



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. **IATA: Solid Passenger Demand Growth in April.**

Global passenger demand (revenue passenger kilometers) rose by 4.3% in April 2019, compared to April 2018, reports the International Air Transport Association (IATA). April capacity (available seat kilometers) increased by 3.6%, and load factor climbed 0.6% to 82.8%. Africa, Europe and Latin America posted record load factors. International passenger demand rose 5.1% over April 2018. All regions recorded year-over-year traffic increases, led by airlines in Europe. Total capacity rose 3.8%, and load factor 1.1% to 82.5%. Domestic demand rose 2.8% over April 2018, down from 4.1% growth in March year-over-year. The slowing trend is driven primarily by developments in China and India. China's domestic traffic increased 3.4% in April, up from 2.8% in March, but below the 2016-2018 period when growth averaged 12%, reflecting the impact of the U.S.-China trade dispute and softening in economic indicators. India's airlines' traffic fell 0.5% year-over-year, due to the shut-down of Jet Airways; this marked the first time in six years that monthly domestic traffic declined compared to the year-ago period. Total passenger traffic market share by region: Asia-Pacific 34.4%, Europe 26.7%, North America 22.5%, Middle East 9.2%, Latin America 5.1%, and Africa 2.1%. . . . Global air freight demand, measured in freight tonne kilometers (FTK), fell 4.7% in April, compared to same period last year, continuing the negative year-on-year trend that began in January. Capacity, measured in available freight tonne kilometers, grew by 2.6% year-on-year. Capacity growth has outpaced demand for the last 12 months. Air cargo volumes are 3% below the August 2018 peak. Export orders have increased month-on-month only three times in the past 15 months and the global measure has indicated negative export demand since September. Total freight traffic market share by region in terms of FTK: Asia-Pacific 35.4%, Europe 23.4%, North America 23.7%, Middle East 13.3%, Latin America 2.6%, and Africa 1.7%.

2. **Boeing 737 MAX Update.**

The U.S. Federal Aviation Administration (FAA) met in Fort Worth with representatives of international aviation authorities to review Boeing 737 MAX issues, including: how FAA responded to the two MAX accidents and is supporting the investigations; how FAA plans to certify Boeing's Maneuvering Characteristics Augmentation System (MCAS) changes; how it is sharing information with international regulators; details of Boeing's proposed changes to the flight control system and pilot training; and technical steps and sequence of events involved in returning the MAX to service in the United

States. . . . The European Aviation Safety Agency said it will conduct an independent design review of the MAX. Chinese authorities indicated they will evaluate changes in design and training based on Indonesian and Ethiopian accident investigation results. . . . IATA prefers that a single regulator determine airworthiness to avoid useless complexity and additional costs, said Managing Director Alexandre de Juniac. He urged strong cooperation among certification authorities, schedule alignment to avoid discrepancies and disruptions, and transparency to restore passenger confidence. IATA held a meeting in Montreal with MAX operators and plans another meeting with airlines, regulators and Boeing. . . . Boeing completed development of the updated software and simulator testing, and as of May 16 had flown the MAX with updated MCAS software for more than 360 hours on 207 flights. Boeing has developed enhanced training and education materials, under review with FAA, global regulators and airlines, and is holding regional customer conferences around the world. . . . The Joint Authorities Technical Review (JATR) team held its first meeting. Comprised of technical safety experts from NASA and nine civil aviation authorities, including FAA, the team is reviewing the FAA Certification/Organization Designation Authorization program associated with the MAX, regulations, compliance and training and will report findings and provide recommendations for improvement. Christopher Hart, a former National Transportation Safety Board (NTSB) Chairman, is the JATR Chairman.

3. DOT Tentatively Allocates New Tokyo Haneda Daytime Slots.

The U.S. Department of Transportation (DOT) tentatively allocated 12 available daytime Tokyo Haneda slots to: American (Dallas/Fort Worth, Los Angeles); Delta (Seattle, Detroit, Atlanta, Portland, Honolulu); Hawaiian (Honolulu); and United (Newark, Chicago O’Hare, Washington Dulles, Los Angeles). In January 2019, U.S. and Japanese delegations tentatively committed to amending the U.S.-Japan aviation agreement to provide for up to 12 additional daytime opportunities for U.S.-carrier operations at Haneda. DOT expects the amendment to enter into force in time to permit the newly available U.S.-carrier services to begin with the start of the 2020 summer traffic season and in time for the 2020 Summer Olympics in Tokyo.

