



WASHINGTON AVIATION SUMMARY

AUGUST 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: Recovery Delayed as Intl. Travel Remains Locked Down.

Global passenger traffic will not return to pre-COVID-19 levels until 2024, a year later than previously projected, reports the International Air Transport Association (IATA). International traffic, which in normal times accounts for nearly two-thirds of global air travel, “remains virtually non-existent,” said IATA Director General and CEO Alexandre de Juniac. Most countries are closed to international arrivals or have imposed quarantines, leaving little chance for an upswing “unless governments move quickly and decisively to find alternatives to border closures, confidence-destroying stop-start re-openings and demand-killing quarantine.” de Juniac also cited the need for governments to continue financial and other relief, such as a full Northern Winter season waiver on the 80-20 use-it-or-lose-it slot rule. “Airlines are planning their schedules. They need to keep sharply focused on meeting demand and not meeting slot rules that were never meant to accommodate the sharp fluctuations of a crisis.”

2. ACI, IATA Call for Public Funding of Health Measures.

IATA and Airports Council International (ACI) World urged governments to bear costs related to public health measures aimed at mitigating the spread of communicable diseases, as the World Health Organization (WHO) recommends. “The aviation industry wants to get the world moving again,” said IATA’s de Juniac. “The extra costs of health measures mandated by governments must be borne by governments. That will enable the industry to focus scarce resources on reconnecting the world and boosting economic recovery.” The International Civil Aviation Organization (ICAO), through the Council Aviation Recovery Task Force (CART), has resolved to partner with Member States, international and regional organizations, and industry to address challenges and provide global guidance for a safe, secure and sustainable restart and recovery of the aviation sector. . . . Globally, 16,096,741 confirmed cases of COVID-19 and 646,384 deaths had been reported to WHO from January 20 to July 27. The U.S. had reported the highest number of confirmed cases, 4,148,011 with 145,727 deaths, followed by Brazil with 2,394,513 confirmed cases and 86,449 deaths, and India with 1,435,453 confirmed cases and 32,771 deaths.

3. U.S. Gov’t Issues Guidance to Facilitate Safe Air Travel.

The U.S. Departments of Homeland Security, Transportation and Health and Human Services issued joint guidance “to better protect passengers, crew, and other airport workers from the COVID-19 pandemic.” Recommendations

in “Runway to Recovery: The United States Framework for Airlines and Airports to Mitigate the Public Health Risks of Coronavirus” include: create barriers to disease transmission; increase social distancing measures; minimize points of contact with surfaces and people; ensure cleanliness of all areas with potential for human contact; know how passengers arriving on international flights can be reached if exposed to COVID 19; and provide specialized training for aviation workers, especially airline crew. . . . The Transportation Trades Department (TTD), a coalition of 33 unions, asked the U.S. Department of Transportation (DOT) to go beyond guidance and issue an emergency rule requiring passengers to wear masks, reports the *Washington Post*, and the TTD noted that members of each union had died from the coronavirus. In a letter to DOT Secretary Elaine Chao, the group said a regulation should also make clear that a transportation provider is obligated to refuse to transport any passenger who is unwilling to comply for reasons unrelated to a disability. . . . Airlines for America (A4A) carriers are implementing health acknowledgment policies, requiring passengers to provide assurance that they will wear a face covering at the airport, on the jet bridge and onboard the aircraft; are not experiencing a temperature, coughing or other symptoms; and have not had close contact with someone who had COVID-19 in the past 14 days. Passengers who fail or refuse to complete the acknowledgment may be deemed unfit to travel and each carrier will resolve the matter in accordance with its own policies. . . . Global airline alliances oneworld, SkyTeam and Star created a video that describes health measures in place from check-in to destination, including face masks at the airport and onboard, physical distancing in the airport, increased and intensified sanitation on the ground and in the aircraft cabin, and hospital-grade high-efficiency air filters on modern aircraft.

4. Treasury, Airlines Agree on Loan Terms.

The U.S. Treasury Department said several carriers have signed letters of intent to apply for new federal loans. Carriers received \$25 billion in financial aid under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed in March, and could be eligible for another \$25 billion loan program. They have until September 30 to decide if they will take loans. Borrowers are required to provide warrants, equity interests or senior debt instruments as appropriate taxpayer compensation; maintain employment levels; and limit employee compensation, dividends and share repurchases.

5. Delta, LATAM Request ATI for Joint Venture.

DOT approved a Delta-LATAM code share on routes between the U.S. and Chile. The carriers submitted an application to DOT for antitrust immunity (ATI) for a joint venture. Delta holds 20% in LATAM, which filed for Chapter 11 protection in U.S. bankruptcy court in May.

6. DOT Fines Volaris for Violating Tarmac Delay Rule.

DOT fined Volaris \$70,000 for violating the tarmac delay rule on September 13, 2017 at New York Kennedy. The Mexican airline did not provide passengers food or an opportunity to deplane during the delay of more than four hours.

