



## WASHINGTON AVIATION SUMMARY

### JANUARY 2019 EDITION

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

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## I. **REGULATORY NEWS**

### 1. **IATA: \$35.5 Billion Industry Net Profit in 2019.**

“Lower oil prices and solid, albeit slower, economic growth (+3.1%) are extending the run of profits for the global airline industry,” said the International Air Transport Association (IATA), forecasting net profit of \$35.5 billion in 2019, slightly ahead of the expected \$32.3 billion in 2018. “We are cautiously optimistic,” said Director General and CEO Alexandre de Juniac. “There are significant downside risks to growth from trade wars and political uncertainties such as with BREXIT, but the consensus view is that these factors will not offset the positive impetus from expansionary fiscal policy and growing business investment in major economies.” . . . In remarks at Global Media Day in Geneva, de Juniac urged governments not to view the industry’s better financial footing as a blanket bill of health or blank check. “A dollar for a new tax, an increase in charges or shift in the oil price can eat away at the \$7.75 per passenger profit very quickly.” The aviation industry needs a business-friendly policy framework that supports competitiveness, a theme that IATA will feature in the coming year. . . . IATA launched its Turbulence Aware data resource, which enhances an airline’s ability to forecast and avoid turbulence by pooling and sharing, in real time, turbulence data generated by participating airlines. Turbulence is the leading cause of injuries to passengers and crew in non-fatal accidents and the challenge is expected to grow as climate change continues to impact weather patterns, with implications for safety and efficiency of flight. Operational trials run through 2019, with ongoing feedback collection; final product to launch in early 2020. Delta, United and Aer Lingus have signed contracts; Delta is already contributing their data to the program.

### 2. **Year Ends with Government Shutdown.**

Congress failed to pass a bill that would fund several Departments, including Transportation and Homeland Security, causing a government shutdown. Air traffic control remained fully operational and, said the Federal Aviation Administration (FAA), “there is no impact to safety.” Transportation Security Administration (TSA) airport screeners were among federal employees exempt from furloughs.

### 3. **FAA Seeks Candidates for Drone Advisory Committee.**

FAA posted a notice in the Federal Register soliciting candidates for the Drone Advisory Committee, which will “identify and recommend consensus-based resolutions for issues related to integration of unmanned aircraft (UAS) into the National Airspace System.”

**4. FAA Commends Virgin Galactic’s Successful Test Flight.**

Virgin Galactic launched a 60-second planned rocket motor burn which propelled its SpaceShipTwo, VSS Unity, to almost three times the speed of sound and to an apogee of 51.4 miles. NASA flew four science and technology experiments on the craft. “For the first time in history, a crewed spaceship, built to carry private passengers, reached space,” said Virgin Galactic founder Sir Richard Branson, and “we completed our first revenue generating flight.” FAA regulates the U.S. commercial space transportation industry and Acting Administrator Dan Elwell said, “we are pleased that Virgin Galactic is among the many pioneers of space flight helping write a new chapter in aerospace history.” . . . Airlines for America and Air Line Pilots Association are among aviation groups concerned about rockets competing for congested airspace. A single launch “can affect hundreds of flights,” says a *Washington Post* report, quoting an FAA official; 1,400 flights were affected by spacecraft in 2018, which caused airlines to fly an additional 70,000 miles.

**5. DOT Air Travel Consumer Report for October.**

Based on data filed by reporting carriers.

|                      | Oct.<br>'18 / '17 | Sep.<br>'18 | 2017   | 2016   | 2015   | 2014   | 2013   |
|----------------------|-------------------|-------------|--------|--------|--------|--------|--------|
| On-time arrivals %   | 82.6 / 84.8       | 82.2        | 80.2   | 81.4   | 79.9   | 76.2   | 78.34  |
| Cancellations %      | 0.7 / 0.7         | 1.4         | 1.5    | 1.2    | 1.5    | 2.2    | 1.51   |
| Mishandled baggage*  | 2.35 / 2.04       | 2.44        | 2.46   | 2.70   | 3.13   | 3.61   | 3.22   |
| Consumer complaints: |                   |             |        |        |        |        |        |
| Airline service      | 1,242 / 1,187     | 1,309       | 18,148 | 17,908 | 20,175 | 15,539 | 13,176 |
| Disability-related   | 68 / 66           | 48          | 851    | 865    | 944    | 784    | 683    |
| Discrimination**     | 10 / 8            | 7           | 98     | 95     | 65     | 68     | 79     |

Note: In October, airlines reported two tarmac delays of more than three hours on domestic, and one of more than four hours on international flights.

\* Reports per 1,000 passengers.