4. Costa Rica Assigned Category 2 Safety Rating.

FAA announced that Costa Rica does not comply with International Civil Aviation Organization (ICAO) safety standards and has been assigned a Category 2 rating based on a reassessment of the country’s civil aviation authority. A Category 2 International Aviation Safety Assessment (IASA) rating means the country either lacks laws or regulations necessary to oversee air carriers in accordance with minimum international standards, or its civil

aviation authority is deficient in areas, such as technical expertise, trained personnel, record-keeping, or inspection procedures. With a Category 2 rating, Costa Rica’s carriers can continue existing service to the United States but will not be allowed to establish new service.

5. DOT Air Travel Consumer Report for February.

Based on data filed by U.S. scheduled carriers.

	Feb. '19 / '18	Jan. '19	2018	2017	2016	2015	2014
On-time arrivals %	73.8 / 78.9	78.4	79.4	80.2	81.4	79.9	76.2
Cancellations %	3.1 / 1.9	3.1	1.6	1.5	1.2	1.5	2.2
Mishandled baggage*	N/A	N/A	2.78	2.41	2.70	3.13	3.61
Consumer complaints:							
Airline service	1,067 / 1,047	878	15,541	18,156	17,908	20,175	15,539
Disability-related	59 / 53	48	828	850	865	944	784
Discrimination**	14 / 5	7	96	98	95	65	68

Note: In February 2019, airlines reported 16 tarmac delays of more than three hours on domestic flights, during a major snowstorm at Seattle. There were no international flights with tarmac times of more than four hours in February.

* DOT plans to publish revised 2019 mishandled baggage data in May.

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

II. AIRPORTS

1. Dallas Fort Worth, American Plan Sixth Terminal.

Dallas Fort Worth International and American Airlines plan to develop a sixth terminal, with the airport investing up to \$3.5 billion in construction of Terminal F, to open as soon as 2025, and upgrades to Terminal C. A site south of Terminal D provides flexibility for phasing in up to 24 gates at Terminal F as needed. Investment is expected to be financed by bonds and repaid through airline rates and charges over the life of the bonds. . . . American opened 15 new gates in the Terminal E satellite, supporting 100 daily regional flights for American Eagle. The renovated space includes refreshed ticket counters and gate areas as well as new ramp lighting, moving walkways, elevators and escalators. American will open six mainline gates at Terminal B in June with new destinations to include Dublin and Munich.

2. Amazon Breaks Ground on CVG Cargo Hub.

Amazon broke ground on a \$1.5 billion, 1,100-acre cargo hub at Cincinnati/Northern Kentucky International (CVG), where it plans to operate up to 32 aircraft on up to 64 daily flights. The current Amazon Air fleet is leased from and operated by Air Transport Services Group (ATSG) and Atlas Air subsidiaries.

3. DOT Awards \$779 Million for Airport Infrastructure.

DOT will award \$779 million in supplemental funding for infrastructure grants to 127 airports in all 50 states and Puerto Rico, with priority consideration given to smaller and more rural airports. This funding is in addition to \$3.31 billion awarded in Airport Improvement Program (AIP) funding during fiscal year 2018, and \$205 million awarded in the first tranche of supplemental AIP funding in September 2018. Projects include runway reconstruction and rehabilitation, and maintenance of taxiways, aprons, and terminals.

4. Funds Approved for New Concourse at Honolulu.

Hawaii's legislature passed a capital improvement project budget that includes \$170 million (FY20) for a new concourse at Daniel K. Inouye International Airport in Honolulu, and \$172 million (FY20) and \$275 million (FY21) for airfield improvements at airports statewide.

5. Fraport Raises Stake in Lima Airport to 80%.

Fraport acquired another 10% share of Lima Airport Partners (LAP), bringing its total stake to 80.01%. A planned expansion program for Jorge Chavez

International Airport Lima includes a second runway, a new passenger terminal and related facilities and infrastructure. LAP's concession to operate and manage Lima began in 2001, when the airport served 4.1 million passengers. In 2018, Lima Airport handled 22.1 million passengers.

6. UK High Court Dismisses Challenges Against Heathrow Expansion.

The UK High Court dismissed legal challenges by environmentalists opposed to a third runway at Heathrow. Statutory consultation on Heathrow expansion plans will take place from June 18 to September 13.

