



## 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. FAA Orders No Fly Zone Over Tehran Area.**

The Federal Aviation Administration (FAA) issued a notice to airmen (NOTAM) prohibiting U.S. air carriers and commercial operators from entering the Tehran Flight Information Region (FIR) in the area above the Persian Gulf and Gulf of Oman until further notice. The order came after a U.S. surveillance drone, operating in the vicinity of civil air routes above the Gulf of Oman, was shot down by an Iranian surface-to-air missile on June 19. Heightened military activities and increased political tensions in the region present an inadvertent risk to U.S. civil aviation operations and potential for miscalculation or misidentification, said FAA. Airlines worldwide rerouted flights to avoid the area. United suspended service between India (Mumbai and Delhi) and New York Newark until September 1. . . . In related news, four suspects were named in the Dutch-led investigation into the 2014 downing of Malaysian Airlines Flight 17. The Joint Investigation Team (JIT) believes a Russian-made missile hit the Boeing 777 as it flew over a battle zone in eastern Ukraine, en route from Amsterdam to Kuala Lumpur. All 298 people on board were killed, including 196 Dutch nationals. The trial of the suspects, three Russians and a Ukrainian, is expected to begin on March 9, 2020. The district court of The Hague will hear the case. The criminal investigation into the involvement of other persons continues, and the JIT (Australia, Belgium, Malaysia and Ukraine) has called for witnesses.

### **2. Boeing 737MAX News.**

During a review of the 737 MAX software update and simulator sessions, FAA identified an additional requirement that it has asked Boeing to address through the software changes that the company has been developing for the past eight months. Boeing agreed with the request, and said that “addressing this condition will reduce pilot workload by accounting for a potential source of uncommanded stabilizer motion.” . . . Earlier, Boeing informed FAA that certain 737NG and 737 MAX leading edge slat tracks may have been improperly manufactured and may not meet regulatory requirements for strength and durability. FAA alerted international civil aviation authorities and, in an Airworthiness Directive, ordered operators to identify, remove and replace the defective parts. The tracks are used to guide slats located on the leading edge of an airplane’s wings. Boeing identified 21 737NG and 20 MAX airplanes most likely to have the parts in question. . . . Numerous lawsuits have been filed against Boeing and others since the Lion Air and Ethiopian crashes. Now the first action by an airline pilot has been filed on behalf of a

class of over 400 pilots who allege that Boeing put corporate profits ahead of safety. Pilot X seeks compensation for financial and other losses arising from the circumstances and grounding of the MAX fleet. And, “to hold the United States accountable for its many regulatory failures in this instance,” Pilot X in a separate administrative claim warned that if the grievance is ignored or FAA’s response is otherwise inadequate, a lawsuit will be filed against the United States for FAA’s negligence in certifying the MAX. Actions on behalf of other MAX pilots are expected. . . . In a vote of confidence, IAG signed letter of intent to purchase 200 MAX aircraft, to be delivered between 2023 and 2027, subject to formal agreement. . . . Global Business Travel Association polled travel managers from June 7 to 11 to assess concern about flying on the MAX. Of 155 responses, 38% were very concerned, and 43% somewhat concerned. One in 10 were concerned about liability if something should happen to their travelers flying on a MAX. Two-thirds believe travelers will change their plans to avoid flying on a MAX.

**3. IATA AGM Endorses Five Resolutions.**

The International Air Transport Association (IATA) held its 75th Annual General Meeting (AGM) and World Air Transport Summit, hosted by Korean Air in Seoul. Five AGM resolutions encompassed: (1) implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), which will cap emissions from 2020; (2) a harmonized airport slot system; (3) deployment of Radio Frequency Identification (RFID) for baggage tracking; (4) implementation of the One ID initiative, which uses a single biometric identifier to move passengers through the airport; and (5) making travel more accessible to passengers with disabilities, with harmonized regulations to provide clarity and consistency. . . . IATA facilitates the repatriation of funds from overseas sales. At close of 2018 total blocked funds were \$4.36 billion, of which \$3.8 billion were in Venezuela. “Excluding Venezuela, the backlog of funds awaiting repatriation was reduced by 11%. Clearing \$620 million in Angola and \$251 million in Nigeria were major contributors to that achievement,” said IATA Director General and CEO Alexandre de Juniac. . . . Lufthansa Group CEO Carsten Spohr succeeded Qatar Airways Group CEO Akbar Al Baker as IATA Board Chairman. JetBlue President and CEO Robin Hayes will succeed Spohr at the 2020 AGM, to be sponsored by KLM in Amsterdam.

**4. IATA Downgrades 2019 Outlook.**

Slowing demand and rising costs led IATA to downgrade its 2019 industry outlook to a \$28 billion profit, from the \$35.5 billion forecast in December 2018. Overall costs are expected to grow by 7.4%, outpacing a 6.5% rise in revenues. As a result, net margins are expected to be 3.2% (3.7% in 2018).

Profit per passenger will decline to \$6.12 (\$6.85 in 2018). Total passenger demand (revenue passenger kilometers) is expected to grow by 5% (7.4% in 2018). Airlines have trimmed capacity expansion to 4.7% (available seat kilometers). Total passenger numbers are expected to rise to 4.6 billion (up from 4.4 billion in 2018). Total revenues of \$865 billion are expected (+6.5% on 2018). Cargo demand growth slowed to 3.4% in 2018 and is anticipated to be flat in 2019 with volumes of 63.1 million tonnes (63.3 million in 2018) because of the impact of higher tariffs on trade. All regions except North America and Latin America are expecting a reduction in profitability.

