



## 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](mailto:jyoung@yklaw.com)

<http://www.yklaw.com>

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

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## I. **REGULATORY NEWS**

### 1. **FAA: U.S. Enplanements to Reach 1.28 Billion by 2038.**

U.S. airline enplanements will increase from 840.8 million in 2017 to 1.28 billion in 2038, according to Aerospace Forecast Fiscal Years 2018-2038, from the Federal Aviation Administration (FAA). Domestic enplanements will increase 4.7% in 2018, then grow at average rate of 1.7% per year; while international enplanements will increase 5% in 2018, then grow on average 3.3% per year. U.S. airline system revenue passenger miles will grow at an average rate of 2.5% per year, and international at 3.2% per year. Total operations at FAA and contract towers will reach 51 million in 2018 and grow to 60.5 million in 2038. . . . In 2017, U.S. and foreign airlines serving the U.S. carried a record high of 965 million systemwide scheduled service passengers, 3.4% over previous record of 933.1 million reached in 2016, reports the U.S. Department of Transportation (DOT). This includes a 3% increase in passengers on domestic flights to 741.6 million, and 4.8% increase on U.S. and foreign airline flights to and from the U.S. to 223.4 million.

### 2. **FAA, TSA Funding Increased in FY 2018 Spending Bill.**

With FAA authorization set to expire March 31, a six-month extension was included in an approved government-wide appropriations bill. . . . The Fiscal Year 2018 Omnibus Appropriations Act includes \$18 billion in total budgetary resources for FAA, \$1.6 billion above FY 2017 enacted level, with full funding for all air traffic control personnel; \$1.3 billion for Next Generation Air Transportation System investments; \$165 million for the Contract Tower program; and \$1 billion in airport discretionary grants for airports. The bill rejects an increase in the Passenger Facility Charge (PFC). Language accompanying the bill calls for DOT, working with stakeholders to develop guidelines to ensure that all charges on airline and other websites with whom the airlines partner. are clear to the consumer at time of initial search and fully disclosed; For the Transportation Security Administration (TSA), \$7.9 billion includes \$3.2 billion for Transportation Security Officers, \$184.9 million for privatized screening operations, \$151.8 million for 1,047 canine teams, and an increase of \$64 million above request to accelerate procurement and testing of screening equipment. It does not increase TSA passenger fees. It requires extensive reporting “to ensure funds are being spent appropriately and as intended.” The bill contains \$14 billion in discretionary appropriations for Customs and Border Protection.

**3. DOT Bent on Removing Regulatory Burdens.**

DOT is bent on removing “onerous regulatory burdens,” said Derek Kan, Under Secretary of Transportation for Policy, in remarks to the International Aviation Club in Washington DC. The Administration began withdrawing proposed consumer protection rules last year, and Airlines for America (A4A) has submitted suggestions for review or repeal. . . . Writing in *USA Today*, A4A executive Sharon Pinkerton addressed arguments by “the regulate-now crowd” that seat size is a safety issue. “The idea that airlines would intentionally downgrade the flying experience or undermine safety is a flawed premise. The opposite is true, in fact. Airlines continue to invest in a wide range of innovative technologies to maximize personal space in the cabin while maintaining a level of comfort passengers expect.” Last year, the U.S. Court of Appeals for the District of Columbia Circuit ordered FAA to resolve “the case of the incredible shrinking airline seat.”

**4. AAI: DOT Should Revisit ATI Policy.**

The American Antitrust Institute (AAI) released a white paper, “Revisiting Antitrust Immunity for International Airline Alliances,” that describes implications of immunized alliances for domestic competition and consumers, particularly in light of consolidation among U.S. alliance carriers. “Concerns over dwindling choice and quality of air service have come sharply into focus in recent years. In an industry that could not be more consumer-facing, these concerns should be a priority for competition enforcers, policymakers, and legislators,” says AAI, an independent, nonprofit “devoted to promoting competition that protects consumers, businesses, and society.”

**5. Audit Criticizes FAA Management of NextGen Projects.**

A DOT Inspector General audit found that FAA lacks a clearly established framework for managing oversight of NextGen developmental projects and addressing persistent problems. Congress has appropriated over \$7 billion for the program since 2008, including \$1.7 billion for projects that FAA manages through project level agreements (PLAs), an internal control mechanism for documenting agreed-upon work and managing project execution. Among audit findings, 12 of 22 PLAs sampled did not align with FAA’s high-priority NextGen investment decisions, primarily because they were for support or implementation work; a lengthy PLA approval process led to FAA often funding projects without approved PLAs and contributed to difficulty obligating funds to developmental projects; and FAA’s Office of NextGen had not effectively executed and measured outcomes of projects, including tracking expenditures by PLA and obtaining deliverables for PLA projects. FAA took issue with the audit findings.