7. VINCI Completes Acquisition of Majority Stake in Gatwick.

VINCI Airports completed the acquisition of a 50.01% stake in London Gatwick. Global Infrastructure Partners (GIP) will continue to manage the remaining 49.99%. California Public Employees' Retirement System, as part of the GIP-managed interest, will retain 9.99%. "The airport's ambitious plans for the future remain, with a further £1.1 billion Capital Investment Program set to deliver a range of passenger improvements by 2023," said officials. Stewart Wingate will remain CEO of Gatwick. VINCI Airports' network handled 240 million passengers in 2018, including Gatwick traffic.

8. Israel's New Ramon Airport to Handle 2 Million Passengers Per Year.

Israel's new Ramon Airport, near the Red Sea resort city of Eilat, is handling domestic flights from Tel Aviv and Haifa, as well as flights from Europe that previously used Eilat's Ovda Airport. Ramon is expected to handle 2 million passengers per year, with expansion capacity for up to 4.2 million passengers by 2030.

III. SECURITY AND DATA PRIVACY

1. Industry Reacts to DHS Plan to Divert Airport Workers to Border.

After learning of an Administration plan to divert Customs and Border Protection (CBP) workers from land, sea and airports to the southern U.S. border to help with migrant inflows, industry associations urged Senate leaders to support a request for emergency funding to support CBP officer staffing and overtime at U.S. airport and other operations. “The traveling and shipping public should not be subjected to excessive wait times, and we need to avoid inflicting damage on commerce and the overall U.S. economy, wrote Airlines for America, Airports Council International, American Association of Airport Executives, Global Business Travel Association, International Air Transport Association and U.S. Travel Association.

2. Light Emitting Sensor Fingerprint Scanners in Use at Airports.

CBP has purchased mobile fingerprint sensors for deployment to U.S. air, land and sea ports of entry. Many are already in operation at the busiest U.S. airports, including Atlanta, Chicago, Dulles, Los Angeles and Miami. The Kojak Light Emitting Sensor (LES) scanner will replace glass-prism technology. “LES fingerprint technology avoids racial bias found in facial recognition software,” said manufacturer Integrated Biometrics; “every finger is blue.”

3. ICAO Cyberattack Leaves Airlines Vulnerable.

A Canadian Broadcasting Corporation report revealed that a November 2016 cyberattack compromised the International Civil Aviation Organization’s IT system. “Since ICAO is the gateway to everyone in the aviation industry, the hacker could access personnel records of past and current employees, medical records of those who had used ICAO’s health clinic, financial transaction records and the personal information of anyone who had visited the ICAO building or registered on an ICAO website,” said the report. ICAO’s corporate response was that the reports were “over-exaggerated” and a “cover-up” ensued, Thomas Carter, U.S. Ambassador to ICAO, told the International Aviation Club of Washington; two independent forensic investigations proved the systems were totally exposed by a foreign state actor, that Ambassador Carter identified as China in four hacks. The Council has recommended steps toward determining if there is still malware within ICAO’s domain.

IV. TECHNOLOGY AND EQUIPMENT

1. Azul Receives First A330neo in the Americas.

The first Airbus A330neo in the Americas was delivered to Azul Linhas Aéreas on lease from Avolon. The Brazilian carrier serves 108 destinations in South America, the U.S. and Portugal. The aircraft is the first of 15 A330neo ordered by Avolon. . . . Airbus is celebrating its 50th anniversary. At the Paris Air show in 1969, the French Minister of Transport and the German Minister of Economic Affairs signed an agreement for joint development of the A300 the first Airbus aircraft type, a twin-aisle twin-engine jet for medium-haul air travel. Looking ahead, Airbus innovations include “pioneering electric flight to reduce emissions, digitizing aerospace design, and developing new urban air mobility options.”

2. Gogo to Launch 5G Network in 2021.

Gogo is the first inflight connectivity provider to announce 5G for aviation and expects an air-to-ground network to be available in 2021. Gogo 5G will be designed for use on business aircraft, commercial regional jets and smaller mainline jets operating within the contiguous United States and Canada.

3. Amadeus is Global Distribution Provider for Travix.

Amadeus and global online travel agency Travix enhanced their partnership with an agreement that will see Amadeus become Travix’s global distribution partner. Travix’s websites and travel operators in over 50 markets will have greater access to content offered by the Amadeus Travel Platform. Travix has been a driver customer of Amadeus’ new distribution capability program, NDC-X; live NDC bookings have been in production since November last year through Amadeus’ Web Services solution.

4. Amazon Launches Flight Booking in India.

Amazon introduced flight search and booking on the Amazon Pay section of its India website, with cash back offers for Prime customers. Powered by India-based online travel agency Cleartrip, the site allows users to book domestic flights on carriers such as AirAsia, IndiGo, Air India and GoAir.

