



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. Government Shutdown Ends Temporarily.

The longest government shutdown in U.S. history ended on January 25, but will resume on February 15 if Congress and the President fail to agree on appropriations bills. About 800,000 federal workers were furloughed or, if considered essential, worked without pay for 35 days. The Continuing Resolution signed to end the partial shutdown occurred on a day marked by flight disruptions. The Federal Aviation Administration (FAA) issued a ground stop at New York LaGuardia, saying a slowdown in airspace over Florida and New York was due to staffing shortages in Washington and Jacksonville. While the National Air Traffic Controllers Association (NATCA) took no responsibility for controller absences, the union had actively campaigned against the shutdown and even sued the government for failure to pay its members since the closure began on December 22. The Association of Flight Attendants (AFA) and Air Line Pilots Association (ALPA) stood in solidarity with NATCA. . . . Three weeks into the shutdown, FAA recalled furloughed inspectors and engineers “to perform duties to ensure continuous operational safety of the entire national airspace.” . . . The Transportation Security Administration (TSA) released daily bulletins of wait times at airport checkpoints, as screeners increasingly called in sick or said they could not afford to commute to work without pay. . . . Airline executives reported significant financial impacts as the shutdown wore on and all industry stakeholders repeated calls for stable, predictable funding. The constant funding crises that arise from stop-and-go funding wreak havoc on our system, said NATCA, expressing hope for “a long-term appropriations bill that prevents another senseless shutdown.”

2. DOT Proposes New Drone Rules, ATM Project.

In a speech at the Transportation Research Board Annual Meeting in Washington during the government shutdown, Secretary of Transportation Elaine Chao announced proposed new rules that would allow unmanned aircraft systems (UAS), or drones, to fly overnight and over people without waivers, if the operator has received appropriate training, completed approved testing, and if the drone is equipped with anti-collision lighting. “Operation of Small UAS over People” would “attempt to balance the need to mitigate safety risks without inhibiting technological and operational advances.” Another proposal, “Safe and Secure Operations of Small UAS,” would “seek public input to identify major drone safety and security issues that may pose a threat to other aircraft, to people on the ground or to national security as drones are

integrated into our national airspace.” . . . Chao also announced the “UAS Traffic Management System Pilot Project,” to extend through September 2019. Commercial service entities will develop technology to provide flight planning, communications, separation and weather services for drones that operate under 400 feet. This system will be separate from, but complementary to, the traditional FAA air traffic management system. It will create a shared information network and gather data that can be used for future rulemakings. . . . Chao noted there were nearly 1.3 million registered drones in the U.S., as of December 14, 2018, and more than 116,000 registered drone operators.

3. FAA Suspends Newark Flights After Drone Sightings.

FAA briefly suspended flights into Newark Liberty International, after a drone sighting at 3,500 feet over nearby Teterboro Airport. Port Authority of New York and New Jersey, which operates Newark, Teterboro and Kennedy, said it is working with FAA and law enforcement agencies on rapid detection and interdiction of drones. . . . During the December holiday period, drones sighted at London Gatwick resulted in grounding or diverting more than 1,000 flights over three days. In January, a drone sighting at Heathrow caused a brief halt of departures and a full criminal investigation was launched. UK Transport Secretary Chris Grayling released “Taking flight: the future of drones in the UK,” a consultation that heightens law enforcement measures and adds airport protections. . . . Canada announced new rules that, among other things, will require drone pilots to carry a valid drone pilot certificate and only fly drones that are marked and registered, effective June 1, 2019. Fines for breaking rules range from up to \$1,000 to \$3,000 for individuals, and up to \$5,000 to \$15,000 for corporations.

4. E-Cigarette Battery Causes Baggage Hold Fire.

An investigation by the Transportation Safety Board of Canada found that a baggage compartment fire on a Boeing 737-700 operated by WestJet was caused by a lithium ion battery used to power an e-cigarette. The flight, en route from Calgary to Vancouver with 58 people on board, made an emergency landing in Calgary. The batteries were in a passenger bag which showed signs of fire damage. Policy requires that lithium-ion batteries, such as those found in electronic cigarettes, be carried in the cabin, where an incident can be immediately mitigated, and not in checked baggage, said the Board.

II. AIRPORTS

1. Louisville Renamed Muhammad Ali International.

The Louisville Regional Airport Authority renamed the city's airport for native son Muhammad Ali. The athlete was a United Nations Messenger of Peace and Sports Illustrated's Sportsman of the 20th Century, among myriad honors. Louisville Muhammad Ali International Airport retains the SDF code.