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

## II. AIRPORTS

### 1. Gatwick Runway Closes Amid Drone Sightings.

Gatwick Airport's runway was closed amid drone sightings over the airfield. "This is a highly targeted activity which has been designed to close the airport and bring maximum disruption in the run up to Christmas," said Gatwick CEO Stewart Wingate. After three days of chaos, the UK's second largest airport resumed operations. Suspected drone operators were arrested, then released, and a damaged drone was recovered near the airport. Gatwick is offering a £50,000 reward for information leading to the arrest and conviction of those responsible. "These events obviously highlight a wider strategic challenge for aviation," said Wingate. "It cannot be right that drones can close a vital part of our national infrastructure in this way." Security Minister Ben Wallace said, "the huge proliferation of such devices, coupled with the challenges of deploying military counter measures into a civilian environment, means there are no easy solutions. However, I can say that we are able to now deploy detection systems throughout the UK to combat this threat."

### 2. Shaffer Named FAA Associate Administrator for Airports.

D. Kirk Shaffer was named Associate Administrator for Airports at FAA, where he led airport operations from 2007-2009. In his new position, Shaffer will oversee the annual Airport Improvement Program and will be responsible for national airport planning, airport safety, standards, airport design engineering, and regulatory compliance. From 1986 to 2004, he was an executive and general counsel at Metropolitan Nashville Airport Authority. He was Chairperson and Vice Chair of the Legal Committee for Airports Council International-North America from 1998-1999.

### 3. Construction of New Mexico City International Airport Halted.

Incoming Mexican President Andres Manuel Lopez Obrador canceled construction of the new \$13 billion Mexico City International Airport, fulfilling a campaign promise. Instead, he plans to expand a military airfield in Santa Lucia to relieve overcrowding at Benito Juarez International Airport. "It is a shame to waste the investment already made," said IATA Director General and CEO Alexandre de Juniac. "And it is a long-term mistake to forego the economic benefits that a major hub would generate."

### 4. New Gates, Concourse Open at LaGuardia Terminal B.

The first new gates and a 250,000 square-foot concourse opened in LaGuardia Terminal B. This is the initial phase of an \$8 billion airport

redevelopment, under which old facilities are demolished only as new facilities are completed, ensuring the airport never loses capacity. Delta and LaGuardia Gateway Partners, the consortium rebuilding and operating the airport, are financing two-thirds of costs, and Port Authority of New York and New Jersey the remaining one-third, mostly for “overhauling and simplifying the current labyrinth network of on-airport roadways.”

**5. LAX New Terminal 1 Unveiled.**

The redeveloped Terminal 1 at Los Angeles International was unveiled by Southwest Airlines and Los Angeles World Airports. Features of the four-year, \$516.7 million project, financed by Southwest, include 13-gates, self-service ticket kiosks, a nine-lane security checkpoint, new baggage claim area, and 22 dining and retail options comprising 23,543 square feet. The project is part of a multibillion-dollar Capital Improvement Program, which includes an Automated People Mover and elevated train expected to be completed by 2023. Construction is underway on Terminal 1.5, a connecting structure between Terminals 1 and 2 that will further expand baggage claim areas and offer Southwest customers connectivity to the new people mover.

**6. Amazon Air Adds Regional Hubs.**

Amazon Air, which currently operates from more than 20 U.S. airports, is building a hub at Dallas Fort Worth Alliance Airport with “sortation capability and infrastructure to handle multiple flights daily.” Alliance recently completed a \$260 million runway project that enables fully loaded cargo planes to take off on routes to Asia, Europe, South America, Africa and the Middle East. The Alliance Global Logistics Hub includes the FedEx Southwest Regional Sort Hub and air cargo charter operations. Amazon Air is developing a \$1.5 billion air hub at Cincinnati/Northern Kentucky Airport, with capacity for 100 or more aircraft; and is opening a major hub in Wilmington, Ohio, between Cincinnati, Columbus and Dayton. The e-commerce giant will expand its Chicago Rockford cargo facility from 72,000 to 200,000 square feet; the \$11 million project is expected to be completed in July, and a \$10 million aircraft parking expansion has already been completed. . . . Amazon leased another 10 Boeing 767s from Air Transport Services Group (ATSG), extended leases for 20 B-767s, and extended the agreement through which ATSG airlines operate those aircraft. Amazon also leases aircraft from Atlas Air.

