



## WASHINGTON AVIATION SUMMARY

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

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## **I. REGULATORY NEWS**

### **1. DOT IG: FAA Oversight of American's Flight Test Program Lacking.**

The Federal Aviation Administration (FAA) lacked objectivity when addressing safety concerns about the American Airlines flight test program, found an audit by the Department of Transportation Inspector General (DOT IG). Those concerns, as reported by Allied Pilots Association, included use of unqualified pilots to verify airworthiness of aircraft following major repairs or maintenance. The FAA inspector “seems to have been affected by his relationship with AA personnel and the 28 years he spent working with the carrier,” said the IG. FAA inspector relationships with airlines they oversee has been an issue since a 2008 review of the oversight office for Southwest Airlines. Steps taken since have not been sufficient to identify diminished inspector impartiality or mitigate risks, concluded the IG.

### **2. FAA Urged to Enforce Safe Use of Child Car Seats on Planes.**

FAA Acting Administrator Daniel Elwell was asked what steps he is taking to address airline compliance with guidance on child restraint systems on aircraft, in a letter from Senators Richard Blumenthal (D-CT), Edward Markey (D-MA), Patrick Leahy (D-VT), and Dianne Feinstein (D-CA). They cited several incidents of airlines preventing parents from putting their children in aviation-approved car seats on planes and providing inconsistent, possibly unsafe direction on the use of car seats on planes. “Flying can be dangerous for children,” they wrote. “Volatile flying conditions have prevented parents from holding onto their child. Unexpected turbulence, rough takeoffs, and unstable landings can cause a parent to lose hold of their child—leading to the child being catapulted through an aircraft cabin—and potentially causing injury or death. Please outline what steps you are taking to address these disconcerting events and ensure that airlines keep employees informed about current law and best practices.” . . . Separately, Blumenthal and Markey criticized FAA's decision to deny a petition by FlyersRights.org seeking a rulemaking on airline seat size and pitch. FAA found no evidence of an immediate safety issue necessitating rulemaking. “We simply cannot fathom why the FAA would not at least wait until the DOT Office of Inspector General has concluded its investigation into emergency evacuation standards before making its determination,” said the Senators. “FAA’s stunning failure to act in the public interest here is yet one more reason why Congress must pass an Airline Passengers’ Bill of Rights immediately.” Blumenthal and Markey are authors of such a bill, which includes a requirement for FAA to take initial steps to assess and set a minimum seat size, among other provisions.

**3. DOT to Allocate U.S.-Havana Saturday Frequency.**

DOT instituted a proceeding to allocate a weekly frequency for Saturday-only scheduled service between the United States and Havana made available by Delta, which will terminate its Saturday service to Havana from New York Kennedy on September 1 and return the frequency to DOT. Carriers requesting the allocation are American (Miami), JetBlue (Fort Lauderdale) and Southwest (Tampa). . . . In related news, JetBlue will initiate Saturday service to Havana from Boston in November and add service from Fort Lauderdale, Orlando and New York. Delta will operate a second nonstop from Miami to Havana, five times a week on an Airbus A320, from October.

**4. FAA Proposes Civil Penalties.**

FAA proposed a \$327,500 civil penalty against Rolls-Royce Corporation of Reston, Va., for alleged drug and alcohol testing violations for employees who perform safety-sensitive maintenance work. Violations included failure to include 17 employees in random drug and alcohol testing pools; to obtain drug and alcohol testing records for four new hires; to administer follow-up drug and alcohol tests to employees who returned to work after testing positive for drug use; and to include employees from two subcontractors that it hired in its drug and alcohol misuse program. . . . A \$1,466,775 civil penalty was proposed against Virgin Islands Port Authority (VIPA) for alleged violations of safety regulations at Henry E. Rohlsen Airport in St. Croix and Cyril E. King Airport in St. Thomas. Inspections in January and February 2018 found that VIPA did not have qualified personnel to oversee airport operations or conduct required daily inspections or Airport Rescue and Firefighting operations. Other violations included insufficient recordkeeping, inability to apply a fire-extinguishing agent, improper grading of runways to eliminate hazardous conditions, improper lighting of runways and taxiways, and failure to inform carriers of these issues. VIPA also failed to confirm that each fueling agent at St. Croix had trained fueling personnel and failed to take immediate action to alleviate wildlife hazards detected at the landfill near the airport.

