug Parker responded immediately, writing to employees: “We do not and will not tolerate discrimination of any kind. We have reached out to the NAACP and are eager to meet with them to listen to their issues and concerns.”

**3. Southwest to Serve Hawaii.**

Southwest will begin selling tickets in 2018 for service to Hawaii and has begun the process to obtain FAA approval for Extended Operations (ETOPS), required to operate between the mainland and the Hawaiian Islands. The carrier became the first airline in North America to offer Boeing 737 MAX 8 scheduled, on a flight from Dallas Love Field to Houston; nine are in service, with 14 expected by yearend. . . . In other Hawaii news, Island Air, the state's second largest carrier, filed for Chapter 11 bankruptcy protection to fend off action by lessors to ground aircraft. Hawaii-based investment company PacifiCap acquired a controlling interest in Island Air last year from Ohana Airline Holdings, which is wholly owned by Oracle founder Larry Ellison. The inter-island airline flew 172,200 passengers in first quarter this year, compared to 75,102 in previous quarter. David Uchiyama is President and CEO.

**4. LATAM to Serve Boston from Brazil.**

The first nonstop service to Boston from Brazil will be offered by LATAM Airlines Group, with flights from Sao Paulo Guarulhos by mid-2018 planned, subject to regulatory approval.

**5. Azul Adds Recife-Fort Lauderdale Service.**

Azul will begin twice weekly Airbus A330 flights from Recife, its Northeast Brazil hub, to Fort Lauderdale. Azul also serves Fort Lauderdale daily from Campinas.

**6. Norwegian Air Argentina Granted Routes.**

Norwegian Air Argentina was granted concessions to operate 153 routes from Argentina by the Argentine Civil Aviation Administration. The subsidiary, established in January, will offer domestic and international flights.

**7. Iberia to Serve San Francisco, Nicaragua, Guatemala.**

See Section VIII, item 5.

**8. Icelandair to Serve Dublin With North America Connections.**

See Section VIII, item 6.

**9. China Eastern, Delta Complete Capital Increases in Air France-KLM.**

See Section VIII, item 8.

**10. U.S. Firm to Search for MH370.**

See Section IX, item 1.

11. **American, China Southern to Code Share.**  
See Section IX, item 2.
12. **United Adds Auckland, Singapore Service.**  
See Section IX, item 3.
13. **Hong Kong Airlines to Offer San Francisco Nonstops.**  
See Section IX, item 4.
14. **Air China to Begin Direct Shenzhen-Los Angeles Service.**  
See Section IX, item 5.
15. **Hainan Adds New York Service.**  
See Section IX, item 6.
16. **FedEx Building New Incheon Terminal.**  
See Section IX, item 7.