**7. Alibaba Building Logistics Hubs at Hong Kong, Leige.**

Alibaba unit Cainiao Network is building a 380,000 square meter smart logistics hub at Hong Kong International, the world’s largest cargo gateway. “Scheduled to commence operation in 2023, the hub will be future-proofed, with high design specifications for large-scale, cutting-edge robotics and

automation as well as temperature-controlled features.” . . . Cainiao will build a 220,000 square meter smart logistics hub at Liege Airport, part of an infrastructure collaboration with Belgium meant to facilitate trade with China, and Alibaba’s first effort “to promote inclusive global trade in Europe.” Initial investment is €75 million, with first phase to begin operations in early 2021. Among other things, the Belgian government and Alibaba will “work closely together to introduce new technologies that will promote digitization of customs procedures and more efficient clearance of goods [and] promote Belgium as an attractive tourist destination for Chinese tourists.”

**8. Budapest Secures €200 Million Loan for Terminal Expansion.**

A €200 million loan agreement was signed by the European Investment Bank (EIB) and Budapest Airport, operator of Liszt Ferenc International, to fund a terminal expansion project and related infrastructure. Budapest CEO Jost Lammers said investment of over €700 million is planned during the next five years. In 2017 the airport handled 13.1 million passengers.

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

#### **1. ICAO Conference Addresses Terrorist Mobility, Emerging Threats.**

Insider threats; remotely-piloted aircraft systems (RPAS); chemical, biological and radiological (CBR) attacks; and cybersecurity vulnerabilities were topics at ICAO's Second High-level Conference on Aviation Security (HLCAS/2). In his opening remarks, ICAO President Olumuyiwa Benard Aliu highlighted the importance of information sharing and tasked participants with defining security measures which are "effective, efficient, operationally viable, and economically sustainable." He and ICAO Secretary General Fang Liu stressed the importance of finding solutions that pose a minimum of passenger and shipper inconvenience. ICAO joined the UN Global Counter-Terrorism Coordination Compact during the conference, and Egypt, Jordan, Oman, Saudi Arabia, Sudan and United Arab Emirates presented a working paper entitled "Sharing of Aviation Security Information Between States" in accordance with an ICAO objective "to enhance effectiveness of aviation security measures at the national, regional and global levels." HLCAS/2 was preceded by ICAO's Second Global Aviation Security Symposium (AVSEC2018), during which the UK called for adoption of standards for random screening and background checks of all airport and airline staff; and the United States called for a new standard that would expand passenger data collection to additional countries.

#### **2. DHS Issues Travel Advisory for the Philippines.**

TSA determined that Ninoy Aquino International (MNL), a last-point-of-departure airport for flights from the Philippines to the United States, "does not maintain and carry out effective security consistent with the security standards established by the International Civil Aviation Organization (ICAO)," announced the Department of Homeland Security (DHS). In coordination with the Department of State and DOT, TSA has been working with the Philippine government to assist airport and transportation authorities in bringing MNL up to international security standards. TSA will continue to work with the Philippines and assist its aviation authorities with correcting the security deficiencies at the airport and will continue to assess security measures at the airport and take appropriate actions as warranted. DHS is charged with the responsibility of assessing security at foreign airports with direct service to the United States to ensure they meet international standards as set by ICAO.

3. **TSA Releases Cybersecurity Roadmap.**

TSA released a Cybersecurity Roadmap that aligns with a strategy published earlier by the Department of Homeland Security (DHS). It identifies four major priorities: identify cyber security risks; reduce vulnerabilities to our systems and critical infrastructure across the transportation systems sector; mitigate consequences if incidents occur; and strengthen security and ensure resilience of the system.

4. **Denver First U.S. Airport to Operate eAIT for Checkpoint Screening.**

Denver International is the first U.S. airport to operate next generation Enhanced Advanced Imaging Technology (eAIT) for checkpoint security screening. TSA says it “uses non-ionizing radio-frequency energy in the millimeter spectrum, which is safe and meets national health and safety standards.” Instead of holding their arms overhead, passengers keep them close to their sides. The actual scan takes less than a second, and the addition of two screening stations allows those who need additional screening to move to a separate area until they are cleared by a TSA officer.

5. **TSA Scales Down “Quiet Skies” Program.**

In an interview with the *Boston Globe*, David Kohl, the new Director of the Federal Air Marshal Service, said TSA is “no longer capturing” routine behaviors of fliers who are not suspected of a crime and are not on a terrorist watch list. The controversial “Quiet Skies” domestic surveillance program documents such behaviors as whether travelers fidget in the airport, go to the bathroom during the flight, or have a cold, penetrating stare. In a scaled-down version, air marshals will continue to monitor some travelers who are not suspected of crimes, but will not collect as many details about them, reports the *Globe*. When the *Globe* initially revealed the program, the American Civil Liberties Union (ACLU), on July 30, wrote that Quiet Skies “needlessly invades the privacy of thousands of Americans while flooding the agency’s databases with useless information on innocent activity,” and “if the TSA’s secret targeting criteria rely on race or religion, it could amount to unconstitutional profiling.”