**5. Boeing-Embraer, Airbus-Bombardier Partnerships.**

Boeing will hold an 80% ownership stake in a proposed commercial aviation joint venture with Embraer. Another joint venture will promote and develop new markets and applications for defense products and services. . . . Airbus acquired a controlling interest in Bombardier's C Series and re-named the aircraft the Airbus A220-100 and A220-300. Customers include JetBlue, which ordered 60 A220-300s for delivery from 2020, to replace Embraer E190s. A U.S. startup planned by David Neeleman made commitments for 60 A220-300s; Neeleman was founder of JetBlue and Brazil's Azul and is a TAP Portugal stakeholder. . . . At the Farnborough Airshow, Boeing announced \$98.4 billion in orders and commitments for commercial airplanes at list prices;

launch of Boeing NeXt, an incubator organization for future commercial mobility solutions; and a collaboration with SparkCognition to use artificial intelligence and blockchain technologies to track unmanned air vehicles in flight, allocate traffic corridors and routes, and “provide a standardized programming interface to support package delivery, industrial inspection and other commercial applications.” In its 20-year Commercial Market Outlook, Boeing forecasts almost 43,000 new airplanes, valued at \$6.3 trillion, and demand for \$8.8 trillion worth of commercial services. . . . Airbus announced sales of 431 commercial aircraft at Farnborough, bringing year-to-date orders to 752 (354 firm). Airbus’ Global Market Forecast predicts the world’s passenger fleet will more than double to 48,000 aircraft in 20 years with traffic growth at 4.4% per year.

**6. DOT Air Travel Consumer Report for May.**

Based on data filed by reporting carriers.

	May '18 / '17	April '18	2017	2016	2015	2014	2013
On-time arrivals %	79.4 / 79.1	81.3	80.2	81.4	79.9	76.2	78.34
Cancellations %	1.2 / 0.8	1.0	1.5	1.2	1.5	2.2	1.51
Mishandled baggage*	2.59 / 2.32	2.39	2.46	2.70	3.13	3.61	3.22
Consumer complaints:							
Airline service	1,102 / 1,784	1,169	18,148	17,908	20,175	15,539	13,176
Disability-related	66 / 80	73	851	865	944	784	683
Discrimination**	9 / 9	6	98	95	65	68	79

Note: In May, airlines reported 12 tarmac delays of more than three hours on domestic flights, and four of more than four hours on international flights.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. OAG: World's Top 10 Revenue Routes.

British Airways' London Heathrow to New York Kennedy route saw revenue of over \$1 billion between April 2017 and March 2018, according to a new ranking from OAG, "The World's Top 10 Revenue Routes." On an hourly basis, that equates to \$24,639, which is surpassed by Emirates' Heathrow-Dubai service (third in the Top 10).

### 2. \$180 Million in Infrastructure Grants to Dallas-Fort Worth.

FAA will provide \$180 million in infrastructure grants for construction of two perimeter taxiway complexes at Dallas-Fort Worth that will enable aircraft to reach their gates without waiting to cross other runways during busy periods. Work will begin on the new taxiway on the airport's northeast side in 2019, and on the southwest side in 2021. Total cost is estimated at \$278 million, of which 65% will be funded through the Airport Improvement Program (AIP). In another increment of a total \$3.18 billion in AIP funding, FAA will award \$770.8 million to 522 airports, including another \$31 million to Dallas-Fort Worth for the rehabilitation of Runway 17-C. An increment of \$659.8 million provides 450 grants; recipients include Minneapolis St. Paul (\$5.8 million), St. Louis Lambert (\$10.2 million), Reagan Washington National (\$11.5 million) and Washington Dulles (\$6.1 million).

### 3. Denver Great Hall Renovation Begins.

Phase 1 construction began on the renovation of Denver International's Great Hall. The project will increase terminal capacity to 80 million passengers; last year, the terminal handled more than 60 million, 10 million over capacity. Features include relocation of TSA screening checkpoints from Level 5 to Level 6, automated security lanes, and upgrades to infrastructure and systems. A concourse expansion will add 39 new gates. The project is a public-private partnership with Great Hall Partners, comprising Ferrovial, JLC Infrastructure and Saunders Concessions. A 34-year contract calls for Great Hall Partners to design and construct all improvements in the next four years, followed by 30 years of operations and maintenance within specific commercial areas of the terminal, including retail and restaurant units. . . . Denver City Council approved a proposal to replace 16 underground train cars and add an additional 10. The \$69 million project was awarded to Bombardier Transportation Holdings USA; this is in addition to \$162 million operations and maintenance contract signed last year.

**4. Pittsburgh Design Team Selected.**

Allegheny County Airport Authority approved a \$15 million contract with an architectural and engineering joint venture team for initial design concepts for the Pittsburgh International Terminal Modernization Program. The team of Gensler and HDR, with associate luis vidal + architects, will develop a design that consolidates check-in, ticketing, security and baggage operations into one connected facility. The airport serves nine million passengers annually and in the past three years has doubled nonstop destinations.

**5. Paulding's Part 139 Effort Terminated.**

Paulding Northwest Atlanta's five-year effort to become a Part 139 commercial passenger airport ended when it did not submit revisions needed for a draft environmental assessment by the May 28 deadline. FAA said it has closed its file on the airport's application. The Paulding proposal was opposed by the city of Atlanta and by local residents who reportedly received financial support from Delta Air Lines for lawsuits.