2. Munich Airport Intl to Run Newark Terminal One.

Munich Airport International (MAI) was selected by Port Authority of New York and New Jersey to operate and maintain the new \$2.7-billion Terminal One at Newark Liberty under a 15-year agreement. Terminal One, scheduled to be fully operational by 2022, will have 33 common-use gates to handle larger aircraft. It will replace Terminal A; MAI will manage operations, maintenance and concession functions in Terminal A until its closure.

3. Phoenix Opens New Terminal 3 South Concourse.

The second component of the modernization of John S. McCain III Terminal 3 at Phoenix Sky Harbor opened with the late Senator's wife and city officials in attendance. The new South Concourse includes 15 gates. The third phase of the modernization project, renovation of the North Concourse, is slated to be complete in 2020. Terminal 3 serves Delta, Frontier, Hawaiian, JetBlue and Sun Country.

4. Charleston Prepares for First Transatlantic Service.

Initial financial incentives to encourage British Airways to provide South Carolina's first transatlantic commercial air service include \$1.3 million from the state Department of Commerce and \$500,000 from the Charleston County Council. Charleston International is expanding and modernizing its Customs and Border Protection area, and building a new lounge, an airline catering kitchen and a 3,000-space parking deck. The twice-weekly Boeing 787-8 summer service to London Heathrow begins in April. Boeing South Carolina, the final assembly plant for the 787 Dreamliner, is located near the airport.

5. Paine Field Commercial Service Delayed Due to Gov't Shutdown.

"Several key groups within the Federal Aviation Administration (FAA), which conduct crucial certification and oversight work required for the start of commercial air service at Paine Field, are subject to furloughs because of the government shutdown," said Alaska Airlines, as it postponed start of service from February 11 to March 4 and offered full refunds or new flights on same

travel date from Seattle-Tacoma International, waiving fees. Alaska and United will serve Paine Field, with a total of 24 departures and arrivals each day.

6. VINCI to Acquire Majority Stake in London Gatwick.

VINCI Airports will acquire a 50.1% stake in Gatwick for £2.9 billion. The other 49.99% will be managed by Global Infrastructure Partners (GIP), which “will maintain its integral role in the management and ownership of the airport.” Transaction close is expected mid-year. Gatwick handles 46 million passengers annually and operates the busiest single runway in the world. GIP also owns Edinburgh Airport. VINCI Airports manages development and operations of 46 airports located in France, Portugal, UK, Sweden, Serbia, Cambodia, Japan, U.S., Dominican Republic, Costa Rica, Chile and Brazil.

7. Israel’s New Eilat Ramon Opens.

Israeli officials opened Ramon Airport, located near Red Sea tourist destination Eilat. The airport can handle up to 2 million passengers a year initially, and eventually 4.2 million. All domestic flights to the old Eilat City Airport from Tel Aviv and Haifa will move to the new airport, as will low-cost and charter flights from Europe currently handled by Ovda Airport. With aspirations to become “a truly regional hub,” Ramon will “also be a gateway for southern Jordan,” officials said, “including the resort of Aqaba, and areas of Wadi Rum and Petra, as well as the Taba area of Sinai, in Egypt.” Shuttle connections to Jordan and Egypt are planned. But with the opening of Ramon, Jordan’s Civil Aviation Regulatory Commission claimed that international standards were violated “regarding respect for the sovereignty of airspace and territory of other countries” and urged international action.

8. Philippines Selects Changi-Led Consortium to Operate Clark Terminal.

A consortium led by Changi Airport Group was awarded a 25-year operations and maintenance contract for the new terminal at Clark International, a former U.S. air base in the Philippines. The North Luzon Airport Consortium (NLAC) includes Changi Airports Philippines Pte., Filinvest Development Corporation, JG Summit Holdings and Philippine Airport Ground Support Solutions. NLAC’s bid offer was 18.25% annual gross revenue percentage share.

9. Beijing Daxing to Handle 72 Million Passengers Annually.

Civil Aviation Administration of China (CAAC) said China Southern and China Eastern and their subsidiaries will move to the new Daxing International Airport, which will be completed on June 30 and open on September 30. Foreign carriers and carriers from Hong Kong and Macau can opt to operate from Daxing or Beijing Capital or from both. Air China and its carrier units, as well as Hainan and other Chinese airlines, will remain at Beijing Capital. The

relocation of carriers to Daxing will be phased in from 2019 to 2021. Daxing, with four runways, is expected to handle 72 million passengers by 2025. Beijing Capital, the world's second busiest airport, handled 100 million passengers last year. China will invest \$12.4 billion in civil aviation infrastructure in 2019, said CAAC, at the National Civil Aviation Work Conference in Beijing. Last year, the number of commercial airports in China reached 235, with 37 handling more than 10 million passengers annually.