**5. U.S. Airlines Report \$2.4 Billion First Quarter Net Profit.**

U.S. scheduled passenger airlines reported a first quarter 2019 net profit of \$2.4 billion and a pre-tax operating profit of \$3.3 billion, according to data released by the U.S. Department of Transportation (DOT). Total operating revenue of \$44.4 billion included \$32.5 billion from fares (73.3%) and \$1.3 billion in baggage fees (2.9%) and \$662.1 million from reservation change fees (1.5%). Total operating expenses of \$41.4 billion included fuel costs of \$7.5 billion (18.3%) and labor costs of \$14.2 billion (34.6%).

**6. White House Orders Reduction in Federal Advisory Committees.**

The White House issued an executive order requiring federal agencies to evaluate the need for their current advisory committees and terminate at least one-third by September 30, including committees for which the stated objectives have been accomplished, subject matter or work has become obsolete, primary functions have been assumed by another entity, or cost of operation is excessive in relation to benefits. Waivers may be granted if the Director of the Office of Management and Budget concludes the committee is necessary for delivery of essential services, for effective program delivery, or because it is otherwise warranted by the public interest. Agencies with fewer than three current eligible committees are exempt from the order. The government-wide total number of eligible committees may not exceed 350.

**7. DOT Tentatively Grants Antitrust Immunity for American-Qantas JV.**

DOT tentatively approved an application by American and Qantas to operate a joint venture between the United States and Australia/New Zealand. If granted final approval, the carriers will coordinate planning, pricing, sales and frequent flyer activities. An earlier application was denied by DOT. The proposed joint venture would be the third in these markets; DOT has granted antitrust immunity for United and Air New Zealand and to Delta and Virgin Australia. Qantas intends to launch several new routes within the first two years of the proposed joint business, including Brisbane-Chicago and Brisbane-San Francisco, once final approval is received.

**8. ICAO Guidance on Unruly, Disruptive Passengers Released.**

A Manual on the Legal Aspects of Unruly and Disruptive Passengers was released by the International Civil Aviation Organization (ICAO), with a goal to assist national governments in legislating appropriate and better harmonized legal measures to prevent and deal with unruly and disruptive passenger incidents on international flights. “Unruly and disruptive passenger conduct can pose distinct threats to the safety and security of aircraft, flight crew and passengers,” commented ICAO Secretary General Fang Liu. “It can also generate costly disruptions to airlines and passengers alike in situations when aircraft must be diverted to manage these incidents.” . . . In related news, an aviation industry-led ‘One Too Many’ campaign in the UK warns passengers of the cost of disruptive behavior at airports or on flights. Penalties can range from being denied boarding, fines of up to £80,000 or jail. Positive signs have been recorded at a national and local level since last year’s campaign. In 2018, Civil Aviation Authority (CAA) figures showed that the number of disruptive passenger incidents had dropped slightly from 417 to 413 year-on-year, despite the number of departing passengers from UK airports rising by 2.7% in 2017. Some regional leisure routes, however, have seen an increase in disruptive behavior, with 31% of reported incidents explicitly linked to alcohol in 2017.

**9. FAA Proposes Civil Penalties.**

FAA proposed a \$203,100 civil penalty against GEE-BEE Aeroproducts of Palm Desert, Calif., related to the alleged manufacturing, advertising and installation of unapproved parts, including engine seals and landing gear door seal kits. . . . A \$742,677 civil penalty was proposed against AAR Airlift Group, of Palm Bay, Fla., for allegedly failing to properly document maintenance performed on its fleet of Sikorsky helicopters used in commuter and on-demand operations in Afghanistan, the Central African Republic, the Democratic Republic of the Congo, Niger and Uganda. . . . A \$715,438 civil penalty was proposed against Allegiant Air, for allegedly operating an aircraft on more than two dozen flights following improper engine maintenance. . . . A \$97,500 civil penalty was proposed against Agrarflug Helilift of Ahlen, Germany, for allegedly violating hazardous materials regulations. Agrarflug offered a helicopter containing 300 gallons of flammable aviation fuel to Cargolux for shipment by air from Humble, Texas, to Ahlen, Germany. Cargolux discovered fuel leaking from the helicopter at Glasgow Prestwick Airport in Scotland. FAA alleges that Agrarflug failed to drain and securely close the fuel tank, and that the helicopter was not in proper condition for shipment. . . . FAA revoked the repair station certificate of Tandem Aviation, of Hialeah, Fla., for allegedly improperly servicing aircraft parts and falsifying maintenance records.

**10. FAA Issues New Supersonic Rulemaking.**

FAA initiated two rulemaking activities on civil supersonic aircraft noise. The first Notice of Proposed Rulemaking is for noise certification, and the second modifies and clarifies existing regulatory procedures to obtain FAA approval to test supersonic aircraft. The rules would not rescind current U.S. law that prohibits flight in excess of Mach 1 over land. Several civil supersonic aircraft projects are currently under development in the United States. Lighter and more efficient composite materials and new engine and airframe designs, available since development of the Concorde, offer potential for introduction of a viable supersonic transport, said FAA.

## **II. AIRPORTS**

### **1. Miami Plans \$5 Billion Modernization.**

The Miami-Dade County Board of County Commissioners adopted a capital improvement program at Miami International Airport that will fund up to \$5 billion in airport-wide modernization projects over the next five to 15 years. They include: redevelopment of Central Terminal concourses E and F; expanded South Terminal (concourses H and J); renovated Concourse D gates to accommodate additional wide- and narrow-body aircraft and larger regional jets; two new hotels and other miscellaneous landside projects; and expanded aircraft parking positions and warehouses for cargo operations. In 2018, Miami handled 45 million annual passengers, up nearly one million over 2017, and 2.3 million total tons of freight, up 60,000 tons; 77 million travelers and four million tons of freight are anticipated by the year 2040. Miami is the third busiest U.S. airport for international passengers.