5. Viasat, China Satcom Partner to Bring IFC to China.

Viasat and China Satcom will jointly provide in-flight connectivity (IFC) services within China for domestic and international airlines, enabling Viasat’s global airline customers to have roaming connectivity when flying over China, providing IFC service to domestic flights within China, and enabling Chinese

airlines to roam onto Viasat's global network. China Satcom, a licensed telecommunications service provider in China, owns and operates the Ka-band spotbeam satellite system, the only Ka-band system available for IFC service in the country. About 4% of flights within China are connected today.

6. Bombardier Aviation Launched.

Bombardier intends to consolidate aerospace operations under one brand, Bombardier Aviation, and divest Belfast and Morocco businesses. The new unit will be led by David Coleal. "Consolidation will simplify and better focus our organization on our leading brands, Global, Challenger, Learjet and the CRJ," said Alain Bellemare, President and CEO of Bombardier Inc. "We will focus our aerostructures activities around our core capabilities in Montreal, Mexico and our newly acquired Global 7500 wing operations in Texas."

7. Mitsubishi Aircraft Opens U.S. Headquarters.

Mitsubishi Aircraft opened a new U.S. headquarters in Renton, Washington. The company is conducting MRJ90 certification flight tests at its global flight test center in Moses Lake, WA, as the program progresses toward type certification and 2020 first delivery to launch customer ANA.

8. Prototype Maglev Train Can Reach 600 Km/H.

A prototype magnetic levitation train with maximum speed of 600 kilometers per hour (373 mph) was unveiled by China Railway Rolling Stock unit Qingdao Sifang. Following extensive testing, it goes into commercial production in 2021, reports China Daily, and could narrow the gap between high-speed rail and air travel. A Japanese maglev reached 603 km/h on an experimental track in 2015, and Japan plans to put 500 km/h maglev trains into operation by 2027. The world's first maglev line was launched in Shanghai in 2002, connecting a subway station to Shanghai Pudong. Compared with standard bullet trains, advantages of high-speed maglev trains include reduced noise and vibration, larger passenger capacity and lower maintenance costs.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on May 10 was \$84.97/barrel, up 0.5% on the month and down 7.8% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2019 was \$80.8/barrel. Impact on 2019 fuel bill was down \$5.3 billion.

2. **Noise Remains Significant Problem for Airports.**

“Aircraft noise is the most significant cause of adverse community reaction related to airports’ license to operate and grow,” said ACI World Director General Angela Gittens, in a speech at the Air Transport Action Group (ATAG) Global Sustainable Aviation Forum in Montreal. “New challenges are arising [and] while ACI supports the development of new technology, noise and emissions standards for supersonics must be stringent enough that they do not compromise the work that airports and the industry have been doing for decades.” For new airport projects, Gittens suggested beginning community engagement early in the process, transparent communication, knowing the community because no two airports are alike, a tailored engagement plan, and going well beyond the minimum requirements. . . . ATAG Executive Director Michael Gill called for accelerated work to bring about a genuine transition away from fossil fuels toward sustainable energy sources. Nearly 180,000 commercial flights have been made on sustainable aviation fuel, usually produced from waste resources, he said. “The next few years will see sustainable fuel production commence at a number of new facilities currently under construction or financing.”

3. **Airbus, SAS Sign Hybrid and Electric Aircraft Research Agreement.**

Airbus and SAS signed a Memorandum of Understanding for hybrid and electric aircraft eco-system and infrastructure requirements research. The collaboration begins in June and will continue through 2020. Airbus is building technology demonstrators and testing innovative hybrid propulsion systems, subsystems and components to address long-term efficiency goals for building and operating electric aircraft.

VI. U.S. CONGRESS

1. Congress Probes Boeing 737 MAX Issues.

The “Status of the Boeing 737 MAX” was discussed at a House Aviation Subcommittee hearing. NTSB Chairman Robert Sumwalt summarized what is known to date about the Lion Air and Ethiopian accidents and ongoing investigations into probable cause. Pilot training, optional safety features, and FAA Certification/Organization Designation Authorization were addressed. “Restoring public confidence and trust in the FAA’s decision-making and in the safety of Boeing’s airplanes will be critical to the restoration of the MAX to revenue service,” said Peter DeFazio (D-Ore.), Chairman of the House Committee on Transportation and Infrastructure, adding that this was the first in a series of hearings. “I assure you that we are monitoring the FAA’s decisions at every turn, and we will go as far as the investigation takes us.” . . . In the Senate, Commerce Committee Chairman Roger Wicker (R-Miss.) said FAA had responded to the Committee’s investigation into potential deficiencies in training and certification of agency personnel and “acknowledged the need to reform some of its policies and procedures.” . . . Separately, in a speech to the Aviation Insurance Association, FAA Acting Administrator Dan Elwell said, “The facts are these: It took five years to certify the 737 Max. Boeing applied for certification in January 2012. The certification was completed in March 2017. During those five years, FAA safety engineers and test pilots put in 110,000 hours of work, and they flew or supported 297 test flights. That said, the 737 Max won’t fly in the U.S. again until our safety analysis says it’s safe to do so.”

