



WASHINGTON AVIATION SUMMARY

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CONTENTS

I.	REGULATORY NEWS	1
II.	AIRPORTS	5
III.	SECURITY AND DATA PRIVACY	7
IV.	TECHNOLOGY AND EQUIPMENT	8
V.	ENERGY AND ENVIRONMENT	9
VI.	U.S. CONGRESS	11
VII.	BILATERAL AND STATE DEPARTMENT NEWS	14
VIII.	EUROPE/AFRICA	15
IX.	ASIA/PACIFIC/MIDDLE EAST	17
X.	AMERICAS	19

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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. **FY20 Spending Bill Signed, Averts Gov't. Shutdown.**

A \$1.4 trillion government spending package for the 2020 fiscal year was passed by Congress and signed by the President on the eve of a looming government shutdown. The legislation provides \$17.6 billion in total budgetary resources for the Federal Aviation Administration (FAA), which fully funds all air traffic control personnel, increases funding for aviation safety personnel, and fully funds the Essential Air Service program for all communities, as well as the Contract Towers program. In response to the two Boeing crashes and grounding of the MAX fleet, the bill increases funding for aviation safety by \$67 million above FY19 enacted level, which is targeted for hiring specialized staff with expertise in human factors; and increases training and credentialing requirements for safety inspectors. Increased funding is also provided to improve the safety reporting database and promote U.S. safety standards with foreign civil aviation authorities through outreach and training. The agreement continues to require FAA to respond to all investigations and audits resulting from the recent crashes, and to finalize a rulemaking on safety management systems for aircraft manufacturers. It ensures strong oversight of the Department of Transportation (DOT) by Inspectors General. Funding for Brand USA, which was due to expire in 2020, was reauthorized through 2027, enabling the tourism marketing organization “to build on its record of adding 52,000 jobs annually and \$47.7 billion in total economic impact to the U.S. economy since 2013,” said U.S. Travel Association. . . . The bill fully funds Transportation Security Administration (TSA) operations with targeted increases for an additional 1,090 personnel above request to staff checkpoints; \$13 million above request to support the 50 canine teams added in FY2019; and 320 Computed Tomography (CT) checkpoint scanning equipment.

2. **IATA: Profit Improvement Expected in 2020.**

The global airline industry will produce a net profit of \$29.3 billion in 2020, compared to \$25.9 billion expected in 2019 (revised from \$28 billion forecast in June), reports the International Air Transport Association (IATA). Slowing economic growth, trade wars, geopolitical tensions and social unrest, plus continuing uncertainty over Brexit all came together to create a tougher than anticipated business environment for airlines in 2019, said Alexandre de Juniac, IATA Director General and CEO. “Yet the industry managed to achieve a decade in the black, as restructuring and cost-cutting continued to pay dividends. It appears that 2019 will be the bottom of the current economic

cycle and the forecast for 2020 is somewhat brighter. The big question for 2020 is how capacity will develop, particularly when, as expected, the grounded 737 MAX aircraft return to service and delayed deliveries arrive.” . . . IATA announced that 59 airlines have committed to the 25by2025 campaign, in which they voluntarily commit to increase the number of women in senior positions and in under-represented jobs (e.g., pilots, operations), by 25%. The 59 airlines represent 30.24% of passenger traffic. According to “Soaring Through the Glass Ceiling,” a new study released by IATA, Airlines for America and others, only 3% of global airline CEOs are women.

3. States Empowered to Prosecute Unruly Passengers.

The Protocol to Amend the Convention on Offenses and Certain Other Acts Committed on Board Aircraft, done at Montréal on April 4, 2014, comes into force January 1, 2020. Nigeria was the 22nd state to ratify MP14, fulfilling requirements for the treaty to take effect, said the International Aviation Civil Organization (ICAO). The Protocol improves the ability of states to expand jurisdiction over offenses committed on international flights to the state of landing and the state of the operator. Jurisdiction currently rests with the state where the aircraft is registered, causing issues when unruly passengers are delivered to authorities upon landing in foreign territories. “About 60% of offenses go unpunished because of jurisdictional issues,” said IATA. The Protocol also enhances protections to inflight security officers.

4. FAA Proposes Civil Penalties Against Boeing, Lufthansa.

FAA proposed a civil penalty of more than \$3.9 million against Boeing for installing nonconforming components on approximately 133 aircraft, which Boeing subsequently presented as ready for airworthiness certification. FAA alleges that Boeing failed to adequately oversee its suppliers to ensure they complied with the company’s quality assurance system. . . . A \$6.4 million civil penalty was proposed against Lufthansa, for allegedly conducting almost 900 flights into and out of San Diego International and Philadelphia International airports when it knew it lacked FAA authorization to do so.

5. FAA Downgrades Venezuela to IASA Category 2.

FAA downgraded Venezuela to a Category 2, which means the country does not comply with International Civil Aviation Organization (ICAO) safety standards under the International Aviation Safety Assessment (IASA) program. At this time, flights between the United States and Venezuela are prohibited by DOT and Department of Homeland Security.

