



WASHINGTON AVIATION SUMMARY

April 2020 EDITION

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

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I. REGULATORY NEWS

1. IATA: 2020 Loss Could Reach \$252 Billion in COVID-19 Pandemic.

Airlines worldwide suspended service as COVID-19 was declared a pandemic by the World Health Organization (WHO) and nations closed their borders. Repatriation of citizens to home countries and movement of essential goods and cargo accounted for most flight activity, noted the International Air Transport Association (IATA). Passenger revenue losses could reach \$252 billion this year, 44% below 2019's figure, if severe travel restrictions last for up to three months, followed by a gradual economic recovery, although IATA Director General and CEO Alexandre de Juniac said a recovery in travel demand later this year is weakened by the impact of global recession on jobs and confidence. Under this scenario, full year passenger demand (revenue passenger kilometers/RPKs) declines 38%; and industry capacity (available seat kilometers/ASKs) in domestic and international markets declines 65% during second quarter ended June 30, compared to year-ago period, but recovers to a 10% decline in fourth quarter. Estimated year-on-year change in RPKs by region: Africa, -32%; Asia Pacific, -37%; Europe, -46%; Latin America, -41%; Middle East, -39%; and North America, -27%.

2. U.S. COVID-19 Relief Bill (CARES) Act Includes Aviation Aid.

IATA urged G20 leaders "to act quickly to support the aviation industry in order to prevent irrecoverable damage to international connectivity arising from the impact of the novel coronavirus," noting that Australia, Brazil and China were among those that already have acted. . . . In the United States, Congress passed the \$2.2 trillion "Coronavirus Aid, Relief and Economic Security (CARES) Act," which includes aviation-related provisions. Among them, per the House Transportation Committee: grants for air carriers, including cargo carriers, to pay employees (\$29 billion); grants for airline contractors to pay employees (\$3 billion); loans to air carriers (\$29 billion); grants for airports (\$10 billion); and loans to businesses critical to national security, such as Boeing (\$17 billion). The bill permits the government to take stakes in rescued air carriers and contractors, and prohibits the Administration from conditioning financial assistance on airlines' reduction of labor costs. It requires loan recipients to remain neutral in union organizing efforts. The bill caps executive golden parachutes and pay for loan or grant recipients; prohibits share buybacks and issuance of stock dividends; and prohibits furloughing or reducing pay rates and benefits. It requires airports to retain 90% of their employees. . . . "Direct Payroll Assistance provisions in the legislation are designed to provide immediate financial relief that is necessary to continue

funding the payrolls of U.S. airlines,” said Airlines for America. “We remain hopeful that the federal government will expeditiously release these funds with as few restrictions as possible to ensure airlines are able to utilize these provisions and meet our payroll.” . . . Noting that 83% of travel businesses are small businesses (500 employees or less), U.S. Travel Association (USTA) said the CARES Act includes \$377 billion in loans and loan forgiveness for small travel businesses, self-employed individuals, and 501(c)(3) nonprofits with enhanced and expedited Small Business Administration (SBA) loans; loan recipients can receive tax-free forgiveness on a portion of the loan, equal to eight weeks of payroll and other expenses. USTA said work remains to protect the entirety of the 15.8 million American jobs supported by travel.

3. FAA Waives Minimum Slot-Use Requirements at U.S. Airports.

The Federal Aviation Administration (FAA) waived minimum slot-use requirements at U.S. airports through May 31, for U.S. and foreign airlines that cancel flights due to the COVID-19 crisis. Normally, airlines can lose their slots at congested airports if they don’t use them at least 80% of the time. The waiver applies to New York’s Kennedy and LaGuardia airports, and Washington’s Reagan National. At other airports where FAA has a formal schedule review and approval process—Chicago, Newark, Los Angeles and San Francisco—FAA will credit airlines for flights cancelled through May 31. The European Union is fast-tracking a proposal to amend its “use it or lose it” rule.

4. DOT Final Order Denies Hawaiian-JAL Antitrust Immunity.

The U.S. Department of Transportation (DOT) issued a final order denying antitrust immunity for a proposed joint venture between Hawaiian Airlines and Japan Airlines, upholding its October 2019 decision.