10. Van Don International Opens in Vietnam.

Van Don International, the first private airport in Vietnam, began passenger operations with a Vietnam Airlines Airbus A321 carrying Prime Minister Nguyen Xuan Phuc and other officials. Van Don can handle 2.5 million passengers a year. The initial four gates will be increased to seven by 2030. Services to South Korea, Japan, Taiwan, mainland China, Thailand, Malaysia, Singapore, and Cambodia are expected; domestic flights will mostly serve southern and central regions of Vietnam. Developed by Vietnam's Sun Group under the Build Operate Transfer model, the airport is situated in the northern province of Quang Ninh, where UNESCO World Heritage site Ha Long Bay is located.

III. SECURITY AND DATA PRIVACY

1. Vulnerability Exposed in Amadeus Reservation System.

Amadeus confirmed that a vulnerability was exposed in its online reservation system. An Israeli security researcher booking a flight on EL AL discovered he could access passenger name records (PNR) and make changes. Amadeus said it has taken steps “to prevent a malicious user from accessing travelers’ personal information,” and told reporters: “We work with our customers and partners in the industry to address PNR security overall. The airline industry relies on IATA standards that were introduced to improve efficiency and customer service on a global scale. Because the industry works on common industry standards, including the PNR, further improvements should include reviewing and changing some of the industry standards themselves, which requires industry collaboration.”

2. Airport Security Technologies Exhibited in London.

New technologies supported by the UK’s Future Aviation Security Solutions (FASS) scheme were exhibited in London. Most of the eight projects, which have received a total of £1.8 million in funding, are in the prototype stage. They include a system for detecting hidden explosives in hold baggage and air cargo by analyzing vapor. “Currently air cargo screening is done by X-ray, which is a rather slow procedure subject to the interpretation of the operator, thereby leading to high false alarm rates and low probability of detection,” says developer SEADM. Passengers would not need to remove laptops from bags during screening with a system being developed by researchers at Durham University which uses artificial intelligence to learn what a typical electronic item looks like when it goes through a scanner, and flags unrecognized materials. A shoe scanner designed by Scanna requires passengers to stand on a grid of sensors which detects threats. Sequestim, a joint venture of QMC Instruments and Cardiff University, is developing a full body scanner that people can walk through without taking off coats or emptying pockets. FASS is run by the UK Department for Transport and has worked with the Defense and Security Accelerator, part of the Ministry of Defense, to provide funding for those designing tech with the aim of improving the ability to spot threats and improve passenger experience at airports.

3. CBP Finalizes Privacy Act Exemptions.

The Department of Homeland Security (DHS) finalized proposed Privacy Act exemptions for the Customs and Border Protection (CBP) Intelligence Records System (CIRS), which includes travel surveillance records. The exemptions

authorize DHS to include CIRS data “without regard to its accuracy or relevance to any investigation or suspicion of unlawful activity, and to keep these files and any records of how they are used and shared secret from the individuals to whom they pertain,” said the Identity Project, which, with eight other civil liberties and human rights organizations, filed comments with DHS in October 2017 opposing creation of the database. The Identity Project said DHS finalized the proposal on December 27, 2018, “a week after the federal government had partially shut down, and during a holiday week when fewer people than usual would be scrutinizing the Federal Register,” adding, “Federal employees deemed ‘inessential’ have been furloughed. But those still working for deferred paychecks apparently include DHS staff, including the DHS Privacy Office, responsible for promulgating rules exempting DHS surveillance from the minimal limitations imposed by the Privacy Act.” DHS did not respond sufficiently to their comments, the group said, and “it is no longer possible for anyone to find out what information about them is contained in CIRS, or to whom it has been disclosed.” The Identity Project “explores and defends the fundamental American right to move freely around our country and to live without constantly having to prove who we are or why we are here.”

IV. E-COMMERCE AND TECHNOLOGY

1. Direct Debit for Air Tickets Successfully Demonstrated.

The first “IATA Pay” ticket purchase transaction was successfully tested, with direct payments made to airlines from customers’ bank accounts. The option enables airlines to avoid high card payment costs, “\$8 billion per year and rising,” says the International Air Transport Association (IATA), and “offers an extremely high level of security.” IATA Pay pilot airlines include Cathay Pacific, SAS and Emirates. IATA is working with Deutsche Bank on a prototype for Europe (excluding the UK), beginning with the German market.

