



WASHINGTON AVIATION SUMMARY

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

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I. REGULATORY NEWS

1. IATA: 4.4 Billion Passengers Flew in 2018.

According to the International Air Transport Association (IATA), 4.4 billion passengers flew on scheduled services in 2018, up 6.9% over 2017. Freight and mail tonne kilometers rose 3.4%, compared to 9.7% in 2017. Low-cost carrier (LCC) capacity grew by 13.4%, and accounted for 21% of global capacity in 2018, up from 11% in 2004; 52 of IATA's 290 member airlines classify themselves as LCCs and other new model airlines. The top five airlines ranked by total scheduled passenger kilometers flown, were: American (330.6 billion), Delta (330 billion), United (329.6 billion), Emirates (302.3 billion), and Southwest (214.6 billion). The top five airlines ranked by scheduled freight tonne kilometers flown were: Federal Express (17.5 billion), Emirates (12.7 billion), Qatar (12.7 billion), United Parcel Service (12.5 billion), and Cathay Pacific (11.3 billion).

2. Dickson Sworn in as FAA Administrator.

Stephen Dickson was sworn in as 18th Administrator of the Federal Aviation Administration (FAA). He most recently was Delta Sr. Vice President-Flight Operations, responsible for safety and operational performance of global flight operations, pilot training, crew resources, crew scheduling, and regulatory compliance. He was an Airbus A320 captain, and previously flew the Boeing B727, 737, 757 and 767. He chaired industry groups and federal advisory committees, is a former U.S. Air Force officer and F-15 pilot, and a graduate of the U.S. Air Force Academy and Georgia State College of Law. Dickson and Transportation Secretary Elaine Chao thanked FAA Deputy Administrator Daniel Elwell for his steady and principled leadership as Acting Administrator.

3. Boeing MAX Update.

Regarding the Boeing MAX groundings, new FAA Administrator Dickson emphasized, "this plane will not fly in commercial service until I am completely assured that it is safe to do so. FAA is following no timeline in returning the aircraft to service." He acknowledged the role of front-line employee reporting: "We will do everything in our power to ensure the FAA promotes and 'walks the walk' on employee safety reporting programs. And you can expect us to take actions to ensure this same philosophy permeates all sectors of the aviation system." . . . Boeing is hiring temporary employees at its Moses Lake, Washington, facility to prepare stored MAXs for return to service. "We will submit our final certification package to the FAA once we have satisfied all of their requirements, which we currently estimate will occur on a timeframe to

support an early fourth quarter return to service,” Boeing told reporters; the current plan calls for all airplanes stored outside the Puget Sound region to return to Seattle and Everett for delivery. . . . Southwest extended MAX cancellations to January, and American and United to November. The March 13 groundings had a negative impact on involuntary denied boarding statistics for American and Southwest, according to the DOT Air Travel Consumer Report. American denied seats to 69,924 passengers voluntarily in first six months 2019, compared with 28,409 in same period last year, and involuntarily denied boarding to 5,022 passengers, compared with 678 in same period last year. Southwest denied seats to 22,364 voluntarily through June, compared with 10,364 in first half 2018, and involuntarily denied boarding to 2,525, compared with 1,045 in first half 2018. . . . FAA advised operators to be aware of “the criticality of AOA [Angle of Attack] sensors and the potential for damage during normal operations, maintenance procedures, servicing procedures, and any other procedures around an aircraft.” AOA sensors are implicated in the two MAX crashes. . . . Family members of crash victims asked FAA to conduct a full certification of the MAX and require mandatory simulator training before the plane returns to service. The airplane initially received an amended type certificate, because it was developed from a previous version of the 737. . . . The first known lawsuit by a MAX customer was filed in Chicago by Russian aircraft leasing company Avia Capital Services, which claims that Boeing withheld critical information from FAA during certification and from customers regarding airworthiness. The Rostec subsidiary seeks to cancel its order for 35 MAX jets, a return of its deposit with interest, and \$115 million in compensation, plus punitive damages.

4. DOT Tentatively Grants ATI for Delta-Air France-KLM-Virgin Atlantic JV.

The U.S. Department of Transportation (DOT) tentatively approved a request by Delta, Air France, KLM, and Virgin Atlantic to launch an expanded joint venture for all U.S.-Europe services. The new joint venture would replace previously approved arrangements in the U.S.-UK and U.S.-continental Europe markets. The Show Cause Order tentatively grants antitrust immunity (ATI) to enable the carriers to implement the arrangements, with conditions that “protect competition, promote public benefits such as additional flights and increased seat availability, and enable the Department to monitor the effects of the joint venture for consumers.” . . . Delta and Virgin Atlantic announced they will increase transatlantic capacity by nearly 10,000 seats per week in 2020.

