



WASHINGTON AVIATION SUMMARY

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CONTENTS

I.	REGULATORY NEWS	1
II.	AIRPORTS	4
III.	SECURITY AND DATA PRIVACY	6
IV.	TECHNOLOGY AND EQUIPMENT	8
V.	ENERGY AND ENVIRONMENT	9
VI.	U.S. CONGRESS	10
VII.	BILATERAL AND STATE DEPARTMENT NEWS	12
VIII.	EUROPE/AFRICA	13
IX.	ASIA/PACIFIC/MIDDLE EAST	15
X.	AMERICAS	17

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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. Salvatore Sciacchitano Elected President of ICAO Council.

Salvatore Sciacchitano was named President of the governing body of the International Civil Aviation Organization (ICAO), the ICAO Council, for a three-year term, beginning January 1, 2020. He succeeds Olumuyiwa Benard Aliu of Nigeria, who held the position for two consecutive terms since 2014. During a 39-year career in aviation, Sciacchitano has served inter alia as General Director of the Italian Airworthiness Authority (RAI), Deputy General Director of the Italian Civil Aviation Authority (ENAC) and Executive Secretary of the European Civil Aviation Conference (ECAC; 2010–2018).

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

The U.S. Department of Transportation (DOT) gave final approval to an application by Delta, Air France, KLM and Virgin Atlantic to launch an expanded joint venture for all U.S.-Europe services. This replaces two previously approved arrangements in the U.S.-UK and U.S.-continental Europe markets, and offers the same benefits, such as increased capacity, frequent flyer cooperation and more options on European flights. The final order adopts the tentative decision of August 2, 2019, which approves the joint venture and makes a grant of antitrust immunity (ATI) to enable the carriers to implement the arrangements.

3. Hawaiian, JAL Expand JV Proposal.

Hawaiian and Japan Airlines submitted a revised joint business proposal, as they seek a reversal of DOT's earlier denial of ATI. In addition to an expansion of routes, they plan to upgrade IT systems to enable metal-neutral pricing and seamless passenger processing.

4. Boeing MAX Update.

Regulators continue to review Boeing's proposed changes to the 737 MAX, which was grounded worldwide in March following Lion Air and Ethiopian Airlines crashes that killed 346 people. The Federal Aviation Administration (FAA) does not have a timeline for the MAX to return to service. Administrator Stephen Dickson continued to state that the decision "will be based solely on our assessment of the sufficiency of Boeing's proposed software updates and pilot training that addresses the known issues for grounding the aircraft. We are not delegating anything." Emerging themes for the future include "moving toward a more holistic versus transactional, item-by-item approach to aircraft certification; integrating human factors considerations more effectively

throughout the design process, as aircraft become more automated and systems more complex; and ensuring coordinated and flexible information flow during the oversight process.” FAA said it will retain authority to issue airworthiness certificates for all newly manufactured 737 Max aircraft.

Boeing was working toward final validation of updated training requirements, “which must occur before the MAX returns to commercial service, and which we now expect to begin in January.” Boeing cited five key milestones before return to service: (1) a multi-day simulator evaluation to ensure the overall software system performs its intended function, both normally and in the presence of system failures, which has been completed; (2) a separate, multi-day simulator session with airline pilots to assess human factors and crew workload under various test conditions; (3) FAA pilots will conduct a certification flight(s) of the final updated software; (4) after completion of the FAA certification flight, Boeing will submit “final certification deliverables and artifacts” to FAA to support software certification; and (5) the Joint Operational Evaluation Board (JOEB), a multi-regulatory body, will conduct a multi-day simulator session with global regulatory pilots to validate training requirements, after which the Flight Standardization Board will release a report for a public comment period, followed by final approval of the training. “FAA and other regulatory authorities will ultimately determine return to service in each relevant jurisdiction,” said Boeing. “This may include a phased approach and timing may vary by jurisdiction.”

Meanwhile, Southwest, American and United have removed the plane from flight schedules through early March, subject to certification of software enhancements and training requirements.

The Technical Advisory Board (TAB), made up of FAA chief scientists and experts from the U.S. Air Force, Volpe National Transportation Systems Center and NASA, found that Boeing's Maneuvering Characteristics Augmentation System (MCAS) design changes are safe and in compliance with regulations, in a preliminary report presented to FAA and members of Congress.