**6. Visit U.S. Coalition Aims to Reverse Drop in International Tourists.**

The Visit U.S. Coalition aims to reverse a decline in international travelers to the U.S. with proposals that include designating a senior Administration official to focus on elevating travel and tourism as a national priority; adding countries to the Visa Waiver Program; expanding participation in trusted traveler programs to more international markets; promoting adoption of innovative technology; and increasing the number of U.S. Customs and Border Protection officers at ports of entry and improving port of entry infrastructure. The Visit U.S. Coalition represents a cross-section of industries including Travel Technology Association, U.S. Chamber of Commerce and U.S. Travel Association.

**7. DOT Air Travel Consumer Report for January.**

Based on data filed by reporting carriers.

	Jan. '18 / '17	Dec. '17	2017	2016	2015	2014	2013
On-time arrivals %	79.6 / 76	80.3	80.2	81.4	79.9	76.2	78.34
Cancellations %	3.0 / 2.0	1.2	1.5	1.2	1.5	2.2	1.51
Mishandled baggage*	3.5 / 3.40	3.15	2.46	2.70	3.13	3.61	3.22
Consumer complaints:							
Airline service	1,451 / 1,653	1,242	18,148	17,908	20,175	15,539	13,176
Disability-related	66 / 77	58	851	865	944	784	683
Discrimination**	6 / 12	9	98	95	65	68	79

Notes: (1) Beginning in 2018, airlines with at least one-half of one percent of total scheduled-service domestic passenger revenue for 12-months ending December 2016 are required to report on-time performance, cancellation, and other data; previous threshold was at least one percent. This report includes for the first time on-time performance and cancellation data from Allegiant, Endeavor, Envoy, Mesa, PSA and Republic. (2) In January, airlines reported 12 tarmac delays of more than three hours on domestic and 32 of more than four hours on international flights; five domestic and 27 international took place at New York Kennedy January 4-6 during a snowstorm.

\* Reports per 1,000 passengers.

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

**8. Spending on Large UAS to Reach \$30 Billion Annually by 2036.**

Large unmanned aerial systems (UAS) “represent a cornerstone of future aviation, changing the nature of travel, technology and transport, and the economies surrounding those markets,” says Aerospace Industries

Association (AIA). Spending on large UAS is expected to rise from the low hundreds of millions today to \$30 billion annually by 2036, driven by manufacturing and services for long-haul cargo and passenger aircraft. “Recommendations for maintaining U.S. leadership in this developing market include codifying near-term needs for detect-and-avoid operations, autonomous certification and spectrum allocation; international harmonization of regulations and performance-based consensus standards; and modifications of civilian UAS-related export and trade restrictions,” said AIA. . . . FAA projects the small model hobbyist drone fleet to more than double from an estimated 1.1 million vehicles in 2017 to 2.4 million by 2022. The commercial small non-model fleet will grow from 110,604 in 2017 to 451,800 in 2022. The number of remote pilots will increase from 73,673 in 2017 to 301,000 in 2022. FAA is expanding tests of the Low Altitude Authorization and Notification Capability, which ultimately will provide near real-time processing of airspace authorization requests for UAS operators nationwide and enable air traffic controllers to see where planned drone operations will take place.

## II. AIRPORTS

### 1. Chicago Announces \$8.5 Billion O'Hare Expansion.

City of Chicago announced an \$8.5 billion, eight-year capital program that will add 25% more gate capacity at O'Hare and modernize existing terminals, with construction to begin next year and completion by 2026. Terminal 5 will undergo an upgrade and expansion, Terminal 2 will be largely demolished and rebuilt to include a new international arrivals facility (the O'Hare Global Terminal), and Terminals 1 and 3 will undergo renovations. The city seeks authority to issue up to \$4 billion in bonds to help facilitate start of project. The bonds will be funded from landing, terminal and other fees paid by airlines, and revenues from parking and terminal concessions. A new Use and Lease agreement replaces a 35-year pact that expires in May, and "establishes a more modern business arrangement to support O'Hare's growing operations, with revised terms aligned to current industry standards"; it ends provisions that give United and American veto power over major expansion projects, said Chicago Mayor Rahm Emanuel. American initially refused to sign because a provision that awarded five additional gates to United "would undermine competition, allowing the largest airline at O'Hare to expand its size advantage for years into the future." The impasse ended when the city promised to expedite construction of three common use gates in the L concourse. . . . By 2026, O'Hare expects to serve 100 million passengers, up from 80 million today. Projects currently underway include hotel development; a Multimodal Facility; and a new runway, to be completed in 2020.

### 2. FedEx Plans \$1 Billion Upgrade for Memphis Hub.

FedEx Corp. will modernize its Memphis hub at a cost estimated to exceed \$1 billion. The project will include a new sort facility, state-of-the-art sort systems, a bulk truckload building and a new area to improve handling of increasing oversized shipments. Following finalization of project plans, construction could begin in 2019 with completion by 2025.

### 3. Southwest Granted Honolulu Airport Space.

Southwest has been granted a revocable permit for space at Honolulu International Airport and intends to begin marketing flights to Hawaii by yearend or in early 2019. The carrier is seeking Extended-range Twin-engine Operational Performance Standards (ETOPS) clearance to enable the transpacific flights.