**6. Heathrow Has Record First Half 2018.**

London Heathrow handled 38.1 million passengers in six months ending June 30, a record. Cargo grew by 2.2% and retail by 4.8% ("sunglasses have proved particularly popular, with over 700 pairs sold each day so far this year").

**7. Islamabad International Opens.**

The new Islamabad International Airport opened with a ceremonial Emirates' Airbus A380 flight from Dubai carrying 625 passengers, including celebrities, officials and journalists. The facility replaces Benazir Bhutto International and, according to its website, can handle nine million passengers and has 112 check-in counters, parking for 2,000 vehicles, two 3,600-meter runways and a convention center.

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

#### 1. **American Airlines, TSA Testing 3-D Screening Technology.**

The Transportation Security Administration (TSA) is working with American Airlines to demonstrate a new computed tomography (CT) scanner at New York Kennedy. The three-dimensional (3-D) technology allows the operator to rotate the bag's image 360 degrees to show contents of carry-on items at every angle and virtually search clutter for explosives and other prohibited items. In the future, CT could allow passengers to leave liquids, gels and aerosols, as well as laptops, in carry-on bags at all times. CT technology is also being tested at airport security checkpoints in Phoenix and Boston.

#### 2. **Lufthansa Conducts Facial Recognition Pilot at Seattle.**

Lufthansa is conducting a facial recognition pilot at Seattle-Tacoma and said it boarded nearly 350 passengers onto an Airbus A380 in about 20 minutes using the technology. U.S. Customs and Border Protection (CBP) is testing biometric exit at several major U.S. airports and preclearance locations in Aruba, Abu Dhabi and Ireland (Shannon and Dublin), amid opposition from privacy advocates. In addition to Lufthansa, CBP has partnerships with Delta, Jet Blue, British Airways and Air New Zealand.

#### 3. **Oakland Installs Multi-Threat Detection Capability.**

Oakland International Airport is using a threat detection and prevention system in its employee screening program. Evolv Edge™ is powered by artificial intelligence to protect against firearms and explosives and has built-in wheels for portability throughout the airport. Oakland handled 13.2 million travelers last year and is a TSA Innovation Site.

#### 4. **Court Rules TSA Agents Cannot Be Sued in Allegations of Abuse.**

A federal appeals court affirmed that TSA agents have the government's sovereign immunity from liability under the Federal Tort Claims Act because they do not function as investigative or law enforcement officers. The case was filed in 2009 by a woman who claimed to have been abused and falsely arrested by screeners at Philadelphia International Airport in 2006.

#### 5. **GAO: TSA Needs to Improve Assessments of Cuban Aviation.**

In a review of TSA assessments of Cuban aviation in fiscal years 2012 through 2017, the U.S. Government Accountability Office (GAO) found that the agency did not perform all required inspections of carriers operating U.S.-bound public charter flights, mostly because it could not identify or reliably track such operations; TSA is developing a tool that tracks air carrier

operations. Several Cuban airports assessed were fully compliant with ICAO standards, but assessments for others found noncompliance in access control, quality control, aircraft and inflight security, passenger and baggage screening and fencing.

**6. DHS Awards \$1.5 Million for Passenger Screening Algorithm Challenge.**

The Department of Homeland Security (DHS) Science and Technology Directorate and TSA awarded \$1.5 million to eight winners of the Passenger Screening Algorithm Challenge. The competition solicited new automated detection algorithms from individuals and entities that can improve the speed and accuracy of detecting small threat objects and other prohibited items during the airport passenger screening process. The first-place prize of \$500,000 was awarded for an approach that can process images from multiple views.

**7. “Cyber Insecure” Airports Identified.**

Chicago Midway and Raleigh Durham are the most cyber-secure U.S. airports, according to a new report from Coronet, while San Diego International, John Wayne Orange County and Houston Hobby ranked as most cyber-insecure. Tel Aviv-based Coronet collected data “from 250,000 consumer and corporate endpoints” that traveled through the 45 busiest airports over five months, analyzed device vulnerabilities and Wi-Fi network risks, and compiled the Airport Threat Score found in “Attention All Passengers: Airport Networks Are Putting Your Devices & Cloud Apps at Severe Risk.” Business travelers put their devices and their company’s entire digital infrastructure at risk every time they connect to Wi-Fi that is unencrypted, unsecured or improperly configured, says Coronet, which markets the SecureCloud platform.



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

### **1. ARC Brings Alipay Payment Option to Travel Agency Channel.**

Airlines Reporting Corp. (ARC) is offering airlines the ability to accept Alipay as a form of payment for tickets sold through the travel agency channel, in partnership with Universal Air Travel Plan (UATP). Alipay is a mobile and online payment platform based in China with more than 500 million users.