2. Senators Address TSA Plan to Divert Personnel to Southern Border.

Roger Wicker (R-Miss.) and Maria Cantwell (D-Wash.), Chairman and Ranking Member of the Senate Committee on Commerce, Science, and Transportation, sent a letter to TSA Administrator David Pekoske and Acting Deputy Administrator Patricia Cogswell to express concern about the agency’s plan to divert personnel to the southern border, and asked for a risk assessment and analysis of the impact to TSA operations and strategy of the plan and a summary of outreach to and coordination with transportation stakeholders, including airports and surface transportation facilities. “We have concerns about the potential impact on executing TSA’s mission to “protect the nation’s transportation systems,” they wrote.

3. House Hearing on “TSA Workforce Crisis.”

“The Administration is sending TSA employees, including TSOs [Transportation Security Officers], to the southwest border, just as the busy summer travel season is about to begin. TSA’s workforce is already stretched too thin and cannot afford such diversions,” said Transportation and Maritime Security Subcommittee Chairman Lou Correa (D-CA), at a hearing entitled “The TSA Workforce Crisis: A Homeland Security Risk.” TSA’s morale is low, and its attrition is high, said Correa. John V. Kelly, Acting DHS Inspector General confirmed that TSA hired more than 19,300 TSOs to address vacancies and anticipated attrition during fiscal years 2016–17, but during the same period lost more than 15,500. The three largest category airports, with 92% of the TSO workforce, have an attrition rate of approximately 17%. . . . “TSOs are underpaid compared to most other federal workers and vulnerable to low morale,” said Homeland Security Committee Chairman Bennie Thompson (D-MS); “they do not receive regularly scheduled salary increases and lack basic workplace protections and rights.” Thompson has introduced the “Rights for Transportation Security Officers Act of 2019” to provide TSA frontline workers with the same rights and protections afforded to other federal workers. “Addressing TSA’s workforce challenges in a strategic manner will not only improve frontline workforce morale, but also advance aviation security in the face of evolving threats,” he said.

4. Draft FY20 Funding Bill Includes \$17.7 Billion for FAA.

A draft fiscal year 2020 Transportation-Housing and Urban Development funding bill, released by the House Appropriations Committee, includes \$17.7 billion for FAA, \$267 million above 2019 enacted level; and \$500 million for discretionary Airport Improvement Grants, equal to 2019 enacted level.

5. Bill Would Expand TSA PreCheck Enrollment.

The “Secure Traveler Act” was introduced in the Senate by John Thune (R-S.D.) and Gary Peters (D-Mich.), both members of the Senate Commerce Committee, which has jurisdiction over TSA. The legislation would expand enrollment in TSA PreCheck for individuals who have passed extensive background checks, like federal employees holding an active security clearance and law enforcement officers. The bill would “free up resources that could be used on other travelers and help cut down on long airport security lines, which are potentially vulnerable targets for those wishing to cause harm,” said sponsors. Participants would be subject to other program requirements, including fees, and still pass through airport security; the TSA Administrator, in consultation with the Director of the National Background Investigations Bureau, would create a process to verify active security clearance for applicants in lieu of a background check.

6. Senators Urge FAA to Initiate Remote ID Rulemaking for Drones.

In a letter to DOT Secretary Elaine Chao, Senators Edward Markey (D-Mass.) and John Thune (R-S.D.) asked that FAA “swiftly publish a proposed rule for remote identification of unmanned aircraft systems (UAS)” which could help address the rise of unauthorized drone flights in sensitive areas. UAS sightings have caused delays at London Gatwick and Heathrow airports, and Newark Liberty in New Jersey. In April, a drone flew over Fenway Park during a Boston Red Sox game. . . . During a Senate Commerce Committee hearing on new entrants in the national airspace, Jay Merkle, Executive Director of the FAA Unmanned Aircraft Systems Integration Office, said a proposed rule for remotely identifying drones is expected by July 21; however, that timeframe has been pushed to September, according to a revised FAA rulemaking agenda.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. Flights Between U.S. and Venezuela Suspended.

