



## WASHINGTON AVIATION SUMMARY

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

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## **I. REGULATORY NEWS**

### **1. Ukrainian Airliner Downed by Iranian Missiles.**

A Ukraine International Airlines Boeing 737-800 bound for Kiev was shot down by Iranian surface-to-air missiles shortly after departure from Tehran International Airport on January 8. All 176 aboard were killed. Two passengers and the nine crew members were Ukrainians. Other victims included 82 citizens of Iran and 63 of Canada, many with dual nationality; among those intending to connect from Kiev to Canada were students and professors who had been visiting Iran during winter break.

Despite military action in the area, Iran had not shut down its airspace to commercial flights. The International Civil Aviation Organization (ICAO) reminded Member States that they are responsible “for the proper coordination and publication of activities hazardous to civilian aviation arising in their territories [and] publication by national authorities should be sufficiently far in advance of any hazard to allow all international civil aircraft to plan their routes clear of such areas. Airlines are required to conduct regular risk assessments along their route networks using all available information.” ICAO guidance was updated or newly originated since a Malaysia Airlines Boeing 777 was downed by a missile amid military activity in eastern Ukraine in 2014. The International Air Transport Association (IATA) called for an effort “to make sure that such a tragedy is never repeated. Governments must review how risk assessments are made and information is shared.”

Iran initially denied responsibility for downing Flight PS752, but then disclosed it had been a “disastrous mistake.” ICAO said all relevant States have been granted the right to participate in the investigation in compliance with Annex 13 (Aircraft Accident and Incident Investigation) and sent advisors and observers. Iran’s Aircraft Accident Investigation Board is lead investigator; Ukrainian and Canadian authorities and the U.S. National Transportation Safety Board (NTSB) are participating. Iran’s Civil Aviation Organization said the plane’s flight data and cockpit voice recorders would be transferred to Ukraine for analysis, but at press time they remain in Iran.

### **2. New Coronavirus Leads to China Travel Ban.**

The Centers for Disease Control and Prevention (CDC) recommended avoiding all nonessential travel to China, in response to an outbreak of respiratory illness caused by the spread of a novel (new) coronavirus (2019-nCoV). The number of people confirmed with the virus rose to more than

6,000, with 132 deaths on January 28, mostly in China. In the United States, at least five cases were detected in travelers returning from Wuhan, where the virus originated. Health screenings and quarantine stations were implemented at airports worldwide; U.S. airports include San Francisco, New York Kennedy, Los Angeles, Seattle, Anchorage, Alaska, Boston, Dallas, Detroit, Honolulu, Houston, Miami, Minneapolis, Newark, Philadelphia, Washington Dulles, and San Juan. Airlines in many countries limited or suspended flights to China, and nations evacuated their citizens from Wuhan. Lunar New Year celebrations and other special events that attract tourists to China were cancelled, postponed or moved to other locations. The European Union Aviation Safety Agency (EASA) recommended that airlines inform crew members as to how to manage a case of acute respiratory infection on an aircraft; that crew and airport staff be encouraged to identify passengers showing signs of acute respiratory infections who were also recently in China or in contact with people coming from China; that passenger flights to/from affected countries be equipped with Universal Protection Kits for crew assisting with potentially infectious cases; and that crews with a layover in China be informed and provided with equipment as recommended by Chinese authorities. The World Health Organization (WHO) is sending experts to work with Chinese counterparts on increasing understanding of 2019-nCoV to guide global response efforts, and is deciding whether to declare the outbreak a public health emergency of international concern (PHEIC).

**3. DOT NPRM Defines Term “Service Animal” for Air Travel.**

The U.S. Department of Transportation (DOT) issued a Notice of Proposed Rulemaking (NPRM) on Traveling by Air with Service Animals, which would define a service animal as a dog that is individually trained to do work or perform tasks for the benefit of a person with a disability, and would no longer consider an emotional support animal (ESA) to be a service animal. A psychiatric service animal would require the same training and treatment as other service animals. Among other things, the NPRM proposes to allow airlines to require a service animal to fit within its handler’s foot space on the aircraft and would continue to prohibit airlines from refusing to transport a service animal solely on the basis of breed. Comments must be received within 60 days of the January 22 notice. . . . The NPRM is “a positive step in protecting the legitimate right of passengers to travel with a service animal,” said Airlines for America. “The increased availability of fraudulent ESA credentials has enabled people who are not truly in need of animal assistance to abuse the rules and evade airline policies regarding animals in the cabin. This has led to an increase in incidents by untrained animals threatening the health and safety of passengers, crew and passengers with disabilities traveling with legitimate service animals.”

