



WASHINGTON AVIATION SUMMARY DECEMBER 2018 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. **FAA's Elwell Continues Call for Funding Reform.**

Federal Aviation Administration (FAA) Acting Administrator Dan Elwell continued his call for funding reform that would provide stability and predictability, in a speech to the Aero Club of Washington, noting that the agency “hasn’t started a fiscal year with a full appropriation since 1997 [and is in its] 47th continuing resolution in the last 11 years.” In other remarks, Elwell said the Department of Transportation (DOT) leads the federal government in “cutting outdated, burdensome and unnecessary regulations,” as mandated by the President, even as new rules are developed for drones and commercial space transportation; “this year alone, we’ve taken deregulatory actions that should save \$65 million annually.” Elwell said the number of pilots holding active airmen certificates has decreased by nearly 30% since the 1980s, “and maintenance isn’t exempt, either. Our technical workforce is aging at the same time our pipeline is running dry.”

2. **DOT Establishes Sexual Misconduct Task Force.**

DOT reestablished the Aviation Consumer Protection Advisory Committee (ACPAC), formerly known as the Advisory Committee on Aviation Consumer Protection. The first ACPAC meeting is scheduled for January 16 at DOT headquarters in Washington and is open to the public. Discussions will include transparency of airline ancillary service fees and involuntary changes to itineraries. . . . DOT will post on its website a notice soliciting nominations and applications to serve on advisory committees to address air travel needs of passengers with disabilities and to improve disclosure of charges and fees for patients requiring lifesaving air medical transport. . . . A new ACPAC Subcommittee, the National In-Flight Sexual Misconduct Task Force, was formed to review current practices, protocols and requirements for U.S. airlines to respond to and report allegations of sexual misconduct by passengers onboard commercial aircraft, and provide recommendations to ACPAC on best practices relating to training, reporting, and data collection regarding such incidents. ACPAC appointees include one representative each of U.S. airlines, airport operators, state or local governments, and nonprofit public interest groups with expertise in consumer protection. Task Force members must include representatives from DOT, the Departments of Justice (including the FBI, Office of Victims of Crime, and Office on Violence Against Women) and Health and Human Services, as well as national organizations which provide services to sexual assault victims, national consumer protection

organizations, national travel organizations, flight attendant and pilot unions, state and local law enforcement agencies, airports and air carriers.

3. **GAO: DOT Should Improve Passenger Complaint Management.**

The Government Accountability Office (GAO) found that DOT data offered mixed information on airline service from 2008 through 2017. While operational data on rates of late flights, denied boardings, and mishandled baggage generally suggested improvement, the rate of passenger complaints received by DOT increased about 10%. Among GAO recommendations, DOT should develop performance measures for compliance activities and improve procedures for coding airline passenger complaints. GAO undertook the study following high-profile incidents of mistreatment of passengers.

4. **U.S. Carriers Vie for China Frequencies.**

American suspended flights to Beijing and Shanghai from Chicago in October, due to unfavorable conditions, and filed an application for a dormancy waiver for the 14 frequencies. DOT has been asked to reject American's request and make the frequencies available to other carriers. United applied to operate a second daily flight between New York Newark and Shanghai Pudong. Delta applied for daily Minneapolis-St Paul to Shanghai service.

5. **DOT Upholds Cuba Route Allocation Restrictions.**

DOT denied American's request to allow carriers that offer scheduled service to Cuba the flexibility to operate service from any U.S. gateway where it holds underlying route authority. Siding with Southwest and JetBlue, which urged DOT to reject American's motion, DOT said "should any of the carriers selected for Havana service wish to change their U.S. gateway, the public interest would be best served by our considering such a request on the basis of a fresh record and in light of the circumstances presented at that time." . . . In a new filing, also opposed by Southwest and JetBlue, American continued to request a transfer of its Charlotte-Havana route to Miami-Havana. The Charlotte service has consistently had subpar load factors, averaging only 56% in 2018 due to weakened demand caused by changes to US-Cuba travel restrictions in November 2017, said American, while Miami-Havana service continues to enjoy high load factors because Miami-Dade County's Cuban-American population provides robust demand. . . . In related news, the Administration expanded the Cuba Restricted List, adding 26 'subentities' including 16 hotels owned by the Cuban military and other tourist destinations.