Acting Secretary of Homeland Security Kevin McAleenan determined that conditions in Venezuela threaten the safety and security of passengers, aircraft and crew, requiring an immediate suspension of all commercial passenger and cargo flights between the United States and Venezuela. The Secretary of State approved flight suspension and the Secretary of Transportation implemented the determination, which “is based on the ongoing political instability and increased tensions in Venezuela and associated inadvertent risk to flight operations.” U.S. carriers had already suspended scheduled operations to Venezuela but flights were available via charter. Venezuelan airlines such as Avior, which operated daily flights to Miami from Caracas and Puerto La Cruz, had to abruptly cancel U.S. service due to the mandate. . . . Millions of Venezuelans rely on donations or remittances from relatives abroad to survive, as the country’s crumbling economy has destroyed most of its industry and agriculture and slashed government imports, reported the *New York Times*. Many have relied on airline courier services from Miami to obtain scarce medication, spare parts and food. “This will be a catastrophe for a lot of people,” said Feliciano Reyna, head of the health nonprofit Acción Solidaria, which receives medical donations from the United States through air courier services. “This will complicate enormously the transportation of humanitarian aid to the country.”

2. FAA Warns U.S. Operators of Increased Risk Over Persian Gulf.

FAA advised caution when flying over the Persian Gulf and the Gulf of Oman, due to heightened military activities and increased political tensions in the region, which “present an increasing inadvertent risk to U.S. civil aviation operations due to the potential for miscalculation or mis-identification.” The warning came as the U.S. “tightened sanctions against Iran and sent bombers, an aircraft carrier and an antimissile battery to the Persian Gulf to offset what the Trump administration called a heightened risk of Iranian aggression,” reported the *New York Times*.

3. EU-China Aviation Agreements Signed.

The European Union and China signed a horizontal aviation agreement, which, when concluded, will enable all EU airlines to fly to China from any EU Member State with a bilateral air services agreement with China under which unused traffic rights are available. Until now, only airlines owned and controlled by a given Member State or its nationals could fly between that

Member State and China. A bilateral civil aviation safety agreement (BASA) was also signed, which will remove “the unnecessary duplication of evaluation and certification activities for aeronautical products by the civil aviation authorities, and therefore reduce costs for the aviation sector. The BASA will also promote cooperation between the EU and China towards a high level of civil aviation safety and environmental compatibility.”

VIII. EUROPE AND AFRICA

1. Niki Lauda Dies.

Niki Lauda, a Formula One racing champion and aviation pioneer, died after a long illness. He founded several airlines, the latest being Vienna-based Laudamotion, a partnership with Ryanair.

2. Aeroflot Superjet Crash Kills 41.

An Aeroflot Sukhoi Superjet-100 suffered a fire upon landing after being forced to return to Moscow Sheremetyevo due to technical reasons. Of 78 people on board Flight SU1492, 40 passengers and one crew member were killed. The crash is under investigation. It was reported that some passengers attempted to remove bags from overhead bins, preventing others from evacuating the burning aircraft. . . .“This is an international problem that needs to be addressed now,” wrote Association of Professional Flight Attendants (APFA), in a letter to FAA Acting Administrator Dan Elwell. APFA cited other instances in which passengers ignored cabin crew instructions and attempted to retrieve bags during an emergency evacuation. For example, during the US Airways ‘Miracle on the Hudson’ accident in 2009, there are pictures of evacuees on the wing of the aircraft holding backpacks and suitcases. APFA wants FAA to establish a dedicated working group “to ensure that human lives are not put at risk during a time-sensitive emergency evacuation. Crew member safety instructions to leave all baggage behind must be reinforced in the event of an emergency evacuation.”

3. Air France to Reduce Short-Haul Capacity, Staff.

Air France will reduce short-haul capacity by 15% through 2021, with an associated loss of up to 465 jobs, as it contends with competition from high-speed rail and low-cost airlines. The company posted a loss of €189 million in 2018, with cumulative losses since 2013 at €717 million. The trains “are not subject to taxes or charges that directly target air transport,” said Air France; the launch of four new high-speed routes in 2016 and 2017 is expected to attract 4.7 million additional passengers by 2020 and on routes where high-speed trains connect Paris to the provinces in under two hours, Air France has lost 90% of its market share. Low-cost airlines have aggressive pricing policies, often with the help of public authorities, says Air France, whose staff is mostly based in France, while “a majority of these airlines have not contributed to developing employment in the regions where they operate, taking advantage of European mobility and basing employees in jurisdictions with lower labor costs.”