5. DOT Receives In-Flight Sexual Misconduct Task Force Report.

The National In-Flight Sexual Misconduct Task Force submitted its report to the DOT Aviation Consumer Protection Advisory Committee (ACPAC), which will review findings and make recommendations to Transportation Secretary Elaine Chao later this year. The report is based on accounts from passengers and flight attendants who experienced in-flight sexual misconduct and actions taken by airlines and law enforcement after such incidents; complaints of in-flight sexual misconduct filed with the federal government; and airline and airport surveys. It recommends actions for the federal government, law enforcement agencies, airlines, airports and unions. The Task Force considered perspectives of consumers, labor unions, a provider of victim services, victim-centered nonprofits, and experts focused on training related to sexual violence and harassment. Adoption of the recommendations “will lead

to enhanced awareness, reporting practices, data collection, and training, thereby improving responses to incidents of sexual misconduct that take place onboard commercial aircraft and, over time, reducing incidents of in-flight sexual misconduct,” said the Task Force, which was established as a subcommittee of ACPAC in February 2019.

6. Boeing 737 MAX Update.

“As it navigates through the COVID-19 pandemic,” Boeing announced that CEO Dave Calhoun and Board Chairman Larry Kellner will forgo all pay until the end of the year and the company will suspend its dividends and extend its pause of share repurchasing. Production operations at Puget Sound area facilities were suspended in light of the COVID-19 state of emergency in Washington state.

An interim report released by the Ethiopian Aircraft Accident Investigation Bureau concludes that the March 2019 crash of Ethiopian Airlines Flight 302 was caused by design flaws in the Maneuvering Characteristics Augmentation System (MCAS) on the MAX, and that training provided by Boeing for pilots was inadequate; the report does not find fault with the pilots or Ethiopian Airlines pilot training. In response, FAA said, “We believe it’s important to have the full final report to evaluate it against other independent reports so that we might fully understand all of the factors—both mechanical and human—that played a role in this tragic loss of life.” Flight 302 went down shortly after takeoff from Addis Ababa, killing all 157 onboard. Five months earlier, a crash of a Lion Air MAX crashed after takeoff, killing 189 people.

The House Transportation Committee released preliminary findings from its MAX investigation. The report, entitled “The Boeing 737 MAX Aircraft: Costs, Consequences, and Lessons from its Design, Development, and Certification,” focuses on: production pressures on Boeing employees that jeopardized safety; Boeing’s faulty assumptions about critical technologies, most notably the MCAS; Boeing’s concealment of crucial information from FAA, customers, and pilots; conflicts of interest among Boeing employees authorized to perform certification work on behalf of FAA; and Boeing’s influence over FAA’s oversight that resulted in FAA management rejecting safety concerns raised by its own technical experts. The Committee intends to introduce legislation that will address failures in the certification process uncovered by its investigation.

Southwest flight attendants filed a class action suit against Boeing for concealing MAX design and safety defects, causing them to lose wages and other compensation.

Boeing is rewiring grounded MAX jetliners, following FAA's rejection of the company's contention of compliance with regulations for safe wire separation.

FAA proposed a \$19.68 million civil penalty against Boeing for allegedly installing equipment on 618 B737 NG and 173 B737 MAX aircraft that contained sensors that were not approved for that equipment. Between June 2015 and April 2019, Boeing installed Rockwell Collins Head-up Guidance Systems that were equipped with sensors that had not been tested or approved as being compatible with those guidance systems. FAA alleges that Boeing violated federal aviation regulations when it certified these aircraft as airworthy when they were not in conformance with their type certificate.

II. AIRPORTS

1. ACI: Airports Expect Losses of \$20 to \$25 Billion This Year.

Current simulations indicate global airport industry losses of \$20 to \$25 billion this year, due to the spread of COVID-19, said Airports Council International (ACI) World. Airport passenger traffic volume for first quarter 2020 is down at least 12% compared to previous ACI projections.

2. U.S. ATC Facilities Disrupted By COVID-19 Cases.

Flights at numerous airports were disrupted, as air traffic controllers tested positive for COVID-19. Following initial cases at Chicago Midway and in Las Vegas, FAA on March 21 said eleven of its ATC facilities nationwide were affected, including the New York Air Route Traffic Control Center in Long Island; towers at New York Kennedy and LaGuardia; executive airports in Leesburg, Va., and Long Island; and facilities in Peoria, Ill. and Wilmington, De. As reported cases occur, FAA transfers duties to other facilities and traces contacts between infected workers and others. FAA faces limited supplies of basic cleaning products, masks and test kits. FAA Administrator Steve Dickson was under self-quarantine after having a “brief interaction” with Mario Diaz-Balart (R-Fla.), who tested positive, before a House hearing.

3. Denver Resumes Construction of Great Hall Project.

Denver International settled financial claims with Ferrovial-led Great Hall Partners and resumed construction with Hensel Phelps. Completion of the \$195 million Phase I is expected by late 2021. Design and scope of additional phases will be announced later. In other news, Southwest requested 16 additional gates at DIA’s Concourse C, in a lease amendment that extends Southwest’s contract to 2035; the current contract ends this year. In January, a 24-gate lease expansion for United was approved.

