



WASHINGTON AVIATION SUMMARY

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For further information, including documents referenced, contact:

Joanne W. Young
Kirstein & Young PLLC
1750 K Street NW
Suite 200
Washington, D.C. 20006
Telephone: (202) 331-3348
Fax: (202) 331-3933
Email: jyoung@yklaw.com

<http://www.yklaw.com>

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

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I. **REGULATORY NEWS**

1. **Administration FY18 Budget Separates ATC from FAA.**

The President's proposed budget for fiscal year 2018, beginning October 1, would reduce Department of Transportation (DOT) funding by \$2.4 billion (down 13% from FY17). It proposes a multi-year reauthorization to move air traffic control (ATC) from the Federal Aviation Administration (FAA) to a non-governmental organization, which "would reduce spending caps by \$70 billion, more than \$10 billion a year starting in 2021 through 2027." FAA's safety and regulatory functions would remain governmental, with funding estimated at \$2.4 billion in 2021. The budget funds the Airport Improvement Program at the current \$3.35 billion, cuts Essential Air Service Program by \$175 million and eliminates funding for Brand USA, the public-private partnership created by Congress to promote the U.S. as a tourist destination, which U.S. Travel Association said "was responsible for adding \$8.9 billion to the U.S. economy in 2016 alone." . . . \$44.1 billion in discretionary budget authority was requested for the Department of Homeland Security (DHS), a \$2.8 billion (6.7%) increase over FY17, with \$2.7 billion for border security, including construction of a wall along areas of the Mexican border; \$354 million for biometric and \$971 million for cybersecurity initiatives; and "key investments in explosives detection research and developments to enhance aviation security." The Transportation Security Administration (TSA) request includes \$5.1 million for aviation passenger screening covering 43,190 TSA Officers and 1,047 canine teams; and \$680.5 million for procurement, installation and maintenance of checkpoint and checked baggage technology. The passenger security fee would increase from \$5.60 to \$6.60 per one-way trip.

2. **IATA: First Quarter Ends on Strong Note for Passenger Traffic.**

"Strong traffic demand continued throughout the first quarter, supported by a combination of lower fares and a broad-based upturn in global economic conditions," said Alexandre de Juniac, Director General and CEO of the International Air Transport Association (IATA). "The price of air travel has fallen by around 10% in real terms over the past year and that has contributed to record load factors." Global passenger traffic results for March show that demand (measured in revenue passenger kilometers) rose 6.8%, compared to same month a year ago. Capacity grew 6.1% and load factor climbed by half a percentage point to 80.4%. . . . "We will have to wait another month to see the impact of the laptop ban on demand," said de Juniac, noting that "responses of Canada, the EU and Australia to the same intelligence demonstrate that a ban

on large electronic devices in the cabin is not the only way forward. Indeed, we believe that it is not sustainable in the long-run.”

3. **Rosen Confirmed as DOT Deputy Secretary; Bahrami Returns to FAA.**

The Senate confirmed Jeffrey Rosen as DOT Deputy Secretary. He has served as General Counsel at both DOT and the Office of Management and Budget and is a former Chair of the American Bar Association’s Section of Administrative Law and Regulatory Practice. Rosen will serve as DOT’s Regulatory Reform Officer and Chairman of its Regulatory Reform Task Force (RRTF), formed to comply with an Executive Order that directs agencies “to make recommendations to alleviate unnecessary regulatory burdens.” DOT Secretary Elaine Chao directed the RRTF “to consider ways to accomplish DOT’s primary safety objectives in less burdensome ways and to further review ‘midnight rules’ that were issued at the end of the last Administration.” . . . Ali Bahrami will return to FAA to head the Aviation Safety Division, replacing Peggy Gilligan who has retired. Currently Vice President of the Civil Aviation division of Aerospace Industries Association, Bahrami worked at FAA from 1989 to 2013, principally as manager of the Transport Airplane Directorate of the Aircraft Certification Service.

4. **FAA Orders Airlines to Replace Zodiac Seats.**

FAA adopted an airworthiness directive (AD) requiring removal of certain Zodiac seating systems, which may cause serious neck injury to the occupant during emergency landing conditions. Nearly 10,482 systems installed on Embraer and Bombardier regional jets and Boeing 717-200s and MD-90-30s are affected. Cost of compliance to airlines estimated at \$891,000, plus seat replacement. . . . FAA proposed a \$435,000 civil penalty against United for allegedly operating a Boeing 787 that was not in an airworthy condition on 23 passenger flights before performing a required inspection.

5. **Drone Update.**

The International Civil Aviation Organization (ICAO) plans to develop a framework for managing low-altitude airspace, which will include registration of drones or unmanned aerial vehicles (UAVs). . . . The U.S. Court of Appeals [for the District of Columbia](#) blocked rules requiring hobbyists and recreational flyers to register drones, saying federal law prohibits FAA from regulating model aircraft. FAA is reviewing the decision, saying it “put registration and operational regulations in place to ensure that drones are operated in a way that is safe and does not pose security and privacy threats.” Air Line Pilots Association, Int’l (ALPA) called the court decision “a threat to the safety of our national airspace” and urged Congress “to enact legislation giving FAA clear authority to fully regulate hobbyists and recreational flyers of UAS.” . . .