5. DOT Finalizes Award of 12 Tokyo Haneda Routes.

DOT finalized a tentative decision to allocate 12 available slot pairs for daily scheduled combination services between the United States and Tokyo Haneda. The routes were awarded to: American (Dallas/Fort Worth, Los

Angeles), Delta (Seattle, Detroit, Atlanta, Portland, Honolulu), Hawaiian (Honolulu), and United (New York Newark, Chicago, Washington, DC, Los Angeles). . . . In related news, Delta will end Narita operations and transfer all U.S.-Tokyo services to Haneda in March 2020. Delta will also adjust its network beyond Narita, suspending Narita-Manila and launching daily Seoul-Manila service operated by Delta, and offering connectivity via Seoul with JV partner Korean Air. Delta will suspend Narita-Singapore on September 22, 2019. “These moves are contingent upon securing viable operational slots,” said Delta. . . . United begins its Haneda service from Chicago, Los Angeles, Newark and Washington, D.C. on March 28, subject to government approval, and will no longer serve Narita from Chicago and Washington D.C. Narita will continue to be a hub for United with daily nonstops from Denver, Guam, Honolulu, Houston, Los Angeles, Newark and San Francisco. United currently offers daily nonstops between San Francisco and Haneda.

6. DOT Issues Final Policy Statement on Emotional Service Animals.

In a “Final Statement of Enforcement Policies Regarding Service Animals on Flights,” DOT said efforts will ensure that passengers can travel with one dog, cat, or miniature horse for emotional support. Among determinations, airline employees may refuse to transport an animal deemed a safety threat, but may not exclude a breed of animal, such as pit bulls. “The Enforcement Office will focus efforts on clear violations of the current rule and will continue to investigate all complaints alleging violations of the Air Carrier Access Act,” said DOT, which plans to issue a Notice of Proposed Rulemaking on Service Animals later this year. . . . In a letter to DOT Secretary Elaine Chao, Airlines for America and numerous organizations wrote that the final guidance “is a good step towards addressing the harm caused by the unconstrained growth of untrained emotional support animals (ESAs) on airplanes.” In 2018, over a million passengers on U.S. airlines traveled with ESAs in the cabin, resulting in a sharp increase in incidents ranging from mauling and biting to urinating and defecating. “DOT should protect the legitimate right of passengers with a disability to travel with a service animal and adopt the definition of service animal from the Americans with Disabilities Act (ADA). We thank DOT for the important work undertaken on this critical issue, recognizing that additional changes are needed [and] look forward to the eventual rule changes that will ensure a safer and healthier travel experience for all.”

7. DOT Forms Safety Oversight and Certification Advisory Committee.

DOT appointed 22 members to a new Safety Oversight and Certification Advisory Committee, which is mandated in the FAA Reauthorization Act of 2018. The committee will advise the Secretary of Transportation on aircraft and flight standards certification processes, oversight of safety management

systems, risk-based oversight efforts, and utilization of delegation and designation authorities. It consists of 20 voting members representing stakeholders across the aviation field and two non-voting FAA members. Members are appointed to two-year terms. The FAA Administrator will also serve on the Committee as a voting member. Initial Chairperson is William Ayer, National Business Aviation Association Board of Directors.

8. Legislators Urge FAA to Act on Airplane Seat Size, Pitch.

Rhode Island’s congressional delegation called on FAA to act on a provision in the FAA Reauthorization Act of 2018 directing the agency to propose minimum seat width and distance between rows of seats (“pitch”) by October 2019. FAA has indicated it will take initial steps to fulfill the requirement by later this year. Aside from comfort issues, cramped seats can make it more difficult for passengers to quickly exit the aircraft, said the legislators. . . . In related news, Association of Professional Flight Attendants (APFA) urged new FAA Administrator Stephen Dickson “to take crucial steps to protect all airline passengers and crew members” by implementing key safety provisions in the reauthorization legislation. These include a formal review of cabin evacuation procedures and changes to passenger seating configurations. “Smaller seats can prevent passengers—especially older and larger individuals—from safely exiting an aircraft in emergency situations.” Specific provisions to collect data on poor cabin air quality also have not been implemented. “Since July 2018, APFA has had over 1,500 fume events reported to our safety department. Passengers and flight attendants are put at risk from inhaling these fumes. Flight attendants have been hospitalized and, in some cases, suffered permanent damage to their health due to a lack of standard procedures for maintaining air quality. Although flight crews have to report fume events linked to issues with the aircraft, FAA currently has no standardized way of collecting reports of air quality in general or preventing fume contamination on an aircraft, so these incidents frequently go unreported.” Also not implemented is a 10-hour rest minimum for flight attendants, which would ensure “enough time to get to our hotel, have a meal, get enough sleep and return to the airport in time for our next flight. Flight attendants deserve the down time and our passengers deserve to have well-rested cabin crews ready to respond on a moment's notice.”

II. AIRPORTS

1. Hong Kong Political Demonstrations Disrupt Airport Operations.

Hong Kong International operations were severely disrupted amid political demonstrations on August 12 and 13. All departing flights were cancelled, as protesters blocked passageways to the airport restricted area. Airport Authority Hong Kong obtained an injunction “to restrain persons from unlawfully and willfully obstructing or interfering with the proper use of the Airport [and] from attending or participating in any demonstration or protest or public order event in the Airport other than in the area designated by the Airport Authority.” The airport handled 74.7 million passengers in 2018.

