



## 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. Atlas Air Boeing 767-300 Crash Kills Three.**

The Federal Aviation Administration (FAA) and National Transportation Safety Board (NTSB) are leading an investigation into the crash of an Atlas Air Boeing 767-300 near Anahuac, Texas, in the Trinity Bay, which killed the three people on board. Flight 3591, en route from Miami to George Bush Intercontinental in Houston, was operating for Amazon Prime Air. . . . In related news, the International Air Transport Association (IATA) reported 11 fatal accidents with 523 deaths among passengers and crew in 2018; some 4.3 billion passengers flew safely on 46.1 million flights.

### **2. Passenger Demand Rose in 2018 with Record Load Factor.**

Global passenger traffic results for 2018 show demand (revenue passenger kilometers) rose by 6.5% over 2017, reports IATA; capacity climbed 6.1% and load factor rose 0.3% to a record 81.9%. “Similar, if somewhat moderating performance” is expected in 2019, said Alexandre de Juniac, IATA Director General and CEO; “slowing growth in the second half of 2018, coupled with concerns over issues including Brexit and U.S.-China trade tensions, are creating some uncertainty.”

### **3. FY2019 Appropriations Package Signed; Shutdown Averted.**

The President signed the Fiscal Year 2019 appropriations package, funding the government through September 30 and narrowly averting another partial government shutdown. The package includes \$17.5 billion for FAA, of which \$1 billion is for NextGen programs, and an additional \$500 million for Airport Improvement Program (AIP) grants, for a total of \$3.85 billion. . . . Transportation Security Administration (TSA) funding of \$4.93 billion targets investments in personnel, canine teams, and advanced checkpoint technology, and fully funds passenger pre-screening and intelligence functions, the Federal Air Marshal Service and the Federal Flight Deck Officer program. The Cybersecurity and Infrastructure Security Agency is funded at \$1.68 billion. . . . Federal government employees affected by the 35-day shutdown that spanned December and January are receiving back pay for the period, but a bill to provide back pay for employees of federal contractors was not included in the package.

### **4. Shutdown Revives ATC Debate.**

The recent partial U.S. government shutdown “underscored the urgent need to remove the U.S. air traffic control system from the federal budget process and

place it in a nonprofit structure that would be immune to these kinds of situations,” said IATA chief Alexandre de Juniac, in remarks to the International Aviation Club in Washington, D.C. Paul Rinaldi, President of the National Air Traffic Controllers Association (NATCA), which has opposed the nonprofit model, told the Aero Club of Washington that a stable, predictable funding stream will keep flying safe and efficient. Rinaldi said the shutdown worsened the controller staffing crisis. “Of the certified professional controllers in the U.S., 20% could retire at any moment. If these professionals decide to retire rather than risk being required to work without a paycheck again, we will not be able to run the volume of traffic that we run today.”

**5. U.S. Airlines File for New Tokyo Haneda Slot Availability.**

The U.S. Department of Transportation (DOT) instituted a proceeding to allocate up to 12 daytime slot pairs for Tokyo Haneda scheduled combination service, made available in January negotiations on amendments to the U.S.-Japan Open Skies agreement. The new services would begin before the 2020 Tokyo Olympics. U.S. carriers would need to file applications with Japanese authorities for Haneda slot times by October 2019. The allocation for any slot pair not used for a period of 90 days will expire automatically and revert to DOT for reallocation. A Delta motion for U.S. gateway flexibility for current and future awards of Haneda slot pairs was denied. . . . American applied for four Haneda slot-pairs for service from Dallas, Los Angeles and Las Vegas. Delta applied for six daily slot-pairs for service from Seattle, Detroit, Atlanta, Portland and Honolulu. Hawaiian applied for three daily flights from Honolulu. United applied for six daily slot pairs for service from New York Newark, Chicago, Washington Dulles, Los Angeles, Houston and Guam.

**6. DOT Grants American Dormancy Waiver for China Services.**

DOT granted American’s request for a dormancy waiver for Chicago-Beijing and Chicago-Shanghai services until June 28. DOT deferred action on applications of Delta (Minneapolis-Shanghai) and United (Newark-Shanghai) for frequency allocations beginning June 2020 and asked them to update proposals closer to the American waiver expiration and their own anticipated launch dates, “when we would be better able to assess the market and make public interest determinations based on the circumstances then prevailing.”

**7. FAA Announces Category 1 Safety Rating for Vietnam.**

FAA announced that Vietnam was granted a Category 1 rating under the agency’s International Aviation Safety Assessment program, meaning Vietnam’s civil aviation authority meets International Civil Aviation Organization (ICAO) standards for personnel licensing, operations and airworthiness. Vietnamese air carriers now can secure FAA and DOT authority

to establish U.S. service and code share with U.S. carriers. Press reports indicate that Vietnam Airlines, Vietjet and Bamboo Airways are considering flights to the U.S. West Coast. FAA's announcement preceded a February U.S.-North Korea summit held in Hanoi.

