



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: Industry Enjoys Solid Profits Despite Rising Costs.**

Airlines are expected to achieve a collective net profit of \$33.8 billion (4.1% net margin) in 2018, reports the International Air Transport Association (IATA), a downward revision from December forecast of \$38.4 billion, due mainly to rising costs (primarily fuel and labor) and interest rates. In 2017 airlines earned a record \$38 billion, but comparisons are distorted by special accounting items such as one-off tax credits. Passenger travel is forecast to expand by 7% in 2018, capacity by 6.7%; passenger load factor is expected to be 81.7%; total passenger numbers to rise to 4.36 billion. Passenger yields are expected to grow by 3.2% after a 0.8% decline in 2017, the first year for strengthening yields since 2011. Cargo demand is expected to grow by 4%, down from 9.7% growth in 2017. Risks to the outlook include protectionist agendas, U.S. withdrawal from Iran nuclear deal, impact of Brexit, trade discussions and geopolitical conflicts. “The world is better off when borders are open to people and to trade. And our hard work as an industry has primed aviation to be an even stronger catalyst for an ever more inclusive globalization,” said Alexandre de Juniac, IATA Director General and CEO.

2. **Akbar Al Baker New IATA Board Chairman.**

Qatar Airways Group CEO Akbar Al Baker is the new Chairman of the IATA Board of Governors, succeeding Singapore Airlines CEO Goh Choon Phong. The succession occurred at the 74th IATA Annual General Meeting (AGM) in Sydney. Lufthansa Chairman/CEO Carsten Spohr will succeed Al Baker next June. The AGM theme was “Securing Aviation’s Future—Smarter Regulation, Global Standards, Infrastructure.” IATA called for governments to facilitate growth of global connectivity by avoiding creeping re-regulation, maintaining integrity of global standards, and addressing a capacity crisis.

3. **IATA Urges States to Release Blocked Airline Funds.**

Airline funds blocked from repatriation totaled \$4.9 billion across 16 countries at the end of 2017. Venezuela still tops the list, blocking \$3.78 billion, and Angola follows at \$386 million, having recently cleared \$120 million. Some \$170 million of funds await clearance in Sudan, while Bangladesh’s total is \$95 million and Zimbabwe completes the top five with \$76 million. Blocked funds are hitting airlines hardest in South America, Africa and South Asia, according to IATA, which continues to urge governments to abide by international agreements and treaty obligations to release blocked airline funds across the globe.

4. DOT IG Audits FAA Oversight of Aircraft Evacuation Procedures.

The Department of Transportation Inspector General (DOT IG) is conducting an audit to assess Federal Aviation Administration (FAA) development and updating of aircraft emergency evacuation standards, including how changes in passenger behavior, passenger demographics, and seating capacity affect the standards; and its process for determining whether aircraft as currently configured meet evacuation standards. Current standards require that aircraft can be fully evacuated in 90 seconds or less. To obtain FAA certification for a specific aircraft type, manufacturers must conduct actual demonstrations of emergency evacuations or a combination of tests and analyses, including computer simulations, that yield equivalent results. The standards have not been significantly updated since 1990, despite changes in the industry and consumer behavior. For example, the number of aircraft seats and passengers have increased but seat size and pitch has decreased; carry-on luggage has also increased. Peter DeFazio (D-OR) and Rick Larsen (D-WA), Ranking Members of the House Transportation Committee and its Aviation Subcommittee, respectively, requested the audit.

5. Chao: Addressing Today's Challenges While Preparing for the Future.

In a speech to the Aero Club of Washington, DC, DOT Secretary Elaine Chao discussed the “third great inflection point since the dawn of manned flight and the beginning of the jet age . . . the introduction of unmanned aircraft systems.” As of June 7, there were 1.1 million registered drones in the U.S., and more than 94,000 registered drone operators. “The rules and regulations governing our national airspace never anticipated drones,” said Chao, and “we are paving the way for their safe integration.” Among other comments, Chao said DOT is committed to a new, collaborative approach on air traffic control, “rather than top-down dictates,” including reaching out to communities, “before we implement new procedures or redesign airspace.” She said total planned investment in airport improvements will reach \$3.18 billion. Noting renewed interest in commercially viable supersonic aviation, Chao said DOT “is studying this issue to see how regulations could be modified to enable this innovation, where appropriate.”