4. **DOT Fines Delta \$50,000 for Discriminatory Conduct.**

DOT fined Delta \$50,000 for discriminating against Muslim passengers in two separate incidents, mandated civil rights training for certain Delta flight and cabin crews and customer service representatives, and ordered the carrier to enhance its civil rights training program. According to the Consent Order, Delta unlawfully removed a Muslim couple from a flight departing Paris Charles de Gaulle on July 26, 2016, and a Muslim male from a flight departing Amsterdam Schiphol on July 31, 2016.

5. **FAA Proposes Civil Penalties Against Boeing, Airlines.**

The Federal Aviation Administration (FAA) proposed a \$5.4 million civil penalty against Boeing for allegedly installing nonconforming slat tracks on 178 B-737 MAX aircraft, which subsequently were presented as ready for airworthiness certification. This penalty is in addition to one of more than \$3.9 million for allegedly installing the same nonconforming components on 133 B-737 NGs. . . . A \$3.92 million civil penalty was proposed against Southwest Airlines for allegedly operating 44 aircraft on 21,505 commercial flights, between May and August 2018, with incorrect calculations of weight and balance data, used along with other data to determine how many passengers and how much fuel can be safely carried, and where to locate cargo. . . . FAA proposed a \$120,000 civil penalty against UPS, for allegedly violating hazardous materials regulations, when it offered a shipment containing loosely packed lithium batteries which had no protection from short circuit and were damaged to UPS Airlines for transport in 2018. . . . A \$57,400 civil penalty was proposed against Alaska Airlines for alleged drug and alcohol testing violations. Alaska transferred four employees into safety-sensitive functions in January 2018 but failed initially to include them in its random drug and alcohol testing pool.

6. **NTSB Returns to Full Complement of Five Members.**

Michael Graham and Thomas Chapman were sworn in as NTSB Members. Graham previously served as the director of Flight Operations Safety, Security and Standardization for Textron Aviation; his term extends through 2025. Chapman previously served as minority counsel to the Senate Commerce Subcommittee on Aviation and Space; his term extends through 2023. The five NTSB Members are nominated by the President and confirmed by the Senate to serve five-year terms. Other Members are Chairman Robert Sumwalt, Vice Chairman Bruce Landsberg and Jennifer Homendy.

7. **Boeing 737 MAX Update.**

David Calhoun became CEO of Boeing, replacing CEO Dennis Muilenburg who left the company in December. During his first press conference, Calhoun

addressed newly disclosed e-mails written by some Boeing employees, including pilots working to certify MAX simulators, which denigrated regulators, suppliers, airline officials and the MAX. Calhoun said those employees represent “a micro-culture.” He wants to build a company culture “around the level of light we shed on safety processes . . . on the engineering disciplines and what we do for pilots around the world, not just pilots in the U.S.”

Boeing estimated that regulators will begin to authorize the ungrounding of the MAX in mid-2020, “subject to our ongoing attempts to address known schedule risks and further developments that may arise in connection with the certification process. It also accounts for the rigorous scrutiny that regulatory authorities are rightly applying at every step of their review of the 737 MAX's flight control system [the Maneuvering Characteristics Augmentation System (MCAS)] and the Joint Operations Evaluation Board process which determines pilot training requirements.” Boeing has recommended MAX flight simulator training for all pilots before they fly the updated aircraft. FAA said it is pleased with Boeing’s progress in recent weeks toward achieving key milestones.

Boeing suspended MAX production and shut down its Renton plant; workers are being temporarily reassigned. Spirit AeroSystems announced layoffs of 2,800 employees at its Wichita, Kansas facility, due to the MAX production suspension and ongoing uncertainty regarding when production will resume and the level of production when it does resume. Spirit said it supplies 70% of the airplane’s structure, including the fuselage, thrust reversers, engine pylons and wing components, which represents more than 50% of its annual revenue.

American and Southwest removed MAX flying from their schedules until early June. American, which has 24 MAX aircraft, canceled about 10,000 flights in fourth quarter 2019. Southwest, which has 34, estimated an \$828 million reduction in 2019 operating income due to the groundings.