European Aviation Safety Agency published a proposal to regulate operation of small drones, “while allowing this industry to remain agile, to innovate and continue to grow. The risk posed to people on the ground and to other aircraft as well as privacy, security and data protection issues created by such drones are also taken into account.” . . . JD.com, China's largest online retailer, is developing a drone capable of carrying 2,000 pounds over long distances, to transport goods initially between cities, and eventually between provinces. The company will also establish a research and development campus in partnership with Xi’an National Civil Aerospace Industrial, where unmanned systems will be developed, manufactured and tested.

6. DOT Air Travel Consumer Report for March.

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

	March '17 / '16	Feb. '17	Full Year				
			2016	2015	2014	2013	2012
On-time arrivals %	79.9 / 81.5	82.6	81.4	79.9	76.2	78.34	81.85
Cancellations %	1.8 / 1.0	1.5	1.17	1.5	2.2	1.51	1.29
Mishandled baggage*	2.24 / 2.49	2.16	2.70	3.13	3.61	3.22	3.09
Consumer complaints:							
Airline service	1,132 / 1,427	950	17,904	20,175	15,539	13,176	15,338
Disability-related	56 / 77	55	862	944	784	683	741
Discrimination**	4 / 6	5	94	65	68	79	99

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

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Philadelphia, American Agree on \$900 Million Airport Investment.

The 15 carriers operating at Philadelphia International, led by American Airlines, reached agreement with the city on a \$900 million improvement plan that includes \$396 million in maintenance and repairs to the airfield and terminals, and \$200 million for a new ATC tower. Philadelphia Northeast Airport, which serves private and corporate aircraft, will receive \$26 million for taxiway and runway rehabilitation and facility upgrades. The projects will be managed and delivered by Philadelphia's Division of Aviation and American, which serves 73% of the airport's passenger traffic.

2. LAX Debuts Exclusive "Private Suite."

Los Angeles International opened an exclusive terminal for those who can afford a \$7,500 annual membership plus \$2,700 per domestic or \$3,000 per international flight. "Private Suite" was built by Los Angeles-based security consulting firm Gavin de Becker & Associates, which, reports the *Los Angeles Times*, expects to generate \$35 million in revenue for the airport over the 10-year lease period. The \$22 million facility features private TSA and Customs and Border Protection screening and 13 private lounges with amenities; car service is provided to the plane. Similar services are offered to British Airways London Heathrow customers and at Dubai, Munich and Zurich. De Becker is in negotiations to open a private terminal at New York Kennedy. . . . As Delta completed its move to Terminals 2 and 3, 20 airlines moved service equipment, network infrastructure, employees and aircraft, "with no reported delays attributable to the relocation," said Los Angeles World Airports.

3. Alaska to Provide First Scheduled Service from Paine Field.

Alaska Airlines will introduce commercial service from Paine Field in Everett, north of Seattle, with up to nine daily Boeing 737 and Embraer 175 departures, subject to government approvals. Terminal construction, led by private equity firm Propeller Airports and Snohomish County, begins in June, with two gates planned to accommodate up to 22 flights per day. Propeller will lease the terminal for 30 years, paying the county, which owns the airport, \$430,000 per year plus share of revenues, reports the *Seattle Times*. Area residents concerned about noise and traffic unsuccessfully sued FAA for clearing the way for commercial service; Propeller agreed to restrict commercial operations to 7 a.m. to 6 p.m. and provided \$94,000 for transportation mitigation. Paine Field currently is used by Boeing, general

aviation, flight schools and a commercial airline maintenance facility. The area is a tourist attraction, with flight-related exhibitions and tours.

4. **Orlando Compensates Passengers for People Mover Outages.**

Greater Orlando Aviation Authority (GOAA) is compensating travelers who missed a flight or were re-booked due to Automated People Mover (APM) outages in April. Passengers on American, Spirit and United flights were affected. “The new APM’s have many complex alarms and safety features that can cause the smallest anomaly to require system checks by Mitsubishi Heavy Industries America (MHIA) or its subcontracting personnel on site,” said GOAA Executive Director Phil Brown. “Some may ask why not go back to the old trams? This is not an available option. New control technical systems and running surfaces have been installed which cannot be used by the old trams.”

5. **Tampa to Begin Phase 2 Development.**

Tampa International received budget approval to begin initial work this year on a \$543 million Phase 2 project that includes commercial development and curbside expansion with express lanes for passengers without checked luggage. A three-phase plan that will allow the airport to serve 34 million passengers annually, nearly double current volume, will culminate with construction of a terminal with 16 gates capable of handling domestic and international flights, scheduled to begin after 2020.

6. **Europe Relaxes State Aid Rules for Regional Airports.**

The European Commission (EC) approved new rules that allow member states to invest in regional airports handling up to 3 million passengers per year, i.e., more than 420 airports across the EU, which account for about 13% of air traffic. The regulations also allow public authorities to cover operating costs of small airports handling up to 200,000 passengers per year; they account for almost half of all airports in the EU but only 0.75% of air traffic.