6. **DOT IG Audits FAA Permit Process for Small Drone Flights in NAS.**

DOT's Office of Inspector General (IG) is auditing FAA processes for permitting drone flights in controlled airspace. As of August 2018, FAA

processed 22,000 requests through the Low Altitude Authorization and Notification Capability (LAANC). The IG will assess the impact of LAANC on FAA’s review and approval of Unmanned Aircraft Systems (UAS) within the National Airspace System (NAS) and procedures for coordinating and communicating UAS airspace approvals and notifications between airports, FAA air traffic facilities, LAANC service suppliers, and UAS operators. . . . In other drone news, SkyGrid, a joint venture of Boeing and SparkCognition, will develop software that will enable customers “to safely perform a broad range of missions and services using UAS, including package delivery, industrial inspections and emergency assistance.”

7. DOT Fines SAS for Violating Rule Protecting Travelers with Disabilities.

DOT fined Scandinavian Airline System (SAS) \$200,000 for violating the rule protecting air travelers with disabilities. SAS created a separate website for individuals with disabilities instead of ensuring that its primary website met the Web Content Accessibility Guidelines 2.0 Level AA standard, as required by the Air Carrier Access Act. SAS has corrected the problem.

8. DOT Air Travel Consumer Report for September.

Based on data filed by reporting carriers.

	Sep. '18 / '17	Aug. '18	2017	2016	2015	2014	2013
On-time arrivals %	82.2 / 83.6	75.6	80.2	81.4	79.9	76.2	78.34
Cancellations %	1.4 / 3.3	1.9	1.5	1.2	1.5	2.2	1.51
Mishandled baggage*	2.44 / 1.99	3.08	2.46	2.70	3.13	3.61	3.22
Consumer complaints:							
Airline service	1,309 / 1,575	1,725	18,148	17,908	20,175	15,539	13,176
Disability-related	48 / 63	90	851	865	944	784	683
Discrimination**	7 / 6	4	98	95	65	68	79

Note: In September 2018, airlines reported 11 tarmac delays of more than three hours on domestic flights, and of more than four hours on international flights.

* Reports per 1,000 passengers.

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

9. NTSB Holds Hearing on Southwest Fatal Accident.

The National Transportation Safety Board held an investigative hearing on the engine failure on Southwest Flight 1380, which resulted in the death of a passenger. On April 17, 2018, a titanium blade snapped inside a CFM56-7 engine on the Boeing 737-700. Fragments broke the window next to the

passenger, and her head, torso and arm were sucked out. Crew and passengers pulled her back into the plane but were unable to revive her. The incident took place near Philadelphia. It was the first death on a U.S. airline flight since 2009. The flight carried five crew members and 144 passengers, several of whom suffered minor injuries. The hearing focused on the design and inspection of fan blades and the inlet and fan cowl on the engine, made by CFM International, a joint venture of General Electric and Safran. The fan blade that broke had been visually inspected in 2012, and metal fatigue was not detected. After the accident, CFM recommended frequent testing using ultrasound or electrical currents, and cracks have been found. A similar blade-related engine breakup occurred on a Southwest jet in 2016 in Florida. Continuing investigations are addressing factors such as cabin safety and window separation, which will be addressed in a final report.

10. Hassan Shahidi Named Flight Safety Foundation President, CEO.

Flight Safety Foundation named Dr. Hassan Shahidi President and CEO, effective in January. He will succeed Jon Beatty, who has led the Foundation for the past four years. Shahidi has over 35 years of leadership in aviation and currently is Director of Aviation Safety at MITRE.

II. AIRPORTS

1. O'Hare Terminal Expansion Project.

City of Chicago shortlisted five teams to participate in a Request for Proposal for Lead Architectural Design Services for the O'Hare 21 Terminal Expansion Project. The \$8.5 billion plan is the airport's largest ever expansion. Teams include: Fentress-EXP-Brook-Garza Joint Venture Partners; Foster Epstein Moreno JV Joint Venture Partners; Santiago Calatrava; Skidmore, Owings, & Merrill; and Studio ORD Joint Venture Partners. . . . A 2.5 million square-foot Multi Modal Facility opened at O'Hare, providing a central access point for rental cars, public parking and regional transit serving O'Hare. The \$841 million project "significantly enhances passengers' accessibility while reducing traffic in and around the terminals," said officials.

2. World's Largest Self-Bag-Drop Installation at Denver.

As part of Denver International's Great Hall renovation, ticket counters will be equipped with 176 hybrid self-bag-drop units and 40 check-in kiosks, "the world's largest installation of self-service equipment," said provider Materna. The Great Hall project will be completed in 2021. This is Materna's first installation at a U.S. airport.