4. Virgin Islands Begin \$140 Million Airport Projects.

The Virgin Islands Port Authority plans to begin work in April on \$140 million in construction projects at international airports on the islands of St. Thomas and St. Croix, which will include expansion of terminals. First phase of the projects will be funded via a \$27 million grant from the U.S. Department of Commerce.

III. **SECURITY AND DATA PRIVACY**

1. **REAL ID Enforcement Deadline Extended.**

“Due to circumstances resulting from the COVID-19 pandemic,” the Department of Homeland Security (DHS) extended the REAL ID enforcement deadline to October 1, 2021. The one-year delay will allow time “to implement needed changes to expedite the issuance of REAL IDs once the current health crisis concludes,” said DHS.

2. **TSA COVID-19 Updates.**

On March 25, TSA said 26 screening officers had tested positive for COVID-19 within the past 14 days, as did eight non-screening employees with relatively limited interaction with the traveling public. . . . On March 24, TSA said total traveler throughput was 279,018, compared to 2,151,9131 a year ago, same weekday. . . . TSA will accept expired driver’s licenses or state-issued IDs a year after expiration or 60 days after duration of this emergency, whichever is longer. . . . TSA is allowing one liquid hand sanitizer container up to 12 ounces per passenger in carry-on bags until further notice; all other liquids, gels and aerosols brought to a checkpoint continue to be allowed at the limit of 3.4 ounces or 100 milliliters carried in a quart-size bag.

3. **ACLU Challenges DHS Face Recognition Secrecy.**

The American Civil Liberties Union (ACLU) filed a lawsuit against DHS, TSA, U.S. Customs and Border Protection, and Immigration and Customs Enforcement (ICE), challenging “the secrecy shrouding federal law enforcement use of face recognition surveillance technology.” Under the Freedom of Information Act, ACLU is asking a federal court to order the agencies to turn over records concerning plans for further implementation of face surveillance at airports; government contracts with airlines, airports and other entities pertaining to use of face recognition at the airport and other ports of entry; policies and procedures concerning acquisition, processing, and retention of biometric information; and analyses of the effectiveness of the technology.

IV. TECHNOLOGY AND EQUIPMENT

1. Sabre Cuts Over \$200 Million in Costs.

Sabre is “removing over \$200 million in cash costs from the business in 2020,” said President and CEO Sean Menke. Immediate actions include a temporary reduction in base compensation pay for U.S.-based salaried workforce, a 25% reduction for Menke, a reduction in cash retainer for Board members, and suspension of the company’s 401(k) match program for U.S.-based employees. On a global basis, Sabre is offering voluntary unpaid time off, severance and early retirement, and reducing third-party contracting, vendor costs and other discretionary spending. Quarterly cash dividends on common stock and the share repurchase program are suspended.

2. Online Travel Agencies in the COVID-19 Era.

The impact of COVID-19 on online travel agencies (OTAs) is enormous, said OAG, beginning with Chinese OTAs that faced cancellations during the Chinese New Year in January. Hong Kong-based Trip.com said it had tens of millions of cancellations totaling RMB 31 billion in gross bookings; the company expects first quarter net revenue to decrease by approximately 45% to 50%. . . . Expedia Group expects first quarter negative impact related to COVID-19 to exceed the \$30 to \$40 million provided in February, when the company reported disappointing 2019 performance and slashed costs including personnel. “It remains difficult to predict how long this pandemic will persist, and given the lack of visibility on our trends we’ve decided to withdraw our 2020 guidance,” said Chairman Barry Diller and Vice Chairman Peter Kern. . . . But OTAs are working on industry recovery, too. Trip.com launched the Travel Revival V Plan. “V stands for victory,” says CEO Jane Sun; “we are confident that the travel industry will recover, although the short-term impact will be significant.”

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel on March 13 was \$42.19/barrel, down 37.5% on the month and down 47.8% compared to a year ago, reports IATA. Jet fuel price average for 2020 was \$66.8/barrel. Impact on 2020 fuel bill was down \$24.6 billion.

2. Boeing Joins Renewable Energy Buyers Alliance.

Boeing joined the Renewable Energy Buyers Alliance (REBA) in support of its goals to reduce greenhouse gas emissions 25% by 2025, and ultimately power operations with 100% renewable energy. REBA membership of 200 includes stakeholders from across the commercial and industrial sector, non-profit organizations, and energy providers and service providers, which seek “a large-scale, rapid transition to a cleaner future.” Boeing’s Renton, Washington and Charleston, South Carolina sites use 100% carbon-free electricity through a combination of renewable energy consumption and carbon offsets from renewable sources.