### **2. United Moves LaGuardia Ops.**

United moved its New York LaGuardia operations into the new Terminal B Eastern Concourse, offering 40 daily flights from five gates. LaGuardia Gateway Partners opened the Concourse in December 2018; 16 of 18 gates are now used by United, Air Canada, Southwest and American. The phased-in Terminal B redevelopment will include a new 35-gate terminal and parking garage. A Central Hall will unify the airport by connecting to Terminal C, which is also being redeveloped.

### **3. Phoenix Approves \$5.7 Billion Plan for Sky Harbor.**

The Phoenix Mayor and City Council approved a Sky Harbor Comprehensive Asset Management Plan (CAMP), to be sent to FAA for review and approval. Projected to cost \$5.7 billion over a 20-year period, the plan includes moving cargo and support operations to the north side of the airport to create room for expanded terminal facilities; building a taxiway bridge so that planes can access the relocated cargo operations; and providing space for the Air National Guard 161st Refueling Wing to expand on the south side of the airport. All projects would be paid for through grants, airport revenues, facility charges and bonds, said officials; no local tax dollars would be utilized. Sky Harbor handled 45 million passengers in 2018 and expects to serve 70 million by 2039.

4. **Louisville Muhammad Ali International Brand Unveiled.**

The Louisville Regional Airport Authority celebrated the airport name change to Louisville Muhammad Ali International; the airport code, SDF, will remain the same. The airport is served by six airlines offering flights to 30 nonstop destinations including 19 of the region's top 20 domestic markets.

5. **FAA Awards Infrastructure Grants to Airports.**

FAA will award \$840 million in airport infrastructure grants, the first allotment of the total \$3.18 billion in Airport Improvement Program (AIP) funding. The 432 grants will fund projects at 381 airports, including runway reconstruction and rehabilitation, construction of firefighting facilities, and maintenance of taxiways, aprons and terminals. A second allotment of \$495 million will fund 358 grants for projects at 327 airports.

6. **Heathrow Reveals Expansion Masterplan.**

Heathrow unveiled its preferred masterplan for expansion and launched a consultation on proposals for the future layout of the airport, including the new runway, terminals and road access. The 12-week consultation, which ends September 13, also covers proposals to manage environmental impacts of expansion, including a Heathrow Ultra Low Emissions Zone, Heathrow Vehicle Access Charge and 6.5-hour ban on scheduled night flights. Plans for phased growth are included, from a 2026 runway opening, to the end masterplan in approximately 2050, to "mirror forecasted growth in passengers and help airport charges remain close to 2016 levels, delivering more affordable fares for passengers." In addition, the consultation is seeking feedback on plans for how the future three runway airport will be operated, likely impacts of expansion on the environment and local communities, and mitigating the effects of expansion.

7. **Sheremetyevo Name Change Honors Alexander Pushkin.**

Russia assigned the names of historical figures to 44 airports. Sheremetyevo Alexander S. Pushkin International Airport was renamed for the great Russian poet. Among others, Domodedovo honors Mikhail Lomonosov, founder of Moscow State University, and Vnukovo was named for Soviet aircraft designer Andrei Tupolev.

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

#### 1. **U.S. Collecting Social Media Details from Visa Applicants.**

The U.S. Department of State began collecting additional information, including social media identifiers, from most U.S. visa applicants worldwide. “We already request certain contact information, travel history, family member information, and previous addresses from all visa applicants,” said the Department. “This additional information from visa applicants will strengthen our process for vetting these applicants and confirming their identity.”

#### 2. **Honolulu Active Shooter Scare Causes Terminal Evacuation.**

Erroneous reports of an active shooter at Daniel K. Inouye International Airport on June 18 “resulted in more than 40 flights being delayed and thousands of customers inconvenienced,” said Hawaii DOT. A laptop in carry-on luggage overheated and emitted smoke at a security checkpoint, said the Transportation Security Administration (TSA). “This created confusion and some travelers breached the security checkpoint by running into the sterile area of the airport without being screened.” Following the breach and subsequent evacuation, TSA conducted a sweep of the airport and aircraft using explosive detection canines. The event began at around 2 p.m. and by 9 p.m. “all TSA screening operations at all checkpoints had returned to normal.”

#### 3. **Delta Expands Optional Facial Recognition Boarding.**

Delta is using optional facial recognition boarding at Hartsfield-Jackson Atlanta, Minneapolis-Saint Paul and Salt Lake City, bringing the number of its gates with the technology to 49 and all international flights. The Atlanta biometric terminal launched in 2018, in partnership with U.S. Customs and Border Protection (CBP). Amid dissent about facial recognition and other biometric usage by privacy advocates, Delta said it is “seeing improvements in satisfaction scores from customers in Atlanta; 70% found the experience appealing, 72% prefer facial recognition to standard boarding, 93% had no issue using the technology at boarding, and less than 2% opt out. The technology can save an average of nine minutes when boarding a widebody aircraft, or two seconds per customer when compared with traditional boarding, said Delta. Optional facial recognition boarding tests have taken place at several airports with CBP.

## **IV. TECHNOLOGY AND EQUIPMENT**

### **1. Mitsubishi to Acquire Bombardier Regional Jet Program.**

Mitsubishi Heavy Industries (MHI) will acquire Bombardier's regional jet program US\$550 million, subject to regulatory approvals and closing conditions. MHI will acquire the maintenance, support, refurbishment, marketing, and sales activities for the CRJ Series aircraft, including the related services and support network in Montréal and Toronto, and service centers in West Virginia and Arizona, as well as type certificates. The CRJ production facility in Mirabel, Québec will remain with Bombardier, which will continue to supply components and spare parts and will assemble the current CRJ backlog on behalf of MHI. CRJ production is expected to conclude in second half 2020. Bombardier will focus on its rail and business jet businesses. . . . In other news, the Mitsubishi SpaceJet family was introduced at the Paris Air Show, comprised of the SpaceJet M90 (previously known by the developmental designation of MRJ90) and the new SpaceJet M100, which in the U.S. market "is optimized to be scope clause compliant in the 65-76 seat, three-class cabin configuration," and can be configured with up to 88 seats. SpaceJet M90 deliveries are expected to begin next year; type certification flight testing is underway in Moses Lake, Washington, with both the Japan Civil Aviation Bureau and FAA.