6. DOT Proposes Accessible Lavatories on Single-Aisle Aircraft.

DOT proposed amendments to the Air Carrier Access Act that would require accessible lavatories on single-aisle aircraft with 125 or more seats, which increasingly are used for long-haul flights. The Notice of Proposed Rulemaking (NPRM) would require airlines to ensure accessibility of toilet seats, assist handles, faucets, attendant call buttons and door locks, and to include an on-board wheelchair that permits entry into the aircraft lavatory and meets safety and maneuverability performance standards on such aircraft. The NPRM also includes training and information requirements for flight attendants and passengers with disabilities. A forthcoming proposal will gather information on costs and benefits of requiring airlines to make lavatories on new single-aisle aircraft larger, equivalent to that currently found on twin-aisle aircraft. This NPRM does not propose to increase the size of lavatories on single-aisle aircraft. . . . “Many new airplane restrooms are just 24 inches wide (nearly a foot narrower than an average porta-potty), yet in June 2019 DOT indicated that any proposed rule issued would only address measures that fall ‘short of increasing the size of the lavatories,’” said Paralyzed Veterans of America, which sued DOT for failing to comply with a federal statute that imposed a deadline of July 15, 2017, to issue a supplemental notice of proposed rulemaking governing lavatory accessibility on single-aisle aircraft.

7. Boeing 737 MAX Update.

Boeing Chairman David Calhoun was named President and CEO, as Dennis Muilenburg resigned with immediate effect. Board member Lawrence Kellner was named non-executive Chairman. CFO Greg Smith is interim CEO, until Calhoun assumes his new role on January 13. The company said the change in leadership was necessary to restore confidence “as it works to repair relationships with regulators, customers, and all other stakeholders” and strives for “full transparency, including effective and proactive communication.” Calhoun is Senior Managing Director of Blackstone Group. During a 26-year tenure at GE, he ran multiple business units including Aircraft Engines.

Boeing announced it will temporarily suspend MAX production starting in January, as the timeline for certification and return to service, as determined by FAA and global regulatory authorities, slipped to 2020. Throughout the grounding, Boeing has continued to build new airplanes and will prioritize delivery of about 400 stored aircraft. “We believe this decision is least disruptive to maintaining long-term production system and supply chain health,” said the company. “Affected employees will continue 737-related work, or be temporarily assigned to other teams in Puget Sound.” Spirit AeroSystems, for whom MAX components represent more than 50% of annual revenue. will suspend MAX production on January 1. The Wichita, Kansas-

based company operates sites in the U.S., UK, France and Malaysia; core products include fuselages, pylons, nacelles and wing components “for the world’s premier aircraft.”

With continued uncertainty about the timing of return to service, airlines are adjusting MAX flight schedules. American and Southwest anticipate resumption in April. Southwest “will proactively remove roughly 300 weekday flights from our schedule out of our total peak-day schedule of more than 4,000 daily flights.” United is extending cancellations until June 4, “cancelling about 56 flights a day in January and February, which tend to be slower travel months, with daily cancellations rising to 80 in March and April and 108 in May and the early part of June.”

Southwest reached a confidential agreement with Boeing for compensation for a portion of projected financial damages related to the MAX grounding and authorized a discretionary, incremental profit-sharing accrual for employees. The estimated \$125 million award will be funded as part of the annual 2019 profit-sharing distribution in 2020. Southwest “continues to engage in ongoing discussions with Boeing regarding compensation for damages related to the MAX groundings [and] currently expects to account for substantially all of the compensation as a reduction in cost basis of both existing and future firm aircraft orders, which will reduce depreciation expense in future years.”

At a House Transportation Committee hearing, which examined FAA oversight of MAX certification, Administrator Stephen Dickson said the return-to-service decision will rest solely on FAA’s analysis of the data to determine whether Boeing’s proposed software updates and pilot training address the known issues for grounding the aircraft; FAA fully controls the approvals process for the flight control system and is not delegating anything to Boeing; and FAA will retain authority to issue airworthiness certificates and export certificates of airworthiness for all new MAX airplanes manufactured since the grounding. For more about the hearing, see Section VI.

II. AIRPORTS

1. American Announces New Investments at DFW.

American plans to build a new catering kitchen at Dallas Fort Worth (DFW). Construction on the \$100 million facility begins in January and will take about 18 months to complete. The kitchen will continue to be staffed and operated by LSG Sky Chefs, the airport's largest catering vendor. Additional construction will begin on a Central Fulfillment Center that will enable the airline to distribute parts for overnight maintenance throughout its network. The project includes a facility for cargo mail for American Airlines Cargo. In 2019, American added 15 gates at DFW and a lounge for premium customers travelling to international destinations.

2. Charlotte Breaks Ground on \$600 Million Terminal Lobby Expansion.

Charlotte Douglas broke ground on a \$600 million terminal lobby expansion, the largest construction project in the airport's history and part of Destination CLT, a \$2.5 to \$3.1 billion capital investment program. CLT handled a record 46 million customers in 2018.

3. JetBlue Plans 10 Daily Boston-LaGuardia Roundtrips.

JetBlue will expand nonstop service between Boston Logan and New York LaGuardia in Spring 2020, with up to 10 daily Embraer 190 roundtrips. JetBlue also serves Kennedy and Newark from Boston. . . . JetBlue is ending service to Mexico City in January.