**8. FAA Reviews Thailand Safety Systems.**

Civil Aviation Authority of Thailand said FAA conducted an audit of its oversight systems and identified 26 areas to be resolved to achieve a Category I safety rating. A 2015 audit resulted in the current Category 2 rating.

**9. DOT Establishes National In-Flight Sexual Misconduct Task Force.**

DOT established the National In-Flight Sexual Misconduct Task Force, a subcommittee of the Aviation Consumer Protection Advisory Committee, as mandated by the FAA Reauthorization Act of 2018 and the 2018 Consolidated Appropriations Act. The 14 members appointed to the Task Force are representatives of airlines; airports; flight attendant and pilot unions; national organizations providing services to sexual assault victims and consumers; travel organizations; state and local law enforcement agencies; and the FBI and other federal government agencies. They will evaluate current U.S. airline practices, protocols and requirements in responding to and reporting passenger allegations of sexual misconduct on board commercial aircraft, and recommend best practices relating to training, reporting and data collection.

**10. FAA, UK Issue New Drone Rules.**

In cooperation with the Department of Justice (DOJ) and Department of Defense (DOD), FAA established restrictions on drone operations up to 400 feet within the lateral boundaries of 41 security sensitive federal facilities, including prisons, medical centers and DOD bases and ammunition plants, effective February 26. Operators who violate the flight restrictions may be subject to civil penalties and criminal charges. . . . FAA also proposed rules that allow drones to fly routinely at night and over people, and "to further integrate them safely into the nation's airspace." Comment period ends April 15. . . . FAA is requiring small drone owners to display the FAA-issued registration number on an outside surface of the aircraft, allowing first responders to view the unique identifier directly without handling the drone, which might contain an explosive device. The Interim Final Rule took effect on February 23; a 30-day comment period ends March 15. . . . The UK extended the no-fly zone around airports for drones and model aircraft to 5 kilometers from runway ends, effective March 13. A new Drones Bill will give police powers to stop and search people suspected of using drones maliciously above 400 feet or within 5 kilometers of an airport, and to access electronic data stored on a drone with a warrant.

**11. DOT Air Travel Consumer Report for November.**

Based on data filed by reporting carriers.

	<b>Nov. '18 / '17</b>	<b>Oct. '18</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
On-time arrivals %	79.7 / 88.3	82.6	80.2	81.4	79.9	76.2	78.34
Cancellations %	1.1 / 0.3	0.7	1.5	1.2	1.5	2.2	1.51
Mishandled baggage*	2.58 / 1.84	2.35	2.46	2.70	3.13	3.61	3.22
Consumer complaints:							
Airline service	1,148 / 1,302	1,242	18,148	17,908	20,175	15,539	13,176
Disability-related	73 / 64	68	851	865	944	784	683
Discrimination**	12 / 13	10	98	95	65	68	79

Note: In November, airlines reported 21 tarmac delays of more than three hours on domestic and 12 of more than four hours on international flights; most were due to snow and freezing rain at New York Newark and Kennedy on November 15.

\* Reports per 1,000 passengers.

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

## II. **AIRPORTS**

### 1. **Airport Authority Proposed for Atlanta.**

A bill to establish a state authority to control Hartsfield-Jackson Atlanta International was introduced in the Georgia General Assembly. The airport is owned and operated by the city of Atlanta. Sponsors of the bill say a proposed nine-member Georgia Major Airport Authority would best serve the public welfare of the state for reasons of safety, security, economy and efficiency. City officials and Delta, the airport's largest tenant, are opposed to changes in how the airport is managed. "We'd rather work with the governing structure we currently have," said Delta CEO Ed Bastian.

### 2. **Chicago Airports Set Passenger Records.**

Chicago O'Hare and Midway combined handled more than 105 million passengers in 2018. O'Hare handled over 83.4 million passengers, 4.5% over 2017. Cargo flown through Chicago increased by 5.7%. Renewal projects include an \$8.5 billion plan to expand O'Hare's terminals and a \$400 million Midway Modernization Program.

### 3. **Airlines Plan \$344 Million Renewal of JFK Terminal 8.**

American and British Airways will invest \$344 million in Terminal 8 at New York Kennedy, where they will co-locate in 2022 for their Atlantic Joint Business operations. Improvements will include five new widebody gates, enhanced baggage systems, new lounges and upgraded concessions. British Airways currently operates from Terminal 7. A \$13 billion JFK plan includes construction of two new international terminals. A \$7 billion terminal on the south side will be developed by Lufthansa, Air France, Japan Airlines and Korean. Jet Blue is redeveloping a \$3 billion terminal on the north side and will demolish Terminal 7 and combine it with former Terminal 6, adding 12 international gates. Construction of the new terminals is expected to begin in 2020, with the first new gates opening in 2023.