7. FAA Issues Emergency AD for B-737s.

The Federal Aviation Administration (FAA) issued an emergency Airworthiness Directive (AD) for corrosion checks on Boeing 737s in storage or which had been operated for 10 or fewer flight cycles since returning to service. Prompted by four recent reports of single-engine shutdowns, the AD applies to Boeing 737-300, -400, -500, -600, -700, -700C, -800, -900 and -900ER series airplanes certificated in any category.

8. Boeing 737 MAX Update.

FAA and Boeing completed 737 MAX certification flight tests to evaluate Boeing's proposed changes in connection with the Maneuvering Characteristics Augmentation System (MCAS). FAA said it would soon issue a Notice of Proposed Rulemaking (NPRM) for an AD on proposed design changes and crew procedures for the MAX, allowing 45 days for public comment. . . . A DOT Inspector General report determined that Boeing provided only limited information to FAA on the MCAS during the certification process, leading to an incomplete understanding of the scope and potential safety impacts. "The MAX is going to be as safe as any other 737, if not safer," Boeing CEO David Calhoun told *Aviation Week*, "because of all the things that have been incorporated into the certification process." As for "lessons learned," Calhoun said the pilot-control interface "should be studied based on the complete variation of skills that are available to the aviation market. We can never short that again. Every time we drop a spec for a flight control system in an airplane, we've got to understand this man-machine interface. And we have to understand it well, and it has to be contemporary. We know the pilot population has changed. We know where we're selling airplanes and how young the compliance systems are in some of those markets." . . . Calhoun told employees to expect additional job cuts, as the company announced a \$2.4 billion second quarter loss.

II. AIRPORTS

1. Erbacci Confirmed as CEO of Los Angeles World Airports.

Justin Erbacci was confirmed as CEO of Los Angeles World Airports (LAWA) on a permanent basis. He joined LAWA in 2016 and served as Interim CEO since predecessor Deborah Flint left for Greater Toronto Airports Authority. A LAWA COVID-19 Recovery Task Force is developing plans for the airport system's recovery, instituted new cleaning and physical distancing protocols, and secured \$323 million in CARES Act funding for Los Angeles International and Van Nuys.

2. New Gates for Southwest at Nashville, Portland.

Southwest will operate at new Nashville and Portland gates. Nashville's new Concourse D adds six domestic gates and 115,000 square feet of terminal space. Portland's Concourse E extension includes six gates, part of a \$2 billion investment and the first new gates there in nearly 20 years.

3. San Jose Approves \$10 Million Marketing Budget for Mineta.

San Jose City Council approved a marketing budget of nearly \$10 million over five years for Mineta International. During the pandemic, the effort will publicize health and safety precautions in place. The Silicon Valley airport served 15.7 million passengers in 2019, but demand fell by nearly 63% in March and 97% in April year-on-year. A master plan, which includes a third terminal with 14 additional gates, is reportedly on hold.

4. California Cities Pass 'Right to Recall' Ordinance.

Los Angeles, Oakland and San Francisco are among cities that have enacted a Right of Recall Ordinance and Worker Retention Ordinance aimed at protecting hospitality, janitorial and tourism workers facing significant job and economic insecurity due to the COVID-19 pandemic.

5. Toronto to Reduce Workforce by 27%.

Greater Toronto Airports Authority announced a workforce reduction of 27%, amid passenger numbers that in April were down 97% compared to same period 2019. A restructuring includes the departure of two executives, a newly established COO and a new center of commercial excellence. "We are committed to maintaining our operations and the health and safety of the airport," said President and CEO Deborah Flint.

6. Bulgaria, Munich-Led Consortium Sign Sofia Concession.

The Bulgarian Ministry of Transport and SOF Connect consortium, comprised of Munich Airport, Meridiam and Strabag, signed a 35-year agreement for modernization of Sofia Airport. Munich Airport will manage operations.

7. Megawide-GMR Consortium to Upgrade Manila Intl.

Manila selected Megawide-GMR to upgrade and operate Ninoy Aquino International after another consortium dropped out. A \$3 billion, three-phase plan will increase airside capacity and double terminal space. After 18 years, all assets will be handed over to the government.

8. Thailand's U-Tapao Expansion Progresses.

Thailand selected BBS Joint Venture Group to develop U-Tapao International Airport in Rayong Province and an adjoining airport city. A consortium of BTS Group Holdings, Bangkok Airways and Sino-Thai Engineering & Construction will build the terminal, and Narita International will manage operations. The airport is expected to accommodate 60 million passengers and 3 million tons of cargo yearly. U-Tapao was built to support U.S. military operations during the Vietnam War.

9. Brisbane Opens \$1.1 Billion Runway.

Brisbane Airport's new runway has opened. The AU\$1.1 billion privately funded project is the largest in the airport's history.