4. Heathrow Expansion Plans Delayed.

The UK Civil Aviation Authority (CAA) delayed London Heathrow expansion plans by at least 12 months and refused Heathrow's request to increase spending. Heathrow now expects to complete the third runway between early 2028 and late 2029. . . . Under a new clause in its license, which comes into effect January 1, Heathrow will be penalized if it fails to build the third runway efficiently. . . . Heathrow submitted an investment plan to expand the airport, "with overall costs in-line with the £14 billion original plan submitted to the Airports Commission back in 2014 [and] airport charges within a few pounds of 2016 levels." A new analysis by Frontier Economics shows that average return ticket price for passengers will drop by £21 – £37 on short-haul and £81 – £142 on long-haul services, "as Heathrow expands and unlocks competition amongst airlines." New capacity will help drive down airfares, attract up to 40 new long-haul as well as more domestic routes and connect all of Britain to global growth, said Heathrow CEO John Holland-Kaye.

5. Qatar to Hold 60% Stake in \$1.3 Billion Rwanda Airport.

Rwanda and Qatar Airways formed a joint venture to build a \$1.3 billion international airport near Kigali. A Memorandum of Understanding (MoU) has Qatar Airways taking a 60% stake in the facility. An earlier effort involved a Portuguese developer, which sold its 75% stake to the Rwandan government. The airport will be able to handle seven million passengers annually when first phase construction is completed in five years, and 14 million upon completion of second phase by 2032.

6. Beijing Daxing: World's Largest Single-Structure Airport.

Beijing's recently opened Daxing International (BDIA), reportedly the largest single-structure airport in the world, features a central thoroughfare "inspired by traditional Chinese courtyards, with a seemingly fluid network of columns, roof vaults, and skylights," reports Architectural Digest. A starburst floor plan and vertically stacked domestic and international areas keep walking distance between check-in and gate and between gates for transferring passengers "to a maximum of eight minutes by foot." A ground transportation center offers direct connections to Beijing, the national high-speed rail network and local train services. ADP Ingénierie and Zaha Hadid Architects collaborated on the design and worked with Beijing Institute of Architecture and Design and China Airport Construction Company to deliver the project.

III. **SECURITY AND DATA PRIVACY**

1. **Federal Study Finds Bias in Facial Recognition Systems.**

Facial recognition software more frequently misidentified people of color than Caucasians, found a study by the National Institute of Standards and Technology (NIST); differentials often ranged from a factor of 10 to 100 times, depending on individual algorithm. “This report shows facial recognition is even more unreliable and racially biased than we feared,” tweeted House Homeland Security Committee Democrats. “The federal government must reassess its plans after these shocking results.” . . . DHS issued a proposal that would reverse the ability of U.S. citizens to opt out of having their faces photographed upon U.S. entry/exit. The American Civil Liberties Union expressed profound privacy concerns. And Ed Markey, Ranking Member of the Senate Security Subcommittee, called for an immediate withdrawal of the proposal, which “would amount to disturbing government coercion.” Markey will introduce legislation “to ensure that innocent American citizens are never forced to hand over their facial recognition information.” DHS withdrew the proposal. . . . A moratorium on biometric technology at areas of Seattle-Tacoma International controlled by the Port of Seattle Commission was approved, reports the Seattle Times. The suspension does not apply to technologies used solely by Port staff, such as fingerprints to access secure areas, or to a federally-controlled international arrivals facility opening in July 2020, or to security clearance expediter CLEAR. It does halt Delta’s plan to roll out facial recognition cameras at Sea-Tac.

2. **GAO Finds TSA Screening Equipment Lapses.**

The Government Accountability Office (GAO) reported that some TSA screening equipment fails to meet current standards, due to lapses in maintenance or outdated technology. Performance can degrade over time; a process to ensure technologies continue to meet detection requirements after deployment would help ensure that TSA screening procedures are effective, said GAO.

3. **Alitalia, Qantas Airways join TSA PreCheck.**

Alitalia and Qantas joined TSA PreCheck, bringing the number of participating carriers to 73.

IV. TECHNOLOGY AND EQUIPMENT

1. Expedia Executive Leadership Changes.

With “disappointing third quarter results and a lackluster near-term outlook,” Expedia Group CEO Mark Okerstrom and CFO Alan Pickerill resigned with immediate effect. Chairman Barry Diller and Vice Chairman Peter Kern are providing operations oversight while determining new leadership of the travel platform. “Ultimately, senior management and the Board disagreed on strategy,” said Diller. . . . Expedia unit Egencia launched a Carbon Emissions Workspace, with which business travel managers can view carbon emissions resulting from flights and hotel stays, company-wide or by a single trip or traveler, so they can choose such options as increasing the price cap so travelers can book direct flights.

2. NASA Clears Quiet SST for Final Assembly.

NASA cleared the X-59 Quiet SuperSonic Technology (QueSST) aircraft for final assembly and integration of its systems; first X-59 flight is expected in 2021. The X-59, shaped to reduce the loudness of a sonic boom reaching the ground “to that of a gentle thump, if it is heard at all,” will be flown above U.S. communities to generate data from sensors and gauge public perception; data will help regulators establish new rules to enable commercial supersonic air travel over land. . . . Among other research, NASA is developing technology and systems to safely enable Urban Air Mobility, the use of small delivery drones and other new aircraft within the national airspace system to conduct missions including civic resource management, package delivery, and transporting passengers on-demand. To reduce noise and emissions, systems to support deploying electric propulsion in larger airliners are being studied. NASA air traffic management experts are supplying technical solutions to FAA for the Next Generation Air Transportation System. Research on enabling coordination of schedules among those who manage the movement of aircraft on the ground, from airport gate to takeoff, known as Airspace Technology Demonstration-2, is being conducted in Charlotte, N.C.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on December 13 was \$79.78/barrel, up 1.8% on the month and up 5.9% compared to a year ago, reports IATA. Jet fuel price average for 2019 was \$79.6/barrel. Impact on 2019 fuel bill was down \$9.8 billion.