### **2. JetBlue, Air New Zealand Form Innovation Partnership.**

JetBlue's venture capital subsidiary and Air New Zealand are creating an International Innovation Partnership network to build "a network to better address changes coming to the travel industry as well as improve efficiencies within the existing infrastructure." Silicon-Valley-based JetBlue Technology Ventures "incubates, invests in, and partners with early-stage start-ups at the intersection of technology and travel."

### **3. ETTSA Takes Surcharge Complaint to EU Ombudsman.**

The European Technology & Travel Services Association (ETTSA) filed a formal complaint with the European Ombudsman against the European Commission (EC) for failure to take action on Lufthansa's 2015 introduction of surcharges on tickets purchased through independent distributors. From 2015 to 2018, "consumers paid hundreds of millions of euros in surcharges to Lufthansa," said ETTSA, and other major airlines have followed Lufthansa's example, increasing that amount. The EC dismissed earlier complaints filed by ETTSA and others for breach of key provisions of the EU's Code of Conduct on computerized reservation systems (CRSs), on the basis that the Code "no longer reflects market reality and that it may be revised in the future." The Commission "is tacitly giving the thumbs-up to Lufthansa's unfair conduct, which consists of weakening the effectiveness of neutral distribution channels used by consumers to compare prices of different airlines," said ETTSA. "This undermines transparency and ultimately leads to price hikes." ETTSA represents leading online travel agents and global distribution systems. . . . In other news, ETTSA Secretary General Christoph Klenner will join TraNeXus, a blockchain technology solutions provider to the global travel and tourism industry, as Board Member and CEO of its new operating company on September 1, 2018.

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on July 13 was \$88.1/barrel, down 1.6% on the month and up 47.2% compared to a year ago, reports the International Air Transport Association (IATA). Jet fuel price average for 2018 was \$85.6/barrel; impact on 2018 fuel bill was \$43.5 billion.

### 2. **ICAO Council Adopts CORSIA Standards.**

The ICAO Council adopted the Standards and Recommended Practices (SARPs) supporting the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which will cap net emissions from 2020; aircraft operators with annual CO<sub>2</sub> emissions above 10,000 metric tonnes are required to measure and report emissions from January 1, 2019, to establish a baseline. Monitoring, reporting and verification (MRV) provisions were tested before adoption, with support of the German government and active participation of six additional States and 10 airlines. Also approved was the 2018 version of the CO<sub>2</sub> Estimation and Reporting Tool (CERT) for use by small operators. The Council agreed to extend the definition of sustainable aviation fuels to include fossil-based (conventional) fuels that “meet a set of criteria that include a 10% or greater reduction in life-cycle CO<sub>2</sub> emissions,” reports Green Air Online, in response to airlines “supported by Saudi Arabia and Trump’s America.”

### 3. **Environmental Performance of New Commercial SSTs Studied.**

NASA and France’s national aerospace research center ONERA agreed to collaborate on research on sonic booms of supersonic transports (SSTs). Both organizations, which have long cooperated on aircraft noise mitigation, will define common verification cases, use numerical tools to predict where sonic booms will reach the ground, and perform detailed analyses and comparisons of the results. NASA research features the X-59 quiet supersonic technology airplane. Three U.S.-based startups—Boom, Aerion and Spike—are developing SSTs, for which there currently are no international environmental standards; Concorde last flew in 2003.

## VI. U.S. CONGRESS

### 1. Shuster Calls for Senate Action on FAA Reauthorization.

Retiring House Transportation Chairman Bill Shuster (R-PA) told the Aero Club of Washington DC that the failure to separate air traffic control (ATC) from FAA was one of the “great disappointments” of his political career. He praised other provisions in the House-passed long-term FAA reauthorization bill, such as consumer protections, and urged the Senate to pass its version. Current FAA reauthorization expires October 1. . . . In other news, Shuster released a legislative discussion draft for an infrastructure bill.

### 2. FAA Called “Deficient” in Oversight of Foreign Repair Stations.

In a letter to DOT Secretary Elaine Chao and FAA Acting Administrator Daniel Elwell, Congressional leaders criticized a failure to finalize a rule requiring drug and alcohol testing for safety-sensitive workers at certificated foreign aircraft repair stations who perform extensive maintenance and repair work on U.S.-registered commercial aircraft; workers at U.S. facilities are tested. Following Inspector General reports and Congressional testimony dating back to at least 2003, which “found deficiency after deficiency” in FAA oversight of these foreign repair stations, FAA proposed a rule in 2014 but “took no further action,” wrote Peter DeFazio (D-OR) and Rick Larsen (D-WA), urging “swift action to finalize this critical rule.”