4. IAG's LEVEL to Offer Paris-Las Vegas Nonstops.

International Airlines Group's (IAG) long-haul, low-cost airline LEVEL will launch twice weekly nonstop transatlantic service between Paris Orly and Las Vegas on October 30. The Airbus 330-200 flights will be the first regularly scheduled nonstop service from Paris to Las Vegas since 2014. Fares start at \$99 one-way. LEVEL flies from Paris to New York Kennedy, Guadeloupe, Martinique and Montréal, and from Barcelona to Boston, San Francisco, Buenos Aires and Santiago de Chile, with New York to begin in July. Other IAG units are Aer Lingus, British Airways, Iberia and Vueling.

5. Lufthansa Bids for Thomas Cook Carrier Condor.

CEO Carsten Spohr said Lufthansa made a non-binding offer for Thomas Cook leisure carrier Condor, with an option to acquire all airlines of the British group. Indigo Partners and Virgin Atlantic reportedly also have expressed interest.

6. Chile High Court Rejects LATAM-American-IAG JBA.

See Section X, item 6.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Asiana Cuts Unprofitable Routes, Incl. Chicago.

Asiana will cut some unprofitable routes, including Seoul Incheon to Chicago on October 27, and will eliminate first class service on Airbus A380 flights to Los Angeles, New York and Frankfurt. Asiana parent Kumho announced it will sell its 33% stake in the airline and Korea Development Bank intends to lead a \$1.4 billion capital injection into the carrier.

2. Jet Airways Management Exits.

Jet Airways CEO Vinay Dube and other executives exited, as the grounded airline failed to garner adequate investment. Etihad, which already holds a 24% stake in Jet, made an offer, but lenders, led by State Bank of India, have not found a majority buyer. Jet Airways suspended operations on April 17 with debts reportedly of \$1.2 billion. . . . Qatar Airways asked Indian authorities for increased traffic rights on certain high-volume routes (Mumbai, Delhi, Bangalore), on a temporary basis and without formal changes to the weekly seat capacity entitlement established under the 2009 Qatar-India bilateral aviation framework. Qatar CEO Akbar Al Baker said more than 700,000 Indian expatriates live in Qatar, adding, “Without our contingency plan, Indian travelers will be forced to either choose expensive last-minute tickets or complicated and burdensome re-routings. Not to mention that flying options through neighboring countries is no longer available due to the illegal airspace blockade imposed on the State of Qatar on 5 June 2017.” . . . Virgin Atlantic is relaunching flights between London Heathrow and Mumbai. The Boeing 787-9 service begins October 27.

3. Australian Authority Blocks Proposed Qantas-Cathay Code Share.

A proposed Qantas-Cathay Pacific code share agreement for flights between Australia and Hong Kong was blocked by the Australian International Air Services Commission (IASC). While the agreement would likely result in some customer benefits, wrote IASC in the draft decision, it would also likely entrench and expand the market position of Qantas and Cathay Pacific, to the detriment of the Virgin Australia competitive position and that of potential entrants on the route. In addition, the oneworld carriers, with Cathay Dragon, already have a code share agreement for services other than direct Hong Kong-Australia routes, and Qantas can sell tickets for flights from Australia via Hong Kong to third countries via existing agreements with Cathay.

X. AMERICAS

1. American Sues to Block Slowdown by Mechanics.

American filed a lawsuit in a Texas federal court against the Transport Workers Union (TWU) and the International Association of Machinists (IAM) and Aerospace Workers, charging them with conducting an illegal work slowdown to influence contract talks. The National Mediation Board (NMB) suspended talks in April. The unions said they are refusing “to allow more of our maintenance and repair work to be outsourced to South America, China and Europe [and are] standing strong against cuts to our medical benefits and retirement security,” adding, “we would much prefer to be at the negotiating table than in a legal battle.”