### **2. Expedia, Lufthansa Announce Technology Partnership.**

In a new partnership, Expedia Group leisure travelers located in Lufthansa Group European markets can access NDC Smart Offer, the airlines' most competitive fares. The companies plan to expand the NDC Partner Program to markets including North America, and develop technology to provide travelers greater access to special offers and ancillary services.

### **3. Amadeus Acquires ICM Airport Technics.**

Amadeus completed its acquisition of Sydney-based ICM Group Holdings, parent of ICM Airport Technics, a specialist in passenger automation and self-service bag drop solutions for airports and airlines. . . . Amadeus Ventures is investing in Volantio, which provides passengers with an incentive (frequent flyer miles, travel vouchers, or upgrades) to voluntarily move to lower demand flights. The platform automatically rebooks passengers who accept, and fulfills the selected incentive. Passengers are notified on their mobile devices. Under a new partnership, airlines can integrate Volantio's solution with Amadeus Altéa technology. Volantio works with Qantas, Iberia, Alaska, Volaris, IndiGo and other airlines.

**4. Drone News.**

“The age of unmanned aircraft has arrived,” said FAA Acting Administrator Dan Elwell, at the annual UAS Symposium co-hosted by the Association for Unmanned Vehicle Systems International (AUVSI). “Drones outnumber traditional registered manned aircraft by four to one.” . . . Under a 10-year agreement, Air Canada Cargo will market Drone Delivery Canada (DDC) services. DDC will build and operate up to 150,000 routes, subject to regulatory approvals. . . . Boeing has invested in Robotic Skies, which connects drone manufacturers and operators with 170 certified repair stations in 40 countries. “We are shaping a robust operational ecosystem for on-demand mobility that supports the future of aircraft, air vehicles and autonomous systems,” said Boeing HorizonX Ventures. . . . Amazon is building an electric UAS that can fly up to 15 miles and deliver packages under five pounds to customers in less than 30 minutes. Its newest Prime Air drone design can transition between vertical and airplane mode and detect static and moving objects. Amazon’s aims to make all Amazon shipments net zero carbon, with 50% net zero by 2030.

**5. Electric Airplanes Debut at Paris Air Show.**

Eviation Aircraft unveiled its electric plane, called Alice, at the Paris Air Show, and announced that U.S. commuter Cape Air will be its first commercial customer. The nine-seater is scheduled to undergo flight tests at Moses Lake in Washington this year and receive certification by early 2022, said CEO Omer Bar-Yohay. . . . Los Angeles-based Ampaire is retrofitting existing passenger aircraft to electric and conducted a test flight of a modified Cessna 337 Skymaster; one of two engines was replaced with a battery-powered electric motor. Ampaire aims to supply aircraft to short-haul regional airlines and expects certification for its Electric EEL in 2021. Personal Airline Exchange (PAX) placed an order for 50, with options for 50 more. “In the wings is a second aircraft which will demonstrate daily flight operations on a commercial route in Hawaii, a world first,” said Ampaire CEO Kevin Noertker. . . . Zunum Aero’s hybrid-to-electric airplane is designed “to operate in a regional air system that will be very different from the jet-economics-driven hub and spoke model of today.” There are 13,500 under-utilized airports in the U.S., 2,500 in the EU, and many hubs have space for non-interfering short runways that support feeder operations, says the company.

## V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on June 7 was \$75.47/barrel, down 11.2% on the month and down 16% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2019 was \$80.7/barrel. Impact on 2019 fuel bill was down \$5.4 billion.

### 2. **IATA: “Flight Shaming” A Step Backward.**

Public concern about environmental issues has spiked worldwide, said IATA chief Alexandre de Juniac, reflected most acutely in Northern Europe. Sweden, for example, is the birthplace of “flight shaming” those who travel by air. “Some say that the answer to climate change is to stop or heavily reduce flying. That would have grave consequences for people, jobs and economies the world over. It would be a step backward to an isolated society that is smaller, poorer and constrained.” . . . A resolution to urge governments to implement the Carbon Offsetting and Reduction Scheme for International Aviation was passed at the IATA AGM. The first global carbon pricing instrument for an industry sector, CORSIA will cap net CO2 emissions at 2020 levels. Beyond CORSIA, the goal is to cut net emissions to half 2005 levels by 2050, achievable, irrespective of growth, through modernizing air traffic management, electric propulsion and use of sustainable aviation fuels. . . . “Today’s CO2 emissions from air transport are almost twice as high as they were in the 1990s,” said European Union (EU) Transport Commissioner Violeta Bulc, during remarks at the AGM. “In the future, I expect the aviation industry’s license for growth to be linked directly to perceptions of sustainability.”

### 3. **United Flies Eco-Friendly Commercial Flight.**

United demonstrated utilization of sustainable aviation biofuel, zero cabin waste efforts, carbon offsetting and operational efficiencies on a commercial Boeing 737-900ER flight from Chicago O’Hare to Los Angeles on World Environment Day. The “Flight for the Planet” was powered by a 30/70 blend of low-carbon, sustainable aviation fuel provided by Boston-based World Energy, and traditional jet fuel. The biofuel alone achieves a greater than 60% reduction in greenhouse gas emissions on a lifecycle basis compared to traditional jet fuel. Recyclable or compostable service ware was used in the economy cabin, and beeswax food wrappers in the premium cabin, among other environmentally-friendly products. The flight demonstrated single-engine taxiing, air traffic control prioritization and a continuous descent approach into

Los Angeles, which saves fuel while also reducing noise impact. Additionally, 40% of United's eligible ground service equipment (GSE) is electric-powered, with more than 70% of the airline's ground operation at its Los Angeles eco-hub utilizing electric GSE. United is the first airline to use new ITW 7400 electric ground power units that “drastically reduce workplace noise pollution and cut carbon emissions by 90%.”