7. **Fraport Plans for LCC Growth at Frankfurt.**

Lufthansa and airport operator Fraport are negotiating “short-term cost reductions at Frankfurt as well as growth and a closer partnership in the medium and long term.” With 60% of Frankfurt traffic originating from Lufthansa Group airlines, “there is significant potential for synergies,” said the carrier; “joint projects will aim to tap additional sources of revenue and growth and improve the competitive position of the location.” . . . The talks follow Fraport’s successful efforts to attract low-cost carriers (LCCs) like Ryanair to Frankfurt, which could increase passenger numbers to around 3 million next year from 1 million this year, and bring existing terminals to full capacity in 2019. In the near-term a docking pier will be built to accommodate expected

LCC growth, and Terminal 3 will open in 2023. Fraport Group includes airports in Lima, Ljubljana, St. Petersburg, Antalya, Varna and Xi'an. New investments include a Greece subsidiary and Fortaleza and Porto Alegre in Brazil.

8. Government to Build Western Sydney Airport.

The Australian government announced it will build Western Sydney Airport, after Sydney Airport decided not to build and operate the facility. Operations are expected to begin in 2026. The proposed airport will have a single runway with Airbus A380 capability, and capacity for 5 million passengers a year initially, and 10 million after five years. Demand for aviation services in the Sydney region is forecast to double over the next 20 years, which Sydney Airport alone cannot accommodate, said the government.

9. Construction Begins on Kuwait's \$4.3 Billion Terminal.

Turkey-based construction company Limak Insaat began construction of Kuwait International's new \$4.3 billion passenger terminal, due to be completed in six years. Terminal 2 will be able to accommodate 25 million passengers per year and all aircraft types. The airport handled 12 million passengers in 2016, and forecasts 23 million in 2027. Fosters + Partners designed the project.

10. Dubai Secures \$3 Billion for Initial Airport Expansion.

Financing of \$3 billion was secured to fund expansion of Dubai International and Dubai World Central (DWC), marking the first stage of a 12-year, \$35 billion program to transform DWC into the Emirate's primary hub with capacity to serve 146 million passengers by 2025.

III. **SECURITY AND DATA PRIVACY**

1. **IATA: Terror Attacks Cost European Airlines \$2.5 Billion in Revenue.**

As a result of the 2015-2016 terrorist attacks in Paris and Brussels, European international passenger traffic fell 1.6% in the following year, reducing European airline 2016 revenues by \$2.5 billion, according to a new study from IATA. International travel within Europe has since fully recovered, but there is lingering impact on the Europe-Asia market.

2. **Expanded Laptop Ban on Hold.**

The Department of Homeland Security said it will not, at this time, expand the ban on large electronic devices in cabins to U.S.-bound flights from Europe. However, an expansion is still on the table, “if the intelligence and threat level warrant it,” said DHS Secretary John Kelly, following a conference call with EU Commissioner for Migration, Home Affairs and Citizenship Dimitris Avramopoulos and EU Commissioner for Transport Violeta Bulc. The parties agreed on “the need to raise the bar for aviation security globally, including through a range of potential seen and unseen enhancements.” U.S. and EU officials earlier held meetings in Brussels and Washington to “assess shared risks and solutions for protecting airline passengers, while ensuring the smooth functioning of global air travel.” Kelly continued to emphasize the terror threat to aviation in media interviews. The current ban applies to U.S.-bound flights from Amman, Kuwait, Cairo, Istanbul, Jeddah, Riyadh, Casablanca, Doha, Dubai and Abu Dhabi; about 50 flights a day are affected. IATA CEO Alexandre de Juniac said widening the ban to the 28 European Union states plus Switzerland, Norway and Iceland would affect 2,500 U.S.-bound flights per week, costing passengers \$655 million in lost productivity, \$216 million for longer travel times, and \$195 million to rent devices on board. And industry groups continued to warn about the danger of storing more lithium-ion batteries in cargo holds.

3. **TSA Gears Up for Summer Traffic Increase.**

The Transportation Security Administration expects to screen 2.5 million passengers per day this summer and will deploy 50 more canine teams and 2,000 more TSA officers, compared to last year. Among new technologies used to hasten the screening process, 50 automated lanes currently are in operation at Newark, Chicago O’Hare, New York Kennedy, Los Angeles International and Hartsfield–Jackson Atlanta, with more expected to become operational in coming months. Procedures are being testing at several airports that require passengers to place electronic items larger than a cellphone in a

separate bin for X-ray screening. Delta is introducing four self-service bag drop machines at Minneapolis-St. Paul International, “a \$600,000 investment that allows customers to quickly, securely and easily check bags.” One machine will be equipped to test facial recognition technology to match customers with their passport photos through identification verification, a first for U.S. carriers. The TSA PreCheck expedited screening program added Copa Airlines, Dominican Wings, InterCaribbean Airways, Silver Airways, Singapore Airlines, Swift Air and Turkish Airlines, bringing the number of participating airlines to 37.