2. IAM Files Charges Against Delta for Anti-Union Tactics.

IAM filed election interference charges with the NMB against Delta, saying the airline “has run an unlawful, systematic anti-union campaign that includes intimidation, discipline and terminations of union activists.” Delta’s “Don’t Risk It, Don’t Sign It” campaign was called “insulting and demeaning” by Bernie Sanders and other Senate Democrats, in a letter to CEO Ed Bastian. And Senator Patty Murray, ranking member of the Senate Health, Education, Labor and Pensions Committee, called on Delta to apologize to workers and “to immediately stop its anti-union scare tactics.” In a response to Sanders, Bastian said communication cited by the IAM—“a year-old flyer that was in our breakrooms and removed after a week—was poorly crafted and not an appropriate communication to our people. That’s not who we are, and we have taken steps to make sure future messages to our people regarding their choices on representation are always meaningful and respectful of their rights.” Addressing other allegations, Bastian said, “a tweet that ramp agents earn \$9 per hour is simply wrong—starting salaries are nearly double that rate. And at the top of scale, after 12 years of service, our airport agents and flight attendants earn \$74,000 and mechanics earn \$121,000 annually. Across the board, these are the best-rewarded airline employees in the world.”

3. Southwest to Build \$100 Million Maintenance Hangar at Denver Intl.

Southwest intends to begin construction on a \$100 million maintenance hangar at Denver International this summer, with completion expected in late 2020. The 130,000 square-foot hangar will accommodate three aircraft; parking and facilities outside the hangar will be able to handle eight additional aircraft. . . . After nearly seven years of negotiations, Southwest mechanics ratified a new tentative agreement. The contract, which becomes amendable

in April 2024, “represents a justifiable increase in pay and benefits, protections in headcount, work-rules and work normally performed by our unified members for decades,” said Aircraft Mechanics Fraternal Association. . . . Southwest increased its quarterly dividend by 12.5% to \$.18 per share, and authorized a new \$2 billion share repurchase program.

4. Frontier Flight Attendants Ratify Five-Year Agreement.

Frontier flight attendants ratified a new five-year collective bargaining agreement. They immediately receive an average 24% wage increase, said Association of Flight Attendants-CWA, as well as better pay protections, schedule flexibility and protections, improvements for reserves, better vacation and quality of work life enhancements. The carrier has reached new collective bargaining agreements with all seven of its union-represented employee groups.

5. Canadian Airline Shakeup.

Air Canada is in exclusive negotiations to acquire international tourism company Transat, and said it has all necessary funding to complete the transaction, which is valued at approximately \$520 million and is subject to regulatory and other approvals. “The acquisition presents a unique opportunity to compete with the very best in the world when it comes to leisure travel,” said Air Canada President and CEO Calin Rovinescu. The Transat board elected to finalize negotiations on an exclusive basis with Air Canada after being solicited by several parties; President and CEO Jean-Marc Eustache said the opportunity “represents the best prospect for not only maintaining, but growing over the long term.” . . . Private equity firm Onex Corp. will acquire WestJet in a transaction valued at approximately \$5 billion, subject to regulatory and other approvals. WestJet will operate as a privately-held company with headquarters to remain in Calgary. The transaction is expected to close by early 2020.

6. Chile High Court Rejects LATAM-American-IAG JBA.

Chile’s Supreme Court rejected the proposed joint business agreement (JBA) of LATAM Airlines Group, American Airlines and IAG (British Airways and Iberia), finding that the combined market share of the oneworld carriers would affect competition. Authorities in Uruguay, Colombia and Brazil have approved the JBA.

7. Efromovich Ousted from Avianca Holdings Board.

United took legal action on a defaulted \$456 million loan it made to Germán Efromovich’s Synergy Group and acquired his controlling interest in Avianca holding company, BRW Aviation. Efromovich, his brother José and Rafael

Alonso were ousted from the board. Roberto Kriete, owner of Avianca's largest minority shareholder, Kingsland Holdings, and former Avianca CEOs Fabio Villegas and Juan Emilio Posada were appointed to the board, which will be led by Kriete. Avianca CEO Hernan Rincón has resigned. United and Kingsland offered up to \$250 million in financing to Avianca Holdings. United, which is prevented from operating a foreign airline by agreements with its unions, is working on a JBA with Avianca and Copa.

8. Brazil Approves 100% FDI; Suspends Avianca Brasil Ops.

A measure allowing 100% foreign direct investment (FDI) in airlines was approved in Brazil. Brazil's civil aviation authority (ANAC) approved a concession to Globalia, a Spanish corporation that manages Air Europa, to operate domestic routes in Brazil. . . . ANAC suspended all Avianca Brasil flights as a precautionary measure, until the bankrupt company can ensure safe operations. The Synergy subsidiary planned to auction off assets, including slots and route authorities, and has returned aircraft to lessors and cut 900 employees.

9. IAG's LEVEL to Offer Paris-Las Vegas Nonstops.

See Section VIII, item 4.

10. Asiana Cuts Unprofitable Routes, Incl. Chicago.

See Section IX, item 1.