4. **ACI-NA: Old Airport Infrastructure a “Source of Frustration.”**

“We have 20th-century airports supporting a 21st-century economy,” said Kevin Burke, President and CEO, Airports Council International-North America, in remarks to the U.S. Chamber of Commerce 2018 Aviation Summit. “With nearly \$100 billion in well-documented infrastructure needs through 2021, America’s airports face unprecedented challenges when it comes to accommodating rapid growth in passenger and cargo activity and rehabilitating existing facilities.” Burke called on stakeholders to come together and find solutions. “From the airlines to the manufacturers and airport business partners to passengers, our outdated airport infrastructure is a common source of frustration. . . designed for half the traffic volume we have today. That’s why it is more important now than ever that we modernize airport infrastructure and improve the security and screening facilitation process to ensure a competitive 21st-century airport system.”

5. **Brazil’s FLN to Double Capacity.**

Zurich AG acquired Brazil’s Hercílio Luz International (FLN) in 2017 and a \$160 million upgrade is underway. Construction of a new terminal, which will double capacity to eight million passengers per year, is expected to be completed in 2019. FLN is served by major South American carriers and new international routes are planned for the holiday destination, located in Florianópolis on the island of Santa Catarina. SITA is providing its advanced Airport Management solution to ensure the airport reaches global standards for operations and passenger services. Zurich AG owns a stake in Brazil’s Belo Horizonte and is involved in airports in Bogotá, Curaçao and Chile.

6. **Third Runway Approved for Narita.**

A third parallel runway was approved for Tokyo Narita by Narita International Airport Corp (NAA), Japan’s Transport Ministry, the Chiba prefecture and local authorities seeking area revitalization and greater competitiveness with other Asian airports. The new 3,500-meter runway is expected to be completed by 2028. An extension of a 2,500-meter runway to 3,500 meters was also proposed, as well as extended operating hours, from the current 6 a.m.-11 p.m., to 5 a.m.-12.30 a.m., with seven hours of no flight time for each runway to appease noise concerns. The Ministry plans to allow aircraft to fly over central Tokyo around Haneda, reports *Japan Times*, with plans to attract 40 million overseas visitors annually by 2020 when Tokyo hosts the Olympics and Paralympics, and 60 million by 2030.

7. **Schiphol Near Capacity Limit.**

Dick Benschop will succeed retiring Jos Nijhuis as President and CEO of Royal Schiphol Group, on May 1. Benschop has served as State Secretary for

Foreign Affairs and most recently was a Royal Dutch Shell executive; he earlier worked at Schiphol Group in an advisory role. . . . “With 497,000 air transport movements in 2017, up 3.7%, we have nearly reached the limit of 500,000,” says the Group’s annual report, and “must urgently find alternatives.” A plan for general aviation airport Lelystad to take over some scheduled leisure flights from Schiphol, mostly to Mediterranean destinations, was delayed until 2020 due to ATC and environmental concerns. . . . Entrepreneurs and residents living around Schiphol have proposed constructing a plain in the North Sea to accommodate a new runway, reports the *Telegraaf*; the 'IJ-plain' can eventually also be used to move other noisy runways away from the airport.

**8. Oman Opens \$1.8 Billion Muscat Airport.**

Oman’s new Muscat International Airport has opened for business. The \$1.8 billion facility can handle 20 million passengers a year and includes 6,000 square meters of duty-free shopping, 8,000 parking spaces, and 96 check-in counters.

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

#### **1. DHS, TSA Mark 15<sup>th</sup> Anniversary.**

The Department of Homeland Security (DHS) marked its 15<sup>th</sup> anniversary with a panel discussion that featured current Secretary Kirstjen Nielsen and former Secretaries John Kelly, Michael Chertoff and Tom Ridge, who noted that “it is difficult to celebrate success when success means that something didn’t happen.” . . . Since its inception, TSA has lived by the motto Not on My Watch, said Administrator David Pekoske, in the first-ever ‘State of TSA’ address. “It is my hope to encourage an even stronger relationship between those outside TSA and those within, by acknowledging everyone’s role in our shared security mission. Together we will adopt and embrace a new creed: Not on Our Watch.” Pekoske vowed a return to the entrepreneurial spirit that marked the days immediately following 9/11. We know our adversaries are continuously evolving their tactics, he said. “When our adversaries evolve, they concede that we have been successful today and they demonstrate that they have not given up on attacking us tomorrow.”