VI. U.S. CONGRESS

1. Senate Hearing on Role of Aviation in Containing Disease Spread.

The Senate Aviation Subcommittee held a hearing on March 4 to examine the “Role of Global Aviation in Containing the Spread of Infectious Disease.” Witnesses discussed the progression of the COVID-19 outbreak, the global airline industry’s response, the sharing of accurate health and safety data for screening at airports, and possible improvements to the air travel industry’s strategies for mitigating pandemics. . . . A DOT official noted that on January 31, when the virus was declared a Public Health Emergency in the United States, the Administration suspended entry by certain foreign nationals who had recently been in China, where the outbreak had originated, and ensured that the nearly 200,000 Americans who were in or had recently left China could return to the U.S., and established a quarantine protocol. “These travel requirements delayed the arrival of the virus to the United States, giving the nation precious time to prepare further measures, and plan for mitigation,” he said. As the virus spread beyond China, aggressive containment actions were instituted. Airlines are funneling passenger flights to 11 designated U.S. airports equipped to health-screen Americans returning from affected areas. . . . A Customs and Border Protection official said CBP facilitates Centers for Disease Control and Prevention (CDC) enhanced health screening of travelers entering the United States, and that interagency partners are collaborating with air carriers and foreign partners to deny boarding of individuals who would be inadmissible upon arrival in the U.S. . . . In his closing remarks, Subcommittee Chair Ted Cruz told witnesses, “if there are legal authorities that any of your agencies need right now to protect public health and safety and prevent the spread of this virus, tell us and tell us quickly. I think you will find a bipartisan eagerness to ensure we have the tools to prevent this outbreak from growing, to prevent further deaths.”

2. Aviation Preparedness Plan for Communicable Disease Outbreaks.

House Transportation Committee leaders urged DOT Secretary Elaine Chao to implement a Government Accountability Office (GAO) recommendation, which responded to the 2014 Ebola crisis, that DOT work with relevant agencies and stakeholders to develop a national aviation preparedness plan for communicable disease outbreaks. Had this recommendation been implemented, “the U.S. government may be in a better position today to coordinate and collaborate with industry in responding to the COVID-19 outbreak,” said Committee Chair Peter DeFazio and Aviation Subcommittee Chair Rick Larsen.

3. House Hearing on Airline Passenger Experience.

A hearing held by the House Aviation Subcommittee examined how U.S. airlines are working to improve the air travel experience, and technologies or innovations that could enhance the experience. It was the first hearing on consumer protections in nearly three years. “If we seriously want to talk about improving the passenger experience in air travel, we could do a lot on the ground by increasing the passenger facility charge (PFC), which has been totally stagnant for two decades” said House Transportation Committee Chair Peter DeFazio. “Airlines argue that even a dollar increase would cause demand to plummet,” he said, but meanwhile “terminals will remain clogged with passengers; runways and taxiways will be in need of additions and rehabilitation; airplanes will sit on the tarmac waiting for gates; and we’ll miss opportunities to create good-paying jobs across the country.” . . . Aviation Subcommittee Chair Rick Larsen noted that passenger discrimination complaints submitted to DOT rose from an average of 80 per year over the past decade, to 96 in 2019, according to a GAO report; most complaints were related to racial discrimination, but the disabled face challenges with boarding aircraft, inaccessible lavatories, inappropriate screening techniques and damaged wheelchairs and mobility aids. Congress, DOT and industry “must work to ensure transparency, prevent unfair and inequitable practices and promote reliable and accessible air service for all Americans,” said Larsen. . . . The CEO of Airline Passenger Experience Association (APEX) discussed technologies that benefit the disabled and other travelers. APEX tracks, verifies, validates and certifies ratings for flights of 600 airlines. He lauded Spirit Airlines’ “Invest in the Guest” initiative, which includes enhanced service training for crews and other personnel, enhanced airport kiosks, new self-bag drop machines, a complete refresh of cabins, and wheelchair-accessible lavatories installed on most aircraft.

4. House Passes “Rights for Transportation Security Officers Act.”

The House passed legislation that would expand workplace rights, protections, and benefits for TSA personnel. The “Rights for Transportation Security Officers Act” eliminates personnel authorities of DHS and DOT governing the conditions of employment for TSA employees, thus making them subject to the personnel management system applicable to other federal employees; sets forth transition rules that protect pay rates, leave rights and other rights of TSA employees; requires DHS to consult with the labor organization certified by the Federal Labor Relations Authority to carry out the conversion of such positions; and does not affect the prohibitions against disloyalty and asserting the right to strike against the federal government.