The European Union Aviation Safety Agency (EASA) is conducting a software review, to be followed by December flight tests, and expects to approve changes in January. Preparations by national authorities and airlines may require a delay of up to another two months for return to service. EASA and FAA experts traveled to Collins Aerospace in Cedar Rapids, Iowa, to audit flight control software updates. The United Technologies unit was ordered to submit records about its work on the MAX to the House Transportation and

Infrastructure Committee, which is investigating the design, development and certification of the Boeing 737 MAX.

5. NTSB Issues Recommendations from Southwest Accident Probe.

The National Transportation Safety Board (NTSB) determined that a fragmented fan blade compromised the structure on Southwest flight 1380; a passenger died when a window “departed the airplane, and the cabin rapidly depressurized.” NTSB recommendations address the need to ensure structural integrity of the fan cowl on Boeing 737 NG-series airplanes and assess whether other airframe and engine combinations have critical fan blade impact locations, the importance of having flight attendants secured in a jump seat during emergency landings, and guidance for mitigating hazards to passengers affected by an in-flight loss of seating capacity. Boeing is changing inlet and fan cowl designs to enhance their ability to withstand an engine fan blade out event and increase overall capability of these structures. This issue is limited to the 737 NG and does not affect the 737 MAX, said the company.

6. FAA Downgrades Safety Assessment for Malaysia.

Civil Aviation Authority of Malaysia (CAAM) does not meet ICAO safety standards and has been given a Category 2 rating by FAA. In 2003, Malaysia was assigned a Category 1 rating, but in 2019 was found deficient in areas such as technical expertise, trained personnel, record-keeping, and/or inspection procedures. The process is an assessment of CAAM and not any individual airline operating inside or outside of Malaysia. With a Category 2 rating, Malaysia’s carriers may not establish new service to the United States but can continue existing service.

II. AIRPORTS

1. New Orleans Opens \$1 Billion Terminal.

A new \$1 billion terminal opened at Louis Armstrong New Orleans International. The 35-gate replacement terminal, designed by architect Cesar Pelli, includes three concourses beyond a consolidated security checkpoint, 45 restaurants and shops, and an attached parking garage and surface parking.

2. Delta Opens Terminal C Concourse, Gates at LaGuardia.

The first concourse and seven gates opened at Delta's new Terminal C at New York LaGuardia (LGA), and Shuttle flights to Boston, Chicago and Washington, DC were relocated to the 105,000-sq. ft. facility. When complete, the project will include 37 gates across four concourses connected by a centralized check-in lobby, security checkpoint and baggage claim; dual taxiways; a new Delta Sky Club; larger gate areas and concession space; and more efficient airport roadways. The new facility is powered by a 12-megawatt Con Edison substation, and all major electrical and mechanical equipment is housed on the upper level to protect against water/flood damage in the event of a major storm. Delta operates more than 275 peak-day departures from LGA and began construction on the \$4 billion replacement of Terminals C and D in 2017. . . . In related news, Port Authority of New York and New Jersey authorized funding to develop AirTrain LGA, which would link to Long Island Railroad service and is subject to FAA's ongoing federal environmental review.

3. Philadelphia Completes Runway Extension, New Taxiways.

Philadelphia International completed a five-year, \$200 million project that extended one of its two main runways by 1,500 feet to 12,000 feet and constructed several new taxiways, which provide more space to queue planes and improve airfield circulation.

4. Charlotte Opens \$39 Million Addition.

Charlotte Douglas International opened its 51,000 sq.-ft. East Terminal Expansion, a food court and shops between concourses D and E. The \$39 million addition, called The Plaza, is part of the Destination CLT portfolio, a \$2.5-\$3.1 billion capital investment in capacity enhancements.

5. FAA Announces \$485 Million to 108 Airports in 48 States.

FAA will award \$485 million in Airport Improvement Program grants to 108 airports including San Jose (\$10 million), Tampa (\$6 million), Indianapolis (\$4.25 million), New Orleans (\$7 million) and Cleveland (\$4.25 million).

6. Southwest Increases Flights at BWI.

Southwest anticipates a record number of daily departures from Baltimore/Washington International Thurgood Marshall for Summer 2020. Separately, Sun Country Airlines plans to start seasonal nonstop service between BWI and Minneapolis-St. Paul on May 8; two weekly roundtrips will increase to four on June 4.