### 4. **Mineta San Jose Reaches New Record in 2018.**

Mineta San Jose International handled a record 14.3 million passengers in 2018, up 14.7% over 2017, "driven not only by new domestic and international routes, but by substantial increases in passengers traveling on newly-competitive routes, including Cabo San Lucas, and day-time New York-JFK flights," said Director of Aviation John Aitken. Six new boarding gates, among other upgrades, will be added to the Silicon Valley airport in 2019, as more

than 15 million passengers are expected; new routes will include Southwest's Hawaiian service.

**5. Airport Bans Non-Traveling Pets.**

Tampa International strengthened enforcement of non-service animal restrictions, in order to reduce injuries and enhance cleanliness and sanitation. Traveling non-service animals must be confined in a pet carrier or controlled on a leash. Non-service pets that are not traveling are not allowed in the airport. Policies also state that non-service animals are not allowed in any airport restaurant, "in accordance with FDA regulations." Over the past two years, paramedics, police and maintenance staff have responded to more than a dozen injuries to people and pets, and hundreds of facility cleanups due to animals. The policy enforcement was endorsed by the Humane Society of Tampa Bay "as a relief to both service dogs and their owners, as well as a necessary measure to reduce animal incidents such as paw injuries on escalators."

**6. Fraport USA Launches Nashville Operations.**

Fraport USA assumed overall management of concession areas at Nashville International. A 10-year contract signed last summer covers design, construction, lease and management of concession space throughout the four concourses in the passenger terminal. A major airport expansion to be completed by 2023 will result in 133,000 square feet of concession space for over 90 shops, restaurants and service outlets. Fraport is expected to invest some \$17 million dollars in the concession development during the next decade, with further investments to be made by subtenants. Fraport USA also is developer and manager of retail, food and beverage concession areas at Baltimore/Washington, Cleveland, New York Kennedy (JetBlue's Terminal 5), and Pittsburgh. Nashville handled 16 million passengers in 2018, up 13.2% year-on-year. . . . In other news, Fraport and Volocopter are developing concepts for ground infrastructure and operations required for air taxi services at airports, with a focus "on smooth passenger handling and efficient integration into existing transport infrastructure." Volocopter Ports "could link existing urban transportation junctions with one another and provide connections to and from Frankfurt Airport." Via its FraDrones program, Fraport has tested scenarios for using drones for operational purposes. Volocopter's electrically-powered vertical take-off multicopters met requirements of Urban Aerial Mobility in test flights, most notably in Dubai. Based on drone technology, the Volocopter seats two, with quiet and zero-emissions flying.

7. **FAA Approves Start of Commercial Flights at Paine Field.**

FAA approved the start of commercial flights at Paine Field in Everett, Washington, near Seattle. Alaska Airlines and United plan a combined 24 daily departures from the Snohomish County-owned airport, with Alaska beginning service on March 4 and United on March 31. The new terminal is operated by Propeller Airports.

8. **Heathrow, Airlines Agree on Incentive Plan.**

Under a new agreement, if airlines at Heathrow reach global averages for filling aircraft, passenger charges could be reduced by 10-20%, in addition to helping Heathrow meet the government's affordability target for expansion. "With more passengers on each existing flight, Heathrow would be able to spread the development costs of expansion across a larger passenger base—helping to keep airport charges close to 2016 levels in real terms throughout the expansion project."

9. **New Terminal for Addis Ababa.**

Ethiopian Airlines inaugurated a modernization project at Addis Ababa Bole International, which includes an expanded passenger terminal and the largest hotel in Ethiopia. The project was funded by Export-Import Bank of China and built by China Communications Construction Company. The terminal has annual passenger handling capacity of 22 million.



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

#### 1. **White House Updates Aviation Security Strategy.**

“The use of disruptive technologies, such as cyber connectivity and unmanned aircraft in reckless or malicious ways, along with the constant evolution of terrorist threats to manned aviation, requires a fresh, whole-of-community approach,” said the White House, as it issued an updated National Strategy for Aviation Security (NSAS). The framework broadens “the scope of potential threats to, or disruption of, the Aviation Ecosystem beyond the previous more narrow focus on terrorist groups, criminals, and hostile nation states to also include insiders, foreign intelligence activities, and the spread of infectious disease via air travel.” Enhanced domain awareness, anticipatory information collection, layered measures, improved system resilience, and engagement with government and private-sector partners are priorities.

#### 2. **TSA Proclaims Records for 2018.**

A total of 813.8 million passengers and crew members passed through airport checkpoints in 2018, said TSA, a 5.5% increase over 2017. A record 4,239 firearms were discovered in carry-on bags at airports, including Hartsfield-Jackson Atlanta (298; 253 loaded), Dallas/Fort Worth (219; 193 loaded), and Phoenix Sky Harbor (129; 120 loaded). Other prohibited items found in carry-on bags included grenades, fireworks, replica mortar shells, scissors and knives. . . . The TSA PreCheck expedited screening program added nine airlines—Air India, Asiana, China Airlines, Eastern, Elite, EVA, Japan Airlines, TAP Air Portugal and Volaris—bringing total number to 65.