#### **2. Lufthansa Testing Biometrics Boarding at LAX.**

British Airways was the first airline to trial self-service biometric boarding gates on international flights out of the U.S., working in partnership with Los Angeles International (LAX), and now Lufthansa is testing biometric boarding there. The passenger uses a self-boarding gate with facial recognition cameras that send images to the U.S. Customs and Border Protection database for real-time matching and verification. Upon a successful, instantaneous match, the passenger is recognized as ‘boarded’ and does not have to show a boarding pass or passport at the gate. During initial trials, Lufthansa boarded about 350 passengers onto an Airbus A380 in about 20 minutes. Amadeus, provider of Lufthansa’s Passenger Service System which includes the Altéa Departure Control solution, developed the biometric enhancement with Lufthansa. The carrier intends to expand the pilot program to additional U.S. gateways and other passenger touchpoints. The trial’s completion will also pave the way for other airlines using Amadeus’s Altéa technology to deploy biometrics boarding. . . . According to a new SITA report, 63% of airports worldwide and 43% of airlines plan to invest in biometric ID management solutions in the next three years. “Biometrics for Better Travel: An ID Management Revolution” says airlines and airports must have global consensus on how to securely resolve passenger identity issues as an integral part of next generation of self-service systems; and stakeholders must collaborate with governments to ensure scalability and interoperability across borders.

3. **ACLU Questions TSA on Searches of Passengers' Digital Devices.**

The American Civil Liberties Union (ACLU) Foundation of Northern California filed a Freedom of Information Act (FOIA) lawsuit demanding TSA documents about searches of electronic devices belonging to people traveling on domestic flights. TSA reportedly has responded that it does not search electronic devices of air travelers for content, so such records do not exist. ACLU is also challenging Customs and Border Protection, which “claims the authority to conduct warrantless searches of electronic devices at international border crossings without probable cause to support the search”; CBP conducted 5,000 searches of electronic devices in airports in 2015, ACLU said, a figure that rose to 30,000 in 2017.

4. **World Travel Trends Report 2017/2018.**

Although international travel remains overwhelmingly safe, the World Travel Monitor reports that 41% of travelers surveyed last September said instability and terror warnings would affect their plans for 2018, 33% planned to shift to a ‘safer’ destination, and 8% possibly would not travel abroad at all. Figures are based on 29,000 interviews in 24 European, Asian and American markets. About 8% of international travelers suffered a serious ‘risk event’ in the January-August 2017 period, including crime (4%), health issues (3%) and incidents such as natural catastrophes (1%).

## IV. E-COMMERCE AND TECHNOLOGY

### 1. Schumer: Dynamic Pricing May Violate Consumer Protections.

Senator Chuck Schumer (D-NY) asked the Federal Trade Commission to investigate reports that airlines are mining passenger data to price fares on the basis of income and purchasing behavior. “This is ‘Big Brother’ meets ‘Big Business’ and it is a frightening combo for already price badgered airline travelers,” said Schumer. He added that the travel industry is “looking to nickel-and-dime consumers based on their mobile phone or computer’s browser history is a sad state of affairs that just might violate consumer protections.”. American Society of Travel Agents agreed, adding, “it is entirely appropriate that both the Federal Trade Commission and the Department of Transportation keep a close eye on airline ‘dynamic pricing’ initiatives and the potential for widespread price discrimination.”

### 2. Russian Hackers Attack U.S. Aviation.

Aviation is among critical infrastructure sectors that have been targeted by Russian hackers since at least March 2016, according to an alert issued by DHS and the Federal Bureau of Investigation (FBI). An attack on the U.S. civil aviation industry early in 2017 had limited impact and steps were taken to prevent further intrusions, reports Bloomberg, quoting the Aviation Information Sharing and Analysis Center.

### 3. Cyberattack Affects Atlanta Airport.

Wireless Internet access at Hartsfield-Jackson Atlanta International Airport was shut down for several days, when the city's computer systems suffered a ransomware attack. “We are experiencing internet difficulties,” the airport tweeted. “ATLs WiFi, along with security wait and flight info are impacted. Please check with your airline.” Once systems were up again, the city announced that the airport had “operated without incident.”

### 4. Orbitz Hack May Affect 880,000 Credit Cards.

Orbitz systems were hacked last year and 880,000 payment card numbers of consumers who booked in 2016 and 2017 may be affected. Orbitz provides booking for other companies, such as Amextravel.com, which also may have been affected. The company is offering affected individuals one year of complimentary credit monitoring and identity protection service.

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on March 16 was \$78.2/barrel, down 0.9% on the month and up 28% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2018 was \$81/barrel; impact on 2018 fuel bill was \$36.2 billion.

### 2. **IAG Uses Connected Aircraft Solution to Reduce Carbon Emissions.**

International Airlines Group is deploying Honeywell's GoDirect® Flight Efficiency software across its fleet. "This technology will allow our airlines to further optimize their fuel consumption by analyzing aircraft performance and sharing best practice across the group," said Willie Walsh, CEO of IAG, parent company of Aer Lingus, British Airways, Iberia, LEVEL and Vueling.

### 3. **Ryanair Launches New Environmental Policy.**

Ryanair said it will remove all non-recyclable plastics from operations over the next five years and achieve an emissions rate of 61.4 grams of CO2 per passenger km by 2030, 8% lower than its current rate.