4. Appeals Court Upholds Block on Revised Travel Ban.

The Fourth Circuit Court of Appeals upheld the block on the Administration’s revised Executive Order banning travel to the United States for certain citizens from Iran, Libya, Somalia, Sudan, Syria and Yemen. While the text of the ban “speaks with vague words of national security,” the court recognized that in context it “drips with religious intolerance, animus, and discrimination,” reported the American Civil Liberties Union.

IV. E-COMMERCE AND TECHNOLOGY

1. System Failure Strands British Airways Passengers.

British Airways experienced a catastrophic IT system failure at the start of a UK holiday weekend, resulting in hundreds of flight cancellations and thousands of stranded passengers. On day two, CEO Alex Cruz said the airline was running a near-full operation at Gatwick and would fly all of its long-haul services at Heathrow, with some delays. Amid viral videos of long lines and passengers separated from their baggage, Cruz apologized and promised refunds for canceled flights and related expenses and free courier delivery of missing bags, all required by EU passenger protection rules. British Airways did not attribute the failure to cyberterrorism. . . . In other news, International Airline Group (IAG) informed travel agents that its British Airways and Iberia units will implement a \$10 surcharge per fare component on global distribution system bookings beginning November 1.

2. Southwest Completes Transition to Amadeus Altéa.

Southwest completed the transition to the Amadeus Altéa Passenger Service System, which allows the airline to automate rebookings during flight disruptions, among other features. Southwest expects the new reservation system to generate \$500 million in incremental annual earnings before interest and taxes by 2020 through added functionality and operational capabilities.

3. Air Transport IT Summit Explores Techno-Trends.

Technologies on display at the 2017 Air Transport IT Summit included a robotic kiosk called KATE that moves itself to wherever needed in a busy airport using existing data systems, including flight and passenger flow information. A baggage robot equipped with a collision-avoidance system meets passengers as they arrive at the airport, checks them in, prints bag tags and takes bags away for processing. IATA Resolution 753 comes into force in June 2018, requiring bags to be tracked and recorded at four points—check-in; aircraft loading; transfer between carriers; and as the bag is delivered to the passenger. According to the SITA Baggage Report 2017, the global bill for recovering and reuniting passengers with their bags was \$2.1 billion in 2016; 47% of delayed bags were in the process of being transferred.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel on May 19 was \$62.3/barrel, down 2.9% on the month and up 10.3% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2017 was \$64/barrel; impact on fuel bill was \$23.9 billion.

2. Lawsuits Challenging LAX Modernization Projects Settled.

The Los Angeles City Council agreed to settle lawsuits brought by neighboring cities that alleged potential environmental impacts of LAX projects were not properly evaluated, reports the *Los Angeles Times*. Among terms of the agreement, Culver City and Inglewood will participate in planning future development at LAX and implement transportation projects to be paid for by Los Angeles World Airports. Officials said the settlements smooth the way for construction of ground transportation improvements, including a people mover in the central terminal area, a transportation center, a consolidated car rental facility and upgraded roads, all part of a \$14 billion airport modernization.

3. Singapore Operates Series of 'Green Package' Flights.

Singapore Airlines (SIA) began operating 'green package' flights, the first in the world to combine use of biofuels, fuel-efficient aircraft, and optimized flight operations. The 12 San Francisco-Singapore nonstops, flown on SIA's latest-generation Airbus A350-950 for three months, from May 1, are powered by HEFA (Hydro-processed Esters and Fatty Acids), a sustainable biofuel produced from used cooking oils, and conventional jet fuel. The biofuel, produced by AltAir Fuels, is supplied and delivered to San Francisco by SkyNRG in collaboration with North American Fuel Corporation (NAFCO), a wholly owned subsidiary of China Aviation Oil (Singapore), and EPIC Fuels. In collaboration with Civil Aviation Authority of Singapore and air navigation service providers along the flight route, the flights employ optimized flight operations, which reduce fuel burn and carbon emissions.

VI. U.S. CONGRESS

1. Congress Passes FY17 Appropriations Bill; Avoids Shutdown.

Congress passed an omnibus bill to fund the government for the rest of FY17 (through September 30), narrowly averting a shutdown. FAA was allotted \$16.4 billion in total budgetary resources, \$127 million above FY16 enacted level and \$508 million above request. This provides full funding for all ATC personnel and the Contract Tower program, as well as \$1 billion for the Next Generation Air Transportation System, \$150 million for Essential Air Service and \$40 million over request for integration of Unmanned Aircraft Systems. . . . TSA receives \$5.19 billion, \$325 million above FY16 and \$1.07 billion above request. The funding includes an additional \$3.5 million for screener training, \$3.9 million for checkpoint support, and \$23 million for new canine capabilities, including \$3.4 million to establish a canine air cargo screening services program. The bill rejects a proposed TSA passenger fee increase, creates a \$75 million emergency fund to address emerging global health threats like Ebola and Zika, and accelerates hiring of Customs and Border Patrol inspectors.