#### 3. **Airbus Reveals Cyber Incident.**

Airbus detected a cyber incident in its commercial aircraft business information systems, which resulted in unauthorized access to some personal data — “mostly professional contact and IT identification details of some Airbus employees in Europe.” The event “is being thoroughly investigated.”

#### 4. **Industry Acting on MH17 Crash Follow-Up Recommendations.**

“Worldwide, airlines are handling the risks associated with overflying conflict zones more deliberately,” concludes a new report published by the Dutch Safety Board, which made 11 recommendations for managing such risks on a global scale in its October 2015 report on the crash of Malaysian Airlines Flight MH17. The Boeing 777 was shot down by a missile over eastern Ukraine in July 2014, killing all 298 people on board. The new report notes the issue has been incorporated into the international Standards and Recommended

Practices, manuals and management systems of organizations including ICAO and IATA. Stakeholders no longer assume that open airspace over a conflict zone actually guarantees safe passage, and some airlines decide more quickly to refrain from overflying specific areas if no clear information is available. Progress has been made on sharing threat-related information. Areas classified as 'high-risk zones' are listed in a 'Conflict Zone Information Bulletin' published by the European Aviation Safety Agency and made available to airlines and passengers worldwide. Rapid Alerts instantly share information about suddenly escalating situations. However, few changes relating to airspace management by nations dealing with armed conflict within their territories have been made, said the safety board, and airlines require more detailed and complex information to perform adequate risk assessments. Information on suddenly escalating and/or new conflicts is another area of continued concern—"the willingness and trust to actively inform other parties about (potential) threats are vital, something that does not come naturally in every region of the world."

**5. Suspected Hijacker Killed on Biman Bangladesh Flight.**

A man attempting to hijack a Biman Bangladesh flight was shot and killed by military commandos after an emergency landing in Chittagong. The Boeing 737-800 was bound for Dubai from Dhaka. All passengers and crew were safely evacuated. An investigation will be performed by the Civil Aviation Authority of Bangladesh, which has suspended personnel involved in airport security for the flight.

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

### **1. Global Ancillary Revenues Reach \$65 Billion in 2018.**

Ancillary revenues totaled an estimated \$65 billion worldwide for 175 airlines in 2018, according to IdeaWorksCompany and CarTrawler. Europe led with \$22.5 billion, followed by Asia/Pacific \$18.8 billion, North America \$16.5 billion, Africa/Middle East \$4.2 billion, and Latin America/Caribbean \$2.8 billion. In 2014, the global total was \$28.5 billion.

### **2. Sabre's Acquisition of Farelogix Delayed.**

Sabre CEO Sean Menke said the Farelogix acquisition has been delayed by DOJ scrutiny and is expected to close mid-year. . . . JetBlue signed a multi-year renewal agreement, subject to final terms, to renew its passenger service system (PSS) with Sabre and implement components of the Sabre Commercial Platform.

### **3. Major GDSs Sign on for Qantas Channel.**

Sabre, Amadeus and Travelport signed new distribution agreements for access to the Qantas Channel, which will come into effect on August 1, and offer “the widest range of Qantas fares, products and information.” Travel agents will be able to offer content sourced from the NDC-enabled Qantas Distribution Platform that is not currently available via traditional indirect booking systems; NDC is IATA’s New Distribution Capability standard. Agencies that don’t register for the Qantas Channel may incur a fee.

### **4. oneworld Rolls Out Digital Convenience for Connecting Flights.**

Customers taking connecting flights on any oneworld partner will be able to check-in, obtain an e-boarding pass, receive flight information and updates, and track baggage, with “carrierconnect.” More than eight million passengers a year make journeys that involve connections among oneworld member airlines. The new digital capability, when fully rolled out, means they will be able to use their preferred member airline app and/or website, without having to download an additional app or enter more log-in credentials. Cathay Pacific and Qatar are the first oneworld members to enable customers to use the technology to check-in and receive boarding passes for connecting flights. Services to be added in the future include seat selection, the ability to pay for ancillaries, and locations of lounges and priority security lanes.

**5. Etihad, Microsoft to Launch Region's First AI Academy.**

Etihad announced a strategic partnership with Microsoft to launch the first in-house AI Academy in the region, “which will revolutionize the way the airline serves its customers by upskilling its workforce, optimizing operations and creating alternate revenue streams.” All Etihad employees will be given access to an online training program and instructor-led classes. Microsoft specialists will also conduct workshops and technical lab sessions to help identify business challenges.