10. Saudi Arabia Plans Red Sea Coast Airport.

Saudi Arabia will build an international airport at the AMAALA resort on the Red Sea coast, a luxury facility that expects one million travelers per year. Foster + Partners designed the Mirage Airport terminal and control tower, and Egi the master plan.

III. SECURITY AND DATA PRIVACY

1. TSA News.

Michael Miklos is expected to be appointed Deputy Administrator of the Transportation Security Administration (TSA), replacing Acting Deputy Administrator Patricia Cogswell. . . . As of July 18, 1,215 TSA federal employees had tested positive for COVID-19 and 6 had died as well as one screening contractor. . . . On July 18, 646,654 travelers went through TSA checkpoints, compared to 2,396,462 on the same day a year ago. . . . TSA now requires screeners to wear eye protection when they are in close contact with travelers and are not protected by a plastic shield, and to change or sanitize gloves after patting down passengers, handling documents or checking luggage. The new measures follow allegations by a whistleblower that the agency wasn't doing enough to protect employees and travelers, reports the *Washington Post*.

2. FBI Warns Travelers of Spoofed Airport Websites, Wi-Fi.

Hackers are creating fake airport websites to steal personal data and financial information when travelers book services, cautioned a Federal Bureau of Investigation (FBI) agent. They feature domain names similar to the site impersonated and an organization's logo, font, color scheme and writing style. Hackers also breach travelers' devices at airports via Wi-Fi networks.

IV. TECHNOLOGY AND EQUIPMENT

1. American Introduces Touch-Free Check-In Kiosk.

American Airlines created a touch-free check-in kiosk, which allows customers traveling domestically on a single itinerary to scan a boarding pass on their personal mobile device or one printed at home and automatically prints bag tags. The technology will be in place at more than 230 airports.

2. Air Canada Explores Rapid COVID-19 Testing.

Air Canada is working with Spartan Bioscience to assess how best to deploy Spartan's portable kits that quickly detect COVID-19. Spartan is developing a proprietary swab for the collection of DNA samples for the test. Spartan's test cartridge (reagents) and the Spartan Cube (portable DNA analyzer device) are subject to Health Canada approval.

3. NEC, SITA Partner to Enable Digital Identity at Airports.

NEC and SITA solutions will enable passengers to use their biometric identity on their mobile phone to check-in at airports, make payments and drop bags, as well as pass through security, immigration and boarding via facial scanning. The self-service solutions leverage SITA's common-use footprint in more than 460 airports globally and NEC's identity management technology, said SITA CEO Barbara Dalibard.

4. Travelport Launches COVID-19 Smartpoint Plugin.

Travelport launched its COVID-19 Smartpoint Plugin, which provides travel agencies with government restrictions, lockdowns and safety measures across the globe. The information, from Safeture, is updated daily.

5. Southwest GDS Rollout Progresses.

Southwest's global distribution system (GDS) launch, now at industry-standard participation, includes Airline Reporting Corporation (ARC) ticketing and settlement, with Travelport's GDS platforms: Apollo, Worldspan, and Galileo. Southwest expects to launch its fourth industry-standard GDS platform with Amadeus by yearend but has been unable to reach an agreement with Sabre.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel on July 17 was \$45.09/barrel, down 0.9% on the month and down 43.2% compared to a year ago, reports IATA. Jet fuel price average for 2020 was \$46.4/barrel. Impact on 2020 fuel bill was down \$109.2 billion.

2. EPA Proposes Emissions Standards for Airplanes.

The U.S. Environmental Protection Agency (EPA) proposed emissions standards for commercial airplanes and large business jets. They align with carbon dioxide (CO₂) emissions standards set by ICAO, “making domestically manufactured aircraft competitive in the global marketplace,” and would apply to new type design airplanes on or after January 1, 2020 and to in-production airplanes on or after January 1, 2028. They would not apply to already manufactured airplanes currently in use. After EPA publishes a final rule, FAA will complete a rulemaking to enforce the standards and begin to certify U.S.-manufactured airplanes.

3. EU Invests €2 Billion in Sustainable Transport Projects.

The EU is investing almost €2.2 billion into transport projects through the Connecting Europe Facility, including cross-border links and connections to airports. Nine railway projects will receive over €49.8 million. . . . The EU unveiled its Hydrogen Strategy and plans to establish a global hydrogen market; install renewable hydrogen electrolyzers, which use electricity to break water into hydrogen and oxygen; and produce up to one million tons of renewable hydrogen. “From 2025 to 2030, hydrogen needs to become an intrinsic part of our integrated energy system,” said the EU. “From 2030 onward, renewable hydrogen will be deployed at a large scale across all hard-to-decarbonize sectors.”