The Special Committee convened by DOT Secretary Elaine Chao to review FAA’s certification process issued a report finding the overall system to be effective and determined that potential vulnerabilities “will be mitigated by better use of data and safety management systems, better integration of human factors, enhanced coordination and communication, and the harmonization of global standards.” The panel of five aviation industry experts said FAA should continue to use the current Organization Designation Authorization (ODA) process, “which is solidly established, well controlled, and promotes safety through effective oversight,” and made numerous related recommendations. Considering the Maneuvering Characteristics Augmentation System (MCAS), the Committee concluded that “additional

consideration of the interface between a changed item and the rest of the system and the impact of multiple changes over time should be required. This includes assessment of their combined effect on the flight crew's ability to safely manage operational tasks. MCAS is an extension of Boeing's speed trim system, which has been used extensively and safely on the Boeing 737-800. Boeing added a new functionality to MCAS for the 737 MAX 8, reconfiguring a flight control system that had 200 million flight hours of operational safety. It is important to note that the FAA retained design approval of the 737 MAX 8 flight control system, including MCAS, through the end of certification process. This means the task of certifying the flight control system was only delegated to the Boeing ODA after several years of design review and discussion. It is also noteworthy that MCAS was identified and tested in both Boeing's and the FAA's certification flight tests. FAA's regulations and protocols did not require testing of MCAS for combinations of mechanical and human failures. Boeing and FAA inspectors determined that a malfunctioning MCAS system would present itself as runaway stabilizer trim, an occurrence with specific non-normal checklist procedures and for which pilots are trained to address."

## II. AIRPORTS

### 1. RAND Study Recommends Raising PFC Cap.

A congressionally mandated study conducted by RAND Corporation recommends raising the Passenger Facility Charge (PFC) cap to \$7.50, from the current \$4.50 per passenger, and indexing it to inflation which would allow airports to initiate priority projects sooner and with lower overall borrowing costs. Congress should reduce the uncommitted balance of the Airport and Airway Trust Fund, if forecast growth continues to materialize, and establish and maintain a “rainy day” fund to ensure that funding levels remain stable. And, Congress should ensure that funds collected for airport-related purposes are promptly directed toward their intended uses, said the report, “U.S. Airport Infrastructure Funding and Finance,” which was authorized in the FAA Reauthorization Act of 2018 and submitted to Congress and the Secretary of Transportation in January 2020. In response, Airlines for America said, “The last thing airport executives need is a blank check to hit travelers with more tax hikes. There is not a single airport project that cannot be funded with existing resources.” And consumer group Travelers United said the report failed to address its recommendation to look at alternative funding, such as “localities that benefit from airports 24 hours a day.”

### 2. American, British Airways Start JFK Redevelopment Project.

Atlantic Joint Business partners American Airlines and British Airways started construction on a \$344 million investment at New York Kennedy Terminal 8, which will add more than 70,000 square feet to customer and operational space and consolidate their 14 daily flights in the same terminal. Construction is scheduled to be completed in 2022.

### 3. United to Add 24 Gates at Denver Intl.

The Denver City Council approved access to an additional 24 gates for United at Denver International, bringing the number of the airline’s gates to 90. The airport is investing \$1.5 billion to expand all three concourses, in addition to the Great Hall Project, a renovation of the main Jeppesen Terminal.

### 4. Mineta San Jose Expansion Tentatively Approved.

San Jose City Council tentatively approved an updated master plan for Norman Mineta International that extends beyond the current 2027 to 2037, when 22.5 million passengers annually are expected, compared to 15.7 million in 2019; the airport handled a 26% increase in passengers during the past three years. The new timeline calls for a total of 42 gates, a new Terminal C,

parking garages, a hotel, and reconfigured taxiways. After a final vote in March, further approvals are needed for individual projects, with construction possibly starting in August. The City Council also approved a plan to reduce fees for airlines that use less polluting fuel in ground vehicles and convert them to hybrid or electric power. Officials said 11 of 13 airlines at the airport have already signed a 10-year lease promising future business.

**5. San Diego Plans Terminal 1 Replacement.**

San Diego County Regional Airport Authority certified the Final Environmental Impact Report for the Airport Development Plan, which envisions replacement of the 53-year-old Terminal 1 at San Diego International. When it opened in 1967, Terminal 1 served 2.5 million passengers; in 2019, it served more than 12 million. San Diego is the busiest single-runway commercial airport in the U.S. The Authority signed a 10-year lease agreement in July 2019 that included airline pre-approval of more than \$500 million total for off-airport and on-airport transportation improvements. The Authority also has completed a plan to address impacts from higher sea levels, more intense rainfall and extreme heat, including a partnership with the Scripps Institution of Oceanography to monitor rising sea levels using advanced sensors in San Diego Bay. Next steps for the project include federal environmental review and consideration of a Coastal Development permit by the California Coastal Commission. The goal is to break ground on the new terminal in 2021 and open the first phase (19 gates) in 2024.