3. Alaska, United to Begin Paine Field Ops.

As construction of a \$40 million passenger terminal nears completion at Paine Field-Snohomish County Airport, Southwest transferred its slots to Alaska Airlines, due to "business considerations," and Alaska began selling tickets to eight West Coast destinations; 18 daily Embraer 175 nonstops operated by Horizon Air will begin in February. United will offer two daily flights to Denver and four to San Francisco, beginning March 31. All service is subject to government approval. Paine Field is in Everett, Washington, near Seattle. Propeller Airports built the new terminal on land leased from Snohomish County and will own and operate the terminal.

4. ANA Introduces Satellite Terminal at Haneda.

All Nippon Airways (ANA) is extending its services to a new satellite terminal at Tokyo Haneda Terminal 2, as of December 10, for passengers flying from gates 46, 47 and 48. ANA renovated its domestic lounge at Chitose Airport in Sapporo. Renovations at Itami, Fukuoka and Naha Airports are planned for early 2019.

5. New Passenger Terminal at Muscat International Inaugurated.

Officials inaugurated the \$1.8 billion passenger terminal at Muscat International on November 11, Oman's 48th National Day, although the commercial opening was in March. The 580,000 square meter facility initially can handle 20 million passengers annually, with expansion potential for 75 million. A new runway and a rehabilitated runway can accommodate the Airbus A380 and Boeing 747. A 32,000 square meter cargo terminal can handle around 350,000 tons per year, with expansion potential for 500,000. Currently, the airport handles 11.4 million passengers annually, 9.8% more than last year.

III. **SECURITY AND DATA PRIVACY**

1. **Federal Air Marshals Allegedly Misusing Firearms.**

The Transportation Security Administration (TSA) Office of Inspection has documented more than 200 cases of Federal Air Marshals allegedly misusing firearms between 2005 and 2017, according to records obtained by CNN through a Freedom of Information Act request. They ranged from improper storage of weapons to situations in which air marshals inappropriately discharged or brandished weapons. More than 70 relate to lost, misplaced or stolen weapons, including firearms left in airplane lavatories or airports. At least 13 of the cases involved alcohol. An official told CNN the cases involved less than 1% of TSA's workforce. A 2012 Harvard Medical School study found that 75% of air marshals flying domestic missions were sleep-deficient, increasing the risk of self-injury and serious errors; 10 federal air marshals killed themselves between 2002 and 2015.

2. **EU Tests Lie-Detection System at Borders.**

The European Union (EU) is testing an automated border-control system that uses lie-detecting avatars, in an effort to shorten wait times at crossings. The Intelligent Portable Border Control System (iBorderCtrl) trials are in Hungary, Greece and Latvia; some airports are participating. In pre-screening, travelers upload passport, visa and proof of funds images, then use a webcam to answer questions from a computer-animated border guard, personalized to the traveler's gender, ethnicity and language. "The unique approach to 'deception detection' analyzes the micro-expressions of travelers to figure out if the interviewee is lying," said the EU. "Border officials will use a hand-held device to automatically cross-check information, comparing the facial images captured during the pre-screening stage to passports and photos taken on previous border crossings. After the traveler's documents have been reassessed, and fingerprinting, palm vein scanning and face matching have been carried out, the potential risk posed by the traveler will be recalculated. Only then does a border guard take over from the automated system."

3. **CBP's Biometric System Short on Privacy Protections.**

According to a new Privacy Impact Assessment (PIA) of Customs and Border Protection's (CBP) facial recognition system, now known as the Traveler Verification Service (TVS), CBP has obstacles to overcome before it is fully in compliance with required privacy protections. "CBP is taking steps to promote data minimization and privacy protections by using an airline-generated alphanumeric unique ID (UID) and other methods to disassociate the

biographic information associated with the new facial images, and populating the record with test biographic ‘dummy’ information.” Privacy risks noted in the PIA include facial images that are not of high enough quality or an accurate representation of the traveler; another is that airlines, airports and others will use the biometric data for commercial or marketing purposes, or for a purpose other than identity verification. The PIA was issued by CBP’s Office of Field Operations Planning, Program Analysis and Evaluation department and Department of Homeland Security’s Chief Privacy Officer. . . . JetBlue launched a biometric boarding process at Washington Reagan National using a system designed and launched by Metropolitan Washington Airports Authority. The veriScan system employs facial recognition technology on outbound international flights, allowing passengers to board without presenting a passport or boarding pass. The new process boarded 93 passengers in 10 minutes—an average of 5.5 seconds per passenger for verification by both CBP and JetBlue’s departure control system. JetBlue has staged biometric boarding trials in New York, Boston and Fort Lauderdale. The veriScan system has been piloted in four airports with 18 airlines on 139 flights. Several airlines at Washington Dulles now use the system daily on departing international flights. JetBlue also rolled out a biometric self-boarding gate at New York Kennedy, in partnership with CBP, for customers flying to select international destinations from Terminal 5; the dual lane gate uses facial recognition technology. . . . Emirates is testing a “biometric path” at Dubai International, which uses a mix of facial and iris recognition. Passengers walk through a “the Smart Tunnel” and are cleared by immigration authorities “without human intervention or the need for a physical passport stamp.” In phased development since 2015, the initiative will cover departures, arrivals, transit, chauffeur drive connections and lounge access in Dubai and potentially at airports outside of Dubai, and the airline’s dedicated crew check-in facility. All biometric data will be stored with Dubai General Directorate of Residency and Foreigners Affairs, and customers invited to participate in the trials are asked for their consent.