7. Gatwick Tests Boarding Techniques to Relieve Gate Congestion.

London Gatwick is conducting a two-month test of boarding techniques that could relieve gate congestion. Large digital displays instruct passengers to board from the back row to the front, with window seats first, middle seats next and aisle seats last. Passengers who booked priority boarding, require special assistance or are traveling with young families, still board first. “These techniques may be able to reduce boarding times by up to 10%, compared to conventional methods,” said officials. “By communicating to passengers better and boarding passengers by seat number, we also expect to make the whole boarding experience more relaxing and, potentially, prevent large numbers of passenger rushing forward at any stage.”

8. Seoul Incheon Expansion Project Includes Fourth Runway.

Seoul Incheon will add a fourth runway and expand Terminal 2 and other facilities, in a \$4.1 billion project that will enable the airport to handle 106 million passengers by 2024. Operator Incheon International Airport Corp. will make the investment in stages over the next five years reports *Korea Times*. Korean Air, Delta, Air France and KLM currently use Terminal 2; Asiana and 85 other airlines use Terminal 1.

III. **SECURITY AND DATA PRIVACY**

1. **Chad Wolf Becomes Fifth DHS Chief Under Trump.**

Chad Wolf was sworn in as the new Acting Secretary of the Department of Homeland Security (DHS). He is Trump's fifth DHS Secretary, replacing Kevin McAleenan who resigned in October after replacing Kirstjen Nielsen in April. Ken Cuccinelli was named Acting Deputy Secretary; he was Acting Director of U.S. Citizenship and Immigration Services. . . . In a letter to the Comptroller General, Democrats Bennie Thompson, Chairman of the House Homeland Security Committee, and Carolyn Maloney, Acting Chair of the House Oversight and Reform Committee, requested an expedited review of the legality of the Wolf and Cuccinelli appointments, suggesting the Administration may have violated succession rules when it placed McAleenan next in line after Nielsen. If so, they wrote, actions taken by McAleenan and Wolf may be invalid, including Wolf's designation of Cuccinelli as Deputy Secretary, the latest attempt to install Cuccinelli in a senior leadership position at DHS "when the Administration knows that the Senate would not confirm him to that—or any other—position."

2. **DHS Plan to Shoot Down Drones Near Airports Opposed in Congress.**

House Republican leaders objected to a DHS proposal to allow operation of counter-unmanned aircraft equipment near airports, including equipment capable of shooting down drones, in a letter to DHS Acting Secretary Chad Wolf. The FAA Reauthorization Act of 2018 provided limited authority to DHS to take action against drones in certain circumstances in highly secure or sensitive government-controlled areas; however, "the department's proposed plan goes far beyond the authority it was given," wrote Homeland Security Ranking Member Mike Rogers and Transportation and Infrastructure Ranking Member Sam Graves. "The National Airspace System hosts over 44,000 flights carrying 2.7 million passengers each day, with many airports in or near densely populated communities. The only federal agency that fully understands the incredible complexity of this system, in its totality, is the Federal Aviation Administration. Nobody wants drones to cause disruptions at our airports, but to hastily hand over authority to shoot down drones to an agency that doesn't have the critical knowledge or experience of how our airspace system functions is irresponsible and dangerous."

3. **DHS Considers Self-Service Stations for Airport Security.**

DHS issued a request for information on passenger self-screening systems for airport checkpoints. The Transportation Security Administration (TSA)

Innovation Task Force and Apex SaS seek a solution that would enable a self-sufficient experience in the passenger screening process; allow for passenger on-person screening and divestment of personal property (for X-ray screening) to occur in a single step, compared to the two distinct steps today; enable passengers to directly receive on-person alarm information while divesting; and allow passenger self-resolution of alarms through continued divestment to reduce instances where a pat-down/secondary screening procedure would be necessary. The request solicits information about solutions that may be rapidly developed to detect weapons and threat items hidden on passengers without the level of Transportation Security Officer engagement normally present in the screening process. The solution would be deployed in conjunction with an X-ray system and an Automated Screening Lane. The objective would be to create a passenger friendly, intuitive screening process while improving security, accelerating passenger throughput, and reducing pat-down rates.

4. DHS Seeks to Automate REAL ID Process.

DHS issued a request for information on technologies that could assist states and residents in digital submission, receipt and authentication of documents and information applicants must provide when applying for a REAL ID compliant driver's license or identification card. On October 1, 2020, DHS will implement the last phase of REAL ID enforcement that will require Americans to present REAL ID-compliant driver's licenses or another acceptable form of ID to go through airport security. U.S. Travel Association says 99 million Americans do not have a REAL ID-compliant driver's license or an acceptable alternative identification (e.g. passport), and a majority of Americans (57%) are unaware of the deadline for enforcement.