**6. Eiffage Closes Acquisition of 49.99% of Toulouse-Blagnac Airport.**

French company Eiffage completed the acquisition of 49.99% of the capital of the Aéroport Toulouse-Blagnac (ATB), previously held by Chinese investment firm Casil Europe. ATB is France's fifth largest airport with 9.6 million passengers in 2018.

**7. Russia Approves Open Skies Regime for St. Petersburg Pulkovo.**

The Russian Transport Ministry approved an Open Skies regime for St. Petersburg Pulkovo, awarding rights to airlines from 30 countries effective January 1, 2020, in a move to boost tourism. Russia also introduced an electronic visa system for tourists visiting St Petersburg from 53 countries.

**8. Changi Consortium Wins Komodo Airport Project.**

A consortium that includes Changi Airport International and Cardig Aero Services won a public-private partnership tender to develop and operate Komodo Airport in Labuan Bajo, the gateway to Komodo National Park on the neighboring island of Komodo. Plans include an \$86 million expansion of the domestic terminal, runway and apron and development of an international

terminal. After the 25-year concession, the airport will be returned to the Indonesian government, which hopes to increase passenger traffic at Komodo Airport from the current 500,000 per year to 4 million.

### **III. SECURITY AND DATA PRIVACY**

#### **1. Travel Ban Expansion Planned.**

The Department of Homeland Security plans to expand the list of countries banned from U.S. travel to include nations that do not comply with certain security and counter-terrorism measures. The current list restricts travel from Iran, Libya, Somalia, Syria, Yemen, Venezuela and North Korea. Press reports suggest that Belarus, Myanmar, Eritrea, Kyrgyzstan, Nigeria, Sudan and Tanzania would be added. Advocates for immigrants strongly oppose the new proposal. “Thousands of people have been cruelly and unreasonably separated from relatives because of the already existing ban [and] stranded in conflict zones like Syria, Yemen, and Somalia,” said Refugees International. A coalition of civil rights organizations urged House leaders to schedule a markup and vote on the NO BAN Act, legislation introduced last year that would limit the President’s ability to restrict entry to the U.S. and require the Administration to provide clear reasons for restrictions and specifically prohibit religious discrimination.

#### **2. London Heathrow Deploys New Anti-Drone Technology.**

London Heathrow deployed a Counter Drone system, which detects and tracks drones in surrounding airspace and alerts airports of unauthorized drone use. Provided by UK firm Operational Solutions, the new technology also can be used to identify the location of the drone’s pilot.

#### **3. £1 Million Awarded for New Scanner Technology.**

Queen’s University Belfast researchers have been awarded £1 million to develop technology that could cut the time it takes to collect and process data through security scanners from 10 seconds to less than a 10th of a second. “The award will allow us to create technology that is fully electronic, rather than manually operated, and this will allow the scanners to process the images in real time,” said lead researcher Okan Yurduseven, from the Institute of Electronics, Communications and Information Technology at Queen’s. “By integrating machine learning into the design process, we will substantially reduce the false alarm rates in detecting threat objects.” He is developing a team “to work on groundbreaking radar technology, image processing algorithms and deep learning schemes.”

## **IV. TECHNOLOGY AND EQUIPMENT**

### **1. Lufthansa, Sabre Partner with Google Cloud.**

Under a 10-year-strategic partnership, Sabre will migrate its IT infrastructure to Google Cloud, which, said President and CEO Sean Menke “will help to accelerate our digital transformation and ability to create a new marketplace and critical products and systems focused on our customer needs” Google said the partnership “will deliver more personalized experiences for travelers, saving time and providing greater convenience that will ultimately raise the standard for the travel industry overall.” . . . Lufthansa Group selected Google Cloud to improve operational performance. “The aim is to build a platform that will suggest scenarios to return to a stable flight plan in the event of an irregularity so that passengers still arrive at their destinations as punctually and comfortably as possible,” said the airline. This will be done by merging data from processes such as aircraft replacement and maintenance and crew scheduling. The test launch will take place in Zurich with SWISS. . . . Separately, through its Innovation Hub, Lufthansa Group became the first strategic investor in Silicon Valley-based travel management company TripActions. The partnership will foster modern airline retailing to the benefit of our corporate customers, said the airline. TripActions founder and CEO Ariel Cohen said expansion into Europe expands inventory choice and transparency, giving travel managers greater spend visibility and control.