IV. E-COMMERCE AND TECHNOLOGY

1. European Commission Opens GDS Investigation.

The European Commission is investigating whether agreements between global distribution systems (GDS) Amadeus and Sabre and airlines and travel agents restrict competition in breach of EU antitrust rules. Certain terms in the agreements may make it harder for suppliers of new ticket distribution services to enter the market and increase distribution costs for airlines which are passed on to consumers in higher ticket prices.

2. IATA Introduces Travel Grid Concept.

The International Air Transport Association (IATA) is developing a Travel Grid concept, in collaboration with industry partners, which is analogous to the Apple “platform for application developers to build solutions.” As described in IATA’s “Blockchain in Aviation” White Paper, the common grid would allow “proliferation of a democratic, yet fast, efficient and flexible environment that provides Blockchain capabilities that can be leveraged by the industry.” The Travel Grid could simplify procure-to-pay, end-to-end processes, such as managing agreements, monitoring and enforcing delivery, reconciliation, corrections, invoicing and settlement. It would facilitate real-time digital interactions and minimize the cost of financial transactions for airlines, travel agencies, hotels and others. “The Travel Grid would become the infrastructure for the digital identity management supporting industry transformations such as NDC [New Distribution Capability] and One Order,” said IATA.

3. Sabre to Acquire Farelogix.

Sabre has entered into an agreement to acquire Farelogix, which provides solutions that enable airlines to control distribution, shopping, pricing, merchandising and retailing across channels, and offers NDC (Level 3 certified) distribution for more than 20 airlines. Sabre will purchase Farelogix for \$360 million; Farelogix expects full year 2018 revenue of \$40 million. The acquisition is subject to customary closing conditions and regulatory approvals and is expected to close by early 2019. Until closing, Sabre and Farelogix will continue to operate as separate businesses with no immediate changes to daily operations.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on November 16 was \$85.20/barrel, down 11% on the month and up 13.4% compared to a year ago, reports IATA. Jet fuel price average for 2018 was \$87.7/barrel; impact on 2018 fuel bill was \$50.5 billion.

2. **easyJet Electric Aircraft Project Progresses.**

easyJet's plan to operate electric aircraft on key short-haul routes is progressing. Partner Wright Electric is working on an engine that will power a nine-seat aircraft expected to fly in 2019. "The target range of the electric plane is around 500 kilometers which, within our current route portfolio, would mean a route like Amsterdam to London could become the first electric flyway," said easyJet CEO Johan Lundgren. "And as it is currently Europe's second busiest route, this could in turn offer significant reductions in noise and carbon emissions, with multiple take offs and landings every day. We think the Netherlands has an opportunity to lead the way if the government and airports encourage airlines to operate in the most sustainable way now and in the future and incentivize them through a different and lower charging structure." Wright Electric, founded in 2016 to build electric airplanes, is based in Los Angeles and Wichita, Kansas.

3. **Delta Unit to Refine Crude Oil Derived from Waste Plastics.**

Agilyx will supply synthetic feedstock to Delta subsidiary Monroe Energy, which will refine it into lower-carbon jet fuel for the airline. Agilyx derives the feedstock through a proprietary waste plastics recycling technology. The Oregon-based company plans to locate a production facility near Monroe's refinery, outside Philadelphia, developing the plant in phases until production capacity of 2,500 barrels per day is reached, by the end of 2020. "The beauty of the Agilyx process," said early investor Sir Richard Branson, "is it will take waste plastic which are a major problem for the environment and turn it into something useful."

4. **Sweden Supports Research on Sustainable Biofuel.**

The Swedish Energy Agency approved an application by a consortium that includes KLM and several Swedish organizations to investigate the potential for biofuel production in Småland in Sweden.