2. **European Green Deal Presented at UN COP25 Climate Talks.**

A European Green Deal unveiled by newly elected European Commission President Ursula von der Leyen was presented at the UN COP25 Climate Talks in Madrid. The initiative would achieve zero net emissions by 2050 and review current tax exemptions for industries including aviation. . . . “Efforts to deliberately suppress air travel through punitive passenger taxes are inefficient and largely ineffective at reducing carbon,” said IATA Director General and CEO Alexandre de Juniac, who asked the EU to support aviation’s energy transition to sustainable aviation fuels (SAF) as part of the Green Deal. Airlines have signed forward purchase agreements for SAF amounting to approximately \$6 billion. . . . The climate crisis has put aviation in the spotlight with the introduction of a new phrase to the global vocabulary—‘flygskam’ or ‘flight shaming,’ said de Juniac, who outlined industry achievements. Carbon emissions per passenger have declined by more than 50% since 1990, largely due to annual fuel efficiency improvement of 2.3% since 2009, some 0.8 percentage points ahead of target. Airlines have invested in some \$1 trillion in new aircraft since 2009. Introduction of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) will ensure carbon-neutral growth on international flights from 2020 and raise around \$40 billion in climate finance. But CORSIA is compromised by government decisions or proposals to levy air passenger taxes, including in France, Germany, the Netherlands and Switzerland, said de Juniac. . . . The World Travel & Tourism Council outlined targets at COP 25 for the sector to be climate neutral by 2050, including energy efficiency measures, renewable energy and reduced use of plastics. Responsible for 5% of global greenhouse gas emissions, travel and tourism also supports one in 10 jobs and contributes 10.4% of global GDP, said WTTC.

3. **New EU Transport Commissioner Urged to Collaborate with Industry.**

European airline CEOs met with new European Union (EU) Transport Commissioner Adina-Iona Vălean regarding “pressing priorities for the new Commission mandate,” including close collaboration with industry on climate

change goals and incentives and investments for sustainability instead of new taxes on aviation. “It is critical that industry works in close partnership with the EU institutions if we are to be successful in fulfilling Europe’s climate ambitions — whether it be on a dedicated policy for increased SAF production at an economically affordable price, or by implementing the Single European Sky, which would save 10% in CO2 emissions. Aviation taxes do nothing for the environment. On the contrary, they limit airlines’ ability to invest in new aircraft, innovation and sustainable fuels,” said Thomas Reynaert, Managing Director, Airlines for Europe (A4E). . . . The newest member of A4E is TUI, which, said A4E Chairman Michael O’Leary “will serve as a vital, in-house link between airline and sustainable tourism policy goals.”

4. **Delta to Buy 10 Million Gallons Biofuel Per Year from Gevo.**

Delta will purchase 10 million gallons per year of advanced renewable biofuels from Gevo, under a long-term offtake agreement. Gevo’s patented process separates sugar from proteins in corn. The sugars are used to make jet fuel, while proteins are fed to livestock. After capturing and converting livestock manure into biogas digestors that can displace fossil-based natural gas, the solids produced are used as fertilizer for fields, creating a continuous, renewable manufacturing cycle. The SAF is expected to be produced upon completion of an expansion to Gevo’s existing advanced biofuel production facility in Luverne, Minn., and would be available for use by Delta between 2022 and 2023. Delta also recently made a \$2 million investment in Northwest Advanced Bio-fuels for a feasibility study of a facility to produce SAF and other biofuel products in Washington State.

5. **KLM Buys SAF for Flights from Schiphol.**

KLM has purchased SAF for flights out of Amsterdam Schiphol. The fuel is produced by Neste from used cooking oil and will reduce CO2 emissions by up to 80% compared to fossil kerosene. This is the first time the fuel will be supplied using existing infrastructure at Schiphol. Neste is joining KLM’s Corporate BioFuel Programme, reducing CO2 emissions of its own business travel on KLM flights by 100%.