2. House Examines Airline Customer Service.

Following widely reported incidents involving mistreatment of passengers on United and other U.S. airlines, the full House Transportation Committee held an oversight hearing to examine customer service policies. “You owe the public and this Committee answers,” Chairman Bill Shuster (R-PA) told senior airline officials, including United CEO Oscar Munoz and President Scott Kirby. “Something is clearly broken,” said Shuster, who, with other Committee members, addressed overbooking, seat size, leg room, fees, and contracts of carriage that are too unwieldy for passengers to read and understand. Shuster warned that Congress will enforce change through regulation “to ensure your customers are treated with the respect they deserve.” The airline industry needs to focus on getting its own house in order instead of extending its reach to control our skies,” said Ranking Member Peter DeFazio (D-OR), referring to the campaign to privatize ATC with airline governance. A Government Accountability Office (GAO) report on consumer protections for airline passengers was requested.

3. Senate Hearing on State of Airline Travel.

A hearing on consumer protections and the state of airline travel was held in the Senate by the Subcommittee on Aviation Operations, Safety, and Security. Airlines for America testified that its members are taking concrete steps to

improve customer service that would eliminate or reduce overbooking; prohibit use of law enforcement to remove passengers from a flight, except in cases of safety or security; ensure that no passenger is involuntarily removed from a flight for another passenger; ensure that traveling crews are booked at least 60 minutes prior to departure; give gate agents discretion to offer greater financial incentive for customers to voluntarily take a different flight; renew a focus on training for all customer-facing staff; and provide passengers more transparency and understanding about their rights.

4. **House Hearing on FAA, ATC Reform.**

“The Need to Reform FAA and Air Traffic Control to Build a 21st Century Aviation System for America,” was the subject of a House Transportation Committee hearing, chaired by Bill Shuster (R-PA), who intends to reintroduce legislation to spin off ATC operations from FAA. Citing a letter from Defense Secretary Jim Mattis, Shuster announced that DOD supports the plan and has formed a committee to ensure preservation of national security interests, among other concerns. Airline CEOs were not among those testifying at the hearing, “perhaps because,” said Ranking Member Peter DeFazio (D-OR), “they recognize that the American people are not interested in giving more control to the airlines when, between dragging a passenger off a plane and massive computer failures, they can't even get their own houses in order.”

5. **Bill Would Limit Ancillary Fees.**

Legislation to prohibit airlines from imposing cancellation, change, and bag fees “that are not reasonable and proportional to the costs of the services provided” was introduced by Senators Edward Markey (D-MA) and Richard Blumenthal (D-CT). Airlines would only be authorized to charge bag fees that cover costs of baggage handlers, ticket agents and baggage processing; and change/cancellation fees that cover costs of processing new tickets and loss of revenue, which may be minimal because the airline can resell the seat for a potentially higher fare. The “Forbidding Airlines from Imposing Ridiculous (FAIR) Fees Act” directs DOT to review other fees. Airlines in 2016 earned \$4.2 billion in baggage fees and \$2.9 billion in change and cancellation fees.

6. **Friendly Airports for Mothers Act Reintroduced.**

The “Friendly Airports for Mothers (FAM) Act” was reintroduced in the Senate by Tammy Duckworth (D-IL), Deb Fischer (R-NE) and Claire McCaskill (D-MO); a companion bill was re-introduced in the House by Steve Knight (R-CA). The FAM Act would require all large and medium U.S. hub airports to provide private space accessible to persons with disabilities in each terminal for mothers to express breastmilk. “If airports still have spaces for smoking lounges in 2017, surely we can find clean and accessible spaces to allow new

mothers to breastfeed their children.” The bill passed both the Senate and the House Transportation Committee last year as part of proposed FAA reauthorization.

7. Bill Addresses Airline IT System Disruptions.

The “Airline Consumer Protection Act (ACPA),” introduced in the House, requires airlines to submit plans to FAA detailing how they will manage passengers in cases of network failure, their efforts to assure redundancy and resilience of networks to prevent failures or disruptions. The bill requires a GAO audit of airline computer networks and an examination of the most common causes of failures or disruptions, and establishes a government-industry working group to create best practices for management of airline computer networks and disruption/failure mitigation and response. “Over the last two years, network disruptions have occurred no less than 35 times, stranding millions,” said bill sponsor Dan Lipinski (D-IL). The bill also “requires airlines to provide better service, accommodations, and guarantees of timely arrival for passengers.”

8. Bill Would Extend EAS Authorization.

The “Keeping Our Commitment to Essential Air Service (EAS) Act” was introduced by Senators from Hawaii and Alaska to counter proposed cuts to air service for small community airports. S.1244 reauthorizes the Congressional appropriation of \$175 million annually through FY22.

9. FASTER Act Would End Diversion of Passenger Security Fees.

The “Funding for Aviation Screeners and Threat Elimination Restoration (FASTER)” Act, introduced by House leaders, would “end the practice of diverting \$1.28 billion this fiscal year and \$13 billion over the decade of 9/11 passenger security fees away from TSA's core aviation security mission to subsidize non-aviation related purposes,” said Airports Council International-North America President and CEO Kevin Burke.

10. House Homeland Security Committee Approves Several Bills.

The House Homeland Security Committee approved several bills, including the “Traveler Redress Improvement Act of 2017” which responds to complaints from passengers who repeatedly are subjected to extra screening, and allows U.S. citizens and legal residents to seek corrections to DHS data as needed. The “Strengthening Oversight of TSA Employee Misconduct Act” directs TSA to improve management of employee misconduct. Similarly, the “Fixing Internal Response to Misconduct Act” (DHS FIRM) directs DHS to improve consistency regarding discipline and adverse actions in its workforce.”