5. Bill Calls for Cockpit Doors on All-Cargo Flights.

A bill that would require installation of intrusion resistant cockpit doors in all-cargo airliners was introduced in the House. The “Cargo Flight Deck Security Act of 2020” is a step toward establishing one level of security for both passenger and all-cargo flight operations, said Air Line Pilots Association (ALPA). Post-9/11 legislation required hardened doors on airliner cockpits; at the time, most commercial all-cargo airliners did not have cockpit doors, as do most built today. H.R. 6190 “would tighten up a loophole that left pilots on all-cargo flights subject to harm through open cockpit doors,” said ALPA.

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **U.S. Citizens Advised to Avoid All International Travel.**

The Department of State advised U.S. citizens to avoid all international travel due to the global impact of COVID-19. In countries where commercial departure options remain available, U.S. citizens who live in the United States should arrange for immediate return, unless they are prepared to remain abroad for an indefinite period. U.S. citizens who live abroad should avoid all international travel. . . . Bob Menendez (D-NJ), Ranking Member of the Senate Foreign Relations Committee, urged the Administration to invoke the authorities contained within the Civil Reserve Airfleet (CRAF) readiness program in order to facilitate the chartering of commercial flights to evacuate stranded American citizens, and to direct the Department of Defense to consider making U.S. military aircraft available for the same purpose. Menendez also asked that individuals who may face financial hardship be provided with appropriate assistance for additional costs to return home. . . . The State Department said on March 24 it had repatriated more than 9,000 Americans from 28 countries, in collaboration with DHS, the Defense Department, foreign governments, commercial airlines and other businesses and organizations.

2. **U.S., Canada, Mexico Restrict Border Travel.**

The United States and Canada agreed to restrict non-essential travel across the Canada-U.S. border temporarily “to protect the health and safety of their citizens in response to the COVID-19 virus.” Essential travel continues between the countries “to ensure that food, fuel and life-saving medicines reach people on both sides of the border.” The United States and Mexico agreed on a partial closure of their border for cases related to tourism and recreation; the agreement does not apply to lawful trade and commerce.

3. **U.S. Increases Tariffs on Airbus Aircraft.**

A U.S. action to increase tariffs on Airbus aircraft took effect, per a 2019 World Trade Organization (WTO) ruling regarding illegal government subsidies. Airbus and the European Union urged the U.S. Trade Representative (USTR) to suspend the tariffs and engage in a negotiated settlement. The pandemic and its impact on the aviation industry reinforces the need to put this outdated case behind us, said Airbus. . . . In related news, the Washington state legislature voted to withdraw tax breaks granted to Boeing to comply with WTO rules. And, Airbus initiated COVID-19 related measures, temporarily pausing production and assembly activities at its French and Spanish sites to

implement health and safety conditions and encouraged home working where possible.

4. Congress Passes TAIPEI Act.

The Senate and the House passed the Taiwan Allies International Protection and Enhancement Initiative Act (TAIPEI Act), which requires the Department of State to annually report to Congress on steps taken to help strengthen Taiwan's diplomatic relationships and partnerships around the world. (Taiwan is self-governing, but China considers it a renegade province and has taken actions to encourage countries and international organizations to limit or cut off relations with Taiwan.) "The TAIPEI Act celebrates and supports Taiwan's commitment to democracy, by preserving and promoting its position on the international stage," said House Speaker Nancy Pelosi. "It is imperative that America encourages our allies and partners to strengthen their diplomatic ties with Taipei, and that we ensure that Taiwan has a seat at the international decision-making table, including at the United Nations."

5. U.S. to Negotiate Trade Agreement with Kenya.

The United States will negotiate "a comprehensive, high-standard agreement with Kenya that can serve as a model for additional trade agreements across Africa," announced the U.S. Trade Representative. The U.S. exported aircraft worth \$59 million to Kenya in 2019. Two-way goods trade reached \$1.1 billion in 2019, up 4.9% from 2018.

VIII. EUROPE AND AFRICA

1. IAG CEO Willie Walsh Delays Retirement.

International Consolidated Airlines Group (IAG) suspended flights to China, reduced capacity on Asian routes, and cancelled all flights to, from and within Italy, among changes to the network. For April and May, the Group plans to reduce capacity by at least 75% compared to same period 2019. IAG is grounding surplus aircraft, reducing and deferring capital spending, cutting non-essential and non-cyber related IT spend, freezing recruitment and discretionary spending, implementing voluntary leave options, temporarily suspending employment contracts and reducing working hours. "IAG is resilient with a strong balance sheet and substantial cash liquidity," said CEO Willie Walsh, whose planned retirement has been delayed. Luis Gallego will continue as Iberia CEO for the next few months to lead the response in Spain and Javier Sanchez will remain in place as Vueling CEO. As we respond to COVID-19, management stability across the Group should be a priority in the near term, said IAG Chairman Antonio Vázquez.