### 4. **Ethiopian Partners with UN Environment.**

Ethiopian and UN Environment will partner to "plant one tree for every passenger flown," with a goal of planting nine million trees in the name of the airline throughout the nation. Other collaboration areas include training on sustainable consumption and production, integrated waste management and hazardous chemical treatment; and developing environmental awareness materials for use in inflight entertainment. The agreement was signed at the African Civil Aviation Biofuel Summit in Addis Ababa.

### 5. **Agrisoma Raises Funds for Expansion.**

Agrisoma Biosciences, a Canadian agricultural technology company that sells Carinata seeds used to produce biojet fuel, completed a CAD \$12 million investment round to "expand the commercialization of Carinata and its production in southeastern United States, South America and Australia." Obtained from Carinata mustard oil, the fuel powered a Qantas Dreamliner on the first commercial biojet transpacific flight.

## VI. U.S. CONGRESS

### 1. House Passes Security Bills.

The House passed the Air Cargo Security Improvement Act, which was introduced by Bennie Thompson (D-MS) last October. H.R. 4176 amends the Homeland Security Act of 2002 to provide statutory authority for the air cargo advance screening program. The bill directs TSA to: (1) establish an air cargo security office, (2) conduct a pilot program to test screening equipment using computed tomography technology, (3) report to Congress on actions to improve the Certified Cargo Screening Program, (4) develop standards for use of third-party explosives detection canines for primary screening of air cargo, and (5) request a review and assessment of the known shipper program. The Government Accountability Office must review TSA screening processes and procedures for examining air cargo entering the United States and assess its risk-based strategy for examining such cargo. . . . The House passed the Strengthening Aviation Security Act. H.R. 4467 mandates that the Federal Air Marshal Service (FAMS) deploy its personnel for domestic and international flight coverage using risk-based strategies.

### 2. Senate Committee Approves DHS Authorization.

The first-ever DHS reauthorization bill cleared the Senate Homeland Security and Governmental Affairs Committee. The Department of Homeland Security Authorization Act amends the Homeland Security Act of 2002 to establish a DHS headquarters that would, among other things, set out a strategy and ensure that DHS meets operational and management performance objectives. H.R. 2825: (1) sets forth responsibilities of the Chief Privacy Officer, Chief Financial Officer, and Chief Information Officer of DHS; (2) establishes positions of Chief Procurement Officer and Chief Security Officer; and (3) includes acquisition management with responsibilities of the Under Secretary for Management. DHS must establish an Acquisition Review Board to strengthen accountability and uniformity, review major acquisition programs, review use of best practices, and adopt and report on a multiyear acquisition strategy.

### 3. Flurry of Hill Action to Protect “Our Furry Friends.”

Bills and warnings ensued when a dog died in an overhead bin during a United flight. The Welfare of Our Furry Friends Act (WOOFF), introduced in the Senate by John Kennedy (R-LA) and Catherine Cortez Masto (D-NV), directs FAA “to promulgate regulations to prohibit the storage of live animals in overhead compartments of airplanes.” A companion bill, the PETS (Planes

Ensuring Total Safety) Act, was introduced in the House by Dan Donovan (R-NY) and Steve Cohen (D-TN). . . . Senator Kennedy wrote to United President Scott Kirby, demanding an immediate explanation as to why, according to DOT statistics, 18 of 24 animals that died in major U.S. airlines' care last year were in the care of United. "Another 13 animals in United's care suffered injuries last year," he added; while "Delta and American each reported two animal deaths." . . . United CEO Oscar Munoz was ordered to brief the House Oversight and Government Reform Committee on "the troubling record of pet safety at United" by April 6, in a letter from Ron DeSantis (R-FL) and Mark Meadows (R-NC), Chairmen of the Subcommittees on National Security and Government Operations, respectively. . . . Regarding the incident, DOT said it is in contact with the U.S. Department of Agriculture, which enforces the Animal Welfare Act and handles complaints about alleged animal mistreatment; and a Texas court launched a criminal investigation, as the death occurred on a Houston-to-New York flight. . . . United halted its program for pets that travel in the cargo compartment, PetSafe®, while it conducts a review "with independent experts in pet safety, comfort and travel." The suspension does not affect pets that travel in the cabin, service that is also under review; and from April the carrier "will issue bright colored bag tags to help better identify pets who are traveling in-cabin."

**4. Munoz Urged to Respect Catering Workers' Decision to Organize.**

Democratic lawmakers in the House and Senate wrote to Oscar Munoz regarding reports of management interference with catering workers' efforts to organize a union. United's 2,700 catering workers make as little as \$9.75 an hour, said one letter; and they are the only major group of direct non-managerial employees at United without a union.

## VII. BILATERAL AND STATE DEPARTMENT NEWS

### 1. Brazil's Senate Ratifies Open Skies Agreement with United States.

An Open Skies agreement with the United States was ratified by the Brazilian Senate. The pact is a prerequisite for U.S. DOT to approve American Airlines' proposed Joint Business Agreement with LATAM Airlines Group, announced in 2016, which covers travel between the U.S. and Canada and Brazil, Chile, Colombia, Paraguay, Peru and Uruguay, and has received regulatory approvals from Brazil, Colombia and Uruguay. Azul is said to be interested in a joint venture with United, which owns a 5% stake in the Brazilian carrier, as is Avianca Brazil, which code shares with United. Delta holds a 9.5% stake in Sao Paulo-based Gol.