### 3. Senate Bill Would Improve Transparency, Customer Service.

The “Air Travel Ticketing Transparency and Protection Act” was introduced by Senator Amy Klobuchar (D-MN) to ensure that DOT aligns airfare disclosure requirements among airlines and ticket sellers. Independent online sellers “need to provide reliable information and protections to consumers, and the airlines need to provide reliable information and back-up to the independents,” said bill supporters. Klobuchar hopes to include the new legislation in the Senate's pending FAA reauthorization bill.

### 4. “PreCheck is PreCheck Act” Approved in House Committee.

The House Homeland Security Committee approved several bills, including the “PreCheck is PreCheck Act of 2018” (H.R. 6265), which requires TSA to increase enrollment and cease placing non-Precheck travelers in PreCheck lanes. The “DHS Countering Unmanned Aircraft Systems Coordinator Act” (H.R. 6438) would create a drone coordinator post at DHS. The “TSA Opportunities to Pursue Expanded Networks for Business Act” (H.R. 6459) would require TSA to diversify the technology stakeholder marketplace regarding acquisition of screening technologies.

5. **Bills Would Allow DOJ, DHS to Counteract Drones.**

A bill that would authorize the Departments of Justice and Homeland Security to take counter-drone action was introduced by House Homeland Security Chairman Michael McCaul (R-TX). Co-sponsor of H.R. 6401, Vicky Hartzler (R-MO), earlier introduced the “Safeguarding America’s Skies Act,” which would allow DOJ and DHS “to detect, track, and engage with drones that pose a security risk to agency facilities and assets.” H.R. 6401 is similar to S.2836, approved in June by the Senate Homeland Security Committee, which would authorize actions necessary to mitigate threat of an unmanned aircraft to the safety or security of a covered facility or asset. . . . DHS Secretary Kirstjen Nielsen urged Congress to quickly give DHS and DOJ authority to develop, test and deploy advanced and effective counter-drone technology. “While we do have certain limited capabilities for scanning the skies for rogue drones,” she wrote in the *Washington Post*, “we largely lack the updated tools and most sophisticated authorities to monitor and mitigate inbound threats [and] are prevented from even testing certain drone-defense technologies where we really need them.”

6. **House Appropriations Approves FY19 Homeland Security Bill.**

The House Appropriations Committee approved a fiscal year 2019 Department of Homeland Security Appropriations bill, which includes \$7.3 billion for the Transportation Security Administration. It does not increase TSA passenger fees. The bill fully funds Transportation Security Officers and includes \$20 million above request for purchase and installation of 240 new carry-on baggage screening systems, and funding above request to hire, train and deploy 50 new canine teams.

7. **Bill Renames Visa Waiver Program to Secure Travel Partnership Program.**

The “Jobs Originated through Launching Travel (JOLT) Act of 2018,” introduced in the House, renames the Visa Waiver Program (VWP) to the Secure Travel Partnership Program and ensures that VWP countries adhere to U.S. security standards. It requires the Homeland Security Secretary to enforce security requirements that previously were considered discretionary.

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

### 1. **U.S. Airlines Comply with China Demand to Remove Taiwan References.**

American, United, Delta and Hawaiian implemented solutions to comply with China's demand to delete 'Taiwan' on websites and in advertising by July 25, referencing Taipei instead, for instance. China's Civil Aviation Administration (CAAC) has given them another two weeks to fully comply with the order to portray Taiwan as part of China. In April, CAAC sent a letter to U.S. and other foreign air carriers demanding that they change how Taiwan, Hong Kong and Macao are identified on websites and in promotional material. The U.S. State Department called the order "Orwellian nonsense" and said "China's efforts to export its censorship and political correctness to Americans and the rest of the free world will be resisted." But as the deadline approached, Airlines for America said "the affected U.S. airlines appreciate the engagement and counsel we have received from the Administration [but] the U.S. airline industry is a global business that must contend with a host of regulations and requirements." Taiwan's Ministry of Foreign Affairs condemned "China's crude attempts to coerce foreign airlines to downgrade Taiwan's status" and urged "all like-minded nations to work closely with it to curb China's bullying in the international arena and prevent China's interference in the business practices of other countries from becoming an accepted norm."

### 2. **Mounting Trade Tensions Affect U.S. Tourism.**

"As China-U.S. trade tensions continue to harm bilateral ties, most Chinese people have no reason to continue spending their holidays in the U.S." says an editorial in state-run *Global Times*, noting that China has a trade deficit with the U.S. in services, including travel and tourism. "If trade friction woes grow, tourism-related entities, Trump Hotels included, should stand on the front lines alongside soybean farmers." In related news, U.S. Travel Association said "mounting trade tensions work against America's pursuit of an increased share in the global travel market."