2. Virgin Atlantic Parks 75% of Fleet.

Virgin Atlantic reduced its schedule by 80% and parked 75% of its fleet. The London Heathrow-Newark route was permanently terminated. Staff was asked to take eight weeks unpaid leave over the next three months, with the cost spread over six months' salary; a one-time voluntary severance package and a sabbatical of 6-12 months were offered to all employees; annual pay increases were deferred; employer pension contribution was reduced for a period of one year; CEO Shai Weiss extended his 20% pay cut to the end of 2020; and other executives agreed to a decrease of 15% for same period.

3. Flybe Operations Terminated.

Flybe, which operated regional services from airports across the United Kingdom, entered administration and all Flybe-operated flights were grounded, said the UK Civil Aviation Authority. Flybe recently was acquired by Connect Airways, which is owned by Virgin Atlantic and its partners Stobart Group and Cyrus Capital, and was to operate as Virgin Connect.

4. Air France-KLM Rescue Expected.

Air France-KLM reduced capacity significantly, announced savings measures that will generate €200 million this year, and arranged for a revolving credit facility for a total amount of €1.1 billion, renewable until November 2022. A reported plan for layoffs would spare only employees who fill vital functions.

KLM is working with unions to achieve a reduction in working hours for most staff, as it reduces capacity by 10% to 20%. The French and Dutch governments are discussing a joint rescue approach.

5. Lufthansa Acts to Limit Financial Impact of Corona Crisis.

Lufthansa Group is raising funds, using, among other things, aircraft financing. The Group owns 86% of its fleet; almost 90% of the owned fleet is unencumbered; this corresponds to a book value of around €10 billion. The Group is also reducing costs, intends to implement reduced working hours, proposes to suspend the dividend payment, and is negotiating postponement of planned investments. Austrian Airlines temporarily suspended scheduled service. Lufthansa, Eurowings and Austrian are conducting special flights to repatriate “cruise passengers and holidaymakers,” using Boeing and Airbus widebodies. “It is no longer about economic issues, but about the responsibility that airlines bear as part of the critical infrastructure in their home countries,” said Chairman Carsten Spohr. Lufthansa will work with airports and air traffic controllers to develop a coordinated concept for maintaining the critical infrastructure.

6. Ryanair to Reduce April-May Seat Capacity by Up to 80%.

Ryanair Group expected to reduce seat capacity for April and May by up to 80% and said a full grounding of the fleet cannot be ruled out, amid flight bans, reduced airport services and social distancing restrictions. Actions to reduce operating expenses and improve cash flow include grounding surplus aircraft, deferring share buybacks, freezing recruitment and discretionary spending, voluntary leave options, temporarily suspending employment contracts, and significant reductions to working hours and pay. “Ryanair is a resilient airline group, with a very strong balance sheet, and substantial cash liquidity, and we can, and will, with appropriate and timely action, survive through a prolonged period of reduced or even zero flight schedules, so that we are adequately prepared for the return to normality, which will come about sooner rather than later as EU governments take unprecedented action to restrict the spread of COVID-19,” said CEO Michael O’Leary. Vienna-based unit Lauda temporarily suspended flights.

7. Norwegian Cancels 85% of Flights; Layoffs at 90%.

Norwegian cancelled 85% of its flights and laid off about 7,300 (90%) of its employees, including pilots, cabin crew, maintenance and administrative staff. Most of the company’s planes are parked. “When the world returns to normalcy my goal is to keep as many of our dedicated colleagues as possible,” said CEO Jacob Schram.

8. Brussels Airlines Suspends Flights.

Brussels Airlines suspended all scheduled flights until April 20, “in a controlled and structured manner in order to bring passengers and crews home,” said CEO Dieter Vranckx, with minimal capacity on standby for repatriation flights if required. Employees have been on “temporary technical unemployment” since March 16. Belgium's national airline connects the capital to more than 80 destinations, 17 of which are in Sub-Saharan Africa.

9. U.S. Increases Tariffs on Airbus Aircraft.

See Section VII, item 3.

10. U.S. to Negotiate Trade Agreement with Kenya.

See Section VII, item 5.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. China's Aviation Industry Lost \$3.53 Billion in February.

China's aviation sector lost \$3.53 billion in February, said Civil Aviation Administration of China (CAAC). Passenger travel fell 84.5%, compared to same period last year, while cargo and mail throughput fell 21%. China has rolled out fiscal policies, including tax relief, "to reduce business risks faced by enterprises in this sector."