IV. TECHNOLOGY AND EQUIPMENT

1. Ancillary Revenue Surpasses \$100 Billion Worldwide in 2019.

Airline ancillary revenue will reach \$109.5 billion worldwide in 2019, compared to \$92.9 billion in 2018, according to CarTrawler and IdeaWorksCompany, and \$22.6 billion in 2010, which was the first annual ancillary revenue estimate. U.S.-based majors continue to generate strong ancillary revenue through a combination of frequent flyer mileage sales, baggage fees, and seat assignments. Percentage of revenue for U.S.-based major airlines increased to 15.2% from last year's 14.2%, largely reflecting a more complete reporting of the contribution from frequent flyer programs and co-branded credit cards. Frequent flyer program revenue disclosed by Alaska, American, Delta, Southwest and United exceeded \$18.3 billion for 2018, compared to \$11.7 billion in 2017.

2. Solution Allows Travelers to Claim VAT Refunds Digitally.

Amadeus Ventures is leading a \$9.8 million investment round in Refundit to digitalize Value-Added Tax (VAT) refunds for travelers visiting Europe. To reclaim VAT via the Refundit mobile app, non-EU tourists take a photo of receipts, boarding pass and passport, then digitally apply for a refund. Relevant tax authorities digitally review requests and send confirmation to the traveler. The solution, currently being piloted in Belgium, will eliminate long queues and paperwork. Each year, around 90% of VAT refunds (€23 billion) are not returned to tourists throughout the EU, said Amadeus.

3. Record \$50 Billion Spent on Improving Passenger Experience.

Airlines and airports spent a record \$50 billion in 2018 on IT to support passenger journey improvements. According to SITA's 2019 Air Transport IT Insights, 60% of airline CIOs recorded up to a 20% year-on-year improvement in passenger satisfaction, and 45% of them recorded up to 20% improvement in rate of passengers processed. At airports, 63% of CIOs reported year-on-year improvement of up to 20% in passenger satisfaction while 44% recorded quicker processing times. Investments in intelligence provide real-time and historic views of operations, allowing airlines and airports to proactively manage everything from baggage and passenger flows, to aircraft turnaround and allocation of key assets, such as parking stands and gates, said SITA.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on November 8 was \$78.03/barrel, down 2.6% on the month and down 11.6% compared to a year ago, reports International Air Transport Association (IATA). Jet fuel price average for 2019 was \$79.7/barrel. Impact on 2019 fuel bill was down \$9.6 billion.

2. **FAA to Conduct National Sleep Study.**

FAA will conduct a National Sleep Study to collect nationally representative information on the effects of aircraft noise on sleep and to derive exposure-response relationships between aircraft noise and its effect on communities around U.S. civilian airports. Data collected could “inform any potential updates to or validation of the national aviation noise policy.”

3. **States Call for European Aviation Tax.**

Germany, France, Sweden, Italy, Belgium, Luxembourg, Denmark, Bulgaria and the Netherlands jointly urged the European Commission to propose a European aviation tax, stating that CO2 emissions and other negative effects of flying are not adequately accounted for in the price of plane tickets. They asked for an EU approach “to ensure a level playing field and minimize potential for disputes concerning unfair competition.” Flying is currently undertaxed and underpriced, compared with other forms of transportation, they said, “even though air travel is the source of around 2.5% of global CO2 emissions.”

4. **easyJet, Airbus Sign Research Agreement.**

easyJet and Airbus plan a joint research project to further understanding of operational and infrastructure opportunities and challenges of plug-in hybrid and full electric aircraft. They will cooperate on work packages to define impact and requirements for large-scale introduction of next generation sustainable aircraft on infrastructure and commercial aircraft operations. “The project will aim to identify the detailed technical challenges and requirements for hybrid and electric planes when deployed for short haul flying around Europe,” said easyJet CEO Johan Lundgren.

VI. U.S. CONGRESS

1. Continuing Resolution Passed.

With a government shutdown looming, Congress passed a continuing resolution that provides funding through December 20.