4. Neste Makes First Pipeline Delivery of SAF to SFO.

Neste delivered the first batch of sustainable aviation fuel (SAF) to San Francisco International Airport, where it will be used by major airlines, using existing multi-product pipeline infrastructure. Neste produces renewable diesel and SAF made from waste and residue raw materials. An agreement signed in 2018 by the airport, fuel producers (including Neste), and a group of eight airlines was the first of its kind.

5. Boeing, Etihad Test Innovations on ecoDemonstrator 787.

Boeing and Etihad Airways will use a 787-10 to test ways to reduce emissions and noise as part of Boeing's ecoDemonstrator program before the airline

accepts delivery of the Dreamliner this fall. They will work with partners, including NASA and Safran Landing Systems, to conduct noise measurements from sensors on the airplane and the ground. The data will be used to validate aircraft noise prediction processes and sound reduction potential of aircraft designs, including landing gear, that are modified for quieter operations. In addition, a flight will be conducted during which pilots, air traffic controllers and an airline's operations center will simultaneously share digital information to optimize routing efficiency and enhance safety by reducing workload and radio frequency congestion. The Etihad-Boeing collaboration was formed in 2019.

6. Groups Denounce FAA Proposal to Revive Supersonic Planes.

More than 60 groups nationwide called on FAA to withdraw a proposed rule that would pave the way for the return of commercial supersonic airplane travel. Given “our limited carbon budget, limited time to act, and urgent need to slash greenhouse pollution from the aviation sector overall, allowing super-polluting aircraft to enter the U.S. sky would be madness,” they wrote. In a study released last year, the International Council on Clean Transportation concluded that a new fleet of supersonic planes would emit 96 million metric tons of carbon pollution every year.

7. Amazon Air Secures Six Million Gallons of SAF.

Amazon Air secured up to six million gallons of SAF supplied by Shell Aviation and produced by World Energy. The blended fuel includes feedstock of inedible agricultural waste fats and oils and can reduce carbon emissions by up to 20%. It will be added to the existing fuel supply at select airports and can be used by other carriers.

8. Air Transat, SAF + Consortium Sign SAF Agreement.

Air Transat and SAF + Consortium signed an SAF agreement, the first for a Canadian commercial airline. The consortium is building a plant in Montreal to make kerosene from CO₂ which will have an 80% lower carbon footprint than conventional jet fuel.

VI. U.S. CONGRESS

1. House Appropriations Approves \$18.1 Billion for FAA in FY'21.

The House Appropriations Committee approved the fiscal year 2021 Transportation, Housing and Urban Development, and Related Agencies (THUD) bill, which includes \$18.1 billion for FAA, an increase of \$522 million above FY'20 enacted level and \$618 million above President's budget request; \$1.5 billion for Aviation Safety, an increase of \$96 million above FY'20 enacted and \$26 million above request; and \$500 million for discretionary Airport Improvement Grants, an increase of \$100 million above FY'20 enacted and \$500 million above request.

2. Bill Would Ban Sale of Middle Seats During Pandemic.

The "Maintaining Important Distance During Lengthy Epidemics (MIDDLE) Act of 2020" was introduced in the Senate by Jeff Merkley (D-OR). The legislation would require face masks on planes and ban the sale of middle or otherwise adjacent seats for the duration of the coronavirus crisis, with exemptions for families traveling together. The bill would also prohibit passengers and crew from boarding without wearing a mask.

3. House Bill Would Require TSA Temperature Screening Pilot.

The "Healthy Skies Act" was introduced in the House by Ted Budd (R-NC), Ralph Norman (R-SC) and John Larson (D-CT). The bill would require TSA to conduct a pilot program to screen all airline passengers for their temperatures before they proceed through security.

4. Bankruptcy Reform Legislation Protects Workers.

"The Protecting Employees and Retirees in Business Bankruptcies Act" was introduced by Senate Democratic Whip Dick Durbin (D-IL) and House Judiciary Committee Chairman Jerrold Nadler (D-NY) "to curb abuses that deprive employees and retirees of their earnings and retirement savings when businesses file for bankruptcy." The bill is supported by unions, including Air Line Pilots Association, Int'l (ALPA), which said a key provision "would prohibit airlines from using the bankruptcy process to gut collective bargaining agreements."

5. U.S. Travel Outlines Relief Needs for Industry.

Proposals to help the "devastated" industry were submitted by U.S. Travel to the Administration and congressional leaders for the next coronavirus relief package. Among requests: extend the Payroll Support Program (PSP) until the end of the year; provide up to \$10 billion in federal grants to promote safe and healthy travel practices; provide temporary and targeted liability protections for

travel businesses to reopen; create temporary tax credits to encourage Americans to travel, restore activity in the meetings and events sector, help businesses of all sizes offset the cost of mitigating the spread of COVID-19, and increase the deductibility of business and entertainment expenses; and enhance the Employee Retention Tax Credit to increase business' ability to retain and rehire workers. . . . More than half of leisure travelers will substitute vacations with staycations for the remainder of the year, according to Harris Poll figures; 74% of business travelers are more likely to substitute business meetings that require flying with virtual meetings; and 77% of respondents support mandatory 14-day quarantines for travelers from states with a high resurgence of COVID-19. . . . A bipartisan group of House members petitioned House and Senate leaders to extend the PSP, "which saved the jobs of 950,000 of frontline airline industry workers." The PSP expires September 30.