2. Cathay Pacific Plans 90% Capacity Reductions.

Cathay Pacific Group (Cathay Pacific and Cathay Dragon) had an unaudited loss of more than HK\$2 billion in February, said Chief Customer and Commercial Officer Ronald Lam, a 65% passenger flight capacity reduction for March, and plans to operate "a bare skeleton passenger flight schedule for April, which represents up to 90% capacity reduction." Freighter capacity remains intact, but "the reduction of passenger flights has had a significant impact on our overall cargo capacity as well as our ability to carry cargo to destinations only served by our passenger flights."

3. SIA Makes Significant Capacity Cuts, Grounds Aircraft.

"Amid the greatest challenge that the SIA Group has faced in its existence," Singapore Airlines is cutting 96% of capacity originally scheduled through April and grounding around 138 SIA and SilkAir aircraft, out of a total fleet of 147. Low-cost unit Scoot will also suspend most of its network, resulting in the grounding of 47 of its 49 aircraft. Initial measures to build liquidity include "discussions with aircraft manufacturers to defer upcoming deliveries, salary cuts for management, fee cuts for Directors, and voluntary no-pay leave for certain management positions. "Unions have been engaged on the additional cost-cutting measures that are needed."

4. Australian Airlines Suspend Scheduled International Flights.

The Australian government is refunding and waiving charges in an A\$715 million relief package to airlines retroactive from February 1, returning almost \$160 million to the industry. . . . Qantas and Jetstar suspended all scheduled international flights through May. A 60% reduction in domestic capacity covers flight frequency, route suspensions and postponing new routes. "Essential domestic, regional and freight connections will be maintained as much as possible." Shareholder dividends are deferred until September. Qantas Group CEO Alan Joyce, senior executives and Board members are taking no pay, and bonuses have been cancelled. "We'll have 150 aircraft on the ground and

sadly there's no work for most of our people," said Joyce. "Rather than lose these highly skilled employees who we'll need when this crisis passes, we are instead standing down two-thirds of our 30,000 employees until at least the end of May." . . . Virgin Australia Group suspended all international flying and reduced domestic capacity by 50% through June 14. "Wherever possible, we will aim to avoid redundancies by fast-tracking measures such as the use of accrued leave, leave without pay and redeployment," said CEO and Managing Director Paul Scurrah.

5. Air New Zealand Capacity Reductions.

Air New Zealand reduced capacity by 85%, suspending flights between Auckland and Chicago, San Francisco, Houston, Buenos Aires, Vancouver, Tokyo Narita, Honolulu, Denpasar and Taipei, as well as London-Los Angeles, until June 30. Tasman and Pacific Island network capacity is significantly reduced. Domestic capacity is reduced by around 30% but no routes are suspended. Air New Zealand is in discussions with the government and unions, said CEO Greg Foran. The Board of Directors will take a 15% pay cut until the end of the year.

6. UAE Suspends All Passenger Flights.

United Arab Emirates (UAE) suspended all inbound, outbound and transit passenger flights, from March 25 for an initial 14 days, subject to further directives. Cargo and emergency evacuation flights are exempt and continue. Etihad and Emirates will announce the resumption of services once restrictions are lifted. . . . Meanwhile, Wizz Air Holdings and Abu Dhabi Developmental Holding (ADDH) closed an agreement to launch low-cost Wizz Air Abu Dhabi this year. "The airline will focus on establishing routes to markets in which Wizz Air has existing, high growth operations, namely Central and Eastern and Western Europe."

7. Congress Passes TAIPEI Act.

See Section VII, item 4.

X. AMERICAS

1. United: March Revenue \$1.5 Billion Lower Than Last March.

United will reduce the international schedule by about 90% in April, flying six daily operations covering Asia, Australia, Latin America, the Middle East and Europe “in an effort to get customers where they need to be.” Earlier, United announced a 50% cut in capacity for April and May and possibly into the summer travel period, and said load factors could drop into the 20-30% range. Since late January, the company has imposed a hiring freeze, introduced a voluntary leave program, slashed discretionary spending, cut corporate officers’ salary by 50% and CEO base salary 100%. Management and union leadership are in talks “about how to reduce our payroll expense,” wrote CEO Oscar Munoz and President Scott Kirby, in a letter to employees, adding, “in just the first two weeks of March, we have welcomed more than one million fewer customers on board our aircraft than the same period last year. We’re also currently projecting that revenue in March will be \$1.5 billion lower than last March. We expect both the number of customers and revenue to decline sharply in the days and weeks ahead.”