### **2. Uber Elevate to Launch in 2023.**

On view at the Consumer Electronics Show (CES) in Las Vegas was a new aircraft model from Hyundai Motor Company for the Uber Elevate ride share project. The urban air mobility (UAM) vehicle is designed for vertical takeoff and landing that is quieter than the traditional helicopter, and transition to fixed-wing configuration with a speed of up to 200 mph, initially piloted and eventually autonomous, with fares eventually the same as an Uber ground trip of the same distance. A trip from Manhattan to Trenton, San Francisco to San Jose, or across the Los Angeles metro area in about 20 minutes is envisioned. The cabin has four passenger seats with space for one bag each. Uber plans to begin flight demonstrations this year and to launch Elevate commercially in 2023. Additional partners include Boeing subsidiary Aurora Flight Sciences, Bell and Embraer. Hyundai also showcased a hub to be used for connections with ground transport. . . . DOT Secretary Elaine Chao said UAM and supporting infrastructure will require a level of safety commensurate with any operation engaging in passenger carriage for hire. A segregated approach to airspace integration may work for initial, low-volume ops, but a long-term solution that accommodates hundreds or thousands of UAM operating

simultaneously over urban landscapes will involve advanced concepts in Air Traffic Management Systems and Trajectory Based Operations. FAA will be working with governments and stakeholders over the next two years to define requirements. Commercial availability of UAM technology in the United States will depend upon companies developing robust, reliable, and technically capable designs that have been shown to be compliant with applicable airworthiness and safety regulations. “It is imperative that the public’s legitimate concerns about safety, security, noise and privacy be addressed,” she added.

**3. Delta Tools Will “Reduce Stress, Improve Customer Experience.”**

In a keynote speech at CES, Delta CEO Ed Bastian said the airline is creating digital tools that reduce stress and improve the customer experience. Among them, the Fly Delta app will evolve into a digital travel concierge. A Delta-Lyft partnership enables fliers to earn frequent flier miles for Lyft rides, and use miles to pay for rides. In a Parallel Reality beta experience from Misapplied Sciences, customers at Detroit Metro Airport will be able to look at a single screen concurrently and see personalized content. Delta joined the IBM Quantum Network—Fortune 500 companies, startups, academic institutions and research labs experimenting with commercial quantum computing solutions alongside classical IBM computers to tackle risk analytics and options pricing, advanced battery materials and structures, manufacturing optimization, chemical research and logistics. And Sarcos Robotics will test how it can help Delta employees with heavy lifting, such as baggage loading.

**4. DOT Drone Initiatives.**

Secretary of Transportation Elaine Chao discussed initiatives being developed for safe integration of drones into the national airspace, at CES. Some 1.5 million drones, and 160,000 remote pilots are registered with FAA. A new Notice of Proposed Rule Making for Remote Identification would apply to drones over 0.55 pounds. “Recent news reports out of Colorado and Nebraska of mystery drones flying in formations at night is a timely illustration of why Remote I.D.s are needed,” said Chao.

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on January 10 was \$79.04/barrel, down 0.9% on the month and up 1.9% compared to a year ago, reports IATA. Jet fuel price average for 2019 was \$79.7/barrel. Impact on 2019 fuel bill was down \$9.5 billion.

### 2. **JetBlue to Offset CO2 Emissions on All Domestic Flights.**

JetBlue will offset carbon dioxide emissions (CO<sub>2</sub>) from jet fuel for all domestic flights from July 2020, expanding offsetting programs to balance customer flying during specific times of year. JetBlue will continue to partner with Carbonfund.org; new partners include EcoAct and South Pole. The expansion is expected to offset an additional 15-17 billion pounds (7 to 8 million metric tons) of emissions per year. JetBlue also plans to use sustainable aviation fuel (SAF) from mid-2020 on flights from San Francisco and has agreed to purchase Neste MY Renewable Jet Fuel, which is being shipped via the fuel pipeline to the airport “where it will be used alongside regular fuel without safety or operational impact.”

### 3. **Shell Aviation, World Energy Supply SAF at San Francisco Airport.**

Shell Aviation and World Energy announced a multi-year collaboration to develop a scalable supply of SAF, and have initiated the supply for three routes operated by Lufthansa and Swiss International from San Francisco International to Frankfurt, Munich and Zurich. Up to one million gallons of SAF will be supplied to Lufthansa over the duration. The SAF, produced by World Energy at its refinery in Paramount, California from feedstock of agricultural waste fats and oils, is blended with conventional jet fuel at a ratio of up to 30%, resulting in fuel that has significantly lower lifecycle carbon emissions. In general, lifecycle carbon emissions from SAF can be at least 80% lower than conventional jet fuel. SAF is supplied to airports through existing airport infrastructure and can be used by airlines without requiring technical modification to their current fleets.