### 2. Brexit: UK, EU Agree on 21-Month Transition Plan.

Negotiators agreed on terms of a 21-month transition period following Britain's exit from the European Union (EU) on March 30, 2019. During the transition, the UK will no longer participate in EU decision-making but will "retain all the advantages and benefits of the single market, the customs union, and European policies, and will therefore also have to comply with all European rules, just like the Member States." The draft agreement will "reassure all carriers and beneficiaries of projects funded by the European budget during the period 2014-2020" and allow companies "to plan for the future with confidence." Negotiators advised British companies to prepare for the future "by using this time to negotiate agreements with third countries." Legal certainty on the transition will come only with ratification of the withdrawal agreement on both sides, they said. "Nothing is agreed until everything is agreed." . . . Prime Minister Theresa May said the UK intends to seek post-Brexit associate membership in the European Aviation Safety Agency, which would ensure that products need undergo only one series of approvals and that UK firms can resolve certain challenges through UK courts rather than the European Court of Justice. . . . UK Transport Minister Baroness Sugg said officials are working with third countries where air services are currently governed by EU agreements, to ensure that new, replacement arrangements are in place. "Despite some reports to the contrary, talks so far have been positive and we have made significant progress," she added. The UK is said to have rejected a U.S. bilateral approach, but Airlines for America said the two sides are making significant progress.

## VIII. EUROPE AND AFRICA

### 1. New Rules Would Protect EU Airlines from Unfair Competition.

New rules backed by the European Parliament Transport Committee would protect EU air carriers. If adopted, a complaints-handling mechanism would be set up to investigate unfair practices by non-EU countries, such as subsidies, preferential access to airport services and unfair pricing by airlines. Following complaint and investigation, if the European Commission finds injury or threat of injury to an EU airline, it can propose financial or operational compensatory measures. Carriers from the Gulf region, Turkey, China and Russia have strong state connections which can cause market distortions. said the EU. This “aviation defense instrument will protect without being protectionist and should persuade and deter rather than punish.”

### 2. American to Offer Basic Economy on Transatlantic Flights.

American will introduce basic economy fares on some transatlantic flights in April, with partners British Airways, Iberia and Finnair. Tickets are non-refundable and upgrades not permitted, regardless of elite status level.

### 3. UPS Sues EC for €1.7 Billion for Blocking TNT Bid.

It was learned that United Parcel Service (UPS) sued the European Commission for €1.7 billion in December 2017, for blocking its takeover of TNT Express in 2013. TNT was acquired by FedEx in 2015.

### 4. Lufthansa Launches Year-Round San Jose Flights.

Lufthansa resumed service from Frankfurt to San Jose, in Silicon Valley, with five weekly year-round Airbus A340-300 nonstops; previous service was seasonal. . . . Lufthansa announced that 2017 results were the best in its history, with revenues up 12.4% to € 35.6 billion. “We were able to reduce costs again, while at the same time becoming the first—and the only— airline in Europe to be awarded a five-star rating. We are lowering our costs where this does not affect the customer and are simultaneously further investing in our product and service quality,” said Carsten Spohr, whose tenure as Chairman and CEO has been extended for another five years.

### 5. Norwegian Expands U.S. Service.

Norwegian’s daily Dublin-to-Stewart nonstops will increase to twice-daily on April 26, with one-way fares starting at €120 and optional bus service to New York City. Shannon-to-Providence will increase from two to four weekly, and Shannon-to-Stewart to three weekly. London Gatwick services to Los Angeles,

Orlando, Fort Lauderdale, Oakland and Boston will increase. New direct routes from Gatwick include daily to Chicago and four-weekly to Austin. . . . CEO Bjorn Kjos said Norwegian has received authorization from the Argentine government to operate flights to 13 Brazilian cities from Buenos Aires, which it began serving from London in February.

**6. Ryanair to Acquire Stake in Laudamotion.**

Ryanair will acquire a 24.9% stake in Laudamotion, rising to 75%, subject to EU competition authority approval. The Vienna-based airline is the rebranded NIKI acquired by founder Niki Lauda from bankrupt airberlin, along with assets including Airbus A320s. Lauda will be Board Chairman and “oversee implementation of his strategy to build a low-fare airline.” The cost of the 75% investment will be less than €50 million, said Ryanair, which also will provide €50 million for startup and operating costs. Ryanair will provide six wet-lease aircraft for Summer 2018 to enable Laudamotion to complete a 21-aircraft flying program. . . . Separately, Ryanair signed an agreement with ANPAC (Italian Airline Pilots Association), which will be the sole representative body for the carrier’s employed pilots in Italy; a pact with UK union BALPA was signed in January and “together they represent over 45% of our pilot body.”