2. Delta Cuts Flights, Costs; CEO Waives Salary.

Delta is reducing international capacity by 20% to 25%, and domestic by 10% to 15%, adjusting as demand trends change. Cost reduction initiatives include a company-wide hiring freeze and voluntary leave options, parking aircraft, and early retirements of older aircraft. The recent fuel price decline provides approximately \$2 billion of full-year expense benefit. Delta is deferring \$500 million in capital expenditures, delaying \$500 million of voluntary pension funding and suspending share repurchases. Delta entered into a \$2.6 billion secured credit facility, and is drawing \$3 billion under existing revolving credit facilities. “Maintaining ample liquidity during this crisis is critical to the essential service that Delta provides in America’s transportation infrastructure as well as the jobs of more than 90,000 Delta people across the country,” said CEO Ed Bastian. He and other company officers will take no salary for the next six months.

3. American to Suspend 60% of Capacity in April.

American Airlines will suspend 60% of its capacity in April and up to 80% in May, as compared to same months 2019. American is utilizing grounded passenger aircraft to move cargo between the United States and Europe. Pilots agreed to “basic protections necessary . . . to operate in a fast-evolving public health emergency,” said Allied Pilots Association, including pay

protection for those placed in quarantine or diagnosed, or who self-quarantine due to a family member being diagnosed with COVID-19.

4. **Southwest Suspends International Service.**

Southwest cancelled 1,500 of almost 4,000 daily flights until April 14, after implementing a plan to reduce capacity by at least 20% from April 14 through June 5. Service to international destinations was suspended and the airline stated it hoped “to resume normal operations to our international destinations on Monday, May 4, subject to change.”

5. **Alaska Cuts Flights; CEO Pay Cut to Zero.**

In a Securities and Exchange Commission filing, Alaska Air Group said it is reducing capacity for April by at least 10% and for May by at least 15% from original expectations, and will continue to do so on a rolling 15-day basis as needed. The company is pursuing additional borrowing of approximately \$500 million and will suspend at least \$300 million of capital spending, largely through deferral of pre-delivery aircraft payments and certain non-aircraft capital projects. Alaska suspended share repurchases; offered employees unpaid leaves of absence; and froze hiring across the company except to fill essential front line and management roles. Base salaries for CEO Brad Tilden and President Ben Minicucci were reduced to zero. As of March 16, the Group had unrestricted cash and short-term investments of approximately \$1.9 billion.

6. **UPS Board Appoints Carol Tomé As CEO.**

Carol Tomé was named CEO of UPS, effective June 1. She replaces Chairman and CEO David Abney, who will be Executive Chairman, then special consultant, until retiring at the end of 2020 after 46 years of UPS service. William Johnson will be Non-Executive Chairman. Tomé will be the 12th CEO in the 113-year history of UPS. She has been a member of the UPS Board since 2003 and formerly was a Home Depot executive.

7. **JetBlue Plans 40% Capacity Reduction in April, May.**

JetBlue plans a capacity reduction of at least 40% in April and May, and expects substantial cuts in June and July. The company is working with Airbus to find “opportunities to slow deliveries and reduce aircraft pre-delivery payments” and will defer four previously used airplanes announced earlier this year. CEO Robin Hayes and President and COO Joanna Geraghty are taking a 50% pay reduction during the crisis. “The good news is we have secured a new liquidity facility that allowed us to borrow \$1 billion,” said Hayes.

8. **Regionals Compass, Trans States Cease Operations.**

Compass Airlines will cease operations on April 7. The Minneapolis-based regional flew for American and Delta and was owned by Trans States Holdings. Trans States subsidiary Trans States Airlines, a regional carrier for United, ceases operations on April 1.

9. **Air Canada Suspends Most Service.**

Air Canada suspended most of its international and U.S. transborder flights but intended to continue domestic service “with a significantly reduced network.” International air bridges are operating between Canadian hubs and London, Paris, Frankfurt, Delhi, Tokyo and Hong Kong until at least April 30. The international network is reduced from 101 airports to six. The U.S. transborder network is reduced from 53 airports to 13. The company laid off some 3,600 of its flight attendants and all 1,549 at Air Canada Rouge, confirmed the Canadian Union of Public Employees (CUPE), which represents roughly 10,000 flight attendants at both airlines. . . . In related news, Montreal-based Transat suspended flights until April 30 and has laid off about 70% of its 5,000 employees.

10. **U.S., Canada, Mexico Restrict Border Travel.**

See Section VII, item 2.

11. **U.S. Increases Tariffs on Airbus Aircraft.**

See Section VII, item 3.

12. **U.S. to Negotiate Trade Agreement with Kenya.**

See Section VII, item 5.