6. "REAL ID Modernization Act" Introduced in Senate.

The "REAL ID Act Modernization Act" was introduced in the Senate Homeland Security Committee. S. 4133 would enhance the REAL ID Act of 2005, which was to be effective this year but, due to the pandemic, will be delayed until 2021. The bipartisan bill would allow electronic and mobile driver's licenses, eliminate documentation requirements for Social Security numbers and permanent addresses, allow electronic submission of required information, extend grants to states for conforming with standards, and require airlines and booking portals to communicate ID requirements to travelers.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. Airlines Ask U.S., EU for Coordinated COVID-19 Testing.

In a joint letter to U.S. Vice President Mike Pence and EU Home Affairs Commissioner Ylva Johansson, the CEOs of American, International Airlines Group (IAG), Lufthansa and United urged a safe and swift restoration of air travel between the U.S. and Europe, the “most indispensable corridor for global aviation.” A coordinated U.S.–EU COVID-19 testing program might provide confidence to permit services to resume without quarantine or other entry restrictions, they wrote.

2. U.S., Canada, Mexico Extend Border Closure to August 21.

The U.S., Canada and Mexico agreed to extend their border closures to at least August 21. The partial closure restricts crossing to commercial traffic, those returning to their home country, and other travel deemed essential. It prohibits travel between the countries for tourism or shopping. Restrictions have been in place since March.

3. U.S., India Resume Passenger Services.

DOT negotiated an arrangement with India to allow U.S. carriers to resume passenger services in the U.S.-India market. India has approved U.S. carrier applications, and DOT’s “prior approval requirement” for Air India charter flights has been rescinded. According to its website, United intends to resume flights to India in August. . . . In other news, Indian budget carrier SpiceJet was awarded designated carrier status, paving the way for scheduled U.S. service.

4. Nations Ban Pakistan Airlines from Airspace.

The official revelation that 262 Pakistani pilots had suspect licenses, following the Pakistan International Airlines (PIA) crash that killed 97 passengers and crew, led global regulatory bodies to ban the airline. FAA said Pakistan has been assigned a Category 2 rating because it does not comply with ICAO safety standards under FAA’s International Aviation Safety Assessment (IASA) program. Currently, no airlines operate regularly scheduled flights between Pakistan and the United States and DOT has banned PIA charter flights. . . . The European Union Aviation Safety Agency (EASA) suspended authorization for PIA to operate in the EU for six months and PIA was added to the EU list of banned carriers. . . . The UK Civil Aviation Authority suspended PIA flights.

5. UN Court Backs Qatar in Blockade Case.

The UN International Court of Justice (ICJ) rejected an appeal brought by Bahrain, Egypt, United Arab Emirates (UAE) and Saudi Arabia of an ICAO ruling on their dispute with Qatar. ICAO has the jurisdiction to handle the

aviation matter, said ICJ. In 2017, the Gulf states accused Qatar of backing radical Islamists and Iran, banned Qatari planes from their airspace and expelled Qatari citizens. "We welcome today's decision by the ICJ that will see the blockading states finally face justice for violating international aviation rules," said Qatar Airways, which has launched international investment arbitrations against the four states, seeking at least \$5 billion "as compensation for their unlawful actions."

6. Airbus Moves to End WTO Dispute, U.S. Tariffs.

Airbus and the governments of France and Spain agreed to amend A350 repayable launch investment contracts to resolve the 16-year dispute with Boeing at the World Trade Organization (WTO) and remove justification for tariffs imposed by the U.S. Trade Representative. "We insist that the United States lifts these unjustified tariffs immediately," said EU Commissioner for Trade Phil Hogan, calling for a negotiated settlement of the longest dispute in the history of the WTO. "In the absence of a settlement, the EU will be ready to fully avail itself of its own sanction rights," he added. "The WTO will soon issue its arbitration decision in the parallel case of the EU against the United States on certain unlawful subsidies to Boeing, where the Appellate Body had found the U.S. to be in breach of its WTO obligations. If the United States opts to maintain its duties on \$7.5 billion worth of European exports or decides to increase tariffs or apply them to new products, the European Union will act to exercise its own sanction rights, based on the relevant WTO authorizations, as soon as the level of countermeasures is established by the WTO in the Boeing case. The EU already undertook a public consultation in April 2019 on products considered for countermeasures."