2. Denver Terminates Contract with Great Hall Partners.

Denver International is terminating its contract with Great Hall Partners (GHP) for the Jeppesen Terminal renovation that began in July 2018. The discovery of weak concrete in some areas and a failure to obtain necessary permits to keep the project on schedule were cited as reasons for the termination. GHP said “more than 20 large in scale, badly timed and unnecessary change directives” were issued by the airport to the previously approved design. The airport is seeking a new contractor, “will be assuming greater control of the project and will be prioritizing passenger flow, minimizing the impact of construction on the traveling public, airlines and other tenants.” GHP, a public-private partnership comprised of Ferrovial Airports, JLC Infrastructure, and Saunders Concessions, had a 34-year agreement to design and construct all improvements, followed by 30 years of operations and maintenance within specific commercial areas of the terminal. The new contractor will be responsible for construction only. The airport will operate commercial development and retain 100% of revenue. Total design and build cost will remain at the original budgeted amount of \$770 million with a \$120 million airport-controlled contingency.

3. DOT Announces \$478 Million in Airport Grants.

The fourth allotment of a total \$3.18 billion in FAA Airport Improvement Program grants awarded \$478 million to 232 airports in 43 states. Among the grants, \$18.9 million for Juneau International will fund repair of two and construction of one new taxiway, and purchase of an emergency generator. Los Angeles International will receive \$2.4 million to install noise mitigation measures for area residences. Gerald Ford International, near Grand Rapids, Michigan, will receive \$11.1 million to help repair an apron.

4. Gatwick Releases £1.11 Billion Investment Plan.

Gatwick announced a new five-year, £1.11 billion spending plan, bringing total investment since 2009 to £3.21 billion. The largest project is the Pier 6 western extension, which will allow North Terminal passengers to embark and disembark aircraft via a jetty-served stand, and improved gate waiting areas. Also anticipated are biometric auto-boarding, Time-Based Flow Management to increase main runway capability, rapid exit taxiway, baggage auto re-lighting, a new car park, and robotic car parking. Gatwick will contribute £37 million to railway station development, with the government committing £150 million. Gatwick handles 46 million passengers a year and is owned by VINCI Airports (50.01%) and Global Infrastructure Partners (49.99%).

5. Delhi Expansion Includes Fourth Runway.

Delhi's Indira Gandhi International will be the first airport in India to have four runways upon completion of a \$1.4 billion expansion in 2022. The new runway and associated projects will increase annual passenger handling capacity from 66 million to 100 million. Delhi International Airport Limited is a joint venture, formed as a consortium between GMR Group (54%), Airports Authority of India (26%), and Fraport & Eraman Malaysia (10% each). Fraport is the airport operator and Eraman is retail advisor.

III. SECURITY AND DATA PRIVACY

1. CBP Systems Disruption Causes Long Lines at Intl. Airports.

The U.S. Customs and Border Protection (CBP) experienced a temporary outage with its processing systems at various airports of entry, and alternative procedures were used to process international travelers. “There is no indication the disruption was malicious in nature,” said CBP.

2. TSA PreCheck Adds Six Airlines.

Austrian, Azul, Swoop, PAL Express, VivaAerobus, and Interjet are new participants in PreCheck, the Transportation Security Administration (TSA) expedited screening program, bringing total number of domestic and international airlines to 73.

3. United Invests in CLEAR.

United announced a new partnership with CLEAR, which includes free or discounted membership for U.S.-based MileagePlus members. United is making a strategic equity investment in CLEAR that will bring the biometric security option to the airline's hubs at Newark and Houston Bush. United is also supporting CLEAR's efforts with the City of Chicago to open CLEAR lanes at Chicago O'Hare; CLEAR already operates at United hubs in Denver, Los Angeles, San Francisco and Washington Dulles.

IV. TECHNOLOGY AND EQUIPMENT

1. Justice Dept. Sues to Block Sabre's Acquisition of Farelogix.

The U.S. Department of Justice filed a civil antitrust lawsuit seeking to block Sabre's \$360 million acquisition of Farelogix, alleging the transaction would allow the largest booking services provider in the United States "to eliminate a disruptive competitor that has introduced new technology to the travel industry and is poised to grow significantly." Farelogix offers next-generation booking services solution Open Connect. . . . Sabre responded that Farelogix will enable it to accelerate "delivery of the industry's first end-to-end NDC-enabled [New Distribution Capability] solution for the retailing, distribution and fulfillment of travel." Sabre will challenge the lawsuit and "is confident of the pro-competitive nature of this transaction, that it will succeed in court, and that the transaction will ultimately be completed." Sabre and Farelogix extended the termination date of their acquisition agreement to April 30, allowing time to resolve the DOJ challenge.

2. Travelport Offers NGS First Phase Capability.

Travelport is working with airlines and partners to offer Next Generation Storefront (NGS) capability. Developed by ATPCO, NGS allows users to compare and choose among branded fare and flight offers on one screen. "As the ATPCO standards continue to evolve, Travelport will facilitate exact comparisons across airlines' full range of products," said the UK-based company. For example, travelers can book a business class ticket to the destination and an economy class seat for the return and ancillaries like upgrades, baggage and wi-fi access. Travelport partners on NGS include online booking tool WhereTo and Travel Technology & Solutions.