2. Travel Agency Air Ticket Sales Rise 7.1% in 2018.

Airline tickets sold by U.S.-based travel agencies in 2018 increased 7.1%, to \$95 billion vs. \$88.5 billion in 2017. Average U.S. round-trip ticket price was \$490, up \$6. Total number of trips settled by ARC for U.S. agencies increased to 295,497,805 vs. 287,679,290 in 2017. U.S. domestic trips remained steady, increasing less than 1%, while international passenger trips grew by 7.3%. Results based on monthly sales data ending December 31, from 12,100 U.S. retail and corporate travel agency locations, satellite ticket printing offices and online travel agencies. Results do not include sales of tickets purchased directly from airlines. In related news, American Society of Travel Agents has been rebranded to American Society of Travel Advisors.

3. Aireon Completes Global Aircraft Surveillance System Deployment.

Aireon completed deployment of its space-based Automatic Dependent Surveillance-Broadcast (ADS-B) payloads and announced “a new era of global air traffic surveillance and aircraft tracking.” The Aireon system enables automatic and real-time collection of aircraft position data, giving air traffic controllers and airlines a comprehensive view of the world’s flight paths, including those in remote and oceanic airspace, such as the area in which Malaysia Airlines Flight 370 is believed to have crashed. Benefits include increased safety, more efficient flight routes, more accurate arrival and departure predictions, faster emergency response times, reduced aircraft separation and a decrease in CO2 emissions. Aireon said the system is processing more than 13 billion ADS-B messages per month to date. Aireon officials include former DOT Secretary Norm Mineta, who serves as Chairman, and former FAA Administrator Marion Blakey.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on January 11 was \$77.56/barrel, up 3.2% on the month and down 6.4% compared to a year ago, reports IATA. Jet fuel price average for 2018 was \$86.1/barrel; impact on 2018 fuel bill was \$46.7 billion.

2. **Caribbean Natural Resources and Tourism.**

The Caribbean and Latin America account for one-third of JetBlue's flying, and the airline, with The Nature Conservancy and support from Microsoft and the World Travel & Tourism Council, has issued a new report showing the relationship of tourism and the Caribbean, and urges the tourism industry to find solutions to conserve the region's resources. The value of Caribbean coral reef-associated tourism—i.e., sailing, diving, snorkeling—is \$7.9 billion annually from 11 million visitors, accounting for 23% of tourism spending and 10% of the region's gross domestic product. But coral reef health is diminishing due to climate change, overfishing, pollution, coastal development and other threats; "living corals in the Caribbean have declined over 60% in just the last three decades." The study, "Estimating Reef-Adjacent Tourism Value in the Caribbean," analyzes the tourism component that depends on coral reefs but does not make direct use of them; i.e., "coastal views, delicious seafood and tranquil waters for swimming and boating." JetBlue is donating 50 flights to The Nature Conservancy for scientists to travel to the region to further research and help conserve coral reefs.

3. **EASA: Continued Growth of Aviation Poses Environmental Challenges.**

Aviation environmental impact increased by 10% for CO₂, 12% for NO_x and 14% for noise since 2014, according to the 2nd European Aviation Environmental Report published by the EU Aviation Safety Agency (EASA), in cooperation with the EU Environment Agency and EUROCONTROL. With the number of flights in Europe expected to grow by 42% from 2017 to 2040, aircraft CO₂ emissions are predicted to increase by 21% and NO_x emissions by 16%. The number of airports that handle more than 50,000 annual aircraft movements is expected to increase from 82 in 2017 to 110 in 2040 and aviation noise may therefore affect new populations in the future. "The predicted increase in greenhouse gas emissions, if not addressed, could undermine efforts to mitigate climate change and limit the global temperature rise to below the target of 2degC in the Paris Agreement," said EASA, calling on stakeholders to develop environmental protection solutions.

4. Etihad Flight Uses Fuel Made from Plants Grown in Saltwater.

An Etihad Boeing 787 commercial flight from Abu Dhabi to Amsterdam used fuel made from plants grown in saltwater by Khalifa University. The sustainable fuel was derived from oil in Salicornia plants, which were grown on the SEAS farm in Masdar City, the world's first desert ecosystem designed to produce fuel and food in saltwater. Fish and shrimp raised at the facility provide nutrients for the plants and contribute to United Arab Emirates food production. The project is a collaboration of Etihad, Boeing, GE, ADNOC Refining, Sustainable Bioenergy Research Consortium (SBRC), a non-profit entity established by Masdar Institute that is part of Khalifa University of Science and Technology, and others.

VI. U.S. CONGRESS

1. DHS Appropriations Negotiated.

In addition to the Continuing Resolution passed to reopen all federal agencies through February 15 and provide back pay to federal employees, Congress negotiated a joint resolution providing continuing FY2019 appropriations for the Department of Homeland Security through the earlier of February 28, 2019, or the enactment of applicable appropriations legislation. The DHS CR compensates furloughed employees and extends several immigration programs, among other things.