11. Mahan Air and Terrorism Prevention Act of 2017 Introduced.

The Mahan Air and Terrorism Prevention Act of 2017, sponsored by Senator John Cornyn (R-TX), would require DHS to compile and submit to Congress a list of airports where Iranian carrier Mahan Air has recently landed and assess what added security measures should be imposed on flights to the United States that may be coming from an airport used by Mahan Air. “In recent years, Mahan Air has frequently worked with Iran’s Islamic Revolutionary Guard Corps (IRGC) to move weapons and personnel to Syria, adding to further destabilization of the nation,” said Cornyn, and “also facilitated the covert travel of IRGC Quds Force operatives into and out of Iraq by bypassing normal security procedures and omitting information from flight manifests.” The bill was referred to the Committee on Foreign Relations; co-sponsors are Marco Rubio (R-FL), Rob Portman (R-OH), Mark Warner (D-VA), Chris Coons (D-DE), and Richard Blumenthal (D-CT).

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. Administration Urged to “Enforce Open Skies Agreements.”

Partnership for Open & Fair Skies, a coalition comprised of American, Delta, United and their unions, sent pilots, flight attendants and other employees to Washington to urge Congress and the Administration “to defend over 1.2 million American jobs threatened by Gulf carrier trade cheating.” The coalition has long contended that United Arab Emirates and Qatar have funneled over \$50 billion dollars in subsidies to their state-owned airlines, violating Open Skies trade agreements in “an expansion scheme to dominate global aviation.”

2. Iran Air Takes Delivery of Its First Four ATR 72-600s.

Iran Air took delivery of the first four of 20 ATR 72-600s ordered earlier this year, with deliveries to extend until the end of 2018. “Following the relief on international sanctions on Iran, there is a major need to modernize and develop air transportation to boost local economies throughout the country and improve connectivity between the regions,” said ATR. “Strengthening the links between all our communities will encourage new business opportunities for everyone,” said Farhad Parvaresh, CEO of the flag carrier, which currently flies to 35 international and 25 domestic destinations.

VIII. EUROPE AND AFRICA

1. Italy Seeks Bids for Bankrupt Alitalia.

Alitalia began bankruptcy proceedings for the second time since 2008, after employees voted against a turnaround plan. The government provided a €600 million bridge loan and is seeking a buyer, with expressions of interest due June 5. In other news, Alitalia signed a code share agreement with SkyTeam partner Aerolíneas Argentinas for Italy-Argentina routes and beyond.

2. American Adds European Cities from Dallas, Chicago.

American began daily seasonal nonstops from Dallas/Fort Worth to Rome Fiumicino and Amsterdam Schiphol, and from Chicago O'Hare to Barcelona El Prat. The service runs through September 30.

3. United Launches San Francisco-Munich Nonstops.

United launched seasonal San Francisco-Munich Boeing 787 nonstops.

4. Icelandair, JetBlue Announce Frequent Flyer Partnership.

Icelandair and JetBlue signed a reciprocal frequent flyer agreement. They have been interline partners since 2012.

5. WOW Air Offers One-Stop U.S.-Israel Flights.

WOW will begin four weekly Airbus A321-200 flights from Reykjavik to Tel Aviv on September 12, its first Middle East service. The LCC is pitching connections through Reykjavik to Israel from Boston, Newark, Baltimore, Pittsburgh, Miami, Chicago, Los Angeles and San Francisco.

6. Norwegian Set to Begin Dublin, Shannon Transatlantic Routes.

Norwegian is set to begin new transatlantic service in July, with daily flights to New York Stewart and five weekly to Providence, Rhode Island, from Dublin; twice weekly to Stewart and Providence from Shannon; and three weekly to Providence from Cork. Shuttle service will be available from Stewart into New York City. U.S. preclearance facilities are offered at Dublin and Shannon.

7. Alaska, Finnair Announce Partnership.

Alaska and Finnair announced a frequent flyer partnership, as Finnair begins U.S. West Coast service with Airbus A330-300 flights from Helsinki to San Francisco on June 1. Alaska mileage members can fly Finnair to 60 destinations in Europe from San Francisco, Chicago and New York Kennedy.

8. Air France to Launch 'Boost' in Winter 2017.

Air France-KLM's LCC, Boost, will launch this winter from Paris Charles de Gaulle with six Air France Airbus A321-200s flown by Air France pilots. Aimed at millennials, Boost, a working name, will have a wide range of inflight entertainment and strong social media presence. The startup is meant to enable Air France to resume growth with lower costs gleaned from a new agreement with cabin crew, lower catering costs, and ancillary options.

9. Ryanair Website to Sell Air Europa Long-Haul Flights.

Air Europa long-haul flights from Madrid now can be booked on the Ryanair website to Boston, Miami, New York Kennedy, and points in other countries. Air Europa, a SkyTeam member, is the second largest Spanish airline. Ryanair operates 50 short-haul routes to Madrid. "As we continue our journey to becoming the 'Amazon of travel,' we continue to speak to a number of other long-haul airlines about potential connecting flight partnerships," said CEO Michael O'Leary, including Aer Lingus and Norwegian.