**4. KLM, TU Delft Partner on “Flying-V.”**

KLM will contribute to research at Delft University of Technology (TU Delft) on the “Flying-V,” which seats passengers in the wing. The Flying-V has the same wingspan as the A350, and will carry the same number of passengers, 314, in standard configuration, and the same volume of cargo. The aerodynamic shape and reduced weight will mean it uses 20% less fuel than the A350. The Flying-V is propelled by fuel-efficient turbofan engines. It currently flies on kerosene, but can be adapted to use propulsion system innovations, such as electrically-boosted turbofans.

**5. Schiphol, TU Delft to Accelerate Innovations for Passengers, Airports.**

Royal Schiphol Group and TU Delft will collaborate on developing new products and services in living labs at airports that “will enhance the experience of passengers and airport processes.” Airport locations include Amsterdam Schiphol, Rotterdam, Eindhoven and Lelystad.

**6. Schiphol to Invest in Europe's First Sustainable Kerosene Plant.**

Amsterdam Airport Schiphol will invest in the construction of Europe's first sustainable kerosene plant, due to come online in 2022. To be constructed by SkyNRG, the Delfzijl-based facility will produce sustainable jet fuel, propane and naphtha. It will rely mostly on regional waste and residual streams for raw materials, the first of its kind. KLM has committed to developing and purchasing 75,000 tonnes of sustainable kerosene for a 10-year period, becoming the first airline in the world to invest in sustainable jet fuel on a large scale. Propane distributor SHV Energy will invest in the plant as well and become a buyer of its biopropane product. Schiphol has also announced investments in synthetic kerosene.

## VI. U.S. CONGRESS

### 1. Hearing on “Status of the Boeing 737 MAX: Stakeholder Perspectives.”

The House Aviation Subcommittee held a hearing, “Status of the Boeing 737 MAX: Stakeholder Perspectives.” House Transportation Committee Chairman Peter DeFazio (D-OR) asked pilot and flight attendant witnesses what it would take “for them to feel confident in FAA’s review of Boeing’s proposed software fix and the aircraft’s safety overall before it returns to the skies.” At the previous MAX hearing, it was learned that Boeing designed 14 variations of the 737 since the original was certified in 1967. “I would argue that the MAX is significantly different than the aircraft first certified in 1967,” said DeFazio, “and we must look into whether there should be a cutoff point when the number of changes requires the FAA to treat a proposed aircraft design as a new plane altogether and perform an exhaustive review, nose to tail.” DeFazio also noted that when the MAX was certified, it was decided that the anti-stall system (MCAS) was not safety-critical and that pilots did not need training on the system before getting in the cockpit. “In fact, pilots did not even know the new system existed, or its potency, until after the first accident in late 2018. Yet pilots were expected to be able to respond during an MCAS event.”

In her testimony, Sara Nelson, President of Association of Flight Attendants, said public trust in the aviation system has been shaken, “due to the decisions made by Boeing during the original certification process, the slow and inadequate response in the wake of the loss of Lion Air Flight 610 and Ethiopian Airlines Flight 302, and the questions surrounding FAA oversight.” Daniel Carey, President of the Allied Pilots Association, representing American Airlines pilots, said “Boeing failed to disclose the existence of MCAS to the pilot community. The final fatal mistake was, therefore, the absence of robust pilot training in the event that the MCAS failed.” Randy Babbitt, a pilot and former FAA Administrator, said pilots were not made aware of the new anti-stall system when Boeing introduced the Max, and those already certified to fly older versions of the 737 were authorized to fly the Max after taking a short course on their iPads. Chesley (Sully) Sullenberger, the “Miracle on the Hudson” pilot, now retired, said, “We should all want pilots to experience these challenging situations for the first time in a simulator, not inflight with passengers and crew on board”; pilots should receive additional full flight simulator training before the MAX returns to flight, which would allow them to “see, hear, feel, experience and understand the challenges.” Sullenberger also said the two crashes “are demonstrable evidence that our current system of aircraft design and certification has failed us.”

More than 300 Boeing 737 MAX planes have been grounded worldwide since the Ethiopian Airlines accident in March and more than 130 are parked. More than 4,500 orders for the 737 MAX worldwide are unfilled.

**2. House Appropriations Funds FAA at \$17.7 Billion for FY 2020.**

The House passed an appropriations bill for fiscal year 2020 that includes \$17.7 billion for FAA, \$1.6 billion for Aviation Safety and \$500 million for discretionary Airport Improvement Grants.

**3. House Appropriations Funds TSA at \$7.9 Billion for FY 2020.**

The House Appropriations Committee approved the fiscal year 2020 Homeland Security bill, which includes \$7.9 billion for TSA, with \$176 million for computed tomography screening equipment, \$59 million for Visible Intermodal Prevention and Response teams, \$45 million for the Local Law Enforcement Reimbursement Program, \$82 million for TSA exit lane staffing, and \$20 million for reimbursements to airports for legacy purchases of in-line explosive detection systems. The bill provides \$13.8 billion for U.S. Customs and Border Protection.