VI. U.S. CONGRESS

1. Hearing on FAA Oversight of Boeing 737 MAX Certification.

The House Transportation Committee held its fifth hearing on the design, development and certification of the Boeing 737 MAX and, said Committee Chair Peter DeFazio (D-OR), “will continue to be aggressive in our oversight efforts to determine what went so horribly wrong and why, and we will not rest until we have enacted legislation to prevent future unairworthy airplanes from slipping through the regulatory cracks and into airline service.” Among other comments, DeFazio said many of FAA’s technical experts and safety inspectors believe FAA’s management often sides with Boeing rather than standing up for the safety of the public, and FAA employees did not have the analysis and tools necessary to make the right decisions in the case of the MAX. “Boeing made egregious errors, including the furtive implementation of MCAS [Maneuvering Characteristics Augmentation System] while knowing it could present a catastrophic risk,” DeFazio said, and FAA “trusted, but did not appropriately verify, key information and assumptions Boeing presented to the agency.” An internal risk analysis done by FAA after the October 2018 Lion Air crash, and released during the hearing, estimated that without modifications to MCAS there could be another 15 deadly crashes. FAA reportedly believed action already taken—ordering MAX pilots to use an emergency procedure to deal with the erroneous activation of software—would handle the problem. The Ethiopian Airlines crash occurred in March 2019. . . . FAA Administrator Stephen Dickson said the return-to-service decision will rest solely on FAA’s analysis of data to determine whether Boeing’s proposed software updates and pilot training address known issues for grounding the aircraft; that FAA fully controls the approvals process and is not delegating anything to Boeing; and FAA will retain authority to issue airworthiness certificates and export certificates of airworthiness for MAX airplanes manufactured since the grounding. He said the MAX will not fly again until those responsible for overseeing Boeing and certifying its MCAS overhaul are confident in its safety. Earl Lawrence, Executive Director of FAA’s, Aircraft Certification Service, and Matthew Kiefer, a member of FAA’s Technical Advisory Board, also testified. . . . In separate testimony, Edward Pierson, a former senior manager of final assembly at the 737 plant in Renton, said he had warned management long before the crashes of chaotic plant conditions caused by demands to increase MAX production, and urged a shut-down to restore order. The factory did not have enough skilled mechanics, electricians and technicians to keep up with the backlog of work, Pierson said, and manufacturing employees failed to communicate effectively between shifts. Dickson vowed to investigate the

Renton plant and interview workers. FAA engineer G. Michael Collins said Boeing applied pressure on FAA managers to overrule safety engineers and experts on safety-critical matters. Experts in aviation safety and human factors also provided perspectives on the MAX design.

2. Senate Commerce Committee Approves Transportation Bills.

The Senate Commerce Committee approved a package of bills, including: S. 2381, Traveling Parents Screening Consistency Act of 2019, which directs the Government Accountability Office to review implementation of requirements regarding TSA screening of baby formula, breast milk, purified deionized water for infants, and juice on airlines. S. 2638, Friendly Airports for Mothers Act, requires small hub airports to maintain a lactation area for nursing mothers and a baby changing table in at least one men's and one women's restroom in each passenger terminal; a similar bill was passed by the House. Currently, medium and large hub airports must comply with this requirement by FY2021; this bill requires small hub airports to be in compliance by FY2023. S. 2730, Drone Advisory Committee for the 21st Century Act, would establish and ensure an inclusive and transparent long-term Drone Advisory Committee at FAA to advise on unmanned aircraft systems integration issues by helping to identify challenges and prioritize improvements. The Committee also approved S. 2898, Continuity for Operators with Necessary Training Required for ATC Contract Towers Act of 2019 (CONTRACT Act), and S.2964, Aviation War Risk Insurance Extension Act.

3. House Passes Small Airport Mothers' Room Act of 2019.

The House passed the Small Airport Mothers' Rooms Act of 2019, which requires small hub airports to provide private mothers' rooms, including nursing and changing stations, in accordance with current FAA requirements on medium and large hub airports, at no additional cost to taxpayers. The FAA Reauthorization Act of 2018 required all large and medium hub airports to construct mothers' rooms by 2021; H.R. 3362 requires small hub airports to be in compliance by FY2023.

4. FAA Family and Medical Leave Act Introduced in House.

The FAA Family and Medical Leave Act was introduced in the House to compensate for omissions in the FY20 National Defense Authorization Act (NDAA). The bipartisan legislation would ensure that FAA employees are extended the same paid parental leave benefits afforded to other government employees under NDAA, including 12 weeks of paid parental leave in the case of birth, adoption or fostering.

5. **Emerging Transportation Security Threats Act Passes House.**

The House passed the Emerging Transportation Security Threats Act of 2019 (H.R.3318), which would establish a task force to conduct an analysis of emerging and potential future threats to transportation security, including threats posed by chemical or biological agents. TSA must develop a threat mitigation strategy for each threat the task force examines in its analysis.

VII. **BILATERAL AND STATE DEPARTMENT NEWS**

1. **U.S. Signs Open Skies Pacts with The Bahamas, Belarus, Kenya.**

U.S. delegates to the ICAO Air Services Negotiation Event (ICAN 2019) negotiated new Open Skies agreements with The Bahamas, Belarus and Kenya. Those with the Commonwealth of The Bahamas and the Republic of Belarus are the first bilateral air transport agreements negotiated with these countries; they are “being applied on the basis of comity and reciprocity, creating new opportunities for travelers and businesses,” said the U.S. State Department. The agreement with Kenya adds seventh-freedom traffic rights for all-cargo operations. The U.S. delegation, which included representatives from the Departments of State, Transportation and Commerce, also met with counterparts from host country Jordan and 20 other nations “to ensure fair competition for U.S. carriers, to explore possibilities for new Open Skies agreements, and to further modernize existing agreements with civil aviation partners.”

2. **U.S. Ban on Air Travel to Nine Cuban Airports Takes Effect.**

The Trump Administration’s ban on commercial flights to all airports in Cuba except Havana went into effect in December.