6. **AAAE Summit Features Security Innovations.**

Sessions at the 18th Annual Aviation Security Summit, sponsored by the American Association of Airport Executives (AAAE) in cooperation with DHS and TSA, focused on innovation; international efforts; insider threats; employee screening; airport access control; public areas; cybersecurity; passenger checked baggage and cargo screening; legislative initiatives; and domestic and international programs to facilitate passenger travel. . . . During

Airport Shark Tank sessions, start-up companies presented solutions for enhancing airport security. Among these, Cleveland Electric Labs' FiberStrike® fiber optic tamper switches monitor status of any access portal (manholes, hand holes, doorways, and vaults); the solution rapidly detects and locates any attempts to cut, break, open, tamper, or intrude in a secure area in a passive manner that requires no power. Dedrone's DroneTracker system provides real-time notifications with methods to engage additional defensive or offensive countermeasures, and records alerts for post-event analysis, evidence and forensics. Occlly's wearable technology, a proprietary body camera controlled by the cloud, delivers real-time video with location, route history and other metrics. OpenConsent's Privacy and Security Network facilitates openness in interactions in private and public spaces, both on and offline, and helps ecosystems understand the information they gather and create a privacy profile, codes of conduct and best practice.

7. **First TSA Certified Third-Party Canine Team Screens Air Cargo.**

The first certified third-party canine team began screening air cargo, providing, said TSA, "another method for air carriers to screen cargo to agency standards in an efficient and cost-effective manner consistent with international standards."

## **IV. E-COMMERCE AND TECHNOLOGY**

### **1. Travelport Sold to Siris Capital, Evergreen Coast Capital.**

Travelport Worldwide agreed to be acquired by affiliates of Siris Capital Group and Evergreen Coast Capital. The all-cash transaction, valued at \$4.4 billion, is expected to close in second quarter 2019. Travelport will become a privately held company and common shares will no longer be listed on any public market; headquarters will remain in Langley, UK. Travelport provides distribution, technology, payment and other solutions for the global travel and tourism industry.

### **2. Norwegian, China Airlines Adopt Sabre Solutions.**

Norwegian is using Sabre technology to market fares and ancillaries through all booking channels. “Through offering our ancillaries via Sabre, we can help satisfy traveler demands for increased personalization, while maximizing revenue per ticket,” said Norwegian. Sabre said ancillary sales amount to as much as 40% of total revenue for many airlines. . . . China Airlines implemented Sabre AirCentre Movement Manager, operations control technology that will allow the Taiwan flag carrier “enjoy nominal service disruptions, react swiftly to flight irregularities and improve on-time performance.” The migration took place without disruptions to service.

### **3. Amadeus Forms Strategic Partnership with Points.**

Amadeus Loyalty Management and Awards will be integrated with Points International’s Loyalty Commerce Platform, under a new strategic partnership. They have already collaborated on ancillary revenue solutions for loyalty programs in the Americas, Europe, Middle East and Asia. . . . Singapore Airlines integrated Amadeus Altéa NDC [New Distribution Capability] and Anytime Merchandising (AAM), “to accelerate digital transformation and enhance its retailing capabilities through any channel.”

## V. ENERGY AND ENVIRONMENT

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

The average price of aviation jet fuel on December 14 was \$75.30/barrel, down 11.5% on the month and down 0.6% compared to a year ago, reports IATA. Jet fuel price average for 2018 was \$86.8/barrel; impact on 2018 fuel bill was \$48.6 billion.

### 2. CORSIA First Phase Takes Effect January 1.

The first stage of ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) takes effect January 1, 2019, with operators required to begin monitoring and reporting emissions data.

### 3. Sustainable Fuel Supplied to Airlines at SFO.

Shell, World Energy and SkyNRG are supplying sustainable aviation fuel (SAF) made from used cooking oil to KLM, SAS and Finnair at San Francisco International, in the initial phase of a strategic collaboration announced in May. The fuel is produced by World Energy, the only SAF refinery worldwide. KLM, SkyNRG and World Energy have a similar partnership at Los Angeles International. The fuel is sourced by SkyNRG from World Energy's Paramount refinery in Los Angeles, supplied through existing refueling infrastructure and can be used by airlines without technical modifications to current fleets.

### 4. Swedish Initiative Aims at Fossil-Free Flights.

Under a new agreement, all domestic flights from Kalmar to Stockholm will meet a 5% biofuel target in 2019. SAS and regional carrier BRA (formerly Braathens) will pay for 50% of the biofuel cost, with Kalmar Öland Airport funding the remaining half. Air BP will supply the biofuel.