### 3. **EU Advances Partnerships with China, Latin America.**

Exchanges during an EU-China Summit focused on policy cooperation based on the Trans-European Transport Network (TEN-T) framework and the Belt and Road initiative involving third countries; on transport decarbonization and digitalization; and on investment projects. Jointly identified pilot TEN-T ventures include reconstruction and extension of projects at Urumqi, Xi'an, Shenyang and Guangzhou airports. . . . The European Aviation Safety Agency (EASA) and Latin American states launched a four-year, €7 million, EU-funded project to improve aviation safety, and promote political, economic and

environmental partnership. The effort will focus on Argentina, Brazil, Chile, Colombia, Mexico and the Regional Safety Oversight Organizations. . . . In remarks to the International Aviation Club in Washington DC, EC Transport Director General Henrik Hololei noted that negotiators of the EU-U.S. Air Transport Agreement (ATA) envisioned “a genuine Transatlantic Aviation area that combines both markets ensuring high standards, leading to high connectivity and tremendous synergies.” Recent protectionist developments, however, suggest “we might be moving in the opposite direction [and] could put into question the whole transatlantic aviation relationship with potentially devastating effects to travel, business, tourism and cultural links between our continents.” He called for a re-thinking of Ownership & Control restrictions, which “are not present in any other industry,” adding that antitrust immunity, alliances and joint ventures are only a substitute for a real open legal framework and have not evolved at the same pace as markets.

**4. UK Proposes Post-Brexit Air Transport Agreement.**

In a White Paper, “The Future Relationship Between the United Kingdom and the European Union,” the UK proposed a post-Brexit Air Transport Agreement that would maintain reciprocal liberalized access, citing the EU-Canada Air Services Agreement, “which provides for the possibility of fully liberalized access subject to a sufficiently open bilateral approach to ownership and control.” Also proposed are participation in EASA and close cooperation on air traffic management and security. 80% of all North Atlantic traffic passes through UK or Irish controlled airspace and, in 2017, 164 million passengers travelled between the UK and other EU Member States by air. The White Paper calls for swift approvals, as Brexit occurs on March 29, 2019.

**5. Ethiopia-Eritrea Flights Resume Following Peace Declaration.**

Ethiopian Airlines resumed regular Addis Ababa-Asmara flights, following a declaration of peace between the Federal Democratic Republic of Ethiopia and the State of Eritrea. The Boeing 787 service will expand to multiple daily and cargo flights will be initiated, “in view of the huge market potential between the two sisterly countries.”

## VIII. EUROPE AND AFRICA

### 1. EU Airlines Lodge Formal Complaint re French ATC Strikes.

The European Commission is analyzing a complaint about French air traffic controller strikes, submitted by European airlines including Ryanair, Easy Jet, Wizz Air and International Airlines Group (British Airways, Iberia, Vueling, Aer Lingus). The airlines “are not questioning the right to strike but believe France is breaking EU law by not enabling flights over the country during strikes.” Airlines for Europe (A4E) and other associations said 22 of 29 ATC strike days in first half 2018 occurred in France, as did 70% of 423 ATC strike days since 2004. . . . A4E said ATC strikes have cost the EU economy €13.4 billion since 2010. According to Eurocontrol, 16,000 flights were delayed in first half 2018 due to ATC strikes. A4E proposed a mandatory 72-hour notification period for employees wishing to strike; protection of overflights; improved service continuity for passengers; and investments in technology, processes and human resources. IATA urged the EC, Member States and Air Navigation Service Providers (ANSPs) to modernize infrastructure and implement the Single European Sky ATM Research (SESAR); reform outdated work practices so that staff are deployed when required; empower the European Network Manager to plan and configure the network to meet demands of air travelers; and strengthen the Performance and Charging Scheme so that ANSPs not delivering agreed capacity are subject to meaningful penalties.

### 2. EU Adopts New Rules on Aircrew Mental Fitness.

The European Union adopted new mental fitness rules for pilots and cabin crew. The new rule, which follow lessons learned from the Germanwings accident in 2015, would give all pilots access to a support program in case of psychological problems; oblige airlines to perform an initial psychological assessment of pilots; introduce systematic testing for psychoactive substances of flight and cabin crew upon employment and unannounced testing after rehabilitation and return to work; and make random alcohol testing of pilots and cabin crew mandatory for all European and foreign airlines in the EU. During a two-year transition period, industry and Member States can prepare the implementation and establish the necessary infrastructure to comply with the new rule.

### 3. UK Releases Airline Insolvency Review Interim Report.

The UK Department for Transport released an interim report and initial conclusions of the Airline Insolvency Review.” The project, which followed the collapse of Monarch Airlines, has determined so far that airline insolvency is not a trivial risk and has the potential to affect a large number of passengers;

there is no one-size-fits-all solution to repatriating passengers when an airline fails; and the most effective option to repatriate passengers is to keep the insolvent airline flying; however, this is not without considerable challenge, risk and expense. Final recommendations are expected later this year.