5. Jet Biofuel Mass Production to Begin in Japan.

In a joint venture with ANA Holdings, euglena will begin mass production of biojet fuel and biodiesel out of algae and waste oil. The Japanese biotechnology company opened a refinery in Yokohama that can produce 125 kiloliters of biojet fuel and biodiesel per year. ANA aims to fuel international flights departing Japan by 2020; euglena plans to offer biojet fuel to other companies taking off from Japan, with ANA support to develop airport infrastructure to supply aircraft. Japan's IHI also plans to develop algae-based biojet fuel with Thailand's Siam Cement Public Company.

6. Etihad to Study Recycling Municipal Waste into Jet Fuel.

Etihad Airways and Abu Dhabi Waste Management Center (Tadweer) will undertake an initial feasibility study for developing a waste-to-fuel facility. One goal of the project is to use the final jet fuel on Etihad flights. Abu Dhabi aims to divert 75% of municipal solid waste away from landfills.

VI. U.S. CONGRESS

1. DOT Appropriations Set to Expire.

Congress returned to Washington following the mid-term elections, which resulted in a Democratic majority in the House and a continuing Republican majority in the Senate. Peter DeFazio (D-Ore.), Ranking Member of the House Transportation and Infrastructure Committee, will replace retiring Bill Shuster (R-Pa.) as Chairman in the new session. DOT, Homeland Security and other appropriation bills must be passed by December 7 to avoid a government shutdown; a temporary funding measure in the lame duck session is expected.

2. Bill Would Expand Investment in Airport Infrastructure.

Legislation to improve airport infrastructure by allowing airport projects to access public and private capital financing was introduced in the Senate. The TIFIA for Airports Act would expand eligibility for Transportation Infrastructure Finance and Innovation Act (TIFIA) credit assistance to state and local airport projects, including passenger terminals and runways. Airport projects have limited access to traditional TIFIA funding that finances surface transportation projects, said bill sponsors Tammy Duckworth (D-Ill.) and David Perdue (R-Ga.). The bill would provide a \$10 million credit subsidy through the existing TIFIA program, allowing airports to potentially leverage more than \$200 million in capital investment.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. EU Approves Brexit Accord.

EU leaders endorsed an agreement on the withdrawal of the UK and Northern Ireland from the EU. On December 11, the UK Parliament will vote on whether to accept or reject the controversial accord, which takes effect March 30, 2019; a transition period through December 2020 could be extended by up to two years. The pact includes a commitment to establish reciprocal visa-free travel for short-term visits. The parties also “should ensure passenger and cargo air connectivity through a Comprehensive Air Transport Agreement (CATA) [covering] market access and investment, aviation safety and security, air traffic management, and provisions to ensure open and fair competition, including appropriate and relevant consumer protection requirements and social standards [and] should make further arrangements to enable cooperation with a view to high standards of aviation safety and security, including through close cooperation between EASA [European Aviation Safety Agency] and the United Kingdom's Civil Aviation Authority (CAA).”

2. U.S.-UK Open Skies Agreement Concluded.

U.S. and UK negotiators reached an Open Skies agreement that will ensure continued operation of transatlantic routes when the UK exits the EU. The arrangement will replace the existing EU aviation agreement with the United States and closely follows the Model U.S. Open Skies Agreement. The UK has concluded new bilateral air services arrangements with Albania, Georgia, Iceland, Israel, Kosovo, Montenegro, Morocco and Switzerland and is in an advanced stage of talks with Canada.

VIII. EUROPE AND AFRICA

1. Aer Lingus Plans North Atlantic Growth.

“Aer Lingus’ ambition is to be the leading value carrier across the North Atlantic,” said CEO Stephen Kavanagh. The carrier will acquire three additional Airbus A330s and 14 A321LRs by 2023, said Kavanagh, who steps down January 1; annual transatlantic seat capacity will grow from a current 2.8 million to 4.7 million. Aer Lingus, a unit of IAG, has applied to join the transatlantic joint venture comprised of American, British Airways, Iberia and Finnair.

2. Alitalia Offers Washington-Rome Nonstops.

Alitalia will begin five weekly Airbus A330-200 year-round nonstops from Rome Fiumicino to Washington Dulles on May 2. The SkyTeam partner provides connections across the Delta, Air France-KLM and Virgin Atlantic networks. . . . State-appointed commissioners managing the bankrupt flag carrier accepted a binding purchase offer from Ferrovie dello Stato; the state railway Board of Directors approved the offer. The sale attracted interest from easyJet, Delta and others. . . . Ferrovie CEO Gianfranco Battisti announced that a high-speed train will run directly from Rome Fiumicino to Florence, Pisa, La Spezia, Genoa and Venice, as of December 18; a similar service will be introduced at Milan Malpensa next year.