### 5. Japan's First Biojet Refinery Set to Open.

All Nippon Airways (ANA) is supporting development and commercialization of biojet fuel refined from euglena, a type of microalgae. Japan's first demonstration plant for producing the fuel begins operations in 2019. ANA will conduct Japan's first biofuel revenue flight in 2020, during Olympic Games in Tokyo. "Compared to standard biofuels, euglena fuel does not use up valuable farmland," said officials of euglena Co., Ltd. "We can grow euglena anywhere there's CO2 and space for a culturing pool, even in the desert."

## **VI. U.S. CONGRESS**

### **1. 115<sup>th</sup> Congress Ends with Government Shutdown.**

As the 115th Congress wound down, the House and Senate failed to pass a bill that would fund several Departments, including Transportation and Homeland Security, and a government shutdown ensued. When the new Congress convenes, on January 3, Democrats will be the majority party in the House. Peter DeFazio (D-OR) will be Chairman of the House Transportation Committee; Sam Graves (R-MO) will be Ranking Member. Bennie Thompson (D-MS) will be Chairman of the House Homeland Security Committee; Mike Rogers (R-AL) will serve as Ranking Member. Republicans will continue to be the majority party in the Senate.

### **2. Data Care Act Introduced.**

The Data Care Act was introduced by Senate Democrats. Under the bill, providers must: reasonably secure user identifying data and promptly inform users of data breaches that involve sensitive information; may not use individual identifying data in ways that harm users; and must ensure that duties of care and loyalty extend to third parties when disclosing, selling, or sharing individual identifying data. A violation will be treated as a violation of a Federal Trade Commission (FTC) rule subject to civil enforcement actions by the FTC. States may also bring civil enforcement actions, but the FTC can intervene. FTC is granted rulemaking authority to implement the Act. S.3744 was referred to the Senate Commerce Committee.

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

### 1. **Contingency Plans Develop for “No-Deal” Brexit.**

British Prime Minister Theresa May postponed a vote in Parliament on a negotiated orderly Brexit plan, as it seemed she would not secure adequate support. A vote is now expected during the week of January 14. If the withdrawal agreement is ratified before March 30, EU law will cease to apply in the UK on January 1, 2021, i.e. after a transition period of 21 months. If the withdrawal agreement is not ratified by March 30, there will be no transition period and EU law will cease to apply to the UK on that date; this is referred to as a “no deal” or “cliff-edge” scenario. . . . The UK and the European Commission are developing contingency plans for a “no deal” Brexit. For air transport, the Commission adopted measures to avoid full interruption of air traffic between the EU and the UK. They ensure basic connectivity, but “in no means replicate the significant advantages of membership of the Single European Sky,” and are subject to the UK conferring equivalent rights to EU air carriers and ensuring conditions of fair competition. One regulation would extend, for nine months, the validity of certain aviation safety licenses. The other would ensure, for 12 months, the provision of certain air services between the UK and the EU. ACI Europe clarified that UK airlines will not be allowed to add new routes nor increase frequencies on currently operated routes during that 12-month period. If also applied by the UK vis-à-vis EU27 airlines, it would ultimately result in the loss of 140,000 new flights and nearly 20 million passengers on the UK-EU27 market. . . . The UK has negotiated new air services agreements with several countries, meanwhile; a pact with the United States was signed in November.

### 2. **U.S.- Argentina Sign Aviation Safety Agreement.**

The U.S. and Argentina signed a new bilateral aviation safety agreement during the G20 summit in Buenos Aires.

### 3. **U.S.-Egypt Talks.**

Secretary of Homeland Security Kirstjen Nielsen met with Egyptian officials in Cairo to discuss terrorism financing, cyber security, border and maritime security, customs modernization, aviation security and law enforcement intelligence sharing.

## **VIII. EUROPE AND AFRICA**

### **1. Wolfgang Mayrhuber Dies.**

Wolfgang Mayrhuber, former Chairman and CEO of Deutsche Lufthansa, died at the age of 71, due to a serious illness. He joined Lufthansa in 1970 as an engineer at the engine overhaul facility in Hamburg and rose to Chairman of newly founded Lufthansa Technik in 1994. In 2001 he was appointed to the Lufthansa Group Executive Board, in 2002 was named Deputy Chairman, and from 2003 to 2010 was Chairman and CEO. Mayrhuber was Chairman of the Supervisory Board from 2013 to 2017. “With the successful acquisitions of SWISS, Austrian Airlines and Brussels Airlines he had a lasting impact on the Airline Group,” said company officials.

### **2. Anne Rigail Appointed CEO of Air France.**

Anne Rigail was named CEO of Air France. Benjamin Smith, Air France-KLM CEO, had been acting CEO through the end of 2018. Rigail held numerous management positions with the company and most recently was Executive Vice President Customer.