10. airberlin Adds Service to Orlando, Los Angeles.

airberlin began five weekly flights to Orlando from Dusseldorf for the summer schedule to increase to daily this winter. Airbus A330-200 service from Berlin-Tegel to Los Angeles increased to three times weekly.

11. Benin, Mozambique Airlines Removed from EU Air Safety List.

All carriers from Benin and Mozambique were removed from the EU Air Safety List. Med-View (Nigeria), Mustique Airways (St. Vincent and the Grenadines), Aviation Company Urga (Ukraine) and Air Zimbabwe were added.

12. Stefan Pichler to Head Royal Jordanian.

See Section IX, item 7.

13. Lufthansa Technik Middle East Opens at Dubai South.

See Section IX, item 8.

14. Norwegian Board Approves Argentina Subsidiary.

See Section X, item 9.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. UPS, China's SF Holding to Establish Joint Venture.

United Parcel Service (UPS) and SF Holding will establish a joint venture, subject to regulatory approval, to provide delivery services initially from China to the U.S., with future global market expansion. SF Express is a leading integrated express logistics service provider in China. . . . In other news, UPS was ordered to pay a reported \$247 million in damages to New York State and New York City for illegal shipment of cigarettes from Native American reservations. UPS will appeal the decision. . . . And the U.S. Department of Defense (DOD) awarded five-year contracts to UPS (\$2.3 billion), Federal Express (\$2.3 billion) and Polar Air Cargo (\$200 million), for international and domestic delivery services.

2. HNA Unit Launches International Freight Airline from Xi'an.

HNA Modern Logistics Group was established in Xi'an with aspirations of becoming the "Chinese Memphis." Flights on Shanghai-Xi'an-Amsterdam, and Xi'an-Shanghai-Anchorage-Chicago routes transport goods with high added value, as well as fresh products and electrical goods.

3. AirAsia, Everbright to Form LCC in Henan Province.

AirAsia, Everbright and Henan Government Working Group signed a memorandum of understanding to establish a low-cost carrier in Zhengzhou, the capital of Henan province in central China. The joint venture, to be known as AirAsia (China), will invest in aviation infrastructure, including a dedicated LCC terminal at Zhengzhou airport, an academy to train pilots, crew and engineers, and maintenance, repair and overhaul facilities. "Zhengzhou sits at the center of a vast rail, highway and air transport network that forms the linchpin of China's development plans for its central and western regions," said AirAsia Group CEO Tony Fernandes.

4. Juneyao Becomes Star Alliance "Connecting Partner."

Shanghai-based Juneyao Airlines became a Star Alliance "Connecting Partner," which allows regional, low-cost or hybrid airlines to link to the alliance network without having to become a full member, and enter into bilateral commercial agreements with selected members. Shanghai is served by 17 Star members.

5. **United Cancels Interline Agreements with Middle East Airlines.**

United canceled interline agreements with Fly Dubai, Royal Jordanian, Saudi Arabian, Emirates and Qatar Airways, reports Skift, “as part of continuous monitoring and adjustment of partnership agreements.”

6. **Etihad Interim CEO Takes Reins; Hogan Departs.**

Etihad announced that Ray Gammell assumed management responsibilities as interim Group CEO; President and Group CEO James Hogan officially leaves the company on July 1.

7. **Stefan Pichler to Head Royal Jordanian.**

Royal Jordanian named Stefan Pichler as President and CEO, effective June 1. The former airberlin CEO earlier held executive positions with Lufthansa, Virgin Australia, Thomas Cook, Fiji and Jazeera.

8. **Lufthansa Technik Middle East Opens at Dubai South.**

Lufthansa Technik Middle East (LTME) opened a new facility in the Aviation District at Dubai South, offering ARC and AOG support, landing gear and engine services and parts and components for the Boeing 787 and 777 and Airbus A320 and A350. The LTME facility at Dubai International Airport will continue to operate. CEO is Ziad Al Hazmi.

9. **WOW Air Offers One-Stop U.S.-Israel Flights.**

See Section VIII, item 5.

X. AMERICAS

1. Delta-Aeromexico Joint Cooperation Agreement Launched.

Delta and Aeromexico confirmed with DOT and Mexico's Federal Economic Competition Commission that they have completed steps required to launch their joint cooperation, the first immunized transborder alliance between the two countries. Pending final approvals, Delta will provide service through Atlanta, Detroit, Los Angeles, Minneapolis-St. Paul, New York, Salt Lake City and Seattle; and Aeromexico through Mexico City, Monterrey and Guadalajara. Delta owns 36.2% of Grupo Aeromexico with options to acquire an additional 12.8%. Both carriers are founding members of SkyTeam.

2. Alaska To Begin Mexico City Flights.

Alaska announces start dates for Mexico City service awarded by DOT in the MEX slot phase of the Delta Aeromexico antitrust immunity (ATI) proceeding. On August 8, daily Boeing B737 service begins from Los Angeles and San Francisco. On November 6, daily Embraer 175 service begins from Los Angeles and San Diego. Alaska flies to nine Mexico destinations from California and previously served Mexico City from 2005 to 2015.