2. Bills to Prevent Future Government Shutdowns Introduced.

Numerous bills to preclude future government shutdowns were introduced or reintroduced. Among them: The Stop STUPIDITY (Shutdowns Transferring Unnecessary Pain and Inflicting Damage in The Coming Years) Act, introduced by Senator Mark Warner (D-Va.), would automatically renew government funding during a lapse at same levels as previous fiscal year, with adjustments for inflation, except for the legislative branch and the Executive Office of the President. . . . The End Government Shutdowns Act, reintroduced by Senator Rob Portman (R-Ohio), with other Senators, would create an automatic Continuing Resolution for any appropriations bill not completed by start of fiscal year (October 1). For an initial 120-day period, S.104 provides appropriations to continue programs, projects, and activities for which funds were provided in the preceding fiscal year. The bill reduces the continuing appropriations by 1% after the first 120-day period and by an additional 1% for each subsequent 90-day period until the applicable appropriations legislation is enacted. Similar bills were introduced by Senator Rand Paul (R-Ky.) and House Republicans.

3. 116th Congress Committee Leadership Announced.

Roger Wicker (R-Miss.) was named Chairman of the Senate Committee on Commerce, Science, and Transportation, and Maria Cantwell (D-Wash.) was named ranking member. Subcommittees are: Security, chaired by Dan Sullivan (R-Alaska); ranking member Ed Markey (D-Mass.); jurisdiction to include TSA, Coast Guard, drone security, cybersecurity. Aviation and Space, chaired by Ted Cruz (R-Texas);_ranking member Kyrsten Sinema (D-Ariz.); jurisdiction to include FAA, NASA, drones. Transportation and Safety, chaired by Deb Fischer (R-Neb.); Tammy Duckworth (D-Ill.) ranking member; jurisdiction to include DOT, National Transportation Safety Board, Pipeline and Hazardous Materials Safety Administration, Railroad and Highway

Administrations. Other Commerce Committee Subcommittees are Communications, Technology, Innovation, and the Internet [John Thune (R-S.D.)]; Manufacturing, Trade, and Consumer Protection [Jerry Moran (R-Kan.)]; and Science, Oceans, Fisheries, and Weather [Cory Gardner (R-Colo.)] . . . Ron Johnson (R-Wis.) was named Chairman of the Senate Homeland Security and Governmental Affairs Committee, and Gary Peters (D-Mich.) was named ranking member. . . . In the House, Peter DeFazio (D-Or.) was named Chairman of the Transportation & Infrastructure Committee; ranking member is Sam Graves (R-Mo.). Rick Larsen (D-Wash.) is Chairman of the House Transportation Aviation Subcommittee; Garret Graves (R-La.) is ranking member.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. British Parliament Rejects Brexit Agreement.

The British Parliament rejected the withdrawal agreement forged by Prime Minister Theresa May with the EU. Proposed guidance from the European Commission in the event of a 'no deal' Brexit calls for current level of flights between the UK and the EU to be maintained, said IATA, but does not allow for an increase in flights. "In the small window remaining before Brexit it is imperative that the EU and UK prioritize finding a solution that brings certainty to airlines planning growth to meet demand," said Alexandre de Juniac, IATA Director General and CEO. Britain is scheduled to leave the EU on March 29.

VIII. EUROPE AND AFRICA

1. Air France to Close Joon.

Air France signed “a balanced agreement” with its three cabin crew unions, which, said Air France-KLM CEO Benjamin Smith, represents a major step toward rebuilding trust and confidence in management. The company is “studying the future of the Joon brand and the integration of Joon employees and aircraft into Air France,” said Smith; “the plurality of brands in the marketplace has created much complexity and unfortunately weakened the power of the Air France brand.” . . . Air France and pilot unions SNPL and SPAF reached a tentative agreement, which “proposes changes in remuneration and introduces the necessary flexibility on certain rules of use to support Air France’s strategy.” Voting is scheduled for mid-February.

2. Lufthansa Group Reports Record Passenger Figures.

Lufthansa Group carried a record 142 million passengers in 2018, on more than 1.2 million flights with load factor of 81.4%, also a record. Network airlines Lufthansa, SWISS and Austrian carried 104 million passengers, up 7.4% over 2017. Eurowings Group, including Germanwings and Brussels Airlines, carried 38.5 million passengers, up 18%. . . . Lufthansa Group is hiring 5,500 new employees in 2019, including 1,300 flight attendants; up to 500 future pilots will begin training at the European Flight Academy.