**4. UK Launches ‘One Too Many’ Campaign.**

A ‘One Too Many’ campaign launched by UK Aviation Minister Baroness Sugg, with travel retailers, airports and airlines, reminds passengers of the costs of drinking to excess when travelling by air. These include risks of being denied boarding, having a plane diverted and associated costs which include heavy fines, up to two years in prison, an airline ban and a diversion fee up to £80,000 for the most serious in-flight incidents.

**5. Alitalia Excluded from Amended Delta, Air France-KLM JV.**

In a DOT filing for an amended joint venture agreement, Delta, Air France-KLM and Virgin Atlantic have excluded Alitalia, whose future ownership is uncertain. Last year, they announced plans to consolidate the Air France/Delta/KLM and Delta/Virgin Atlantic partnerships into a single joint venture, including Alitalia.

**6. Ryanair Union Struggles.**

Ryanair has started negotiations on cabin crew contracts with “66% of its people in its major markets of Italy, the UK and Germany,” and hopes their counterparts in Spain, Portugal and Belgium “will soon follow this example . . . rather than disrupting Ryanair customers by going on unnecessary strikes.” The Irish carrier said forward bookings are being damaged by rolling strikes by Irish pilots and announced plans to shift Dublin-based aircraft to Polish unit Ryanair Sun for Winter 2018, and pilot and cabin crew reductions in Dublin.

**7. EC Approves Acquisition of Laudamotion by Ryanair.**

The EC approved unconditionally the proposed acquisition of a 75% interest in Laudamotion by Ryanair, which already owned a 24.9% stake in the Austrian airline. Laudamotion acquired assets of defunct NIKI and offers scheduled passenger flights from Germany, Austria and Switzerland primarily to Mediterranean and Canary Island leisure destinations. . . . Ryanair and Lufthansa traded barbs in an ongoing aircraft leasing dispute involving Laudamotion; a London court will hear the case.

**8. Norwegian to Increase Ireland-U.S. Service.**

Norwegian announced new and increased Boeing 737 MAX service from Dublin, Shannon and Cork to New York Stewart and Providence TF-Green for the summer 2019 schedule. The carrier reported second quarter net profit of



NOK 300 million, compared to NOK 691 million loss in 2Q last year. “Going forward, the growth will slow down and we will reap what we have sown for the benefit of our customers, staff and shareholders,” said CEO Bjørn Kjos.

**9. Nigeria Plans New National Airline.**

Plans for Nigeria Air were unveiled at Farnborough by Minister of Aviation Hadi Sirika. Investors are sought for a public-private partnership, with startup financing from the government. Operations with leased aircraft could begin in December and talks with Airbus and Boeing indicate a need for short- and long-haul planes. The domain is [www.flynigeriaair.ng](http://www.flynigeriaair.ng). Oil-rich Nigeria has a population of 196 million.

**10. Air France-KLM Expands Chinese Joint Ventures.**

See Section IX, item 2.

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

### **1. Delta Starts Atlanta-Shanghai Nonstops.**

Delta began daily Atlanta-Shanghai Boeing 777-200LR nonstops with code share partner China Eastern, enabling connections beyond Shanghai to 70 destinations in interior China. Delta also flies to Tokyo and Seoul from Atlanta, which is now the carrier's fourth U.S. gateway to Shanghai, in addition to Detroit, Seattle and Los Angeles.

### **2. Air France-KLM Expands Chinese Joint Ventures.**

Air France, KLM, China Southern and Xiamen Airlines are merging two existing agreements to create a single joint venture for routes between Europe and China. . . . Air France-KLM and China Eastern intend to extend their joint venture partnership from 2019, code sharing on the Paris-Wuhan and Paris-Kunming routes. Air France-KLM maintenance unit, AFI KLM E&M, signed a new component support contract for China Eastern's Boeing 787-9 fleet, which eventually will include 15 aircraft, and plans to develop a regional Boeing 787 spare parts pool in Shanghai to serve China Eastern and other future customers. China Eastern holds an 8.8% stake in Air France-KLM and has one director on the Air France-KLM board.

### **3. China Southern Plans Shenyang-Los Angeles Service.**

China Southern requested authority to operate three weekly Shenyang-Los Angeles flights from November. China Southern reportedly is exploring a joint venture with British Airways and seeks opportunities for cooperation with U.S. and European airlines; American Airlines acquired a \$200 million stake in the Guangzhou-based carrier last year. China Southern plans to develop Xiongan Airlines in the Xiongan New Area in Hebei Province southwest of Beijing. The subsidiary will operate domestic and international passenger and cargo services and provide aircraft maintenance and sales.

### **4. Cathay Pacific Announces Nonstops to Seattle.**

Cathay Pacific will begin four-times-weekly Airbus A350-900 service to Seattle on April 1, becoming the only airline to directly link Hong Kong with the West Coast city. The carrier currently serves Boston, Chicago, Los Angeles, New York Kennedy and Newark, San Francisco, Toronto and Vancouver in North America and in September will begin Washington DC service.