### **3. Air Italy Expands U.S. Service, Reviving Dispute with Gulf Carriers.**

Air Italy will launch the only nonstop from Milan to Chicago; the three weekly Airbus A330-200 flights begin May 14. Services to San Francisco, Los Angeles and Toronto are also planned for 2019. New York and Miami began in June. Air Italy, formerly Meridiana, is owned by AQA Holding (51% Alisarda, 49% Qatar Airways), with headquarters in Olbia and main operating base at Milan Malpensa. . . . With Air Italy’s expansion, major U.S. carriers have revived their battle with Gulf carriers, claiming Qatar may be violating understandings reached in January 2018, which indicated they would not conduct fifth freedom flights to the U.S. In a letter to the Departments of Transportation, State and Commerce, Republican senators asked for a probe, stating, “Air Italy’s new daily non-stop service between Milan and New York is commercially questionable given that the route is already served with daily non-stop service by five other carriers (United, Delta, American, Alitalia and Emirates.) Air Italy’s entry into this crowded market appears consistent with Qatar Airways’ pattern of adding subsidized capacity in markets where demand is already well-served. Without funding from Qatar Airways, Air Italy would be unable to launch its new service, just as Qatar Airways would not be viable without direct support from the Qatari government.” Incoming House Transportation Chairman Peter DeFazio (D-OR), in a *Financial Times* interview, said Qatar is engaging in anti-competitive practices with “intention to

take over international aviation.” Allegations that Qatar had gifted 50 planes to Air Italy to enable the carrier to expand U.S. routes were denied by Qatar Airways CEO Akbar Al Baker; an Air Italy official claimed he has documentation “to prove our aircraft were leased and where they were leased from,” adding, in the *FT* article, that DeFazio and the U.S. carriers should “look in their own backyard, at their own joint ventures and investments.”

**4. airberlin Administrator Sues Etihad.**

Berlin Regional Court, airberlin’s insolvency administrator, is suing Etihad for up to €2 billion for failing to meet its financial obligations. Etihad owned a 29% stake in the German carrier and in April 2017 said it would continue to fund airberlin for the next 18 months. However, Etihad withdrew financial support in August 2017, which, said the insolvency administrator, caused airberlin to file for bankruptcy. Etihad said the claim is without merit.

**5. TAP Air Portugal Adding U.S. Service.**

TAP Air Portugal will fly five weekly year-round Airbus A330-900neo nonstops from Lisbon to San Francisco and Washington Dulles from June 2019. The Star Alliance carrier earlier announced Lisbon to Chicago will begin in June. TAP is the launch carrier for the A330-900neo and “with more than 70 new planes on the way, this is only just the beginning,” said David Neeleman, JetBlue and Azul founder and a major TAP shareholder. “We have 10 gateways from Brazil to Portugal and believe we can support the same number from the U.S.”

**6. Norwegian Adds Miami, San Francisco to U.S. Network.**

Norwegian will move London Gatwick service from Fort Lauderdale to Miami (daily) and from Oakland to San Francisco (five weekly) starting March 31. Summer seasonal service from Boston to Rome begins on March 31, and to Madrid on May 2, and increases to Madrid, Paris and Rome from other U.S. gateways. . . . When a new Norwegian Boeing 737 developed engine trouble after taking off from Dubai, pilots made a controlled landing at the nearest airport, Shiraz in Iran, where U.S. sanctions prevented Boeing from sending needed parts; passengers were sent home the next day on another flight. . . . As analysts continued to predict a financial crisis for Norwegian, the company announced a cost savings program and said it is divesting aircraft; has secured financing for aircraft deliveries for first half 2019; and is in “discussions about forming a joint venture for aircraft ownership.”

**7. Indigo Partners to Acquire WOW.**

Icelandair Group’s offer to acquire WOW air was cancelled, and Indigo Partners agreed to buy the ultra-low-cost airline for up to \$75 million. WOW is

“restructuring and simplifying its operations to return to its roots,” said CEO and founder Skuli Mogensen, downsizing its fleet to increase liquidity by more than \$10 million, implementing a new flight schedule in January and reducing personnel. WOW said the restructuring will not impact new Airbus A330-300 flights to Delhi, the first direct flight between Iceland and Asia. Phoenix-based Indigo Partners was established by Bill Franke in 2003 to pursue acquisitions and strategic investments in the air transportation and related industries. The firm was lead investor in Tiger and Spirit, and maintains lead investments in Frontier, Wizz Air, Volaris and JetSMART.

**8. Bogason Named Icelandair Group President and CEO.**

Bogi Nils Bogason was named President and CEO of Icelandair Group, after serving in the interim position since August when Björgólfur Jóhannsson resigned. Bogason was CFO since October 2008 and from 2004 to 2006.