3. **U.S.-EU Ministerial Meeting Addresses Common Security Threats.**

The United States and the European Union held the Ministerial Meeting on Justice and Home Affairs in Washington, with Attorney General William Barr and Acting Secretary of Homeland Security Chad Wolf participating. The parties reaffirmed a shared interest in establishing ICAO standards to encourage rapid and effective implementation of UNSCR 2396 for the use of Passenger Name Records “to combat terrorist travel, with full respect for human rights and fundamental freedoms.” They welcomed Poland’s designation for the U.S. Visa Waiver Program, and encouraged progress of other EU Member States “towards reciprocal visa free travel under our respective legal frameworks.” Cybersecurity and respective efforts to assess and address 5G security challenges were among other topics covered. The next semi-annual meeting will be in Croatia.

VIII. EUROPE AND AFRICA

1. Branson to Retain Majority Virgin Atlantic Stake.

Air France-KLM will not acquire a 31% stake in Virgin Atlantic as previously planned, with no impact on the Delta-Virgin Atlantic-Air France-KLM joint venture that received antitrust immunity from DOT in November. Sir Richard Branson will retain his 51% share of the British airline.

2. United Offers San Francisco-Dublin, Newark-Cape Town Nonstops.

United will launch daily Boeing 787-8 nonstops from San Francisco International to Dublin in June, subject to government approval. Nonstop three-times weekly 787-8 service between New York Newark and Cape Town began in December, with South African officials on hand to salute the first flight.

3. American Airlines, Royal Air Maroc Launch Code Share.

Under a new code share agreement, American Airlines customers can purchase select Royal Air Maroc flights to Casablanca, and seamless connecting service to Marrakech, while Royal Air Maroc customers can connect to new destinations throughout American's domestic network. The code share will expand to additional cities across the African continent in early 2020. American recently announced Philadelphia-Casablanca service.

4. British Airways to Begin Portland Service.

British Airways will be the first airline to offer a year-round direct Boeing 787 flight from the UK to Portland, Oregon. The five-weekly service from Heathrow begins June 1, bringing the number of flights offered with American Airlines, as part of their Atlantic Joint Business (AJB), to 86 per day. An enhanced relationship with Alaska Airlines will provide seamless travel beyond Portland. AJB partners will add eight new routes from next summer, including American's Boston to London Heathrow and Iberia's Madrid to Washington D.C. . . . British Airways pilots voted to accept the final agreement in their dispute over pay and terms and conditions.

5. Lufthansa Names New CEOs for Eurowings, Brussels Airlines.

Jens Bischof was appointed CEO of Lufthansa unit Eurowings, effective January 1. Currently CEO of SunExpress, Bischof has held numerous executive positions in the company since 1990. Eurowings is expected to return to profitability in 2021. Bischof will complete the turnaround that has begun, said Group Chairman Carsten Spohr. . . . Dieter Vranckx will be the

new CEO of Brussels Airlines. The Belgian native has held senior positions at Lufthansa since 2001 and, since May 2018, has been CFO and deputy CEO of the Management Board. . . .Patrick Staudacher joins the Group in May as CFO & Head of Business Development, with a view toward “planned legal independence of the Lufthansa airline.” Staudacher is a Boston Consulting Group senior partner and expert on airlines, aerospace and post-merger integration.

6. South African Airways in Bankruptcy Proceedings.

South African Airways is undergoing a business rescue process, a form of bankruptcy. A turnaround specialist has been appointed to oversee management of the company. The government continues to finance the state-owned flag carrier.

7. EU Removes Gabon from Air Safety List.

All airlines certified in Gabon were removed from the EU Air Safety List, which includes carriers that do not meet international safety standards, and therefore are subject to an operating ban or operational restrictions within the European Union. . . . The Armenian Civil Aviation Committee was put under heightened scrutiny because of signs of a decrease in safety oversight. A total of 115 airlines are banned from EU skies.

8. U.S. Signs Open Skies Pacts with The Bahamas, Belarus, Kenya.

See Section VII, item 1.

9. China Southern, British Airways Launch Joint Business.

See Section IX, item 2.

10. Wizz Air Abu Dhabi Planned.

See Section IX, item 6.

11. Norwegian Air Argentina Sold to Indigo Partner's JetSMART.

See Section X, item 12.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Hong Kong Flight Movements Down 8.3% in November.

Amid continuing political unrest, passenger traffic at Hong Kong International fell 16.2% year-on-year in November, flight movements dropped 8.3% and cargo throughput fell 3.4%. Transfer/transit traffic increased by 6% and Hong Kong resident travel by 5%; passengers to and from the Mainland and Southeast Asia experienced the most significant decreases, reported Airport Authority Hong Kong. . . . Combined Cathay Pacific and Cathay Dragon figures for November show a 9% drop in passengers, compared to November 2018; load factor decreased by 3.2% to 80.1%, while capacity, measured in available seat kilometers, decreased by 1.5%. Cargo and mail load factor fell by 1.5% to 68.6%. “In light of the immediate commercial challenges we are facing, we have reluctantly made the decision to reduce our seat capacity in 2020 by 1.4% year-on-year as opposed to our original plan of 3.1% growth,” said Cathay Pacific Group Chief Customer and Commercial Officer Ronald Lam. “There were a few bright spots in our network, such as our India routes, which remained robust and generated good demand between India and North America,” said Lam. Traffic between Europe and the Southwest Pacific also remained healthy. . . . Hong Kong Airlines reduced capacity and flights and in February will suspend routes including Los Angeles and Vancouver. The airport seized seven of its 39 Airbus aircraft for failure to pay fees and rents. The Air Transport Licensing Authority considered suspending the carrier’s operating license after reports of delayed wage payments, but authorized the carrier to continue operating as a phased cash injection plan took hold. “Moving forward, we will continue to drive consolidation and strengthen our internal structure to operate more efficiently and improve our revenue,” said Hong Kong Airlines.