3. Spirit Passengers Can Make Reservations via WhatsApp.

Spirit Airlines passengers can modify travel and make reservations in English and Spanish starting September 1 using WhatsApp. The technology, powered by global conversational commerce solutions provider LivePerson, enables customers to get immediate support in a messaging conversation with Spirit representatives or virtual assistants. . . . Separately, Spirit Airlines will implement Sabre's AirCentre Movement Manager, Crew Manager and Recovery Manager, components of the Sabre Operations Platform.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on August 16 was \$75.64/barrel, down 4.6% on the month and down 13% compared to a year ago, reports IATA. Jet fuel price average for 2019 was \$80/barrel. Impact on 2019 fuel bill was down \$8.8 billion.

2. **DOT Proposes Simplified Environmental Reviews.**

DOT published two interim policies on environmental reviews for infrastructure projects. One calls for DOT administrations to limit the text of draft and final environmental impact statements to 150 pages, unless they are of unusual scope or complexity, and recommends that environmental assessments not exceed 75 pages. DOT said lengthy documents required by the National Environmental Policy Act contain extraneous and needless data, resulting in increased time and cost to complete the environmental review process and making it difficult for agency decisionmakers and the public to find relevant information regarding proposed actions. The second policy provides guidance for implementing an executive order of August 15, 2017, which calls for one federal agency to lead major infrastructure projects through the environmental review and authorization process. Comments must be received by September 23, 2019.

3. **FAA Update on Noise Mitigation Projects Requested.**

A letter to new FAA Administrator Stephen Dickson from leaders of the Congressional Quiet Skies Caucus requests a meeting and update on outstanding projects related to aircraft noise, including a “continuously delayed” FAA study reevaluating the 65 DNL (Day-Night Average Sound Level) threshold for noise mitigation activities. FAA began the study in 2015 and reported in May 2018 that it was nearly final, said the Caucus, adding that this study is different from one authorized in the 2018 FAA reauthorization bill. The Caucus “consists of congressional representatives from across the country whose constituents have been impacted by FAA's NextGen program.”

4. **United, Environmental Defense Fund Partner to Reduce Emissions.**

United has partnered with the Environmental Defense Fund to measure and accelerate greenhouse gas reductions across the airline's operations to meet a goal of cutting emissions 50% by 2050, per the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA). They will analyze options for identifying high-quality carbon offsets that represent real, permanent, verified emission reductions; deliver local environmental benefits;

and are properly accounted for. They also will collaborate with Conservation International, which enables United customers to purchase carbon offsets via the airline's Eco-Skies Carbon Choice program. Globally, aviation sector emissions currently account for 2% of greenhouse gas emissions and are expected to rise significantly as demand for air travel rises, even as the industry's fuel efficiency improves.

5. Finnair Operates San Francisco-Helsinki Biofuel Flights.

Finnair operated two biofuel-powered Airbus A330 flights from San Francisco to Helsinki, as part of its "Push for Change" carbon reduction program. The biofuel mix of 12% cut total CO2 emissions for the two flights by approximately 32 tons. Finnair's biofuels partners in San Francisco are SkyNRG and World Energy; Shell Aviation provided logistics and supply chain support for the project. The sustainable biofuel is produced from used cooking oil in California, which does not compete with food production or the agriculture industry.

6. UK Launches Future Flight Challenge.

The UK government will provide £125 million and industry £175 million to fund a Future Flight Challenge to support development of new technologies, such as electric planes with vertical take-off capability and autonomous aircraft. Several universities will receive grants to develop innovations to reduce emissions and improve air quality.

VI. U.S. CONGRESS

1. Senate Holds Appropriations Hearing on FAA Oversight.

A hearing on FAA oversight was held by the Senate Appropriations Committee. Transportation Subcommittee Chairman Susan Collins (R-Maine) presided and testimony was heard from FAA officials, including Ali Bahrami, Associate Administrator for Aviation Safety; Winsome Lenfert, Deputy Associate Administrator for Airports; and Carl Burleson, Acting Deputy Administrator. Drone integration and safety and airport funding were discussed, but a major topic of the hearing was the Boeing 737 MAX. Burleson defended FAA's certification process, oversight of production and operation, and response to the Lion Air and Ethiopian accidents, and emphasized that there is no prescribed timeline for returning the MAX to passenger service. "We continue to evaluate Boeing's software modification to the MCAS [Maneuvering Characteristics Augmentation System], and we are still developing necessary training requirements. The 737 MAX will not return to service for U.S. carriers and in U.S. airspace until the FAA's analysis of the facts and technical data indicate that it is safe to do so."