## VI. U.S. CONGRESS

### 1. Congress Weighs in on Boeing 737 MAX.

House Transportation Committee Chair Peter DeFazio (D-OR) and Aviation Subcommittee Chair Rick Larsen (D-WA) took issue with the newly released Safety Oversight and Certification Advisory Committee report, which supports the Organization Designation Authorization system. “Despite the wishes of industry, it would be the height of irresponsibility to leave the ODA system as is and just hope for the best the next time,” said DeFazio. “Not addressing the failures head-on would be a grave mistake and that will not happen on my watch.” . . . Emails that recently emerged “paint a deeply disturbing picture of the lengths Boeing was apparently willing to go to in order to evade scrutiny from regulators, flight crews, and the flying public, even as its own employees were sounding alarms internally,” said DeFazio. . . . After Boeing announced it would recommend simulator training for all MAX pilots, DeFazio said the MAX business model “was premised on Boeing’s unreasonable, cost-saving assurance to airlines that pilots qualified to fly a different 737 variant, the 737 Next Generation, should not undergo simulator training to fly the [MAX], a fundamentally flawed decision that put production and profits ahead of the public’s safety.” The Transportation Committee is investigating the design, development and certification of the MAX.

### 2. Hearing on Oversight of Working Conditions for Airline Ground Workers.

The House Transportation Committee held a hearing on Oversight of Working Conditions for Airline Ground Workers. Advocates said tens of thousands of ground workers make less than \$15, or even under \$10 an hour, often in unsafe and unhealthy conditions. A recent survey of 900 passenger service agents at American Airlines regional subsidiary Envoy Air revealed that 27% of respondents rely on public assistance, often food stamps. At the Miami operation of a major ground-support provider, workers reported cockroach infestations in vans transporting supplies to aircraft and were instructed not to waste time cleaning cabins too thoroughly, even when encountering biohazards, according to an April 2019 investigation by the Miami CBS affiliate. “These are not isolated incidents,” said Aviation Subcommittee Chair Rick Larsen. “In a time of record airline profits and a record number of passengers traveling by air, there is an obvious disconnect when a growing number of ground workers cannot enjoy the benefits of a system that thrives on their backs of their labor.”

## VII. **BILATERAL AND STATE DEPARTMENT NEWS**

### 1. **U.S. Signs Open Skies Agreements with Kazakhstan, Bahamas.**

The United States signed Open Skies agreements with Kazakhstan and The Bahamas covering unrestricted capacity and frequency, open route rights, a liberal charter regime, and code sharing opportunities.

### 2. **UK Leaves EU.**

The Agreement on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union (EU) and the European Atomic Energy Community was formally signed by the President of the European Council, Charles Michel, the President of the European Commission, Ursula von der Leyen, and UK Prime Minister Boris Johnson. Following ratification by the Council on January 30, and the European Parliament's consent on January 29, the UK leaves the EU at midnight on January 31, 2020. A transition period through at least December 31, 2020 will give the EU and UK time to negotiate their future relationship, including a comprehensive air transport agreement. The UK has established bilateral Open Skies agreements with the United States, Iceland, Switzerland, Morocco and Albania, with others in process.

### 3. **U.S.-Cuba Charter Flights Halted.**

DOT suspended all public charter flights between the U.S. and Cuban destinations other than Havana; nine Cuban airports are affected. DOT also will impose a cap on public charter flights to Havana. The prohibition will “restrict the Cuban regime’s ability to obtain revenue, which it uses to finance its ongoing repression of the Cuban people and its unconscionable support for dictator Nicolas Maduro in Venezuela,” said the State Department.

The Department of Transportation on January 29 issued its proposed framework for an allocation regime for future U.S.-Havana charter flights. The order tentatively establishes a combination allocation regime in which incumbent carriers would qualify for advanced allotments based on their operations in the two preceding years, and ensures at least 25% of the total allocations remain available on a first-come, first-served basis. The order grants initial allocations for 2020 to Swift Air, LLC and Caribbean Sun Airlines, Inc. (World Atlantic).

## VIII. EUROPE AND AFRICA

### 1. Willie Walsh to Retire from IAG.

Willie Walsh will retire as CEO and from the Board of International Airlines Group (IAG) on March 26. Iberia CEO Luis Gallego will succeed him. Walsh rose from cadet pilot at Aer Lingus to become CEO from 2001 to 2005. He was British Airways CEO from 2005 to 2011, and led the merger and integration of British Airways and Iberia to form IAG, which is a Spanish registered company comprised of Aer Lingus, British Airways, Iberia, Vueling and other brands.