**6. ICAO Signs MOU to Explore Digital Identity Management.**

ICAO signed a Memorandum of Understanding with the Internet Corporation for Assigned Names and Numbers (ICANN) for promoting cooperation in technology development within aviation systems. “Identity management is critical to the safety and security of air operations when it comes to digital communications,” said ICAO Secretary General Fang Liu, “and ICAO is eager to explore the potential of how our agency can serve as a digital identity trust-broker for global air transport.” ICANN is “a non-profit organization which oversees maintenance and procedures of databases essential to the Internet’s stable and secure operation.”

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on February 8 was \$77.75/barrel, up 4.1% on the month and down 1.1% compared to a year ago, reports IATA. Jet fuel price average for 2019 was \$76.60/barrel.

### 2. **EU-Wide Aviation Tax Considered.**

EU finance ministers supported a plan by Dutch Secretary of State for Finance Menno Snel to develop an EU-wide aviation tax to help reduce carbon emissions. Snel said a tax would dissuade consumers from using low-cost airlines to “fly for a weekend with some friends all around Europe, when we could do it with the train.” The tax could complement programs like the EU Emissions Trading System (ETS) and ICAO’s Carbon Offsetting and Reduction Scheme for International Aviation (CORSA).

### 3. **UK Committee on Climate Change Targets Aviation.**

The UK Committee on Climate Change (CCC) called for a stronger 2050 UK climate change target, in line with the Paris Agreement, which would require more effort to reduce emissions from all sectors, including aviation. CCC Chairman Lord Deben, in a letter to Transport Secretary Chris Grayling, said the effort should include new technologies and aircraft designs, improved airspace management and steps to limit growth in demand. “In the absence of a true zero-carbon plane, demand cannot continue to grow unfettered over the long-term,” wrote Deben. “Government should not plan for high levels of biofuel use in aviation in the long-term, given uncertainty about sustainable biomass supply and cost-effectiveness,” he added. The CCC welcomes “the commitment to negotiate in the ICAO”; however, CORSA “will need to be based on robust rules that deliver genuine emission reductions. A new long-term objective would provide a strong and early signal to incentivize the investment in new, cleaner, technologies that will be required for the sector to play its role in meeting long-term targets . . . particularly important in aviation given the long lifetimes of assets.”

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

### **1. Infrastructure Hearing on Airport Investment.**

The House Transportation Committee held its first hearing of the 116th Congress: “The Cost of Doing Nothing: Why Investing in our Nation’s Infrastructure Cannot Wait.” Chairman Peter DeFazio (D-OR) noted that the latest capital needs survey by Airports Council International estimates that, over the next five years, U.S. airports will require total investment of \$100 billion. Passenger terminals, many of which were constructed in the 1960s or 1970s, are outdated and cannot accommodate expected passenger growth; and airports do not have the gates necessary to accommodate current traffic or new service. Federal investment in infrastructure, as a share of total investment, has steadily declined in the last 15 years. The Passenger Facility Charge has been capped for 20 years.

### **2. Aviation Funding Stability Act Introduced in House.**

The House Aviation Subcommittee heard testimony from major aviation organizations regarding the 35-day federal government shutdown. “I want to ensure this Subcommittee creates the public record of shutdown impacts on the aviation and aerospace industry,” said Chair Rick Larsen (D-WA), and “build the case for H.R. 1108, the ‘Aviation Funding Stability Act of 2019.’” Larsen noted that FAA furloughs “delayed implementation of last year’s FAA authorization, “which in turn delays the oversight mission of this Subcommittee.” . . . H.R. 1108 would ensure that all FAA programs function without interruption and all FAA employees remain at work and paid during government shutdowns. It would authorize FAA to continue to draw from the Airport and Airway Trust Fund (AATF) during a lapse, with no General Fund contributions. “The AATF generates enough revenue from the domestic passenger ticket tax, commercial fuel tax, general aviation gasoline tax, and cargo tax, among other sources, to sustain all agency programs without a General Fund contribution,” said bill sponsors DeFazio and Larsen. Industry supports the bill. “The impacts of another government shutdown on the aviation industry are not tolerable,” said Airlines for America (A4A); “the pressures and strains are not sustainable.”

### **3. DeFazio Addresses Aero Club of Washington.**

DeFazio was cheered when he told the Aero Club of Washington that H.R. 1108 had just been introduced. In an overview of his plans for the House Transportation Committee, he addressed the need to regulate domestic airlines in areas such as safe seat size. He supports raising the Passenger

Facility Charge to help pay for airport modernization. He wants Congress to re-visit the flag of convenience issue, which, according to some U.S. major carriers and unions, allows foreign airlines to operate from countries where labor is cheaper; IATA and others stalled a bill banning such operations, saying it was anti-competitive and antithetical to Open Skies agreements. DeFazio expressed concern about increased drone sightings near airports and promised vigorous oversight, as well as support for the drone industry.