Burleson recapped numerous reviews and audits underway:

- The DOT Inspector General is conducting an audit of the MAX certification.
- An independent Special Committee is reviewing FAA procedures for certification of new aircraft, with findings and recommendations to be presented directly to the DOT Secretary and FAA Administrator.
- Original MCAS certification is being evaluated by Joint Authorities Technical Review (JATR), chaired by former NTSB Chairman Christopher Hart and comprised of experts from FAA, NASA, and aviation authorities of Australia, Brazil, Canada, China, the European Union, Indonesia, Japan, Singapore, and the United Arab Emirates. Completion of JATR work is not a prerequisite for returning the MAX to service; however, FAA will consider findings and recommendations of each participant.
- Boeing's proposed MCAS software update and its integration into the flight control system are under review by a Technical Advisory Board (TAB), comprised of experts from the U.S. Air Force, NASA, Volpe National Transportation Systems Center, and FAA, none of whom were involved in MAX certification. The TAB will identify issues where further investigation is required prior to approval of the design change. Its recommendations will directly inform FAA's decision concerning the MAX return to service.
- FAA met with the three U.S.-based MAX operators and their pilots to help evaluate needs before returning the aircraft to service in the United States.

- FAA hosted a meeting of Directors General of civil aviation authorities, is in frequent communication with the international aviation safety community, and is working with counterparts to address concerns and keep them informed of progress.

2. “Safe Landings Act” Addresses Near-Miss Incidents.

Congressman Mark DeSaulnier (D-CA) introduced the “Safe Landings Act” to address near-miss incidents like the Air Canada arrival at San Francisco International on July 7, 2017, which came dangerously close to landing on a taxiway occupied by four aircraft loaded with more than 1,000 passengers. Noting that runway incursions in the U.S. increased by nearly 83% in recent years, DeSaulnier thanked Captain “Sully” Sullenberger and “multiple stakeholders in the aviation industry” for guidance in developing the bill. H.R. 4166, among other things, requires FAA to implement systems that alert pilots and air traffic controllers if a plane is not properly aligned to land on a runway, and requires the “notices to airmen” (NOTAM) system to be harmonized with International Civil Aviation Organization (ICAO) standards. It orders the Government Accountability Office (GAO) to produce a study on concerns some pilots have with cockpit voice recorders (CVRs), like inappropriate foreign government use; and to provide recommendations to improve CVRs while protecting pilots. It creates a federal task force to research and identify safety risks from human error. The bill also includes measures to study pilot and air traffic controller alerts, reduce risks associated with power outages at airports for landing aircraft, improve data analysis for safety, and make vehicle travel around airports more efficient.

3. Airline Passengers’ Bill of Rights Reintroduced in Senate.

The Airline Passengers’ Bill of Rights was reintroduced in the Senate by Democrats Ed Markey, Richard Blumenthal, Ron Wyden, Bob Casey and Sheldon Whitehouse. A bill introduced in 2017 was not enacted. The law would prevent airlines from shrinking seats until DOT sets a minimum standard for seat size, from charging “exorbitant, unnecessary fees that bear no relation to the service provided,” and from using weather as an excuse for delays and cancellations that are actually the airlines’ fault. It requires airlines “to reveal the true costs of flying” and offer lowest fares on multi-segment flights; to be transparent about changes and costs associated with frequent flyer programs; and to refund bag fees immediately for damaged or lost bags. The bill would require airlines to pay at least \$1,350 to passengers denied boarding as a result of oversales; to provide ticket refunds, alternate transportation, and compensation, and to cover the cost of meals and lodging for flights delayed more than four hours. The bill would require airline employees to undergo biannual training on passengers’ rights. It would ensure

that passengers receive a clear explanation of their rights at ticket purchase and throughout travel; and would direct DOT to facilitate interline agreements between airlines to ensure availability of alternative flights. It requires working restrooms on all aircraft and that restrooms accommodate passengers with disabilities. It orders FAA to study food and water safety on aircraft and mandate that drinking water and restrooms be available for free. The bill reinstates the right of passengers to sue airlines in federal and state court for unfair and deceptive practices, and reinstates the right of passengers with disabilities to sue airlines in federal court for denying basic access. It improves the process for passengers to submit airline complaints and forces airlines to address concerns quickly. It requires DOT to explain reasons for failing to impose penalties on airlines for violations of passenger rights; institutes a study by DOT and consumer groups on the feasibility of a system in which fines on airlines go directly to passengers; eliminates the cap on fines that DOT charges airlines for violating consumer protection laws and prevents airlines from negotiating “slap-on-the wrist” fines for egregious conduct; and requires a GAO investigation into fairness of airfares and fees as compared to costs of services provided since consolidation of air carriers.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S., Japan to Expand Daytime Service at Tokyo Haneda.

U.S. and Japanese delegations in Tokyo signed an agreement that would increase daytime services between Tokyo Haneda Airport and U.S. destinations. The proposed amendment to the U.S.-Japan Open Skies Agreement allocates 12 new slot pairs (12 arrivals and 12 departures daily) for U.S. air carriers and the same for Japanese carriers. The new flights are expected to begin around March 29, in time for the 2020 summer travel season and the Summer Olympics to be held in Tokyo. U.S., EU Agreement Facilitates Wet-Lease Operations.