**4. House Hearing on TSA Processes to Prevent Unlawful Profiling.**

The House Homeland Security Committee held a hearing to examine whether TSA policies and screening processes allow for unlawful profiling and discrimination. A newly released Government Accountability Office (GAO) report shows that TSA has anti-profiling policies in place for its behavioral detection program, yet lacks an oversight mechanism to ensure policies are actually followed. GAO reviewed 3,700 complaints related to civil rights and civil liberties filed against the agency over 2.5 years and found over 1,000 with potential indicators of discrimination. TSA's screening processes disproportionately impact minority populations, said Committee Chairman Bennie G. Thompson (D-MS). In particular, Advanced Imaging Technology (AIT) machines "regularly alarm on certain populations—such as Sikh passengers, African American women, and transgender people—leading to increased delays and pat downs. AIT machines rely on algorithms that define what TSA considers 'normal'—and religious headwear, hairstyles, or bodies that fall outside that definition are flagged for further inspection. TSA must improve its technology to address this issue, while considering the diversity of the public when it solicits and tests new technologies." In his testimony, Sikh Coalition official Sim J. Singh said, "TSA shouldn't keep their eyes focused on my turban, rather security officials need to keep their eyes on the real threats such as the guns, knives, and explosives that have a 70% rate of passing a security checkpoint. With better technology, clearer and more transparent

screening standards, increased oversight, and mechanisms in place to ensure civil rights compliance, our security resources can enable the Agency to focus on the real threats facing our nation.” TSA interacts more intimately with the public on a regular basis than any other government agency, screening over two million passengers every day and physically touching many of them, added Thompson. “TSA is not just the ‘public face’ of government—but its ‘hands’ too. Its success as a security agency depends upon the trust and compliance of a diverse public.”

**5. Bill Addresses Aviation Security Vulnerabilities.**

The “Covert Testing and Risk Mitigation Improvement Act of 2019” was introduced in the House by Elijah Cummings (D-Md.), Chairman of the Committee on Oversight and Reform, and Bennie Thompson (D-Miss.), Chairman of the Committee on Homeland Security. The legislation would establish standards for covert testing processes used by TSA to evaluate its aviation operations and require TSA to track and report its progress in resolving vulnerabilities. In April, the GAO issued a declassified study, at the request of members of Congress, which found that TSA failed to take timely action to resolve long-standing vulnerabilities identified through covert testing. At a Committee on Oversight and Reform hearing, TSA Administrator David Pekoske said several issues raised in the GAO and other reports had been resolved. Cummings and Thompson decided that additional congressional oversight was needed to set procedures for federal investigators who go undercover to test checkpoint security for bombs and weapons.

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

### **1. U.S.-UAE Affirm Open Skies Agreement.**

Delegates from the United States and United Arab Emirates discussed Open Skies policy during the sixth U.S.-UAE Economic Policy Dialogue, held in Washington. They reaffirmed support for the 2002 U.S.-UAE Air Transport Agreement (ATA) and the understandings in the May 11, 2018, Record of Discussion, which “reinforced the principle of a fair and equal opportunity to compete in providing international air transportation governed by the ATA.” And they underscored a commitment “to fully maintain all aspects of their Open Skies relationship established by the ATA.” . . . “We hope this latest affirmation will end ongoing attempts to undermine this agreement,” said Atlas Air Worldwide, FedEx, JetBlue and Cargo Airline Association, represented by U.S. Airlines for Open Skies. They referred to the long-running vendetta against the large Gulf carriers staged by American, Delta, United and unions. They are represented by Partnership for Open & Fair Skies, which thanked the U.S. for affirming its commitment to the 2018 agreement that “demanded an end to rule-breaking subsidies and opaque financial reporting.” . . . “Tampering with the U.S.-UAE agreement,” said U.S. Travel Association, “would have had a chilling effect on broader Open Skies policy and on the international travel economy by extension.”

### **2. U.S. Implements Changes to Cuba Sanctions Rules.**

The Administration reversed the loosening of sanctions and other restrictions on the Cuban regime and removed the authorization for group people-to-people educational travel. In a later clarification, Treasury confirmed that individuals subject to U.S. jurisdiction may use a non-restricted hotel and/or a private residence when visiting Cuba using the “Support for the Cuban People” authorized travel category. Family visits to Cuba reportedly remain unchanged.

### **3. U.S. and Argentina Sign New Air Services Protocol.**

On June 26, Secretary Chao and Argentine Minister of Transport Guillermo Dietrich signed a protocol amending the 1985 air services agreement. The new agreement lifts all restrictions on entry and incorporates most provisions found in “Open Skies” bilateral agreement.

## **VIII. EUROPE AND AFRICA**

### **1. Lufthansa Lowers Full Year Outlook.**

“Ongoing strong performance in long haul only partly offsets the price deterioration in Europe caused by market-wide overcapacities and aggressively growing low cost competitors,” said Lufthansa Group, in a revised financial outlook for full year 2019. Capacity reductions are planned. Lufthansa Cargo responded to weaker demand, especially on routes between Europe and Asia, by removing three MD-11F freighters from June onward. Full year revenues at Lufthansa Cargo are now expected to remain at prior year level.

### **2. Norwegian Adds U.S.-Barcelona Service.**

Norwegian launched four weekly seasonal Boeing 787 nonstops from Chicago O’Hare to Barcelona El Prat. New York Newark-Barcelona service increased to daily and Los Angeles-Barcelona to six times weekly. Norwegian also offers Barcelona nonstops from Fort Lauderdale and Oakland. New York to Athens begins July 2, four times a week until October 26.

### **3. Expanding TAP Adds New U.S. Service.**

TAP Air Portugal began new U.S. service in June, including five weekly Airbus A330neo nonstops from Lisbon to Chicago O’Hare, San Francisco and Washington Dulles; TAP is the launch airline for the A330neo. Porto to Newark was the first Airbus A321 Long Range transatlantic commercial flight. “With more than 70 new planes on the way, this is only just the beginning,” said David Neeleman, JetBlue and Azul founder and major TAP shareholder. “We have 10 gateways from Brazil to Portugal and believe we can support the same number from the U.S.”