2. Bill Addresses Cargo Pilot Fatigue.

The “Safe Skies Act,” introduced in the House, would require the Secretary of Transportation to modify the final rule relating to flight crew duty and rest requirements for airline passenger operations to apply to all-cargo operations. The bipartisan H.R. 5170 is supported by pilot unions and aviation experts.

3. Bill Would Strengthen Foreign Repair Station Safety Standards.

Legislation to strengthen FAA oversight of repair stations abroad that perform significant work on U.S. airline fleets was introduced by House Transportation Committee Chairman Peter DeFazio (D-OR). The “Safe Aircraft Maintenance Standards Act” would require unannounced safety inspections and minimum qualifications for those working on U.S.-registered aircraft; that supervisors and mechanics be certificated under FAA regulations (e.g., technical fluency in English, completion of FAA testing, and demonstration of certain knowledge and skills); and that carriers submit a maintenance report to FAA monthly. It would require a moratorium on FAA certification of new foreign repair stations if FAA does not implement congressional mandates within one year, and that FAA create a repository for carriers to report heavy maintenance history. H.R. 5119 is supported by labor unions, but opposed by 11 groups, led by Aeronautical Repair Station Association and including Airlines for America, who say the record keeping and reporting requirements “do nothing to help focus regulators on safety critical information and will simply overwhelm them with irrelevant data [and] would be likely impossible to implement.” In addition, the bill “runs the risk of impacting cooperation with international aviation authorities including key bilateral aviation safety partners.” . . . In related news, DeFazio asked the DOT Inspector General (IG) to audit the effectiveness of FAA oversight and surveillance of U.S. aeronautical repair stations. “The angle-of-attack vane on the 737 MAX that operated the doomed Lion Air flight 610 last year was improperly maintained at a repair station in Florida,” he wrote to the IG; FAA has since revoked that facility’s repair station certificate. In addition, “a domestic repair station was at least partially at fault for incomplete inspections and paperwork reviews that led to the induction of 88 used airplanes of unknown airworthiness into the Southwest Airlines fleet between 2013 and 2017.”

4. **Bill Addresses Sexual Assault in Passenger Transportation.**

The “Stop Sexual Assault and Harassment in Transportation Act” was introduced by DeFazio. H.R. 5139 would require certain transportation carriers, including passenger airlines, to establish formal policies, training and reporting structures regarding sexual assault and harassment. It also requires DOT to collect information on the number of sexual assault or harassment incidents reported and make this information publicly available. The bill will “help law enforcement hold those who perpetrate these egregious acts accountable,” said DeFazio. Groups supporting the bill include the Association of Flight Attendants.

5. **Bipartisan American Security Drone Act Introduced.**

A bipartisan bill introduced in the House and Senate would prohibit the federal government from purchasing drones manufactured in countries identified as national security threats, such as China. The “American Security Drone Act of 2019” provides a timeline to end current use of these drones and prohibits use of federal funds to purchase them.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. U.S. Restricts Scheduled Air Service to Cuban Airports.

DOT suspended until further notice scheduled air service between the United States and Cuban international airports, other than Havana's Jose Marti, to prevent "revenue from reaching the Cuban regime that has been used to finance its ongoing repression of the Cuban people and its support for Nicolas Maduro in Venezuela." The policy, which affects nine airports, is scheduled to go into effect on December 10. Democratic Senators, led by Amy Klobuchar, urged Secretary of State Mike Pompeo and DOT Secretary Elaine Chao to reverse the decision. "This Administration's approach to Cuba has severely disadvantaged American and Cuban businesses, farmers, and citizens while failing to achieve any U.S. foreign policy or national security objectives," they wrote. "Many travelers, some of whom are Cuban-Americans visiting relatives in areas far from Havana, will now have to pay significantly more for charter flights, which are exempted from the new restrictions. Additionally, eliminating flights to nine destinations including Santiago and Santa Clara will negatively impact U.S. carriers, which are being forced to end service to these cities." American Airlines and JetBlue fly from Florida to several cities in Cuba.

2. Latin American Tourism Officials Agree to Promote Air Travel.

Ministers and authorities responsible for tourism in Argentina, Brazil, Chile and Peru agreed to strengthen intra- and extra-regional air connectivity through coordinated work between the aviation industry, tourism and civil aviation authorities and international tourism organizations. Recommendations include "defining strategies and joint projects to promote receptive tourism in the region, diversify source markets and promote tourist attractions." The agreement was signed at the Airline Leaders Forum organized by Latin American and Caribbean Air Transport Association (ALTA).