VIII. EUROPE AND AFRICA

1. European Aviation Groups Seek Harmonized Safe Air Travel.

EASA and the European Centre for Disease Prevention and Control (ECDC) have developed protocols for measures that airports, airlines and operators should adopt to ensure a safe return to normal operations. The guidelines address the entire journey from the passenger's perspective: at departure airport, on board the aircraft and at arrival. Airlines for Europe, European Business Aviation Association, European Regions Airline Association and IATA signed a cooperation agreement with EASA to promote the harmonized and coordinated implementation of the EASA/ECDC protocols by industry, governments and travelers.

2. Lufthansa Adds Restructuring Measures.

Lufthansa Group launched additional restructuring measures that include a 20% reduction in leadership positions, loss of 1,000 administrative positions, and accelerating transformation of Lufthansa Airline into a separate corporate entity. The company calculates a personnel surplus of at least 22,000 full-time positions due to long-term effects of the pandemic and, to avoid layoffs, seeks agreements on crisis-related measures with unions; so far, negotiations have been successful only with the UFO cabin union. Fleet reductions are also underway; financial planning up to 2023 provides for acceptance of a maximum 80 new aircraft into Group fleets, reducing investment volume for new aircraft by half. In June, the European Commission approved German plans to contribute €6 billion to Lufthansa's recapitalization and a €3 billion state guarantee on a loan. . . . A €290 million stabilization package from the Belgian government and €170 million from Lufthansa will allow Brussels Airlines to implement a turnaround plan and "create a long-term and structurally profitable future." The financing is subject to approval by Germany and the EU Commission.

3. Commission Approves State Aid for KLM, Austrian.

The European Commission approved a €3.4 billion Dutch aid measure for KLM to provide urgent liquidity in the context of the coronavirus outbreak. The Netherlands imposed certain conditions with respect to profit allocation, working conditions and sustainability. . . . The Commission concluded that a €150 million Austrian subordinated loan to compensate Austrian Airlines for damages suffered due to coronavirus is in line with EU State aid rules. Austrian is part of Lufthansa Group.

4. Air France Plans Massive Job Reductions.

To honor commitments made to the government in return for guaranteed loans amounting to €7 billion, Air France Group is “changing its domestic business model, reorganizing its support functions and continuing to reduce its external and internal costs.” A reduction of 6,560 jobs by end of 2022 out of a current total of 41,000 is planned for Air France, and a reduction of 1,020 jobs over the next three years out of a current 2,420 is planned for HOP!

5. British Airways Reaches Agreement with Pilots.

A proposed agreement was reached by British Airways and pilots union BALPA; the ballot is due to close on July 30. . . . British Airways parent IAG signed a new agreement with American Express, which will pay IAG Loyalty approximately £750 million, a significant part of which is a pre-purchase of Avios points that American Express will utilize in the UK and worldwide for its British Airways co-branded cards and Membership Rewards Program.

6. Virgin Atlantic Secures Private Funding Worth £1.2 Billion.

Virgin Atlantic launched a court backed process as part of a private-only solvent recapitalization that will deliver a refinancing package worth £1.2 billion over the next 18 months. New partner Davidson Kempner Capital Management is providing £170 million of secured financing. Virgin Atlantic is 51% owned by Sir Richard Branson’s Virgin Group and 49% by joint venture partner Delta Air Lines.

7. State-Controlled Alitalia Emerges.

The new state-controlled Alitalia was relaunched with a reported budget of €3 billion and a fleet of 100 aircraft and plans to begin operations by November. Former Poste Italiane CEO Francesco Caio is Chairman and former Emirates executive Fabio Lazzerini is CEO. A rescue plan was presented to the European Union. The new Alitalia must make a clean break with its past if it is to qualify for state support, said an EU official Alitalia is resuming direct flights from Rome Fiumicino to New York and Boston, and Milan to New York this summer.

8. Ryanair Forecasts Spike in Traffic.

Ryanair Holdings expects to operate 60% of the normal schedule in August and, “hopefully,” 70% in September. . . . Austrian subsidiary Laudamotion will cease operations and begin Airbus A320 service in Malta as Lauda Europe this year. . . . Ryanair reached 4-year agreements with UK and Irish pilot unions, which include 20% pay cuts, and UK cabin crew, which cut pay between 5% to 10%, all restored over four years.

9. Portugal Acquires Controlling Stake in TAP.

The Portuguese government acquired David Neeleman's shares in TAP and increased its stake in the flag carrier from 50% to 72.5%. The European Commission has approved €1.2 billion in state aid for TAP.

10. Aeroflot Announces New Strategy.

Aeroflot Group announced a new strategy, titled 30/30, in which an additional 30 million passengers would bring total traffic to 130 million by 2028, and economy class fares would be reduced by 30%. Aeroflot will operate 170 Western-made aircraft on long-haul service. Low-cost subsidiary Pobeda will take over Aeroflot's regional routes and aircraft. Rossiya would serve low-revenue subsidized flights on Russian-made jets. Aeroflot reportedly has received state loans of \$1 billion.