U.S., EU, Norwegian, and Icelandic representatives signed an agreement under which the EU will remove restrictions on U.S. carriers seeking to wet-lease to EU airlines. “The agreement marks the end of a long-standing commercial concern for U.S. carriers, and restoration of their ability to participate on fair terms in the market for wet-lease services,” said DOT. “U.S. carriers will now be able to compete fairly in the marketplace, more broadly offering their services in worldwide markets, and gaining a valuable chance to benefit from the new commercial opportunities.”

2. State Dep’t Issues Hong Kong Travel Advisory.

The U.S. Department of State issued a Level 2 Travel Advisory for Hong Kong, urging increased caution due to civil unrest. Since June, some political demonstrations have turned confrontational or resulted in violent clashes. The protests and confrontations have spilled over into neighborhoods other than those where the police have permitted marches or rallies. “These demonstrations, which can take place with little or no notice, are likely to continue,” says the notice.

VIII. EUROPE AND AFRICA

1. Delta, Virgin Atlantic to Add Transatlantic Flights.

Joint venture partners Delta and Virgin Atlantic will raise transatlantic capacity by 10,000 seats per week in 2020. Beginning March 28, Delta will increase New York Kennedy-London Heathrow service to three daily Boeing 767-400 year-round frequencies. On March 29, Virgin Atlantic will add three weekly Heathrow-Los Angeles Airbus A350 flights and four weekly Heathrow-Seattle B787 flights. In May, Delta will begin daily Boston-London Gatwick B757 operations, while Virgin Atlantic will operate Kennedy-Gatwick A330-200 service. Together the airlines will offer up to six daily flights to London Manchester from six U.S. cities; Delta will operate new daily Boston B757 service, effective May 21, while Virgin Atlantic will continue to operate flights from Atlanta, New York, Las Vegas, Los Angeles and Orlando.

2. Norwegian to Discontinue Transatlantic 737 MAX Routes.

Norwegian will discontinue flights from the U.S. and Canada to Ireland in September, saying they are no longer commercially viable considering the continued uncertainty of the return to service of the Boeing 737 MAX. Since the grounding, the routes have been operated by substitute aircraft and wet-lease arrangements. Services affected are Hamilton, Canada; New York Stewart; and Providence from Dublin, Cork, and Shannon. There are no changes to the 46 U.S.-Europe Dreamliner nonstops.

3. American to Add African Service in 2020.

American's new routes for summer 2020 include three weekly Boeing 757 nonstops from Philadelphia to Casablanca, its first African service. "We look forward to working with Royal Air Maroc when they join oneworld in 2020, which will allow for even more connections further into Africa to places like Marrakech, Lagos and Accra," said the airline. Other new services include 787-8 nonstops from Chicago to Krakow, Budapest, and Prague. Three weekly Dallas-Tel Aviv 787-9 flights will provide "the most efficient routing to U.S. tech cities like Austin, Texas, and San Jose, California, in addition to one-stop service to 33 new cities in the U.S." All routes are subject to government approval.

4. United Adds International Service.

United announced an expanded international schedule, including new seasonal service between New York Newark and Curacao, Nice, and Palermo; and expanded Denver-London Dreamliner service from November 1.

United's first nonstop service from the U.S. West Coast to India begins December 5, with year-round San Francisco-New Delhi Dreamliner flights (originally announced as seasonal). First-ever nonstops between Newark and Cape Town begin December 15; the Dreamliner service will decrease current New York-Cape Town travel time by more than four hours. Daily year-round Boeing 767-300ER Chicago-Zurich nonstops begin March 28. Some routes are subject to government approval. . . . United reportedly is suspending daily Chicago-Hong Kong service on September 9, due to reduced demand on the route, but will add a second San Francisco-Hong Kong flight.

5. British Airways Pilots to Strike in September.

British Airways pilots plan to strike on September 9, 10 and 27. The UK Civil Aviation Authority warned the airline to comply with re-routing obligations for passengers on cancelled flights, including a choice of reimbursement, alternate arrangements, or a new flight at a later date.

6. Lufthansa Group to Expand U.S. Service.

Lufthansa Group will expand U.S. service in 2020. Flights operated with Eurowings include Munich to Seattle, Detroit, Las Vegas, and Orlando; and Frankfurt to Phoenix and Anchorage. SWISS will add daily Zurich-Washington, D.C. flights to daily service with joint-venture partner United.

7. France to Recover €8.5 Million of Illegal Aid to Ryanair at Montpellier.

The European Commission found that payments by French local authorities to Ryanair to promote Montpellier airport gave Ryanair an unfair advantage over competitors and caused harm to other regions and regional airports. Ryanair was ordered to return €8.5 million of illegal state aid.

8. Judicial Administrator Managing Aigle Azur.

Paris Orly-based Aigle Azur is in the hands of a judicial administrator, following a takeover attempt by minority shareholder Gerard Houa, who abruptly fired CEO Frantz Yvelin and other executives, pointing to "strategic mistakes of the past two years." Houa controls Lu Azur, which owns 19% of Aigle Azur. A 49% share is held by Chinese conglomerate HNA Group, and 32% by David Neeleman.

9. U.S., EU Agreement Facilitates Wet-Lease Operations.

See Section VII, item 2.