3. Norwegian Expands U.S., South America Service.

Tampa became Norwegian’s 15th U.S. gateway, with twice weekly flights from London Gatwick. . . . Norwegian Air Sweden (NSE) applied to DOT for an exemption and foreign air carrier permit, with intent to operate flights between Stockholm and the United States, as well as other destinations in Europe, Asia and throughout the world to the full extent permitted under the U.S.–EU Air Transport Agreement. NSE is a recently formed subsidiary of the Norwegian Group, which consists of airlines based in Norway, Ireland, the UK, Sweden and Argentina that hold Air Operator Certificates from their respective countries. . . . Norwegian will begin London to Rio de Janeiro flights on March 31; the four times weekly service “breaks the monopoly on direct flights between the UK and Brazil,” said CEO Bjørn Kjos. London to Buenos Aires service will increase from four weekly flights to daily service from December 3.

4. Icelandair Group Cancels Agreement to Acquire WOW.

The Icelandair Group acquisition of WOW air, based on a purchase agreement signed November 5, has been cancelled. Both parties agreed on this outcome.

. . . Icelandic subsidiary Loftleidir is acquiring a majority stake in Cabo Verde Airlines, based in Cape Verde in Africa, through a new company, Loftleidir Cabo Verde. In August 2017, Loftleidir signed a management agreement with the Cape Verde government to restructure the airline, strengthen the international airport, develop the islands as a promising tourist destination and build an international hub for connecting flights. Cabo Verde Airlines is licensed to fly scheduled flights to Europe and the United States. Árni Hermannsson is Loftleidir Icelandic Managing Director.

5. \$670 Million of Airline Funds Blocked in Africa.

Africa is an expensive place for airlines to do business, said Alexandre de Juniac, IATA Director General and CEO, at the 50th Annual General Assembly meeting of the African Airline Association in Morocco. “Jet fuel costs are 35% higher than the rest of the world. User charges, as a percentage of airlines’ operating costs, are double the industry average. And taxes and charges are among the highest in the world. On top of that, \$670 million of airline funds are blocked.” Noting that airlines in Africa, on average, lose \$1.55 for every passenger carried, he said establishing competitive cost structures that enable growth and reducing blocked funds are essential to improving the competitiveness of African aviation.

6. Preliminary Report Issued in Lion Air Crash Investigation.

See Section IX, item 1.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Preliminary Report Issued in Lion Air Crash Investigation.

Indonesia's National Transportation Safety Committee released its preliminary report on the investigation of the crash of Lion Air Flight 610. The Boeing 737 Max 8 plunged into the Java Sea on October 29, with 189 people on board. Boeing and the U.S. National Transportation Safety Board are technical advisors in the investigation. In a statement about the report, Boeing said Lion Air maintenance logs recorded problems related to airspeed and altitude on each of four flights over the three days prior to the crash. Among maintenance procedures performed, one of the airplane's Angle of Attack (AOA) sensors was replaced two days prior to the incident flight. On October 28, pilots again experienced problems with erroneous airspeed data, and also experienced automatic nose down trim, but the remainder of that flight was uneventful. On October 29, shortly after taking off, issues with altitude and airspeed data occurred again, due to erroneous AOA data. Flight data recorder information shows that, as on the previous flight, the airplane experienced automatic nose down trim. In response, the flight crew repeatedly commanded nose up trim. This sequence repeated for the remainder of the flight, during which the flight crew was able to maintain control of the airplane for approximately ten minutes. Report recommendations call for Lion Air to advise pilots to "discontinue the flight when un-airworthy mechanical, electrical, or structural conditions occur." . . . After the accident, Boeing issued an Operations Manual Bulletin directing operators "to existing flight crew procedures to address circumstances where there is erroneous input from an AOA sensor"; and FAA issued an Emergency Airworthiness Directive (AD) "prompted by analysis performed by the manufacturer showing that if an erroneously high single angle of attack (AOA) sensor input is received by the flight control system, there is a potential for repeated nose-down trim commands of the horizontal stabilizer." FAA said the unsafe condition is likely to exist or develop in other products of the same type design. The AD requires revising certificate limitations and operating procedures of the airplane flight manual to provide the flight crew with runaway horizontal stabilizer trim procedures to follow under certain conditions. . . . After a *Wall Street Journal* article alleged that Boeing had "withheld information about potential hazards associated with the new flight-control feature," Air Line Pilots Association expressed concern that a potential, significant aviation system safety deficiency exists and asked for more information.