### 2. Flybe Collapse Averted.

As Flybe veered toward collapse, the British government agreed to defer a portion of its annual air passenger duty bill and said it would consider support for regional routes that connect key parts of the UK economy. Flybe parent Connect Airways, a consortium of Cyrus Capital (40%), Virgin Atlantic (30%) and Stobart Group (30%), is seeking a loan from the government, and has provided short-term funding. IAG filed a complaint with EU regulators, calling the rescue a “blatant misuse of public funds,” and Ryanair intended to sue in the UK and EU. Flybe employs 2,000 people, carries 8.5 million passengers a year and is the main airline at regional airports including Belfast, Southampton and Exeter.

### 3. Lufthansa Group to Hire 4,500 in Home Markets.

Lufthansa Group will hire more than 4,500 new employees this year in Germany, Austria and Switzerland; 3,000 hires will take place in Germany. The recruitment focus is “on the ground” with around 2,500 positions; 1,300 new flight attendants will be hired Group-wide. Due to internal restructuring and cost-saving measures, Brussels Airlines, Eurowings and Lufthansa Cargo have imposed a hiring freeze, and Austrian Airlines will reduce headcount “due to competitive redimensioning.”

### 4. LOT to Serve Washington, San Francisco; Acquires Condor.

LOT Polish Airlines will begin three weekly Boeing 787 nonstops between Warsaw’s Frederic Chopin Airport and Washington Dulles on June 2 and four weekly to San Francisco in August. “New long-haul flights to the USA are the backbone of our strategy,” said CEO Rafal Milczarski. . . . LOT owner Polish Aviation Group (PGL) will acquire German leisure airline Condor, a former unit of defunct Thomas Cook. The transaction is expected to close by April 2020,

subject to antitrust approvals. The companies said Condor will continue to operate under current leadership under its own brand.

5. **Airbus Expands Aircraft Manufacturing in the U.S.**

Airbus will increase the production rate of A320 family aircraft at its Mobile, Alabama facility to seven per month and construct a \$40 million support hangar on the site, bringing its total investment there to more than \$1 billion. Plans to build four A220s per month in Mobile will bring total commercial aircraft produced to more than 130 each year by mid-decade.

6. **Ukrainian Airliner Downed by Iranian Missiles.**

See Section I, item 1.

7. **New Coronavirus Leads to China Travel Ban.**

See Section I, item 2.

## **IX. ASIA/PACIFIC AND MIDDLE EAST**

### **1. Australian Tourism Receives Fire Recovery Aid.**

As catastrophic wildfires raged through the Australian bush, the government announced an initial \$76 million tourism recovery package; “one in thirteen Australian jobs rely on tourism and hospitality . . . this investment is an urgent injection to help all those hotels, restaurants and cafes and tour operators get back on their feet.” The American Society of Travel Advisors said 97% of the country's tourism assets are unaffected by the fires and told its members to, “keep sending your clients there, as has been the case with other natural disasters affecting tourism-dependent destinations.” Qantas has carried fire fighters and equipment across Australia pro bono, donated \$1 million cash to relief and recovery, and worked with U.S. aid agency Direct Relief to get 100,000 donated masks to bushfire affected communities. “And when the time is right, we stand ready to help these special places get back on their feet by bringing tourists back,” tweeted the airline. Australian travel authorities expect the bushfires to continue through March or April and advise increased caution even in areas not directly affected, as smoke is causing poor air quality.

### **2. Cathay Pacific Reports Inbound Passenger Decline of 46%.**

“Demand for travel into Hong Kong continued to be weak in December with our inbound passenger traffic seeing a year-on-year decline of 46%, unchanged from November,” said Cathay Pacific Group Chief Customer and Commercial Officer Ronald Lam, as violent political unrest continued. “The sentiment for travel into Hong Kong was particularly weak on our regional routes such as mainland China, Taiwan and Japan. On the brighter side, our long-haul routes performed well with better load factors. Outbound traffic, meanwhile, was down 4% – a further improvement over the previous few months, but still significantly below what we would expect for a peak holiday month.” . . . United Airlines expected to record a special non-cash impairment charge of \$90 million associated with its Hong Kong routes, due to lower demand and resulting decrease in unit revenue in 2019. . . . With the spread of coronavirus, and several cases confirmed in Hong Kong, airlines offered refunds on all mainland China flights. Hong Kong's Travel Industry Council estimated that 2,600 tours to the mainland through mid-February had been cancelled, affecting more than 91,000 people.