ASIA/PACIFIC AND MIDDLE EAST

10. Cathay Pacific Names New Management Amid HK Political Chaos.

Augustus Tang succeeded Rupert Hogg as CEO of Cathay Pacific, and Ronald Lam replaced Paul Loo as Chief Customer and Commercial Officer. Lam was CEO of HK Express, a position now held by Mandy Ng, with Lam as Chairman of the low-cost airline acquired by Cathay Pacific in July. . . . The appointments were made after pro-democracy demonstrations seriously disrupted airport and airline operations. Initially, Cathay said employees could participate, a move pounced on by the mainland government. Civil Aviation Administration of China (CAAC) asked for a plan to strengthen internal control and improve safety and security, and several staff involved in the protests were fired. Swire Pacific, Cathay's largest shareholder, proclaimed support for the airline's "strict implementation of CAAC's directives" and for the Hong Kong government, while condemning "illegal activities and violent behavior, which seriously undermine the fundamental principle of 'One Country, Two Systems.'" Demonstrators targeted Cathay for firing employees and "creating a climate of fear."

11. Qantas to Operate Ultra Long-Haul Research Flights.

Qantas will operate three ultra long-haul research flights to gather data about inflight passenger and crew health and wellbeing, in preparation for its 'Project Sunrise'—regular, non-stop commercial flights from the east coast of Australia (Brisbane, Sydney, and Melbourne) to London and New York. The Boeing 787-9s will be collected from Boeing's factory in Seattle by Qantas pilots, in October, November and December, and flown to their starting points of New York (two flights) and London (one flight). Cabins will be fully fitted out and otherwise ready to enter normal commercial service. Each flight will have a maximum of 40 people, mostly Qantas employees, including crew, in order to minimize weight and give necessary fuel range; they will be fitted with wearable technology devices and take part in specific experiences at varying stages of the approximately 19-hour flights. Carbon emissions from the flights will be fully offset. "No airline has done this kind of dedicated research before and we'll be using the results to help shape the cabin design, inflight service and crew roster patterns for Project Sunrise. We'll also be looking at how we can use it to improve our existing long-haul flights," said Qantas Group CEO Alan Joyce. Airbus and Boeing have pitched aircraft (A350 and 777X) to Qantas that are capable of operating Project Sunrise flights with a viable commercial payload. A final decision on Project Sunrise—which depends on aircraft economics, regulatory approvals and industrial agreements—is

expected by yearend. No commercial airline has ever flown direct from New York to Australia. Qantas flew non-stop from London to Sydney in 1989 to mark entry into service of the Boeing 747-400. That flight had 23 people on board and minimal internal fit-out in order to provide range. The aircraft was donated by Qantas in 2017 to the Historical Aircraft Restoration Society in New South Wales.

12. Air China Suspends Beijing-Hawaii Flights.

Air China suspended Beijing-Honolulu flights “due to network layout, capacity arrangement, and other reasons.” Load factor was around 66% last year.

13. ANA to Add Boeing 777 on U.S. Routes.

All Nippon Airways (ANA) will use the Boeing 777-300ER on the Tokyo-New York route starting in Winter 2019. The 777F will serve the Narita-Chicago route beginning October 29 to meet demand for cargo between Asia and North America.

14. Air New Zealand Names Acting CEO.

Air New Zealand named CFO Jeff McDowall as Acting CEO, effective September 25, until a permanent replacement for Christopher Luxon is appointed. Stephan Deschamps will serve as Acting CFO. Luxon resigned in June after seven years as CEO.

15. Government to Privatize 95% of Air India.

The government agreed in principle to privatize up to 95% of Air India and will hold a 5% stake for the benefit of airline employees. Earlier privatization attempts failed to receive expressions of interest, but new measures to make the airline competitive include bringing down debt and selling assets. Civil Aviation Minister Hardeep Singh Puri said the airline will see a profit this year.

16. U.S., Japan to Expand Daytime Service at Tokyo Haneda.

See Section VII, item 1.

17. United Adds International Service.

See Section VIII, item 4.

IX. AMERICAS

1. American Seeks Compensation from Mechanics Union.

American Airlines said it will seek damages from the Transport Workers Union of America (TWU) and the International Association of Machinists and Aerospace Workers, charging the groups with violating court orders to end work slowdowns which caused hundreds of flight cancellations. After more than three years of negotiations on compensation, outsourcing limits and other issues, talks were suspended in April by federal mediators. . . . On the question of outsourcing, New York's 27 delegates to the U.S. House of Representatives asked American CEO Doug Parker and union heads to forge an agreement that prevents maintenance positions at New York-area airports from being outsourced to foreign countries. And, in a letter to President Trump, TWU International President John Samuelson said the largest U.S. airlines "are actively working to offshore as many U.S.-based jobs as they possibly can, exposing American workers to unfair competition, and possibly harming American air travelers." American Airlines said its proposal to unions ensures that more than half of base maintenance and more than 85% of line maintenance would remain inhouse, and the airline is hiring additional mechanics.