3. United Adds Newark Service to Latin America.

United announced new year-round, daily Boeing 767-300 nonstops between New York Newark and Buenos Aires starting October 28, subject to government approval; and will increase year-round, daily service to Bogota with an additional daily flight from June 8 through August 14.

4. Southwest Adds International Offerings.

Southwest will offer Saturday nonstops to Cancun from Nashville and St. Louis, and new daily service from Ft. Lauderdale to San Jose, Costa Rica and Punta Cana, Dominican Republic, from November 11 through January 7, all subject to governmental approvals. Previously announced service expected to begin November 5 to Providenciales, Turks & Caicos. A fourth daily Houston-Mexico City begins October 29. . . . Southwest increased its quarterly dividend by 25% and authorized a new \$2 billion share repurchase program, "based on our strong results, cash flow outlook, and investment grade balance sheet, said Chairman and CEO Gary Kelly.

5. **JetBlue Increases Mexico City Service from Fort Lauderdale, Orlando.**

Using the MEX slots awarded by DOT in the slot allocation phase of the Delta Aeromexico ATI proceeding, JetBlue is doubling daily roundtrips to Mexico City from Fort Lauderdale and Orlando starting September 6, 2017.

6. **Spirit to Begin Flights to Cancun from Baltimore, Chicago.**

Spirit will begin daily nonstops from Baltimore/Washington and Chicago O'Hare to Cancun on November 9. . . . Spirit reported a 12.8% increase in traffic (revenue passenger miles) in April versus April 2016 on a capacity (available seat miles) increase of 12.9%; load factor was 83.6%. . . . Spirit filed suit in U.S. District Court in Fort Lauderdale against ALPA and related entities amid disruptions affecting 15% of flights across its network. The court granted Spirit's motion for a temporary restraining order, which has been extended until a collective bargaining agreement is signed and ratified or, if applicable, the parties are released from mediation by the National Mediation Board.

7. **Republic Exits Chapter 11.**

Republic Airways emerged from Chapter 11 and is a privately held company. The Indianapolis-based regional provides fixed-fee flights under the American Eagle, Delta Connection and United Express brands, and operates 170 Embraer E170/E175 dual-class aircraft, with deliveries of another 18 expected this year. Bryan Bedford is President and CEO.

8. **Cuba Update.**

With Spirit, Frontier and Silver Airways canceling service to Cuba due to overcapacity, lack of demand and high operating costs, airlines are vying for the three daily frequencies to Havana available to U.S. carriers and have asked DOT to institute a frequency allocation proceeding. United requested authority to increase weekly Houston flights to daily; JetBlue requested six additional frequencies from Fort Lauderdale and one Saturday service from Boston; Southwest wants to add a daily frequency to existing double daily service from Fort Lauderdale; American and Delta filed for additional Miami nonstops; and FedEx wants to offer daily service from Miami. . . . A bipartisan coalition of 55 Senators introduced the "Freedom for Americans to Travel to Cuba Act of 2017," which would eliminate restrictions on travel to Cuba by U.S. citizens and legal residents, and end legal prohibitions on travel-related transactions including banking; the bill does not lift the trade embargo. "The travel ban is neither justified nor in our national security or economic interests," said bill sponsors. "If we don't engage, China and Russia will—in fact they already are." . . . Anticipating an Administration U.S.-Cuba policy review, 40 U.S. travel companies and associations in a letter urged Trump to "support

private sector growth in both the U.S. and Cuba by removing inefficient and unnecessary government regulations in order to further expand U.S. travel to Cuba.” . . . Engage Cuba was launched “to generate support from American businesses and non-profit groups to reform U.S. travel and trade restrictions with Cuba.”

9. **Norwegian Board Approves Argentina Subsidiary.**

The Norwegian Group Board of Directors approved the launch of Norwegian Air Argentina and, pending government approval, domestic and international routes will be announced and available for sale by year-end 2017. The Argentinian subsidiary was established in January and an Argentinian Air Operator’s Certificate is pending approval. Norwegian currently is hiring administrative staff in Argentina and crew recruitment will begin in late summer. “We have been very well received by Argentinian authorities and look forward to a fruitful relationship going forward,” said Norwegian Air Argentina CEO Ole Christian Melhus.

10. **American Adds European Cities from Dallas, Chicago.**

See Section VIII, item 2.

11. **United Launches San Francisco-Munich Nonstops.**

See Section VIII, item 3.

12. **Icelandair, JetBlue Announce Frequent Flyer Partnership.**

See Section VIII, item 4.

13. **WOW Air Offers One-Stop U.S.-Israel Flights.**

See Section VIII, item 5.

14. **Norwegian Set to Begin Dublin, Shannon Transatlantic Routes.**

See Section VIII, item 6.

15. **Alaska, Finnair Announce Partnership.**

See Section VIII, item 7.

16. **UPS, China’s SF Holding to Establish Joint Venture.**

See Section IX, item 1.

17. **United Cancels Interline Agreements with Middle East Airlines.**

See Section IX, item 5.