2. **American Airlines, China Southern Expand Partnership.**

American Airlines and China Southern will expand reciprocal code sharing in early 2019, pending regulatory approvals. In addition to the 14 cities currently served beyond Beijing Capital, American will place its code on flights from Shanghai Pudong, bringing total number of American's flights operated by China Southern to 20 cities in China. China Southern will place its code on additional flights beyond Los Angeles International, San Francisco International and New York Kennedy, bringing total number of China Southern flights operated by American to 21 cities in the U.S. American and China Southern will also code share on each other's flights between the U.S. and China. The carriers will also begin reciprocal frequent flyer benefit and lounge access. . . . American is a oneworld carrier and China Southern announced it will not renew its contract with SkyTeam; the separation process begins January 1, with completion by yearend.

3. **Hainan Airlines Sells Stake in Urumqi Air.**

Hainan Airlines is selling 40% of its stake in Urumqi Air, retaining 30%, as parent HNA continues an asset-restructuring program. The Urumqi government will own 70% of the local carrier.

4. **United Offers Year-Round San Francisco-Tahiti Nonstops.**

United will offer the only nonstop to Tahiti by a U.S. carrier from mainland U.S., with year-round service from San Francisco to Pape'ete. The three weekly Boeing 787 flights begin March 30.

5. **Singapore Expands U.S. Schedule.**

Singapore Airlines introduced daily Airbus A350-900ULR nonstops to New York Newark and Los Angeles, increased nonstops to San Francisco from seven to 10 per week, and announced that, subject to regulatory approvals, service to Seattle will begin next September, bringing total U.S. frequency to 57 flights per week.

6. **Taxes, Charges Could Stifle MENA Aviation Growth.**

"Airlines are like the proverbial goose that lays golden eggs. And if governments choke the goose with taxes and charges, the golden eggs will stop," said IATA Director General and CEO Alexandre de Juniac, in remarks to the Arab Air Carriers' Organization (AACO) in Cairo. Since 2016 we have seen \$1.6 billion added to industry costs in the Middle East and North Africa (MENA) region, he said, mostly from increased passenger facility costs in the Gulf, but Jordan and Algeria are also among states contributing to this negative trend. "In coordination with AACO, the message that we are sending

to governments is that the value of aviation to a country is not in the taxes it collects. It is in the growth that it enables across the economy.”

7. India Orders Safety Audit of Airlines.

India’s Directorate General of Civil Aviation was ordered to conduct a safety audit of all domestic airlines. Amid concerns about Jet Airways’ dire financial condition, Civil Aviation Minister Suresh Prabhu said there will be no bailout for the full-service international airline, which is behind in payments to vendors and employees. “We are in the midst of turning the ship around,” said Jet Airways CEO Vinay Dube, and “are confident that we will overcome our current challenges, honor our commitments to our stakeholders, and deliver a more strategic, efficient and financially viable airline.”

8. China, Russia Unveil CR929 Model.

China and Russia unveiled a model of their proposed CR929 wide-body long-haul jet at Airshow China, in Zhuhai. The China-Russia Commercial Aircraft International Corporation (CRAIC) joint venture, formed by Commercial Aircraft Corporation of China and Russia’s United Aircraft Corporation, said the program is in the preliminary design phase.

X. AMERICAS

1. American's Pilots to Open Contract Negotiations.

American Airlines pilots, represented by Allied Pilots Association (APA), notified the carrier that it will open negotiations in January, stating "it's time to move beyond a labor agreement borne out of bankruptcy and to pursue, collaboratively, an airline that both labor and management can be proud to represent." APA wants improvements in scheduling and "how passengers are treated." . . . American signed a firm order with Embraer for 15 E175s in a 76-seat configuration, valued at \$705 million; deliveries will take place in 2020. The jets will be operated by American subsidiary Envoy.

2. Chile Approves Planned LATAM JBAs with American, IAG.

Chile's Free Competition Defense Court approved LATAM Airlines Group's proposed Joint Business Agreements (JBAs) with American Airlines and International Airlines Group (IAG—British Airways and Iberia), for passenger and cargo businesses. Contingencies include requiring LATAM to maintain capacity on nonstop routes from Santiago to both Miami and Madrid, and to add capacity on routes to North America and Europe. The JBAs have been approved by regulatory bodies of Brazil, Colombia and Uruguay.

3. Hawaiian, JetBlue to Code Share from Boston.

Hawaiian Airlines will begin five weekly Boston flights on April 4, and will expand its code share partnership with JetBlue for connections from Boston to Honolulu and the entire island chain. At 5,095 miles, Hawaiian's Boston route will be the longest regularly scheduled route in the U.S.