**7. Fastjet, LAM Plan Cooperation.**

fastjet and Mozambique flag carrier LAM agreed to explore long-term cooperation, which could cover code share and interline agreements, cargo, engineering and maintenance. fastjet CEO Nico Bezuidenhout said the initiative is the first of its kind in Africa. In addition to Mozambique, fastjet offers low-cost flights to destinations in South Africa, Tanzania, Zambia and Zimbabwe. State-owned LAM is a signatory to the Yamoussoukro Decision, a prelude to African Open Skies; CEO is Antonio Pinto.

**8. Qantas Dreamliner Flies Direct Perth-to-London in 17 Hours.**

See Section IX, item 1.

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

### **1. Qantas Dreamliner Flies Direct Perth-to-London in 17 Hours.**

New Qantas service flies between Australia and London in less than 24 hours. Operated by a Boeing 787-9, the flight reduces travel time by eliminating stopovers and taking advantage of the most favorable winds, said the carrier. “The original Kangaroo Route from Australia to London was named for the seven stops it made over four days back in 1947,” said Qantas CEO Alan Joyce. “Now we can do it in a single leap.” The Perth-to-Heathrow service is the only direct air link between Australia and Europe. At 14,498 km, QF9 is the third longest commercial flight currently in operation, and the world’s longest Dreamliner flight.

### **2. United, Air New Zealand Expand Joint Venture.**

Air New Zealand will begin three-times-weekly, year-round Boeing 787-9 nonstops between Auckland and Chicago on November 30, with code share service offered by joint venture partner United across the U.S. Flight time will be about 15 hours northbound and 16 hours southbound. In addition, United will extend its three-times-weekly seasonal Boeing 777 service between San Francisco and Auckland to year-round in April 2019; Air New Zealand will offer connections across the region.

### **3. Air China to Launch Beijing-Houston-Panama City Route.**

Air China will launch a fifth freedom continuation of its Beijing-Houston service to Panama City on April 5. The Star Alliance carrier has served Houston Intercontinental since 2013. China is Panama's second largest trading partner and the second largest user of the Panama Canal, and Panama is China's largest trading partner in Central America. In 2017, bilateral trade amounted to nearly \$6.7 billion, while two-way passenger traffic totaled nearly 40,000, growing at an annual rate of almost 30%.

### **4. Hawaiian, JAL Launch Code Sharing, Plan Joint Venture.**

Hawaiian and Japan Airlines (JAL) began a code share partnership that includes access to 36 domestic and 11 international destinations (subject to government approval) within JAL’s network, as well as all Japan-Hawaii flights; access to Hawaiian’s neighbor island network of 170 daily flights; inclusion of Hawaiian in JAL tour packages between Japan and Hawaii; and reciprocal lounge benefits. Hawaiian has relocated to Terminal 2, adjacent to JAL, at Tokyo Narita. Hawaiian is the largest U.S. carrier for service between Japan and Hawaii, with gateways in Tokyo Haneda and Narita, Sapporo and Osaka.

JAL and Hawaiian plan to create a joint venture and expect to file an antitrust immunity agreement with U.S. and Japanese authorities in April.

5. **ANA to Merge Peach, Vanilla Units.**

ANA Holdings is integrating its Peach and Vanilla subsidiaries “with the goal to become the leading low-cost carrier (LCC) in the Asian region.” The process will start this year, with completion by end of FY 2019. Peach started operations from Osaka Kansai in March 2012, and Vanilla from Tokyo Narita in December 2013.

6. **Air India Flies to Israel via Saudi Airspace.**

Saudi Arabia opened its airspace to a commercial flight to Israel for the first time in 70 years, for an Air India Boeing 787-8 traveling from New Delhi to Tel Aviv. Israel said that using Saudi airspace cut travel time to India by around two hours. It is unknown whether Saudi airspace will be open to Israeli airlines. El Al, which flies four times a week to Mumbai, said Air India now has an unfair advantage. “Such approval, which was granted by the state of Israel, gives a significant and unfair advantage to a foreign airline and is contrary to any principle of reciprocity in the world of international aviation,” said El Al, which is bringing its complaint to the Israeli Supreme Court.

7. **Emirates Increases U.S. Service.**

Emirates increased frequencies on Dubai services to Fort Lauderdale and Orlando, from five weekly to daily, and in June will substitute an Airbus A380 for the Boeing 777-300 on its Houston route. The carrier reduced frequencies on 12 U.S. routes last April, due to reduced demand related to U.S. policies, like the ban on carrying electronics larger than a laptop. Emirates is investing \$150 million to refurbish 10 Boeing 777-200LRs in its fleet and unveiled a new business class cabin and configuration with wider seats in a 2-2-2 configuration. . . . Emirates was granted fifth freedom rights to launch direct flights from Barcelona El Prat to Mexico City, since this route is not covered under air transport agreements between Spain and the UAE. “More than 95,000 seats will be offered in each direction and it is estimated that the new link could eventually have more than 150,000 passengers annually,” said the airline, which also plans to add a third daily Barcelona flight from Dubai. . . . The UK Civil Aviation Authority (CAA) called on Emirates to immediately compensate delayed passengers for missed connections outside the EU. “They have failed in their attempts to overturn the Court of Appeal Judgement, which now means that millions of pounds worth of compensation is due,” said CAA, urging airlines to “commit to the Alternative Dispute Resolution scheme, to ensure a legally binding resolution to any disputed complaints about delays, cancellations and baggage.”