11. Airlines Ask U.S., EU for Coordinated COVID-19 Testing.

See Section VII, item 1.

12. Airbus Moves to End WTO Dispute, U.S. Tariffs.

See Section VII, item 6.

13. Alaska to Join oneworld; Reaches Pilot Agreements.

See Section X, item 5.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. China Requires COVID-19 Testing for Inbound Passengers.

Chinese and foreign passengers flying to China must complete COVID-19 tests within five days before travel, with test reports checked by airlines at boarding, said Civil Aviation Administration of China (CAAC). . . . As part of a reward-and-suspension system introduced by CAAC in June, China Eastern was able to increase certain international flights because of effective COVID-19 control. . . . China Eastern said over 150,000 people booked its “fly at will” fares, China’s first air discount package, after the June launch. The SkyTeam carrier said average passenger load on flights from Shanghai to 10 destinations rose by nearly 20%. China Express and Hainan Airlines companies will offer similar programs.

2. Cathay Pacific Issues Profit Warning.

Cathay Pacific Group reported a HK\$9.9 billion net loss for six months ended June 30, compared to net profit of HK\$1.3 billion for same period 2019. Cathay Pacific and Cathay Dragon carried 27,106 passengers in June, down 99.1% from June 2019, and 93,228 tons of cargo and mail, down 43.1%. “We remain cautious and agile in our approach to resuming our passenger flight services,” said Chief Customer and Commercial Officer Ronald Lam, and “expect that our airlines will operate up to 10% of the normal flight schedule in August.” . . . In other Hong Kong news, FedEx pilots asked the company to suspend Hong Kong operations “due to unacceptable risks” created by recent COVID-19 testing government mandates. Pilots who test positive “face compulsory admission and treatment in government-selected public hospitals, with as many as five patients to a room with one shared bathroom [and] any pilot or family member in Hong Kong found to have been exposed to a COVID-19 positive individual is placed in a government quarantine facility for up to 14 days with very sparse provisions,” said ALPA. Several airlines have suspended flights to Hong Kong because of the new rules.

3. Taiwan Proceeds with China Airlines Name Change.

Taiwan is moving forward with a plan to change the name of China Airlines. The legislature asked the Ministry of Transportation for a phased approach, beginning with an aircraft livery redesign. Suggested names include Formosa, Yushan or Taiwan Airlines, reports *Taiwan News*.

4. Bondholders Vie for Virgin Australia.

Virgin Australia bondholders proposed to take over the insolvent airline, after administrator Deloitte signed a binding agreement with Bain Capital. Broad Peak Investment Advisers and Tor Investment Management reportedly fear they will receive less than 10¢ for each dollar they are owed under the sale to Bain. A decision is expected at an August meeting. . . . Virgin Australia plans to resume domestic flights on 17 routes, flying to 30 destinations by early August.

5. EL AL Seeking Investors.

EL AL extended a suspension of flights until August 31 and furloughed most of its workers. Under a rescue plan, the government will take over the airline until it can be sold to an investor. El AL is controlled by Knafaim Holdings.

6. Emirates to Cover COVID-19 Expenses for Customers.

Emirates is covering medical expenses of up to €150,000 and quarantine costs of €100 per day for customers diagnosed with COVID-19 during travel, in an effort to boost confidence in international travel. . . . Emirates is resuming flights to 58 cities, including Los Angeles and Boston.

7. U.S., India Resume Passenger Services.

See Section VII, item 3

8. UN Court Backs Qatar in Blockade Case.

See Section VII, item 5.

9. Alaska to Join oneworld; Reaches Pilot Agreements.

See Section X, item 5.

X. AMERICAS

1. Delta Reports \$11 Billion Decline in Revenue.

“A \$3.9 billion adjusted pre-tax loss for the June quarter on a more than \$11 billion decline in revenue over last year illustrates the truly staggering impact of the COVID-19 pandemic on our business,” said Delta CEO Ed Bastian, who believes “it will be more than two years before we see a sustainable recovery.” Delta has retired aircraft and accelerated airport construction projects in Los Angeles, New-York LaGuardia and Salt Lake City. Second quarter salary and benefits expense was down 24%, with more than 45,000 employees taking voluntary unpaid leave.

2. American Warns Employees of Up to 20,000 Job Cuts.

American Airlines reported a second quarter net loss of \$2.1 billion and notified employees of potential furloughs of up to 20,000 people when the CARES Act PSP expires at end of September, urging them to take buyout and early retirement packages. . . . American expects summer 2021 long-haul international capacity to be down 25% versus 2019 and will exit three transatlantic routes from Charlotte and Philadelphia and five routes from Los Angeles to Asia and South America. Once government restrictions subside, Philadelphia will continue to be the primary hub for service to Europe; Dallas Fort Worth will be the major trans-Pacific hub, and Miami for flights to the Caribbean and Latin America. . . . Through its West Coast International Alliance with Alaska Airlines, American expects future growth from Seattle and will seek government approval to move Los Angeles-Shanghai operations to Seattle. American will also continue to fly to joint business partners’ hubs and, while some international markets will not return, anticipates a full schedule to London Heathrow by 2021.