5. **SIA to Launch Los Angeles, Increase San Francisco Nonstops.**

Singapore Airlines (SIA) will launch nonstop flights between Singapore and Los Angeles in November using the new Airbus A350-900ULR (ultra-long-range) aircraft; existing Los Angeles via Seoul service will cease. SIA will increase daily Singapore-San Francisco nonstops to 10 flights per week. New York service begins in October.

6. **Etihad Announces New Structure.**

Etihad Aviation Group has reorganized into seven divisions led by a new executive team reporting to Group CEO Tony Douglas. Douglas also assumes responsibility for Etihad Airways from Peter Baumgartner, who now serves as Senior Strategic Advisor at group level on global partnerships and innovation. The 15-year-old carrier reported “a 22% improvement in core operating performance for 2017, driven by improved revenues of \$6.1 billion and a 7.3% reduction in unit costs.”

## **X. AMERICAS**

### **1. NAACP Lifts American Airlines Travel Advisory.**

A travel advisory against American Airlines was lifted by the NAACP and its partners. The civil rights organization cited the airline's progress on commitments agreed to last year, such as a diversity and inclusion gap analysis, bias training, and implementation of a new discrimination complaint resolution process for employees and customers, and a "very candid, open and ongoing dialogue about the realities for African Americans who travel on airlines." American said employees "enthusiastically embraced our goal to lead all industry in diversity, inclusion and equality. This is work that will never be complete, but we are making great progress." NAACP issued the advisory last October following "a pattern of disturbing incidents reported by African-American passengers" that suggested "booking and boarding flights on American Airlines could subject them to disrespectful, discriminatory or unsafe conditions."

### **2. Piedmont Transitions to All-Jet Fleet.**

American Airlines regional unit Piedmont Airlines has fully transitioned from turboprops to an all-Embraer 145 jet fleet. Under a Cadet Program partnership with Trident Aircraft in Easton, Maryland, Piedmont will offer tuition reimbursement and conditional employment to select certified flight instructors (CFIs). A CFI with an Airline Transport Pilot certificate can join Piedmont as a first officer and is guaranteed a job at American.

### **3. Delta, WestJet to Create Transborder Joint Venture.**

Delta and WestJet agreed to create a joint venture that will provide transborder service to more than 30 cities, subject to regulatory approvals. Cooperation will include expanded code sharing, frequent flyer and reciprocal elite benefits, joint growth across the transborder network, co-location at key hubs and the ability to work together on cargo accompanying passenger flights as well as corporate contracts. WestJet and regional unit WestJet Encore offer scheduled service to more than 100 destinations in North America, Central America, the Caribbean and Europe and to 175 destinations in 20 countries through airline partnerships.

### **4. Southwest Reaches Tentative Agreement with Aircraft Mechanics.**

Southwest reached a tentative agreement with the Aircraft Mechanics Fraternal Association, providing improved compensation, a ratification bonus and updated work rules. If approved, the contract becomes amendable April 1,

2023. . . Southwest will add daily nonstops from Dallas Love Field to Charleston, Ft. Myers/Naples, Jacksonville, Louisville, Milwaukee and Minneapolis/St. Paul, and seasonal Sunday service to Tucson, on January 7.

5. **JetBlue Pilots Vote to Ratify Tentative Agreement.**

JetBlue pilots ratified the first collective bargaining agreement at the airline, after more than three years of negotiations. The four-year contract provides significant increases in pay, improvements to retirement and enhanced working conditions, said Air Line Pilots Association, Int'l (ALPA). The airline thanked negotiating teams for "an agreement that is fair for our pilots and that allows JetBlue to continue to grow, compete and succeed."

6. **Allegiant Seeks Federal Court Order to Block Pilot Strike.**

Allegiant Air is seeking a court order to prohibit pilots from striking over what it calls a 'minor dispute' requiring resolution through grievance and arbitration procedures of the collective bargaining agreement (CBA) and Railway Labor Act (RLA). The pilots, represented by International Brotherhood of Teamsters (IBT), say the airline is late in completing a new Preferential Bidding System (PBS) promised in a CBA amendment. Allegiant said IBT-selected PBS vendor, Crewing Solutions, is customizing its SmartPref bidding software and expects to "have the final product ready for deployment in the near future."

7. **Alitalia Excluded from Amended Delta, Air France-KLM JV.**

See Section VIII, item 5.

8. **Norwegian to Increase Ireland-U.S. Service.**

See Section VIII, item 8.

9. **Delta Starts Atlanta-Shanghai Nonstops.**

See Section IX, item 1.

10. **China Southern Plans Shenyang-Los Angeles Service.**

See Section IX, item 3.

11. **Cathay Pacific Announces Nonstops to Seattle.**

See Section IX, item 4.

12. **SIA to Launch Los Angeles, Increase San Francisco Nonstops.**

See Section IX, item 5.