**8. Qatar Adds 16 New Destinations.**

Qatar Airways announced 16 new destinations for 2018-2019, as well as increased frequencies. CEO Akbar Al Baker said the airline's aggressive expansion plans "hit back at his neighbors for the illegal blockade on Qatar. . . We are very defiant, and Qatar Airways will keep on expanding and keep on raising the flag for my country all over the globe."

**9. CAPA: LCCs Are New Normal.**

Low-cost carriers "have massively disrupted air travel and the way all airlines now think about serving the public," said speakers at the Centre for Aviation Global LCC Summit 2018 in Singapore. "With a nimble strategy offering new point to point connectivity, introducing industry innovations, developing ancillary-focused activities and embracing modern digitalization and technological practices, they have become the new 'normal' in the industry." Among insights, Boeing said eight of the top 10 airlines by operating margin are LCCs; they have the right product to match market trends—leisure now accounts for 75% to 80% of passengers' purpose of travel, compared to a 50/50 split between leisure and business travel in the past.

## **X. AMERICAS**

### **1. American Adds New Routes in Mexico, South America.**

American Airlines will begin new service from Philadelphia to Mexico City on July 5. In December, the carrier will begin Boeing 787-9 Los Angeles-to-Buenos Aires, the only nonstop on the route; as well as Dallas/Fort Worth to Oaxaca, Mexico; and Miami to Georgetown, Guyana, and Pereira, Colombia. Miami to Cordoba, Argentina begins in April 2019. All routes are subject to government approval.

### **2. New Hawaiian CEO is Peter Ingram.**

Mark Dunkerley has retired and Peter Ingram succeeded him as President and CEO of Hawaiian Airlines and Hawaiian Holdings. Ingram has been an executive with the company since 2005, most recently serving as Executive Vice President and Chief Commercial Officer. He previously held management positions with American Airlines.

### **3. JetBlue Flight Attendants Vote on Joining Union.**

JetBlue flight attendants are voting on whether to join the Transport Workers Union. The National Mediation Board is overseeing the election, which ends April 17. JetBlue in a statement said it encourages its flight attendants to exercise their right to vote, but hopes they will vote "NO."

### **4. Spirit Airlines Pilots Ratify Five-Year Agreement.**

Spirit Airlines pilots ratified a new five-year agreement, which includes an average 43% increase in pay rates on date of signing, double-digit direct contributions to retirement plans and ratification compensation. The ratification represents three years of contract negotiations between the airline and Air Line Pilots Association, Int'l, including nearly two years with assistance of the National Mediation Board.

### **5. Great Lakes Airlines Ceases Operations.**

Great Lakes Airlines has ceased scheduled passenger operations, after 40 years of regional service to airports in the U.S. Midwest and West. The airline attributes its demise to new flight officer qualification requirements, which led to "its inability to employ pilots." Great Lakes owns 28 Beechcraft 1900Ds and six Embraer 120 Brasilias; corporate headquarters is in Cheyenne, Wyoming, and hub at Denver International.

6. **WestJet Names New President and CEO.**

WestJet Vice-President Commercial Ed Sims succeeded Gregg Saretsky as President and CEO. Before joining WestJet in 2017, Sims was CEO of New Zealand's air navigation service provider and held leadership positions with Tui, Thomas Cook, Virgin Groups and Air New Zealand. . . . Steven Greenway was named President of WestJet ultra-low-cost unit Swoop, which launches in June; he was COO of Singapore Airlines' mid-to-long-haul LCC Scoot.

7. **Avianca Brasil Adds Second Daily Service to Miami.**

Avianca Brasil will add a second daily frequency between Sao Paulo Guarulhos and Miami in December, operating an Airbus A330-200 on the route.

8. **American to Offer Basic Economy on Transatlantic Flights.**

See Section VIII, item 2.

9. **UPS Sues EC for €1.7 Billion for Blocking TNT Bid.**

See Section VIII, item 3.

10. **Lufthansa Launches Year-Round San Jose Flights.**

See Section VIII, item 4.

11. **Norwegian Expands U.S. Service.**

See Section VIII, item 5.

12. **United, Air New Zealand Expand Joint Venture.**

See Section IX, item 2.

13. **Air China to Launch Beijing-Houston-Panama City Route.**

See Section IX, item 3.

14. **Hawaiian, JAL Launch Code Sharing, Plan Joint Venture.**

See Section IX, item 4.

15. **Emirates Increases U.S. Service.**

See Section IX, item 7.