2. Delta to Add New York-Bogota; Shuffles Regional Service.

Delta will begin year-round daily Boeing 757-200 nonstops to Bogota from New York Kennedy on December 21. . . . Compass and GoJet will transition out of Delta Connection, and Delta is reallocating aircraft operated by them to Endeavor, Republic, and SkyWest. Delta subsidiary Endeavor Air will receive 13 used Bombardier CRJ-700s from Delta and will acquire seven new NextGen CRJ-900s, all scheduled to enter service by June 2020, bringing total fleet size to 176 aircraft. Endeavor is adding Raleigh, North Carolina, as its 11th maintenance station, and expects daily operations to increase in Detroit, Cincinnati, and Raleigh. Republic Airways will add 30 Embraer E175s and expects the expansion to increase its scheduled daily operations for Delta by more than 75%. A new crew base will be added in Louisville where Republic has a maintenance operation, and a crew and maintenance base will open in Boston. SkyWest will receive six Embraer E175s from Delta, under a multi-year contract beginning early 2020; the regional air carrier will purchase and operate seven new E175s, instead of seven previously announced CRJ900s to be financed by Delta. SkyWest will serve Los Angeles, Salt Lake City, and Seattle for Delta. Separately, SkyWest cancelled its previously announced order for three new E175s scheduled for service with Alaska Airlines in 2021.

3. Southwest Adds Hawaii Service.

Southwest will add new daily nonstops between Sacramento and Honolulu and from Oakland and San Jose to both Kauai and the Island of Hawaii, for the January to March period. Southwest operates a dozen flights daily between Hawaii and the mainland, and offers 16 interisland departures daily among the Islands.

4. JetBlue to Launch Cargo Service with Aeronex.

JetBlue will partner with Aeronex Cargo to offer cargo services, initially from Fort Lauderdale-Hollywood, then Miami, and, by yearend, New York Kennedy, Los Angeles International, and Boston Logan. Miami-based Aeronex specializes in turnkey air cargo managed services for low-cost airlines. The partnership “allows us to efficiently offer cargo services without impact to our customer operation, building new revenue opportunities from excess belly capacity on our fleet of more than 250 aircraft,” said JetBlue. . . . JetBlue’s rollout of the Airbus A321neo will include a plane named in honor of founder David Neeleman. The tail design was a collaborative effort between the airline’s design team and Neeleman. The A321neo is nearing final certification and will go into scheduled service in September. . . . JetBlue launched its “Just Alright Doesn’t Fly Here” campaign, which “takes a stand against mediocrity in air travel and reminds travelers they don’t have to accept the bare minimum that has become standard across the industry.”

5. Allegiant Wins Naming Rights to Las Vegas Stadium.

Las Vegas-based Allegiant and the Raiders signed an agreement for naming rights to Las Vegas Stadium. The Raiders will relocate from Oakland to Las Vegas in 2020, pending completion of the 1.75 million-square-foot Allegiant Stadium. The partnership will amplify our growing brand as the only U.S. airline focused on leisure travel and experiences, said Allegiant Chairman and CEO Maury Gallagher. Allegiant brings 1.2 million customers to Las Vegas each year. . . . Allegiant is investing \$50 million to establish a new base at Lehigh Valley International Airport in Pennsylvania, which will house two Airbus aircraft. Operations begin in February. Lehigh Valley, the airline’s 18th aircraft base, is located one hour north of Philadelphia and 90 minutes west of New York City, and “is the fastest growing and third most populous region in the state of Pennsylvania, with a population of more than 670,000 residents.” Allegiant carries 280,000 annual passengers through Lehigh Valley, to Fort Lauderdale, Orlando/Sanford, St. Pete-Clearwater and Punta Gorda, Florida; Myrtle Beach, South Carolina; Nashville, Tennessee; and Savannah, Georgia.

6. **Avianca Brasil to Exit Star Alliance.**
Avianca Brasil will formally leave Star Alliance on September 1, following months of bankruptcy protection and the withdrawal of its operating certificate by Brazilian regulator ANAC. “The exit of Avianca Brasil in no way affects the membership of Avianca S.A., our valued member based in Bogota, Colombia, which continues to be a significant contributor to the Alliance in South America,” said Star Alliance CEO Jeffrey Goh. The Star network will be left with 27 member airlines, 11 of which offer direct services to and from Brazil.
7. **U.S., Japan to Expand Daytime Service at Tokyo Haneda.**
See Section VII, item 1.
8. **U.S., EU Agreement Facilitates Wet-Lease Operations.**
See Section VII, item 2.
9. **Delta, Virgin Atlantic to Add Transatlantic Flights.**
See Section VIII, item 1.
10. **Norwegian to Discontinue Transatlantic 737 MAX Routes.**
See Section VIII, item 2.
11. **American to Add African Service in 2020.**
See Section VIII, item 3.
12. **United Adds International Service.**
See Section VIII, item 4.
13. **Lufthansa Group to Expand U.S. Service.**
See Section VIII, item 6.
14. **Qantas to Operate Ultra Long-Haul Research Flights.**
See Section IX, item 2.
15. **Air China Suspends Beijing-Hawaii Flights.**
See Section IX, item 3.
16. **ANA to Add Boeing 777 on U.S. Routes.**
See Section IX, item 4.