3. United Sheds 6,000 Employees.

United and ALPA reached tentative agreements on voluntary furlough and leave of absence programs and a voluntary separation leave initiative. United said 6,000 employees volunteered to take severance packages and leave, in anticipation of layoffs, when the PSP expires. The airline lost \$1.6 billion in second quarter, compared to a \$1 billion profit in same period 2019, and scrapped plans to triple the August schedule amid a surge in U.S. coronavirus cases. . . . United resumed three weekly San Francisco-Tel Aviv nonstops in July and will add three weekly nonstops between Chicago O'Hare and Tel Aviv in September; current Tel Aviv service from New York Newark will increase in August from daily to 10 weekly and service between Washington, D.C. and Tel

Aviv will resume in October. Chicago-Hong Kong and Los Angeles-Sydney service will be reinstated. . . . United resumed service to China with twice-weekly Boeing 777-300ER flights between San Francisco and Shanghai Pudong via Seoul Incheon in July.

4. Southwest Reports \$1.5 Billion Q2 Loss.

Southwest reported a second quarter net loss of about \$1.5 billion, excluding special items. “We will adjust our flight schedule aggressively and frequently in response to this volatile demand environment,” said Chairman and CEO Gary Kelly. The carrier is limiting seats sold on each flight through at least October to allow for middle seats to remain open. About 16,900 employees volunteered for extended emergency time off and separation programs. Kelly said the airline does not intend to pursue furloughs and layoffs or pay and benefits cuts through yearend but will continue to plan for multiple weak scenarios and maintain preparedness.

5. Alaska to Join oneworld; Reaches Pilot Agreements.

Seattle-based Alaska Airlines will become the 14th member of oneworld this year; subsidiary Horizon Air and regional partner SkyWest will join as oneworld affiliates. Alaska already code shares with oneworld members British Airways, Cathay Pacific, Finnair, Japan Airlines, Qantas and US West Coast International Alliance partner American Airlines. Alaska operates hubs in Seattle, San Francisco, Los Angeles, Portland (Oregon) and Anchorage. . . . Alaska reached agreements with ALPA on incentivized leave and early retirement programs, which ALPA said “avoid involuntary furloughs and bring stability to Alaska pilots while allowing the company to remain flexible and able to re-staff its pilot workforce on short notice.” . . . Alaska reported a second quarter net loss of \$214 million, compared to net income of \$262 million in Q2 2019.

6. American, JetBlue to Codeshare from Northeast.

JetBlue and American announced a strategic partnership that would include codesharing on 60 American-operated and 130 JetBlue-operated routes from New York and Boston and reciprocal loyalty program benefits, subject to negotiation and execution of documentation and governmental review. “Pairing JetBlue’s domestic network with American’s international route map creates a new competitive choice in the Northeast,” said Jet Blue President and COO Joanna Geraghty. JetBlue is not joining oneworld or the AA/IAG Atlantic Joint Business Agreement and will continue plans to independently launch and operate transatlantic flights to London in 2021.

7. JetBlue to Move Long Beach Ops to LAX.

JetBlue will move Long Beach operations to Los Angeles International, where it plans to expand to 70 daily flights by 2025. The current 150 JetBlue crewmembers at Los Angeles will grow to 700. JetBlue will continue to serve Hollywood Burbank and Ontario . . . JetBlue and pilots reached an agreement that avoids involuntary furloughs until May 2021. There will not be changes to pay rates or significant modifications to work rules, said ALPA, which “continues to work with airline managements on creative ways to mitigate the effects that the recent economic downturn has on pilots.”

8. Aeromexico Files for Chapter 11 Bankruptcy.

Grupo Aeromexico and some affiliates filed voluntary Chapter 11 petitions in the United States to implement a financial restructuring while continuing service. Canada's Aimia, which owns a 48.9% stake in loyalty program operator PLM Premier, has provided \$100 million in financing to Aeromexico, including a \$50 million advance. It also granted Aeromexico a seven-year option to buy its stake in PLM; Aeromexico owns 51.1% of PLM. Aeromexico is a founding member of SkyTeam.

9. Airlines Ask U.S., EU for Coordinated COVID-19 Testing.

See Section VII, item 1.

10. U.S., Canada, Mexico Extend Border Closure to August 21.

See Section VII, item 2.

11. U.S., India Resume Passenger Services.

See Section VII, item 3.

12. Airbus Moves to End WTO Dispute, U.S. Tariffs.

See Section VII, item 6.