**4. Bill Would Prevent Diversion of Security Fees.**

Legislation to eliminate diversion of airline passenger security fees to pay for unrelated government spending was introduced by DeFazio and House Homeland Security Committee Chairman Bennie Thompson (D-MS) and John Katko (R-NY). Ed Markey (D-MA) and Richard Blumenthal (D-CT) introduced companion legislation in the Senate. The Funding for Aviation Screeners and Threat Elimination Restoration (FASTER) Act would ensure that passenger security fees go solely towards aviation security. H.R. 1171 would also give TSA access to September 11 Security Fee revenue during a lapse in appropriations, providing flexibility to pay Transportation Security Officers in the event of a future shutdown.

**5. Senators Call for FAA Safety Probe.**

Following a CBS News report that airlines are pressuring mechanics to ignore safety issues and short-cut critical work, Senators Ed Markey and Richard Blumenthal, in a letter to Acting FAA Administrator Daniel Elwell, asked specific questions about if and how the agency is investigating and responding to the report, with answers due by March 5. During the eight-month investigation, CBS interviewed 26 mechanics, two thirds from American and the rest from Southwest. FAA told CBS it investigates all allegations of safety standards violations, regardless of the source, and is involved in investigations related to both American and Southwest. "If those safety allegations are substantiated, we will take swift and appropriate action." Both airlines are in contract negotiations with mechanics.

**6. Bill Would Require Installation of Secondary Cockpit Barriers.**

Legislation that would require installation of secondary cockpit barriers on most commercial aircraft was reintroduced in the House; elements were included in the FAA Reauthorization Act of 2018 as an amendment requiring that a secondary barrier be installed on all newly manufactured aircraft. The Saracini Enhanced Aviation Safety Act of 2019 would require retrofit of a secondary barrier on all existing aircraft, so current fleets are held to the same standard of safety as newly manufactured aircraft. H.R. 911 "mandates inexpensive, lightweight wire-mesh gates to be installed on existing aircraft

between the passenger cabin and the cockpit door that would block access to the flight deck whenever the cockpit door is opened during flight.” The bipartisan bill is named in honor of Captain Victor Saracini, who was killed when his hijacked plane was flown into the South Tower of the World Trade Center in the September 11, 2001 attacks. An FAA study concluded that “vulnerability of the flight deck is real during door transition and that secondary barriers are safe, cost-effective (\$5,000-\$12,000 per aircraft), and the most efficient way to protect the cockpit,” said bill’s sponsors include Representatives Brian Fitzpatrick (R-PA), Josh Gottheimer (D-NJ), André Carson (D-IN), and Peter King (R-NY).



## VII. BILATERAL AND STATE DEPARTMENT NEWS

### 1. EU, UK Plan for No-Deal Brexit for Air Transport.

The EU Council and the European Parliament agreed on a proposal which, if no deal is reached on Brexit by March 29, enables UK-licensed carriers to provide basic air transport services between the UK and EU states, subject to equivalent rights being conferred by the UK and to conditions ensuring fair competition. A provision ensures the right to continue to provide scheduled flights under public service obligations until October 26, 2019, while national authorities make necessary adaptations to the new situation. Limited code sharing and aircraft leasing arrangements, including wet lease, will be allowed under certain conditions. If an air carrier holding an operating license issued by an EU member state ceases to comply with EU ownership and control requirements, it will have until October 26, 2019 to fully meet those requirements. The regulation would apply until an air transport agreement with the UK enters into force or March 30, 2020, whichever is the sooner. The agreement was submitted for approval by member states. . . . International Consolidated Airlines Group (IAG) will limit non-EU shareholders to a combined stake of 47.5% in the group (British Airways, Iberia, Vueling, Aer Lingus) to comply with EU ownership and control requirements. . . . Existing aviation security regulations and procedures will be retained in the event of a no-deal Brexit, said the UK Department for Transport. The EU has stated that it intends to recognize the UK aviation security regime and include it in the One Stop Security system for passengers and cargo. Security screening requirements for all direct passenger flights to and from the UK will remain as they are today. Passengers flying from the UK will continue to be able to transfer at an EU airport for an onward flight without rescreening. The UK will not require new cargo security designations for carriers from EU airports; the EU intends to recognize the UK cargo security regime as equivalent and allow cargo to continue to fly into the EU from the UK without a security designation. The UK will operate a separate UK-only inbound cargo regime, which will mirror the EU scheme. The UK intends to grant security designations for cargo that mirror those that exist within the EU for cargo flying into the UK from non-EU countries. . . . A World Travel & Tourism Council analysis finds that 300,000 jobs could be at risk in the UK and almost 400,000 in Europe, in the event of a no-deal Brexit. The sector contributes more than €1.5 trillion to EU GDP and supports 27.3 million jobs (11.7% of total). In the UK, the sector contributes £213.8 billion to GDP (10.5% of total) and supports four million jobs. If an International Monetary Fund (IMF) prediction on the wider economy is realized, there would be a total cost across Europe of over £40 billion. To minimize the impact, said WTTC, the UK should continue to have access to

the Single Aviation Market; visa-free travel between the UK and EU should be maintained and the movement of people should be as seamless as possible; mobility of labor for Travel & Tourism employees across the UK and EU should continue; and security cooperation to avoid hard border checks and lengthy delays is paramount.