**9. Royal Air Maroc to Join oneworld.**

Royal Air Maroc was elected a oneworld member designate and will be inducted in 2020 with regional subsidiary Royal Air Maroc Express. The Moroccan flag carrier will be oneworld’s first full member from Africa; Comair, which operates within southern African for British Airways, has been an affiliate member since the alliance launched in 1999. Royal Air Maroc carried 7.3 million passengers in 2017 on 55 aircraft to 94 destinations in 49 countries and has broad expansion plans; CEO is Abdelhamid Addou.

**10. Ethiopian Offers Togo-Los Angeles Service.**

An Ethiopian Airlines Boeing 787 service between Addis Ababa and Los Angeles will stop at Lomé-Tokoin Airport in Togo three times weekly. The schedule is intended to maximize connections to major cities in West Africa, including Lagos, Abudja, Accra, Dakar and Abidjan, said Los Angeles World Airports, noting that LAX and London Heathrow are the only airports to serve six continents with nonstop flights, and that LAX is the only U.S. west coast gateway airport with nonstop service to Africa.

**11. Fastjet Tanzania Operations Suspended.**

Tanzania Civil Aviation Authority (TCAA) suspended the operating license of Fastjet Tanzania citing frequent cancellations and unpaid debts to contractors and the government. The company was taken over by Tanzanian investors earlier in 2018 and is a separate entity from the fastjet group, which confirmed that fastjet Zimbabwe and fastjet Mozambique are continuing normal operations. fastjet PLC said it “concluded a successful Capital Raise, securing sufficient funds for its future operations and continued growth in Zimbabwe and Mozambique. The management team of fastjet Zimbabwe Ltd are

continuing their discussions with the relevant Government and commercial bank entities regarding the settlement of foreign liabilities and are working to achieving a positive conclusion soon.”

**12. Green Africa Airways to Begin Commercial Operations.**

Lagos-based Green Africa Airways signed a commitment for up to 100 Boeing 737 MAX 8s, 50 firm and 50 options, which, with a list price of \$11.7 billion, is the largest aircraft sale ever for the African continent. The value airline has received its air transport license from the Nigerian government. American Airlines’ former Chairman and CEO Tom Horton and former CCO Virasb Vahidi are leading the effort, as is founder and former CEO of VivaColombia William Shaw. Babawande Afolabi is founder and CEO of Green Africa, which initially plans to develop the Nigerian market and then build a strong Pan African network.

**13. Tefera Mekonnen Named Secretary General of AFCAC.**

Tefera Mekonnen was named Secretary General of the African Civil Aviation Commission (AFCAC). The former General Director of the Ethiopian Civil Aviation Authority most recently was AFCAC Director of Air Transport. He was Permanent Representative of Ethiopia to ICAO, where he helped develop the draft Common African Aviation Policy, the Abuja Safety Declaration and the AFI SECFAL Initiatives. He served on the Air Transport Regulatory Board of the Common Market for Eastern & Southern Africa. AFCAC is the Executing Agency of the Yamoussoukro Decision and by extension the Single African Air Transport Market (SAATM). Mekonnen will drive “cooperation, collaboration and coordination of efforts regarding expeditious implementation of the SAATM.” As of November 2018, 27 African states had committed to the SAATM.

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

### **1. China Southern, American Expand Partnership.**

Code share cooperation between American Airlines and China Southern, launched in January 2018, will expand in early 2019, pending regulatory approvals, along with reciprocal frequent flyer and lounge benefits. American will place its code on flights to five cities beyond Beijing Capital, additional to 14 cities currently served, and introduce code share service beyond Shanghai Pudong to eight cities. China Southern will place its code on flights to 13 cities beyond Los Angeles; six beyond San Francisco and nine beyond New York. The carriers will also code share on flights between the U.S. and China. American owns a 2.76% stake in China Southern. . . . China Southern will exit SkyTeam in 2019 and is rumored to be considering membership in oneworld, which includes co-founder American Airlines and local rival Cathay Pacific.

### **2. Hainan Begins Xi'an-Los Angeles Service.**

Hainan Airlines began twice-weekly Boeing 787-8 nonstops between Xi'an and Los Angeles, the only direct route between Xi'an and the United States. The HNA unit serves 18 North American cities.

### **3. China Issues Civil Aviation Action Plan.**

Under a 2021-2035 action plan from Civil Aviation Administration of China, China will have “the world's most competitive airlines and aviation hubs, advanced air service system and general aviation system, modernized air traffic management system, sound security guarantee system and highly efficient management mechanism.” By 2050, the industry will be a world leader in global competitiveness, innovation capability, management, and sustainable development, and fully participate in international civil aviation management. Currently, there are 60 air transportation companies in China, 3,549 aircraft, 410 general aviation airlines and 232 transport airports. Beijing Capital International Airport is the world's second largest by passenger traffic, while Shanghai Pudong is the third largest by cargo traffic.