### **4. Ryanair to Acquire Malta Air.**

Ryanair is acquiring start-up carrier Malta Air, which will give the Irish carrier a Maltese air operator’s certificate (AOC) and allow it “to grow its already sizable presence in Malta (3m customers p.a.), and access non-EU markets (North Africa) from Malta.” Ryanair plans to increase its Malta-based fleet to 10 aircraft within three years and move aircraft currently based in France, Italy and Germany “onto the Malta AOC which will allow these crews to pay their income taxes locally in France, Italy and Germany instead of Ireland where they are currently required to pay income taxes under Ryanair’s Irish AOC.” Malta Air will fly to 60 destinations across Europe and North Africa, while state-owned Air Malta mainly flies within Europe. Ryanair Group also includes Buzz (Poland) and Lauda (Austria).

**5. Lightning Struck Aeroflot Superjet Before Crash.**

An Interstate Aviation Committee (IAC) preliminary report on the May 5 loss of an Aeroflot Sukhoi Superjet 100 does not indicate the cause of the accident, but says a lightning strike six minutes after takeoff from Moscow Sheremetyevo led to a hard emergency landing and fire. Five crewmembers and 73 passengers were on board; one crewmember and 40 passengers were killed. The flight data recorder was exposed to high temperatures and sustained substantial damage; the cockpit voice recorder was in satisfactory condition.

**6. South African CEO Resigns.**

Vuyani Jarana resigned as CEO of South African Airways (SAA), citing inability to fund a turnaround strategy. He was replaced by Acting CEO Zuks Ramasia; she currently is Operations General Manager. The SAA Board acknowledged “critical financial circumstances” and is working with government and financial institutions to put in place “a financial structure appropriate to supporting the long-term sustainability of the company.”

**7. Virgin Australia, Virgin Atlantic to Strengthen Ties.**

See Section IX, item 4.

**8. THAI Smile to Be Star Alliance Connecting Partner.**

See Section IX, item 8.

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

### **1. United, Vistara to Code Share in India.**

Under a new alliance agreement, United will place its code on more than 20 flights operated by Vistara from Mumbai and New Delhi, effective this fall (subject to government approval). United offers year-round daily nonstops from New York Newark to Mumbai and New Delhi, and will begin seasonal San Francisco-New Delhi service on December 5.

### **2. Delta Acquires Equity Stake in Korean Air.**

Delta acquired a 4.3% equity stake in Hanjin-KAL, the largest shareholder of Korean Air, which it intends to increase to 10% over time, after receiving regulatory approval. Delta and Korean, both SkyTeam members, launched a trans-Pacific joint venture in May 2018; they code share on 1,400 flights throughout Asia and the U.S.

### **3. EL AL, Alaska Code Share to U.S. Points.**

EL AL started three-times-weekly Dreamliner flights from Tel Aviv to San Francisco and is code sharing with Alaska Airlines on flights from SFO to Seattle, San Diego, Portland, Honolulu, Los Angeles, Palm Springs, Albuquerque, Austin, Dallas, Santa Ana, Everett, Kansas City, Salt Lake City, Kona and Las Vegas, with points in Mexico to come. EL AL also has code share agreements with JetBlue and American. . . . EL AL plans three weekly flights from Chicago in 2020, the only nonstops to Israel from the Midwest.

### **4. Virgin Australia, Virgin Atlantic to Strengthen Ties.**

Virgin Australia and Virgin Atlantic applied to the Australian Competition & Consumer Commission (ACCC) for authorization to cooperate on services between Australia and the UK and Ireland via mutual mid-points in Hong Kong and Los Angeles. They seek interim authorization to engage in joint pricing, inventory management, scheduling coordination, network planning and marketing on services on the UK/Ireland route; and they propose to cooperate on product alignment, airport operations, joint procurement and tenders for corporate contracts. ACCC expects a decision on interim authorization in July, a draft determination by October and final determination in November.

### **5. Vivienne Tan Succeeds Jaime Bautista at PAL.**

Philippine Airlines (PAL) confirmed the retirement of PAL President and CEO Jaime Bautista and the appointment of PAL Executive Vice President Vivienne Tan as Officer-in-Charge. She is the daughter of Chairman and CEO Lucio

Tan and “has more than 25 years of professional experience in technology, education, entrepreneurship and social advocacy in industries such as education, airline and property development.”

**6. Hainan Sells Aircraft to Relieve Debt.**

Hainan Airlines Holding sold 18 Airbus and Boeing aircraft to HNA Aviation (Hong Kong) Holdings to improve debt structure and streamline its fleet. Two B737-800s were sold to NAS Investments. Hainan also received a loan from China Development Bank.

**7. Garuda Ordered to Pay \$19 Million For Price Fixing.**

Garuda Indonesia was ordered to pay penalties of \$19 million for colluding on fees and surcharges for air freight services, reported the Australian Competition and Consumer Commission (ACCC), whose actions against a global air cargo cartel have so far resulted in penalties of \$132.5 million against 14 airlines. . . . Jetstar was ordered to pay \$1.95 million for breaching the Australian Consumer Law between April 2017 and March 2018.

**8. THAI Smile to Be Star Alliance Connecting Partner.**

Bangkok-based THAI Smile Airways will be the second Star Alliance Connecting Partner; Juneyao was the first. The program calls for commercial relationships with a minimum of three carriers; full membership requires commercial ties with all full members. THAI Smile will add 11 new destinations to the Star network, which comprises 1,300 airports in 194 countries.

**9. Etihad Secure Logistics Services Formed.**

Etihad Airways acquired all shares of its joint venture Armaguard Valuables Management, renaming it Etihad Secure Logistics Services and appointing security specialist Vincent Hampton as Managing Director. “The Armaguard Group is concentrating on continuing to strengthen the existing businesses in Australia and New Zealand while enhancing our services across South East Asia,” said Linfox Armaguard CEO Gary Allen, adding that Etihad and Armaguard “will continue as a strong network alliance, servicing the global valuables market.” . . . Etihad partnered with Vancouver-based startup Swae to launch iFikra, a platform that leverages artificial intelligence to support and augment written business proposals generated by staff, while enabling an open feedback and collaboration learning loop.