VIII. EUROPE AND AFRICA

1. Ferrovie-Led Rescue of Alitalia Fails.

The Italian government is considering options to save Alitalia, as a consortium led by railway group Ferrovie and including Delta and Atlantia failed to present a rescue plan by a November deadline. Alitalia filed for bankruptcy in May 2017.

2. IAG to Acquire Spain's Air Europa for €1 Billion.

International Consolidated Airlines Group (IAG) announced that its subsidiary Iberia will acquire Air Europa for €1 billion in 2020, subject to receipt of relevant approvals. The Air Europa brand initially will be retained and the company will remain as a standalone profit center within Iberia run by Iberia CEO Luis Gallego. Air Europa operates scheduled flights in Europe and to Latin America, the U.S., the Caribbean and North Africa. In 2018, Air Europa generated revenue of €2.1 billion and an operating profit of €100 million. It carried 11.8 million passengers in 2018 on a fleet of 66 aircraft.

3. Air France-KLM Outlines New Long-Term Plan.

Air France-KLM presented a five-year strategic plan “to recapture a leadership position in Europe.” Financial targets include a medium-term operating margin of 7-8% and a return to dividend distribution once operating income of €1.9 billion is achieved. Cockpit types will be reduced to three at KLM and four to seven at Air France, and the company will “pragmatically analyze consolidation opportunities.”

4. Lufthansa to Sell Catering Unit.

Lufthansa will sell the European portion of LSG Sky Chefs to Gategroup, as part of a strategy to focus on the airline business. Sale is subject to Supervisory Board approval and clearance by competition authorities. . . . Lufthansa and flight attendants have entered arbitration, during which the union “has an absolute obligation to maintain industrial peace.”

5. easyJet Holidays Set to Launch in UK.

Stepping into the arena vacated by defunct Thomas Cook, easyJet will launch easyJet Holidays in the UK. Customers can choose “from a huge range of flight options” paired “with more than 5,000 of Europe’s best hotels,” said CEO Johan Lundgren. “We believe there is a gap in the market for a modern, relevant and flexible business for today’s consumer.” easyJet Holidays is expected to at least break even for financial year to September 30, 2020.

Separately, the company said it has been operating since March 2019 in a state of full preparedness for all possible Brexit outcomes. “We are structured as a pan-European airline group with three Air Operator Certificates based in Austria, Switzerland and the UK. Around 50% of our equity capital is held by qualifying European nationals.”

6. Thomas Cook Airlines Scandinavia Acquired, Renamed Sunclass.

Thomas Cook Airlines Scandinavia, a/k/a Ving Group, was acquired by Strawberry Group, owned by Norwegian investor and hotel owner Petter Stordalen, and private equity firms, Stockholm-based Altor and London's TDR Capital, and was re-named Sunclass Airlines. China's Fosun Tourism Group will acquire the Thomas Cook and related hotel brands for £11 million; Fosun was the largest shareholder of Thomas Cook, which collapsed in September.

7. American, Royal Air Maroc to Code Share.

American Airlines and Royal Air Maroc submitted a joint application to DOT to offer code share service on U.S.-Morocco flights, via intermediate points and to points beyond. American will begin service between Philadelphia and Casablanca next June, a first step in developing an Africa network. Royal Air Maroc will become the first African carrier in oneworld in 2020 and plans to develop Casablanca as a connecting hub for African flights to the U.S.

8. Norwegian Names New CEO, Expands U.S. Routes.

Jacob Schram was named CEO of Norwegian Air, effective January 1; he held executive positions at Circle K, Statoil Fuel & Retail, McDonalds and McKinsey. . . . Norwegian will launch Boeing 787 seasonal services from Chicago to Paris (5 weekly) and Rome (4 weekly), and from Denver to Rome (3 weekly). Norwegian moved Oakland service to London, Barcelona and Paris to San Francisco International. The carrier will cease flying from Copenhagen and Stockholm to the United States, due to technical issues with Rolls Royce engines on 787s and weak demand.

9. Azul Proposes JV with TAP to Shareholders.

See Section X, item 6.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Subhas Menon to Succeed Herdman as AAPA Leader.

Andrew Herdman will step down after 15 years as Director General of Association of Asia Pacific Airlines (AAPA), effective March 1, 2020, and will be succeeded by Singapore Airlines Group executive Subhas Menon.