2. China Southern, British Airways Launch Joint Business.

China Southern and British Airways signed a joint business agreement for travel from January 2, 2020, which will allow the airlines to cooperate on scheduling and pricing. They will code share on all direct flights operated on mainland routes between London and Beijing, Shanghai, Guangzhou, Sanya, Wuhan and Zhengzhou. Both airlines operate from the new Beijing Daxing International Airport. A code share agreement across ten routes started in 2017. China Southern leaves SkyTeam on January 1, but will maintain code sharing with most alliance members, including Aeroflot, Air France, Delta, KLM, Korean Air and Xiamen Airlines, but not with China Eastern. . . . China Southern Air Holding established a new cargo company, which will absorb its

current freight unit and other air cargo assets such as belly cargo services, cargo terminals and international logistics.

3. **Far Eastern Air Transport Suspends Operations.**

Taiwan-based Far Eastern Air Transport (FAT) suspended operations, due to financial difficulties. The carrier flew on domestic and Asian routes.

4. **Delta Adds Service to India.**

Delta started service to Mumbai with daily Boeing 777-200 nonstops from New York Kennedy. With partner Virgin Atlantic, Delta will begin seamless connections between Delhi and New York Kennedy, Boston, Detroit and Atlanta via London Heathrow, in March.

5. **Emirates-Interjet Pact Expands, Tim Clark to Retire in June.**

Emirates launched daily service from Dubai to Mexico City, via Barcelona; with connections on Interjet flights to 12 destinations beyond. Interjet customers can travel to Emirates' destinations in the Middle East, Spain, South East Asia, the Far East and North Africa. The partnership began in April 2019 with a one-way interline agreement, allowing passengers from Emirates' 12 U.S. gateways to travel to Mexico City on Interjet flights. . . . Emirates President Tim Clark will step down in June, after 35 years with the company.

6. **Wizz Air Abu Dhabi Planned.**

Ultra-low cost Wizz Air Abu Dhabi will be formed by Wizz Air Holdings and United Arab Emirates in partnership with Abu Dhabi Development Holding Company, subject to receipt of all necessary documents and approvals. The joint venture is expected to launch in second half 2020 with routes to Europe, and later to the Indian subcontinent, Middle East and Africa. The fleet will be composed of Airbus A321neo aircraft. Wizz Air Group includes Wizz Air Hungary, Wizz Air UK and Wizz Air Bosnia.

7. **Air Canada Offers New Service to South America, New Zealand.**

See Section X, item 10.

X. AMERICAS

1. Scott Kirby to Succeed United CEO Oscar Munoz in May.

United CEO Oscar Munoz will transition to the role of Executive Chairman in May, replacing retiring member Jane Garvey. United President J. Scott Kirby will succeed Munoz as CEO; Kirby previously was President of American Airlines and held senior leadership roles at America West and US Airways. . . . United plans to purchase 50 new Airbus A321XLRs to replace its Boeing 757-200 fleet, with deliveries to begin in 2024. The airline will defer delivery of an Airbus A350 order until 2027.

2. Delta, LATAM to Code Share.

Delta and LATAM plan to code share on flights operated by LATAM affiliates in Peru, Colombia and Ecuador, beginning first quarter 2020, subject to governmental and regulatory approvals. A partnership was announced in September, in which Delta acquired a 20% stake in LATAM for \$1.9 billion . . . LATAM will formally end code share agreements with American Airlines on January 31; their frequent flyer and reciprocal lounge access agreements will remain in place until LATAM leaves oneworld. LATAM intends to maintain bilateral agreements with most oneworld members. . . . LATAM terminated joint venture plans with International Airlines Group; interline, code share, frequent flyer and reciprocal lounge agreements remain valid. . . . Delta reportedly has sold its stake in Brazil's GOL. . . . Delta is rejoining industry trade organization Airlines for America in 2020, having left in 2015 due to policy differences. . . . Delta plans to hire and train 1,300 pilots in the next year, as part of an effort "to onboard more than 8,000 aviators in the next decade to backfill current pilots who are reaching the mandatory retirement age." Delta also expects to hire at least 2,500 flight attendants in 2020.

3. FedEx to Cut Int'l Routes Due to Weak Cargo Demand.

FedEx is eliminating multiple international flights to reflect reduced global air freight demand, said President and COO Rajesh Subramaniam, as the company announced disappointing second quarter results. . . . Amazon ordered its third-party sellers to stop using FedEx Ground for their Amazon Prime shipments; FedEx and Amazon severed ties in 2019.