**2. Qatar, EU Reach Comprehensive Air Transport Agreement.**

The European Union and Qatar concluded negotiations for a Comprehensive Air Transport Agreement, the first between the EU and a Gulf Cooperation Council (GCC) member state. All air carriers from EU member states and Qatar now have unlimited and unrestricted access to their respective territories. The parties agreed to articles on fair competition, environment, consumer protection, social aspects and transparency, as well as the inclusion of a doing-business provision, which exempts EU carriers from the obligation to hire a local General Sales Agent in Qatar. The agreement demonstrates that Qatar remains a leader on the global stage “despite ongoing intra-regional geopolitical tensions due to the illegal blockade imposed on the nation,” said Qatar Airways.

## VIII. EUROPE AND AFRICA

### 1. Air France-KLM Forms Group CEO Committee.

The Air France-KLM board recommended renewal of KLM CEO Pieter Elbers' contract. A new Group CEO Committee chaired by Air France-KLM CEO Ben Smith and including Elbers, Air France CEO Anne Rigail and AF-KLM CFO Frederic Gagey was formed to "increase collaboration across the Group to better capture synergies." Elbers and Rigail were appointed Air France-KLM Deputy CEOs. Air France-KLM carried more than 100 million passengers in 2018 and saw revenue growth in all business segments, with a double-digit increase at Transavia. . . . Air France signed a new agreement with pilots' union SNPL, after a year of conflict and strikes; "Air France-KLM is now in a position to begin implementing more ambitious plans and winning back its European leadership position," said Smith. . . . HOP! has been renamed Air France HOP "to provide greater clarity for customers and more consistency with the group's global commercial offer." Smith said the Group "relies on two strong brands, Air France and KLM, which both have regional variations with Air France HOP and KLM Cityhopper, and offers its customers low-cost services with the Transavia brand, present in France and the Netherlands." . . . The Dutch government will take a 12.7% stake in Air France-KLM, said Dutch Finance Minister Wopke Hoekstra, with plans for another increase to match the 14% held by France. Hoekstra said the investment will enable the Dutch to exercise more influence in the company.

### 2. Virgin Atlantic to Acquire Flybe.

Flybe has been acquired by Connect Airways, a consortium comprised of Virgin Atlantic, Stobart Group and Cyrus Capital. A late offer by U.S. regional Mesa Air was rejected. Flybe, which, according to its website, carries 8 million passengers a year between 81 airports across the UK and Europe, continues to operate normally and is expected to be rebranded as Virgin Atlantic eventually.

### 3. FlyBMI Suspends Operations, Files for Bankruptcy Protection.

British Midland International (BMI), doing business as FlyBMI, abruptly suspended all operations and filed for bankruptcy protection. Flybmi is owned by Airline Investments Ltd, which also owns Loganair. "Rising fuel and carbon costs coupled with the uncertainty, unfairness and challenges surrounding Brexit has led to the airline ceasing all operations," said European Regions Airline Association (ERA). "The challenges caused by Brexit are unsurmountable and as this shows, airlines have not had time to prepare, plan

and react. . . ERA believes this current airline failure is only the beginning if we do not resolve the uncertainty surrounding the Brexit agreement.”

**4. Norwegian Air Sweden Wins Rights for U.S. Flights.**

DOT granted Norwegian Air Sweden permission to fly to and from the United States; the Norwegian subsidiary received a Swedish Air Operator Certificate in December. . . . Norwegian will introduce new nonstop summer service from New York Kennedy to Athens, and Chicago to Barcelona. . . . The company reported a \$170 million net loss in 2018, and plans “an extensive cost reduction program, an optimized route portfolio and sale of aircraft.”

**5. Athens Spirit Airlines Applies for Greek AOC.**

Athens Spirit Airlines applied for an AOC with the Hellenic Civil Aviation Authority and hopes to begin domestic and international services in April with a fleet of six aircraft, reportedly four Airbus A319s and two A340s. The startup is headed by Vassilis Dorizas, executive at Olympic Airways and a founder of Sky Greece Airlines, both defunct. . . . Star carrier Aegean, meanwhile, plans to increase capacity this year, reaching 10.3 million seats in the international network and 17.7 million seats in total. . . . Greece welcomed a record 33 million international visitors in 2018, said Tourism Minister Elena Kountoura, and revenues in the sector exceeded €16 billion euros. Expected challenges ahead include Brexit turmoil and competition from subsidized non-EU carriers.