3. Virgin Atlantic, Stobart to Acquire Flybe.

A consortium comprised of Virgin Atlantic, Stobart Group and Cyrus Capital formed Connect Airways to acquire UK regional carrier Flybe. They pledged to provide Flybe with a £20 million bridge loan and up to £80 million following completion of acquisition. Stobart Group’s Stobart Air and aircraft leasing business Propius will be part of Connect Airways. Flybe will operate independently with a separate UK Air Operator Certificate (AOC) under the Virgin Atlantic brand. Stobart Air will continue under a separate Irish AOC. Flybe announced it will transfer some of its Gatwick slots to Vueling for £4.5 million paid in two stages.

4. Ryanair Completes Acquisition of Laudamotion.

Ryanair completed its acquisition of Laudamotion, which becomes a subsidiary of Ryanair Holdings. Laudamotion CEO Andreas Gruber said the Austrian airline will “grow strongly over the next three years to carry 10 million passengers annually.”

5. Norwegian to Close Some Crew Bases.

Norwegian will close crew bases in Spain (Palma de Mallorca, Gran Canaria, Tenerife), Italy (Rome Fiumicino) and the U.S. (New York Stewart and Providence, Rhode Island). The closures, to begin in April, “will have little or no impact on customers,” as flights to most popular vacation destinations will continue. Affected routes are operated by Boeing 737-800s and 737 MAX 8s; Dreamliner operations are not affected. . . . International Airlines Group (IAG) said it does not intend to make an offer for Norwegian and will sell its 3.93% stake in the airline. Norwegian CEO Bjørn Kjos said the company plans to implement cost-reduction measures and will enter a period of slower growth.

6. DHL Express Builds Copenhagen Hub.

DHL Express is building a €134 million hub at Copenhagen Airport, with completion expected in 2023. The facility will be able to handle 37,000 packages per hour. DHL is expanding its fleet to 260 planes, with 14 new Boeing 777 freighters and five Airbus A330s.

7. Ethiopian to Restructure U.S. Network.

Ethiopian Airlines will restructure its U.S. network, as of summer 2019, increasing frequencies to Washington D.C. and Chicago and replacing the Los Angeles gateway with Houston. All flights will be served with the Boeing 787. “The changes respond to market demand,” said Group CEO Tewolde GebreMariam. “In line with our Vision 2025 strategic roadmap, we will keep on expanding our U.S. and African network so as to facilitate people-to-people ties and the flow of investment, trade and tourism.”

8. Cathay Pacific Joins Worldwide by easyJet.

See Section IX, item 2.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. ANA to Fly Airbus A380 to Hawaii.

All Nippon Airways (ANA) will fly the first Japanese-operated Airbus A380 service three times weekly between Narita and Honolulu starting May 24, subject to government approval. . . . ANA Holdings will acquire 9.5% of Philippine Airlines (PAL) for \$95 million from Trustmark Holdings, owned by the Lucio Tan family and the largest shareholder of PAL.

2. Cathay Pacific Joins Worldwide by easyJet.

Cathay Pacific joined Worldwide by easyJet, enabling passengers to connect through London Gatwick to Cathay Pacific flights to Hong Kong through easyJet's booking portal. Other partners are Emirates, Virgin Atlantic, Norwegian, WestJet and Singapore Airlines. . . . easyJet said disruption caused by Gatwick closures due to drone sightings in December resulted in lost revenue of £5 million and a £10 million impact related to customer welfare costs; 82,000 customers were affected as over 400 flights were cancelled.

3. Ronojoy Dutta Named CEO of IndiGo.

Ronojoy Dutta was named CEO of IndiGo (InterGlobe Aviation). The former President of United Airlines, where he worked for nearly 20 years, has been associated with numerous major airlines. IndiGo is India's largest passenger airline with market share of 43%.

4. FedEx Opens Facility in Penang.

The FedEx Penang Gateway facility has opened, serving as a major hub in Malaysia's northern states and a gateway for FedEx Asian and trans-Asian flights. The facility will have two dedicated Boeing 767 freighters, offering next-business-day delivery to major cities in the U.S. and Asia Pacific, and 71 ground operations vehicles covering 60 local routes in Penang and neighboring mainland states. The facility also supports the FedEx Asia Road Network, which connects markets in South East Asia and China, from Singapore to Guangzhou. The 52,000 sq. ft. warehouse provides x-ray scanning for all outbound packages and can handle 2,700 packages per hour. FedEx now has 12 stations across Malaysia and plans to launch two more.