### **4. Air Italy Expands U.S. Service, Reviving Dispute with Gulf Carriers.**

See Section VIII, item 3.

### **5. Royal Air Maroc to Join oneworld.**

See Section VIII, item 9.

## **X. AMERICAS**

### **1. American Adds 18 New Domestic Routes.**

American will add 18 summer service domestic routes, from cities including Dallas, Los Angeles, Chicago, Philadelphia and LaGuardia, and a second daily flight to Paris and Madrid, both of which will be operated as part of the Atlantic Joint Business comprising American, British Airways, Iberia and Finnair. . . . A proposed class action against American charges the airline knowingly uses an outdated mortality table to calculate benefits for certain retirement plans. “Mortality rates have improved over time,” claims the lawsuit. “Using an older mortality table with accelerated death rates decreases the present value of the joint and survivor annuity and, ultimately, the monthly payment that retirees receive.” Plaintiffs seek “an accounting, surcharge, disgorgement of profits, equitable lien, constructive trust,” among remedies.

### **2. Delta Changes Policy on Emotional Support Animals.**

Delta is banning emotional support animals on flights longer than eight hours, and support animals under four months of age regardless of flight length. The new policy follows an 84% increase in reported incidents in 2016-2017, including urination/defecation and biting. The age requirement aligns with Centers for Disease Control vaccination policy, and the eight-hour flight limit with the Air Carrier Access Act.

### **3. United Plans San Francisco Expansion; Will Acquire ExpressJet.**

United will expand international services from San Francisco in 2019, subject to government approvals, including twice-daily Boeing 737-800 nonstops to Toronto, from March 31; seasonal Dreamliner service to New Delhi, from December 5; a second daily Boeing 777-200ER flight to Seoul, from April 1; new year-round Dreamliner nonstops to Melbourne, from October 29; and daily year-round Dreamliner nonstops to Amsterdam, from March 30. Services to Tahiti and Auckland extend to year-round from March 30. United is the largest airline at San Francisco International with 300 daily flights. . . . United joint venture ManaAir will acquire ExpressJet Airlines from SkyWest. The transaction, expected to close in early 2019, includes the award of 25 new Embraer 175-SC aircraft to ExpressJet. SkyWest operates through partnerships with United, Delta, American and Alaska. ExpressJet operates through partnerships with United and American.

4. **United, Copa, Avianca Plan Joint Business Agreement.**

United reached agreement with Copa, Avianca and several Avianca affiliates for a joint business agreement that would include cooperation between the U.S. and Central and South America, excluding Brazil. The carriers are applying for regulatory approval and antitrust immunity. . . . United agreed to lend \$456 million to German Efromovich, Avianca's majority shareholder, to repay a loan with Avianca shares as collateral. Meanwhile, Avianca Brasil filed for bankruptcy protection as leasing companies began to repossess aircraft citing payment defaults; the Star Alliance carrier is owned by Efromovich's Synergy Group.

5. **Spirit Expands Jamaica Service.**

Spirit started three weekly nonstops between Detroit and Montego Bay, and will begin nonstop service from Orlando to Montego Bay and Kingston. The carrier "claimed the top spot as the most reliable carrier in the country for October 2018," with 89% of all flights landing on time.

6. **Boeing-Embraer Plan Moves Forward.**

A Brazilian appeals court overturned a judicial ruling that would have blocked Boeing's plan to acquire an 80% stake in Embraer. The \$4.2 billion transaction, expected to conclude in 2019, gives Boeing control of Embraer's commercial aircraft and services operations. Separately, the two companies plan to form a joint venture to market Embraer's KC-390 military jet.

7. **Construction of New Mexico City International Airport Halted.**

See Section II, item 3.

8. **Air Italy Expands U.S. Service, Reviving Dispute with Gulf Carriers.**

See Section VIII, item 3.

9. **TAP Air Portugal Adding U.S. Service.**

See Section VIII, item 5

10. **Norwegian Adds Miami, San Francisco to U.S. Network.**

See Section VIII, item 6.

11. **Indigo Partners to Acquire WOW.**

See Section VIII, item 7.

12. **Royal Air Maroc to Join oneworld.**

See Section VIII, item 9.

13. **Ethiopian Offers Togo-Los Angeles Service.**  
See Section VIII, item 10.
14. **China Southern, American Expand Partnership.**  
See Section IX, item 1.
15. **Hainan Begins Xi'an-Los Angeles Service.**  
See Section IX, item 2.