**6. Airbus to Halt Production of A380.**

As Emirates elected to reduce its A380 orderbook from 162 to 123 aircraft, Airbus announced it will cease deliveries of the superjumbo in 2021. “We have no substantial A380 backlog and hence no basis to sustain production, despite all our sales efforts with other airlines in recent years,” said Airbus CEO Tom Enders; but “A380s will still roam the skies for many years to come and Airbus will of course continue to fully support the A380 operators.” A potential impact of 3,000 to 3,500 positions is expected, but, said Enders, “the ongoing A320 ramp-up and the new widebody order from Emirates Airline will offer a significant number of internal mobility opportunities”; Emirates has ordered 40 A330-900s and 30 A350-900s. . . . Etihad Airways has agreed with Airbus and Boeing to restructure its orders.

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

### **1. Paul Scurrah to Succeed Borghetti as Virgin Australia Group CEO.**

Paul Scurrah will succeed John Borghetti as Virgin Australia Group CEO and Managing Director, effective March 25. Scurrah previously was CEO at DP World Australia and Queensland Rail and held executive positions at Aurizon, Flight Centre and Tourism Queensland.

### **2. Qantas Acquires Stake in Alliance Airlines.**

Qantas Group acquired a 19.9% stake in Alliance Airlines for \$60 million, with a longer-term goal of taking a majority position “to better serve the charter market by unlocking synergies.” Virgin Australia expressed significant concern about the potential impact to competition in the domestic market. Alliance provides regional services for Qantas and Virgin Australia.

### **3. OAG: U.S.-China Air Traffic Market Cools.**

“The U.S.-China aviation market has stagnated,” reports OAG. Airlines have been adding four to eight new routes each year for at least the last five years, many between secondary Chinese cities and the U.S., and often operated by Chinese carriers as U.S. airlines have found it harder to make these routes work for them. “With little appetite to expand air services by the Americans, future growth may need to lie with the Chinese airlines,” says OAG. Despite a slowing economy, China still enjoys growth of 6.3%, compared to 2.7% for the U.S. this year. Chinese travelers seem to be driving current market dynamics; for November 2018, U.S. point of origin passengers made up 57% of all bookings, up by 3.3%, while those with a Chinese point of origin were down by 4.4%. “While the industry rule of thumb which links air traffic growth to economic growth mostly holds good, politics can throw a spanner in the works,” said OAG, referring to U.S.-China trade difficulties.

### **4. Boeing Forecasts \$745 Billion Middle East Aviation Services Market.**

The Middle East will drive more than 8% of global demand for aviation services, representing \$745 billion, and growing at a projected 4.6% annually through 2037, reports Boeing. Nearly 218,000 new personnel (60,000 pilots, 63,000 technicians, 95,000 cabin crew) will be needed. Boeing's Middle East Perspective forecasts demand for nearly 3,000 new commercial airplanes over the next 20 years, more than tripling the existing fleet.

## X. AMERICAS

### 1. Airlines to Add New Gender Options for Passengers.

A new standard for non-binary passengers—those who do not identify as ‘male’ or ‘female’—has been approved by airlines, effective June 1, but is not mandatory. New gender options to be available during the booking process will include ‘unspecified’ and ‘undisclosed.’ A4A and IATA say the change enables compliance with U.S. and foreign laws requiring passenger information to align with the gender on government-issued IDs. Several states allow a nonbinary choice on driver licenses and other ID.

### 2. Fred Reid Named Airbnb Global Head of Transportation.

Airline industry veteran Fred Reid was named Global Head of Transportation at Airbnb, which is “building an end-to-end travel platform that combines where you stay, what you do, and how you get there.” Reid was founding CEO of Virgin America; President of Delta, Lufthansa and Flexjet; and helped form the SkyTeam and Star Alliance. Most recently, he was President of Cora Aircraft Program, an autonomous electric vertical takeoff and landing aircraft. Airbnb CEO Brian Chesky said he is “not interested in building our own airline or creating just another place on the Internet where you can buy a plane ticket, but there is a tremendous opportunity to improve the transportation experience for everyone.”

### 3. Alaska Air to Appeal Virgin America Flight Attendant Suit.

A U.S. District Court in California ordered Alaska Airlines to pay \$78 million in a class-action lawsuit on behalf of flight attendants who alleged violation of state and city labor and wage laws while they worked for Virgin America, reports the Seattle Times. Alaska, which acquired Virgin in December 2016, plans to appeal.

### 4. Southern Airways Acquires Mokulele Airlines.

Southern Airways acquired Hawaiian-based Mokulele Airlines from Transpac Aviation. Mokulele serves 11 cities with 15 aircraft. Southern intends to keep the Mokulele brand “alive and well in the Hawaiian Islands.” Founded in 2013, Southern also has acquired charter Executive Express Aviation and commuter Sun Air Express. Southern has interline agreements with American and Condor, and Mokulele with Alaska and Air New Zealand. “Expanding those partnerships to include multiple national and global carriers will be the focus post-integration,” said Southern Chairman and CEO Stan Little.

5. **Norwegian Air Sweden Wins Rights for U.S. Flights.**

See Section VIII, item 4.

6. **OAG: U.S.-China Air Traffic Market Cools.**

See Section IX, item 3.