2. Cathay Reduces Passenger Capacity.

Combined Cathay Pacific and Cathay Dragon traffic figures for October show decreases of 7.1% in number of passengers and 4.9% in cargo and mail, compared to October 2018, amid continuing violent political unrest in Hong Kong. Consistent with the trend seen in August and September, inbound passenger traffic declined 35% year-on-year in October, and outbound was down 13%. Transit traffic via Hong Kong remained relatively less affected. “In response to weakened travel sentiment to and from Hong Kong, we have so far reduced our passenger flight capacity against our original schedule by 2–4% between August and October, and 6–7% for November and December,” said Cathay Pacific Group Chief Customer and Commercial Officer Ronald Lam. . . . Cathay Pacific clarified that its position remains unchanged. “We are deeply concerned by the ongoing violence and disruption impacting Hong Kong. We resolutely support the HKSAR Government, the Chief Executive and the Police in their efforts to restore law and order. We condemn all illegal activities and violent behavior, which seriously undermine the fundamental principle of ‘One Country Two Systems’ as enshrined in the Basic Law. We must act now to stop the violence and preserve the stability, peace and prosperity of Hong Kong.”. . . AAPA canceled the 63rd Assembly of Presidents meeting scheduled to take place in Hong Kong in November with host airline Cathay Pacific Airways, due to “the unpredictability of the situation.”. . . Hong Kong International Airport handled 5.4 million passengers and 34,300 flight movements in October, representing year-on-year decreases of 13% and 6.1%, respectively, reported Airport Authority Hong Kong. The most significant decreases were in visitor traffic to and from the Mainland and Southeast Asia. Transfer/transit traffic showed strong year-on-year growth of 7%, while Hong Kong resident travel increased 2%. Cargo throughput dropped 5.5% year on year to 428,000 tonnes, a smaller decline compared with September.

3. ANA, JAL Increase Tokyo Flights to U.S.

All Nippon Airways (ANA) will relocate Houston, Los Angeles, San Jose, Seattle and Washington D.C. services from Tokyo Narita to Haneda starting in 2020. New Haneda slots increase the number of international flights ANA will

offer during local daytime hours. . . . Japan Airlines (JAL) and Pacific Joint Business Partner American Airlines will offer a total of 18 daily flights via Haneda and Narita by 2021. Service from Narita to San Francisco begins in 2020, and to Chicago O'Hare in 2021. New services from Haneda will include New York, Hawaii, Chicago, Dallas Fort Worth and Los Angeles. Japan will host the 2020 Tokyo Olympics and Paralympics. . . . JAL increased its 33.3% equity stake in Jetstar Japan to 50%. The low-cost carrier is a joint venture of JAL, Qantas Group and Tokyo Century Corporation; CEO is Masaru Kataoka.

4. Hyundai to Acquire Asiana Stake.

A consortium led by South Korean construction firm Hyundai Development was named preferred bidder to acquire a 31.05% stake in Asiana Airlines held by Kumho Industrial.

5. Lucio Tan Jr. Dies Suddenly.

Lucio Tan Jr. died suddenly, only weeks after being appointed President of Philippine Airlines parent PAL Holdings by his father Lucio C. Tan.

6. Dubai Airshow Claims Record Attendance.

Dubai Airshow 2019 reported sales of \$54.5 billion, a record 84,000 trade attendees and 100 new exhibitors. Boeing forecasts Middle East commercial and defense services worth \$225 billion over the next 10 years.

X. AMERICAS

1. Ben Minicucci Named President of Alaska Airlines.

Ben Minicucci was named President of Alaska Airlines, responsible for all commercial and operational duties; he led Alaska's integration with Virgin America, which is nearly complete. Gary Beck was named Alaska's Executive Vice President and COO, and Joe Sprague is President of Horizon. All appointments are effective immediately. "We've doubled in size in just the past five years," said Brad Tilden, Group Chairman and CEO; the experience and leadership abilities of these executives "will be crucial as we continue to grow and navigate new opportunities and challenges."