## **X. AMERICAS**

### **1. American Adds Caribbean, Latin America Services.**

American is adding new Boeing 737-800 flights from New York Kennedy to Montego Bay, Jamaica and San Jose, Costa Rica in November, and Liberia, Costa Rica in December. New York LaGuardia to Aruba will extend from summer service to year-round beginning in December. A second daily flight from Dallas-Fort Worth to San Juan, Puerto Rico will be added in December, and seasonal service to San Salvador, El Salvador will operate year-round.

### **2. JetBlue Adds Ecuador Service.**

JetBlue will begin daily Airbus A321neo nonstops between New York Kennedy and Guayaquil, Ecuador on December 5, subject to receipt of government operating authority; the route will be the longest in the JetBlue network. As announced in April, JetBlue intends to launch service to London from New York Kennedy and Boston in 2021 using the A321LR. The airline also is converting 13 of its ordered A321neo aircraft to the Xtra Long Range (XLR) version, for further expansion to European cities “that suffer from high fares or mediocre service and those which are effectively controlled by legacy carriers and their massive joint ventures.”

### **3. FedEx Sues Commerce Department.**

FedEx sued the Commerce Department and Commerce Secretary Wilbur Ross to prevent enforcement of new export regulations requiring companies to screen and block packages that could pose a threat to national security. CEO and Chairman Frederick Smith said the lawsuit is “separate and distinct” from the recent diversion of shipments intended for Chinese technology company Huawei, “which was three packages out of 15 million packages a day”; rather, it stems from Commerce adding five new entities “with these extraordinarily opaque requirements.” Amid the trade dispute with China, Huawei has been the target of U.S. security concerns; China is investigating FedEx for failing to deliver the Huawei packages. . . . FedEx reported a loss of \$1.97 billion in its express business for fiscal fourth quarter, which ended May 31, compared with profit of \$1.13 billion a year earlier. . . . FedEx Express will not renew its contract with Amazon for domestic deliveries; the decision does not affect international services or other FedEx business units. Amazon represented 1.3% of total FedEx revenue in 2018.

4. **Amazon Air Leases Additional B737-800 Freighters.**

Amazon will lease 15 Boeing 737-800 cargo aircraft from GE Capital Aviation Services (GECAS), in addition to five announced earlier this year. “By 2021, Amazon Air will have a portfolio of 70 aircraft flying in our dedicated air network,” said Amazon, which will open air facilities this year at Fort Worth Alliance, Wilmington Air Park, and Chicago Rockford. The main hub at Cincinnati/Northern Kentucky will open in 2021.

5. **Neeleman’s Moxy to Fly A220-300s.**

A Letter of Intent for the purchase and leaseback of nine Airbus A220-300s was signed with GECAS on behalf of David Neeleman’s new U.S. airline, with deliveries scheduled in 2021 and 2022. The startup, known as Moxy, will operate point-to-point from secondary airports “with lower fares and a high quality, comfortable flying experience,” said Neeleman.

6. **Air Canada, Groupe Mach Vie for Transat.**

Groupe Mach, a Quebec real estate developer, is attempting to acquire Transat, outbidding Air Canada by \$1 a share. Montreal-based Transat specializes in leisure travel to 60 destinations in the Americas and Europe.

7. **Canada Finalizes Air Passenger Protection Regulations.**

The Canadian Transportation Agency finalized air passenger protection regulations, which will come into effect in two stages. Starting July 15, airlines will have to: clearly communicate to passengers their rights and recourses and provide regular delay and cancellation updates; provide compensation of up to \$2,400 for bumping a passenger for reasons within their control; ensure passengers receive standards of treatment during tarmac delays and allow them to leave the airplane, when safe to do so, if a tarmac delay lasts for over three hours and there's no prospect of an imminent take-off; provide compensation for lost or damaged baggage of up to \$2,100 and refund baggage fees; and set clear policies for transporting musical instruments. Starting December 15, airlines will have to: provide compensation of up to \$1,000 for flight delays and cancellations within an airline's control that are not safety-related; rebook or refund when flights are delayed; provide food, drink and accommodation when flights are delayed; and facilitate seating of children under 14 years in close proximity to an accompanying adult, at no extra charge.

8. **Brazil Allows Foreign Carriers to Operate Domestic Flights.**

A bill allowing foreign airlines to operate domestic flights in Brazil was signed into law. Several have expressed interest, said officials. Spain’s Air Europa reportedly was granted preliminary authorization to set up a domestic

subsidiary in the country, with flights expected to launch later this year. The domestic air market is dominated by Gol, LATAM and Azul.

**9. Anko van der Werff Named CEO of Avianca Holdings.**

Anko van der Werff was named CEO of Avianca Holdings. He has held executive positions with Aeromexico, Qatar Airways and Air France-KLM. Roberto Kriete, recently appointed President of the Avianca Holdings Board of Directors, said Van der Werff's experience "will not only help us continue with our transformation, but will also help us strengthen the loyalty of our customers, rekindling the commitment of our employees and reinforce our company's competitiveness and financial situation." . . . Meanwhile, Avianca Argentina suspended operations; Argentina's civil aviation authority said the temporary closure will allow a restructuring of the company. Majority shareholder is German Efromovich who also owned Avianca Brazil, which suspended operations in May.

**10. Norwegian Adds U.S.-Barcelona Service.**

See Section VIII, item 2.

**11. Expanding TAP Adds New U.S. Service.**

See Section VIII, item 3.

**12. United, Vistara to Code Share in India.**

See Section IX, item 1.

**13. Delta Acquires Equity Stake in Korean Air.**

See Section IX, item 2.

**14. EL AL, Alaska Code Share to U.S. Points.**

See Section IX, item 3.

**15. THAI Smile to Be Star Alliance Connecting Partner.**

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