### **3. Gov't. Seeks to Sell Air India.**

The Indian government invited expressions of interest for its 100% share of Air India, as well as its stakes in Air India Express and Air India SATS Airport

Services. The buyer would acquire \$3.2 billion of debt; liabilities reportedly exceed \$8 billion. The sale is opposed by members of Parliament and unions.

4. **Abu Dhabi, Sirius Launch Leasing Joint Venture.**

Abu Dhabi Catalyst Partners announced a strategic partnership with Sirius Aviation Capital to invest in mid-life, single-aisle aircraft that currently are on lease to airlines around the globe. Through the joint venture, Abu Dhabi Catalyst Partners has committed \$100 million to a new company, Sirius Aircraft Investments, which will be based in Abu Dhabi, “to leverage its close proximity to the rapidly growing aviation market” in Gulf Cooperation Council countries—Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Bahrain and Oman—as well as Africa and Central and South East Asia. The partners “aim to grow Sirius Aviation Investments into a leading mid-life aircraft leaser,” said Sirius Aviation Capital CEO Howard Millar. Abu Dhabi Catalyst Partners, established in 2019, is a joint venture between Abu Dhabi-based Mubadala Investment Company and New York-based Falcon Edge Capital; CEO is Guy Hurley.

5. **Ukrainian Airliner Downed by Iranian Missiles.**

See Section I, item 1.

6. **New Coronavirus Leads to China Travel Ban.**

See Section I, item 2.

7. **U.S. Signs Open Skies Agreements with Kazakhstan, Bahamas.**

See Section VII, item 1.

## X. AMERICAS

### 1. Delta Completes Purchase of 20% Stake in LATAM.

Delta completed acquisition of a 20% equity stake in LATAM Airlines Group for \$1.9 billion. . . . Delta announced full-year 2019 pre-tax income of \$6.2 billion and record \$1.6 billion profit-sharing for its 90,000 employees. . . . Delta employees filed class action lawsuits against Lands' End, claiming that chemicals and finishes in uniforms made by the Wisconsin-based manufacturer cause skin rashes, hair loss, low white blood cell counts, migraine headaches and breathing difficulties, and that Lands' End was negligent in issuing the uniforms and failing to recall them once problems were reported. . . . FAA is investigating an incident in which a Delta Boeing 777-200ER jettisoned fuel over schools, homes and a playground during an emergency return to Los Angeles International Airport. Adults and children were treated for skin irritation and breathing problems.

### 2. Southwest Opens Maintenance Facility at Houston Hobby.

Southwest opened a new maintenance facility at Houston Hobby to replace a smaller one built in 1988. The 240,000 sq.-ft. complex includes offices and training and warehouse space. A 140,000 sq.-ft. hangar accommodates simultaneous indoor work on up to six Boeing 737s and has space for an additional eight outside hangar bays.

### 3. Alaska Awards \$163 Million in Incentive Pay to Employees.

Alaska Air Group reported adjusted net income of \$798 million for 2019, compared to \$554 million in 2018, and awarded \$163 million in incentive pay to employees, up 11% over 2018. The company "achieved the goal of 75% repayment on the \$2 billion debt borrowed to fund the acquisition of Virgin America."

### 4. JetBlue to Add Service to Central America, Leave Oakland.

JetBlue begins daily nonstops between Guatemala City and New York Kennedy on June 1. Effective April 29, JetBlue will end Oakland service, while continuing Bay Area flights from San Francisco and San Jose, and will reduce Long Beach flights. Due to "changes to the regulatory landscape," JetBlue will adjust schedules to maintain up to three daily flights to Havana from Fort Lauderdale and revise service on Saturdays from Kennedy to once weekly.

5. **Spirit Breaks Ground on Dania Beach Headquarters.**

Spirit broke ground on new corporate headquarters in Dania Beach, near Fort Lauderdale-Hollywood International, with completion of the \$250 million facility planned for 2022. . . . Spirit starts daily, seasonal service between Oakland and Fort Lauderdale on April 1. . . . A purchase agreement with Airbus for 100 A320neo Family aircraft was finalized.

6. **New Coronavirus Leads to China Travel Ban.**

See Section I, item 2.

7. **U.S. Signs Open Skies Agreements with Kazakhstan, Bahamas.**

See Section VII, item 1.

8. **UK Leaves EU.**

See Section VII, item 2.

9. **U.S.-Cuba Charter Flights Halted.**

See Section VII, item 3.

10. **LOT to Serve Washington, San Francisco; Acquires Condor.**

See Section VIII, item 4.

11. **Airbus Expands Aircraft Manufacturing in the U.S.**

See Section VIII, item 5.