4. UPS Expands Global Footprint.

UPS expanded international express services, adding Algeria, Namibia, Reunion, Nigeria and Qatar. UPS plans a \$110 million expansion at Anchorage International, reported Anchorage Daily News, adding 1.35 million

sq. ft. of land to support its Boeing 747-8s. Construction would begin in May, with completion in 2022. A gateway to Asia, the airport is the fifth-busiest air cargo hub in the world. . . . UPS expects to process a record 1.9 million returns on January 2, up 26% from prior year, “illustrating how e-commerce continues transforming shopping patterns.”

5. Spirit Expands Nonstop Service to Puerto Rico.

Spirit expanded service to San Juan with daily nonstops from Boston Logan and New York Newark. Additional flights from Newark, Orlando, Philadelphia and Baltimore/Washington are planned. . . . Spirit unveiled a cabin redesign featuring ergonomic seats with about two additional inches of usable legroom, thicker padding, an extra inch of pre-recline and full-sized tray tables. The update will be installed on nearly 150 new Airbus A320 Family aircraft being delivered to Spirit over the next several years, and on aircraft cycling through scheduled maintenance.

6. Frontier Adds 25 New Routes.

Frontier will introduce 25 new routes, including more flights from Newark, expansion in the Dominican Republic and Puerto Rico, and new flights to Guatemala City and San Salvador. The airline is opening a Miami base in March and plans to hire 100 flight attendants and 30 pilots within the first three months.

7. Neeleman Establishes Utah as Headquarters for New Airline.

Breeze Aviation, founded by David Neeleman, established a corporate headquarters in Salt Lake City, said Utah Governor’s Office of Economic Development. The new company may earn up to 20% of state taxes it pays over the five-year life of the agreement in the form of a Utah Legislature-authorized Economic Development Tax Increment Finance tax rebate. A post-performance tax rebate not to exceed \$1,082,000 was also approved. Each year the company meets criteria in its contract with the state, it will earn a portion of the total tax rebate. Breeze Aviation plans to unveil a low-cost carrier in the new year which will provide non-stop service from secondary airports; Airbus A220s have been ordered for a low-cost airline tentatively named Moxie. Neeleman was a founder of Morris Air (later sold to Southwest), WestJet, JetBlue and Azul Brazilian Airlines.

8. Mesa Adds New Aircraft, Extends Contract with United.

Mesa will add 20 new 70-seat Embraer E175 LL aircraft to its United Express fleet. Owned and financed by Mesa, the aircraft will be covered under a 12-year capacity purchase agreement; deliveries scheduled to begin in May 2020 and completed by year end. The parties are extending a contract for 42 E175s

for an additional five years; owned by United, they are now contracted through end of 2024 with rights to extend through 2027; 18 Mesa-owned E175s are contracted through 2028.

9. Urban Air Taxi Offered in Southern California.

Florida-based Southern Airways Express agreed to operate daily service, beginning in January, for FLOAT (Fly Over All Traffic), which intends to provide “reliable urban air mobility” across Southern California. FLOAT has agreements with airports including Hollywood Burbank, John Wayne, Palm Springs and general aviation facilities. The service is “aimed at commuters who spend more than 90 minutes a day in bumper-to-bumper traffic.” Pricing on the Monday-Friday service starts at \$30 one-way to \$1,250 roundtrip monthly. FLOAT co-founders are Arnel Guiang and Tom Hsieh, and Southern Airways executive Rob McKinney. Southern Airways Express operates Cessna Caravans and Grand Caravans.

10. Air Canada Offers New Service to South America, New Zealand.

Air Canada inaugurated Boeing 787 Dreamliner seasonal service from Montreal to São Paulo, Toronto to Quito, and Vancouver to Auckland, and will begin Montreal-Bogota flights next summer.

11. WestJet Acquired by Onex Group.

Onex completed its C\$5 billion acquisition of WestJet, following receipt of final regulatory approval by the Canadian Transportation Agency.

12. Norwegian Air Argentina Sold to Indigo Partner's JetSMART.

Norwegian agreed to sell its Argentinian subsidiary to South American low-cost carrier JetSMART, which assumed operations with immediate effect. “We’re taking necessary steps to return to profitability,” said Norwegian acting CEO and CFO Geir Karlsen. Flights between London and Buenos Aires, operated by British subsidiary Norwegian Air UK, are not affected. JetSMART was created by Indigo Partners, which has investments in Frontier and other airlines. JetSMART CEO is Estuardo Ortiz. . . . Norwegian appointed Marty St. George as interim Chief Commercial Officer. She held that position at JetBlue and previously worked at United and US Airways.

13. U.S. Signs Open Skies Pacts with The Bahamas, Belarus, Kenya.

See Section VII, item 1.

14. U.S. Ban on Air Travel to Nine Cuban Airports Takes Effect.

See Section VII, item 2.

15. **United Offers San Francisco-Dublin, Newark-Cape Town Nonstops.**
See Section VIII, item 2.
16. **American Airlines, Royal Air Maroc Launch Code Share.**
See Section VIII, item 3.
17. **British Airways to Begin Portland Service.**
See Section VIII, item 4.
18. **Delta Adds Service to India.**
See Section IX, item 4.
19. **Emirates-Interjet Pact Expands, Tim Clark to Retire in June.**
See Section IX, item 5.