5. India Projects 1.1 Billion Passengers by 2040.

India's Ministry of Civil Aviation projects 1.1 billion passengers in 20 years and a commercial fleet of 2,400 aircraft, in its "Vision 2040" document released at the Global Aviation Summit in Mumbai. Number of airports will increase from

99 in 2018 to about 200, with at least two each in the country's 31 most populated cities and three each in Delhi and Mumbai. The government plans a \$40-50 billion investment in airports, development of an aircraft leasing industry, and local assembly of commercial aircraft. In a country where train travel has long been the dominant mode of transport, said IATA, the number of passengers flown by Indian airlines has more than doubled over the past seven years, compared with a 6% rise in railway passengers.

6. **Qatar Airways Acquires 5% of China Southern.**

Qatar Airways Group acquired 5% of China Southern. Qatar's other airline investments include International Airlines Group (20%), LATAM Airlines Group (10%), Air Italy (49%) and Cathay Pacific (9.99%).

X. AMERICAS

1. Herb Kelleher Dies at 87.

“Our Founder, Inspiration, Chairman Emeritus, and Friend Herb Kelleher has passed away,” Southwest Airlines announced on January 3. Kelleher launched Southwest in 1971, aiming “to disrupt the airline industry by making flying both fun and affordable.” Indeed, a lowering of fares and increase in passenger traffic wherever the carrier served came to be known as the Southwest Effect. Today, Southwest carries 120 million passengers annually. . . . Former Southwest CEO James Parker died on January 26. He led the airline “through one of the industry’s most trying times in the wake of the tragic 9/11 attacks,” said current CEO Gary Kelly, who succeeded Parker.

2. Airline Executives Weigh in on Federal Gov’t Shutdown.

Due to the government shutdown, Southwest CEO Gary Kelly estimated losses of \$15 million in sales in January and said plans to operate between California and Hawaii were on hold until FAA resumed normal certification activities and authorized Extended Operations (ETOPS). Delta CEO Ed Bastian estimated monthly losses at \$25 million due to fewer government employees and contractors traveling, and said the Atlanta hub and other airports are affected by long security lines due to TSA workers calling in sick. “We are close to a tipping point,” said JetBlue CEO Robin Hayes; “the longer this goes on, the longer it will take for the nation’s air travel infrastructure to rebound.” Alaska Airlines CEO Brad Tilden warned, “With the industry driving more than 7% of the U.S. gross domestic product (GDP) and millions of jobs, we want our nation’s aviation system to be strong.” Alaska delayed start of service at Paine Field, a new commercial airport in Everett, Washington, due to the shutdown, and “had to re-accommodate or cancel thousands of our guests’ flights.” We’d be crazy not to be concerned about this, said Southwest’s Kelly; “Everyone needs to be on notice and on guard that this shutdown could harm the economy and it could harm air travel.”

3. American Expects \$1 Billion of Revenue Improvements in 2019.

American Airlines expects to achieve \$1 billion of revenue improvements in 2019 “from network optimization, merchandising and product segmentation,” and “is intensely focused on operational reliability, with efforts specifically targeting on-time departures, turn times and aircraft out of service.” American opened a new 191,000-square-foot maintenance hangar at Chicago O’Hare, which can accommodate at least two Boeing 787 Dreamliners. . . . A survey conducted by Communication Workers of America of 800 passenger service

agents at American's Envoy Air unit and data from other sources indicates "dangerous conditions" due to "unreasonable time pressures, high turnover and chronic understaffing, low wages and long hours, and a management culture that forces workers to cut corners to maintain an on-time schedule and avoid discipline and puts them at risk of injury." The airline "is spending billions on stock buybacks and multi-million-dollar executive paychecks rather than investing its employees," said CWA, and "sets flight schedules that are dangerous and unsustainable with the high level of employee turnover due to low wages." Workers load and unload baggage, guide planes on the tarmac, de-ice planes, remove lavatory waste, and ensure aircraft are inspected before takeoff, among other tasks. "Envoy and its Customer Service Agents are working collaboratively toward an initial collective bargaining agreement," American Airlines told reporters, and that process "should occur at the bargaining table and not in the press."

4. JetBlue Leads in Boston.

JetBlue has become the leading carrier in Boston, with 70 nonstop destinations, 150 daily flights and 55,000 annual departures, making up 30% of Logan's overall traffic. The airline plans to increase its 24 Logan gates to 30 by 2021 and in 2020 will steadily replace Embraer E190s with larger, more fuel-efficient Airbus A220s, "providing more seats in the market at a lower operating cost." JetBlue has firmed up an order for 60 A220-300s, which Airbus will produce at a new U.S. assembly facility in Mobile, Alabama.

5. Neeleman's U.S. Startup Orders 60 A220-300s.

David Neeleman's low-cost U.S. startup signed a firm order with Airbus for 60 A220-300s. Tentatively named 'Moxy,' the carrier "will be focused on passenger service and satisfaction," said Neeleman, who was the founder of JetBlue and Azul Brazilian Airlines and is the controlling investor in TAP Air Portugal. The A220, built for the 100-150 seat market, "will allow us to provide passengers with lower fares and a high quality, comfortable flying experience," he added; the "ability to operate profitably in thin, underserved markets across a broad spectrum of ranges is unique."