4. United Adding 150 Flights to Spring Schedule.

In an expanded spring schedule, United is adding 31 flights to 12 Caribbean islands; 28 to seven cities in Mexico; 27 to seven Central America destinations, including 16 to Costa Rica; three to Guatemala; and three to Belize. Additional flights to Arizona, Florida, Hawaii, Colorado and Texas are also planned. . . . United will begin operating the Boeing 787-10 from New York Newark to Los Angeles and San Francisco in January, and from New York Newark to Frankfurt, Tel Aviv, Paris, Barcelona, Brussels and Dublin in March. . . . United plans to cut a position on certain international widebody flights from February 1, to align with staffing levels at American and Delta, and will reduce inflight work by having ground caterers pre-plate meals. Association of Flight Attendants-CWA (AFA) said it "will fight this with a coalition of flight attendants, airline passengers, and lawmakers." AFA said

reduced staffing means fewer flight attendants to observe odd behavior, identify intoxicated passengers, resolve boarding issues, deescalate conflict between passengers, respond to medical emergencies, back each other up with aggressive passengers, maintain a safe space for everyone, and address issues of sexual assault or hostile situations. . . . Flight attendants at United Express carrier Air Wisconsin authorized a strike. Negotiations began in 2016 and are overseen by the National Mediation Board. Air Wisconsin was an American Eagle carrier until March 2018.

5. Frontier, Pilots Reach AIP; Flight Attendants Authorize Strike.

Frontier reached an agreement in principle (AIP) with its pilots, represented by ALPA, after two-and-a-half-years of negotiations. The AIP includes improved pay, work rules and benefits; retains existing contract scheduling and vacation language; and includes a \$75 million ratification bonus “to recognize the lengthy period of time it took to negotiate this agreement,” said ALPA; adding that “Frontier’s pilots are the lowest-paid in the United States for their aircraft type and are the last in the nation who still work under a contract negotiated while their airline was in bankruptcy.” . . . Frontier flight attendants voted to authorize a strike after picketing for six months. Negotiations are overseen by the National Mediation Board.

6. Spirit Expansion Includes New Routes from Orlando to Colombia.

Spirit began flights from Orlando to Colombia, with nonstop service to Bogotá, Medellín, and Cartagena, bringing the number of new international and domestic routes from Orlando since September to 16, the largest expansion in the airline’s history. Spirit offers nonstop service from Orlando to 39 destinations with up to 50 daily flights across the U.S., Caribbean and Latin America. A new Spirit crew base will bring more than 100 flight attendants and pilots to Orlando by yearend, with hundreds of more crew jobs expected by spring 2019.

7. UPS, Teamsters Ratify Freight Contract.

As the high-volume holiday season approaches, the UPS Freight agreement with International Brotherhood of Teamsters was ratified; the contract “rewards our employees for their contributions to the success of the company, while enabling UPS to remain competitive.” The UPS Small Package National Master Agreement has also been ratified. . . . UPS Worldwide Express expanded to 14 new countries in the Indian subcontinent, Middle East, Africa, the Americas and Europe. For UPS express services, new postal codes were added in 26 European countries, as well as in South Korea, China, Hong Kong, Indonesia and Singapore.

8. **Atlas Air Worldwide Delivers 20th Freighter to Amazon.**

Atlas Air Worldwide delivered a Boeing B767-300 converted freighter to Amazon ahead of the peak holiday season, bringing total number of deliveries to 20. Under a long-term commercial agreement, Atlas Air operates the aircraft for Amazon on a CMI (crew, maintenance and insurance) basis and its leasing unit, Titan Aviation, dry leases the aircraft to Amazon.

9. **Bombardier Sells Q Series Assets.**

Bombardier agreed to sell its Q Series aircraft program and de Havilland trademark to a wholly owned subsidiary of Longview Aviation Capital Corp. for \$300 million, and announced other asset sales, as well. “Following the closing of the Airbus partnership on the C Series aircraft program earlier this year, and the agreement to sell the Q400 program,” said the company, “our full attention is turning to the CRJ program.” . . . Bombardier Business Aircraft’s Global 7500 received FAA certification and will enter service by yearend; it is “the only business jet that can connect New York to Hong Kong and Singapore to San Francisco, nonstop.”

10. **Aer Lingus Plans North Atlantic Growth.**

See Section VIII, item 1.

11. **Alitalia Offers Washington-Rome Nonstops.**

See Section VIII, item 2.

12. **Norwegian Expands U.S., South America Service.**

See Section VIII, item 3.

13. **Preliminary Report Issued in Lion Air Crash Investigation.**

See Section IX, item 1.

14. **American Airlines, China Southern Expand Partnership.**

See Section IX, item 2.

15. **United Offers Year-Round San Francisco-Tahiti Nonstops.**

See Section IX, item 4.

16. **Singapore Expands U.S. Schedule.**

See Section IX, item 5.