2. Allegiant, Pilots Settle Lawsuit.

Allegiant settled a lawsuit with the Teamsters union representing its pilots over changes in the airline's preferential bidding system, following an order by a federal judge in Las Vegas that makes permanent an injunction against a strike or work slowdown. Allegiant and the union continue to negotiate the dispute over the crew scheduling system. . . . Allegiant plans to establish a two-aircraft base at Des Moines International in May, its 20th base of operations. The \$50 million investment will bring at least 66 new, high-wage jobs to the community. Allegiant currently offers nonstops from Des Moines to Orlando-Sanford, St. Pete-Clearwater, Punta Gorda, Destin-Fort Walton Beach and Sarasota, in Florida; Phoenix-Mesa; Los Angeles; and Las Vegas.

3. Air Wisconsin Pilots Approve Three-Year Contract.

Pilots at United Express carrier Air Wisconsin ratified a three-year contract that "converts one-time bonus payments previously offered by management into permanent pay rate increases," said Air Line Pilots Association, Int'l (ALPA), "preserves the carrier's unique 1.5% annual pay increase with no expiration date, and preserves Air Wisconsin's industry-leading health-care premiums and plan design as well as protecting hours of service duty limits, in addition to other contract improvements." The agreement came after a decade of direct negotiations and federal mediation supervised by the National Mediation Board.

4. Avatar Seeks to Provide Ultra-Low-Fare Flights in U.S., Hawaii.

Avatar Airlines filed with DOT for a certificate of public convenience and necessity to begin ultra-low-fare scheduled passenger and cargo service to major cities within the continental U.S. and Hawaii. The airline intends to offer "everyday economy fares as low as \$19," plus free bags, seat selection and

Wi-Fi. Funds to purchase 14 Boeing 747-400s, build a 66,000 ft. corporate headquarters and training center and cover other startup costs will be gained through a private equity offering. Barry Michaels is founder and CEO. A previous filing was dismissed.

5. Canada Jetlines Sues Neeleman, Affiliates.

Canada Jetlines postponed a December launch after failing to secure required financing. The Vancouver-based company sued David Neeleman, DGN Corporation and Breeze Aviation Group for allegedly engaging in a scheme that led to termination of a promise of financing. The lawsuit claims the defendants induced Jetlines CEO Lukas Johnson to participate in secret communications and meetings in order to lure him away to help Neeleman's new airline venture, Moxy, which is to be owned and operated by Breeze Aviation, reports The Canadian Press. Canada Jetlines is part of King & Bay, a merchant bank that specializes in identifying, funding, developing and supporting growth opportunities in the resource, aviation and technology sectors; Executive Chairman is Mark Morabito. According to its website, Canada Jetlines planned to offer ultra-low-cost fares for Airbus A320 flights across Canada and to the United States, Mexico and the Caribbean, and "is led by a board and management team with extensive experience and expertise in low-cost airlines, start-ups and capital markets. The company was granted an unprecedented exemption from the Government of Canada that will permit it to conduct domestic air services while having up to 49% foreign voting interests."

6. Azul Proposes JV with TAP to Shareholders.

Brazilian low-cost carrier Azul submitted a proposal for a joint venture with TAP Air Portugal to shareholders. TAP is 50% owned by Portugal, 5% by workers, and 45% by Atlantic Gateway consortium, which is led by Azul founder and Chairman David Neeleman. "The recent consolidation news in Europe further reinforces the value of our investment given TAP's strategic location and leadership position between Europe and Brazil," said Neeleman. Azul reported a 25% rise in third quarter total revenue year over year, due to a 27% increase in passenger demand and cost-saving measures, and expects capacity to grow by 20% in 2019. Brazil has reduced taxes and invested in airport infrastructure, Neeleman said. "We are adding this capacity before Brazil takes off, we think it will grow again in the next couple of years and are poised to take advantage of that growth." Azul is the largest airline in Brazil by number of cities and departures. Separately, TAP will begin Airbus A321LR service to Boston from Ponta Delgada next year. The company has been rated BB- with a stable outlook by Standard & Poor's, "a key element in continuing the process of extending debt maturity, enabling TAP to solidify its financial

strength. This rating reflects the earnings recovery trend observed in the second and third quarters of 2019.”

7. **U.S. Restricts Scheduled Air Service to Cuban Airports.**
See Section VII, item 1.
8. **Latin American Tourism Officials Agree to Promote Air Travel.**
See Section VII, item 2.
9. **American, Royal Air Maroc to Code Share.**
See Section VIII, item 7.
10. **Norwegian Names New CEO, Expands U.S. Routes.**
See Section VIII, item 8.
11. **ANA, JAL Increase Tokyo Flights to U.S.**
See Section IX, item 3.