6. ManaAir Completes Acquisition of ExpressJet.

ManaAir completed its acquisition of United Express carrier ExpressJet; United is a minority investor in ManaAir. Subodh Karnik will serve as President and CEO of ExpressJet. He previously held senior leadership roles at Delta, Continental and other carriers. The regional carrier will add 25 new dual-class Embraer E175s this year, with first delivery scheduled for April, and plans to hire 600 pilots; pilot sign-on bonus is up to \$22,000 and those with eligible type rating will receive an additional \$5,000. Pilots can secure a career with

United while flying for ExpressJet; since November 2016, over 250 ExpressJet pilots have progressed to United through the program.

7. Frontier Pilots Ratify Five-Year Contract.

Frontier pilots ratified a five-year contract that includes an average 53% pay increase, effective January 16, “double-digit direct contributions to retirement plans, and \$75 million in ratification compensation,” which ALPA said is “the highest such payment ever negotiated on a per-pilot basis.” The agreement gives pilots “best-in-class salary and benefits while also ensuring Frontier’s continued growth,” said Frontier President and CEO Barry Biffle. ALPA and Frontier reached an agreement in principle on a new contract in November, after almost three years of negotiations, which included two years under federal mediation. The union had sued Frontier management in federal court last July for bad-faith bargaining but dropped the suit when a tentative agreement was reached. . . . Frontier announced 22 new non-stop routes, including its 106th city, Boston. Flights from Raleigh-Durham, Las Vegas McCarran, Philadelphia International and Orlando begin in spring with introductory one-way fares from \$29.

8. Allegiant to Operate Aircraft Base in Grand Rapids.

Allegiant is investing \$42 million to establish a base at Gerald R. Ford International Airport in Grand Rapids, Michigan, which will house two Airbus aircraft. Allegiant currently operates Grand Rapids service to Las Vegas; Phoenix/Mesa; Tampa/St. Pete; Punta Gorda/Fort Myers; Fort Lauderdale; Orlando/Sanford; and Sarasota/Bradenton; new seasonal Grand Rapids service will begin in June to Nashville and Savannah. Grand Rapids will be the airline’s 16th aircraft base. In other news, Allegiant will introduce Alaska service in May, with flights to Anchorage from Bellingham, Washington.

9. William Shaw Named Interjet CEO.

William Shaw was named CEO of Interjet, succeeding José Luis Garza who joined the Mexican airline’s Board of Directors. Shaw founded VivaColombia, VivaLatinAmerica Holdings and Viva Air in Peru. He is on the Board of Green Africa Airways and started the Flycana Project, the first LCC in the Caribbean. Interjet, a unit of ABC Aerolíneas, carries 13 million passengers annually to 53 destinations in nine countries.

10. Brazil Approves Embraer-Boeing Strategic Partnership.

The government of Brazil approved the Embraer-Boeing joint venture comprising the commercial aircraft and services operations of Embraer. Boeing will hold an 80% ownership stake in the new company and Embraer 20%. The companies also agreed to terms of a partnership to promote and

develop new markets for medium airlift KC-390; Embraer will own a 51% stake in the joint venture, and Boeing the remaining 49%. . . . In other equipment news, Boeing successfully completed the first test flight of its autonomous passenger air vehicle (PAV) prototype. An electric vertical takeoff and landing (eVTOL) aircraft, Boeing NeXt leads the company's urban air mobility efforts. The PAV prototype is designed for fully autonomous flight from takeoff to landing, with a range of up to 50 miles. Measuring 30 feet long and 28 feet wide, the airframe "integrates the propulsion and wing systems to achieve efficient hover and forward flight." . . . Boom Supersonic closed a \$100 million Series B investment round to advance development of the Overture airliner. Japan Airlines has invested \$10 million in Boom and pre-ordered 20 aircraft, joining Virgin Group as a future Boom operator. China-based travel service provider Ctrip has also invested in the 55-seat aircraft which is expected to fly from Shanghai to Los Angeles in 6 hours.

11. Norwegian to Close Some Crew Bases.

See Section VIII, item 5.

12. DHL Express Builds Copenhagen Hub.

See Section VIII, item 6.

13. Ethiopian to Restructure U.S. Network.

See Section VIII, item 7.

14. ANA to Fly Airbus A380 to Hawaii.

See Section IX, item 1.

15. FedEx Opens Facility in Penang.

See Section IX, item 4.