6. White House Proposes to Privatize Air Traffic Control Services.

The White House has included provisions to privatize air traffic control services, in a government reorganization proposal. . . . Earlier, during a *Washington Post* forum, “Taking Flight: Regulating Our Skies,” DOT Secretary Chao said privatization of air traffic control is an idea that “is going to come back because the need to address delays and congestion in our airspace will continue. . . we have been unable to get enough votes in the House and the Senate. Until we do, this proposal will not gain greater currency. And so, we

need to work on that.” Among other remarks, Chao said the 1,500-hour pilot training rule has an “unanticipated corollary impact of reducing the number of pilots. Pilots who can very safely fly in our skies. Congress needs to have this discussion and we will abide by the wishes of Congress.” Asked if the federal government should have more consumer protection oversight, Chao said DOT in 2017 “conducted well over 100 unannounced inspections of 34 airlines and over 3,000 airports just on this consumer reaction and treatment point of view.” We want the airlines to do their job, she added. “As organizations that want to be profitable, be responsive to the public, they need to respond to the complaints, and they do.” Delta was the presenting sponsor of the forum. Roy Blunt (R-MO) and Maria Cantwell (D-WA), Chairman and Ranking Member, respectively, of the Senate Subcommittee on Aviation Operations, Safety, and Security, participated in the “View from Capitol Hill” segment, and representatives of Airlines for America, FlyersRights.org, and Airports Council International of North America debated consumer and other issues in the “Regulatory Landscape” segment.

7. Audit Initiated of FAA's Safety Oversight of Southwest.

The DOT IG initiated a review of FAA's safety oversight of Southwest, specifically, the carrier's ability to identify hazards and analyze and mitigate risks, following the April 17 Flight 1380 engine failure, in which debris penetrated the cabin, resulting in a passenger fatality. Preliminary reports indicate similarities with an engine incident on another Southwest aircraft in 2016, “but it is unclear what actions the carrier took to manage the risk to prevent a future failure,” said the IG, which also “recently received a hotline complaint regarding operational issues at Southwest, such as alleged pilot training deficiencies.” . . . In related news, eight Flight 1380 passengers filed a lawsuit in New York Supreme Court alleging physical and mental trauma, citing Southwest, Boeing, GE, Safran and CFM for negligence.

8. Airlines Seek Exemption from State, Local Sick-Pay Laws.

Airlines for America (A4A) petitioned judges in Washington and Massachusetts to exempt airlines from state laws that provide for paid sick leave for all workers, reports Bloomberg. A4A claims the state and local laws are designed for employees working 40-hour weeks in traditional office environments, in a single jurisdiction, while airline crews routinely operate in multiple states in a single day, rarely spend much time in any one state, and spend most of their time in federal airspace. Association of Flight Attendants “will fight this misguided lawsuit to ensure flight attendants receive this benefit under the law.”

9. Carriers Seek Delta’s Havana Frequency.

JetBlue has asked DOT to conduct a frequency allocation proceeding for the single Saturday flight to Havana that Delta plans to end on September 1. JetBlue is proposing service from Fort Lauderdale, American from Miami, and Southwest from Tampa.

10. FAA Restricts Drone Operations Over Federal Facilities.

FAA added restrictions on drone flights up to 400 feet within the lateral boundaries of federal prison and Coast Guard facilities. Similar flight restrictions remain in place over military installations, ten Department of Interior facilities and seven Department of Energy facilities. In other news, NASA flew a large unmanned aircraft in public airspace without a chase plane for the first time, in a step toward “normalizing unmanned aircraft operations in the airspace used by commercial and private pilots.”

11. DOT Air Travel Consumer Report for April.

Based on data filed by reporting carriers.

	April '18 / '17	March '18	2017	2016	2015	2014	2013
On-time arrivals %	81.3 / 78.5	80.9	80.2	81.4	79.9	76.2	78.34
Cancellations %	1.0 / 1.6	2.8	1.5	1.2	1.5	2.2	1.51
Mishandled baggage*	2.39 / 2.54	2.59	2.46	2.70	3.13	3.61	3.22
Consumer complaints:							
Airline service	1,169 / 1,908	1,194	18,148	17,908	20,175	15,539	13,176
Disability-related	73 / 66	60	851	865	944	784	683
Discrimination**	6 / 12	9	98	95	65	68	79

Note: In April, airlines reported one tarmac delay of more than three hours on domestic and no tarmac delays of more than four hours on international flights.

* Reports per 1,000 passengers.

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

II. AIRPORTS

1. Parliament Votes to Expand London Heathrow.

Parliament voted in favor of building a third runway at London Heathrow, after decades of political debate. Heathrow will hold a second public consultation before submitting a development consent order application for an approval process that could take 18 months. Construction would begin in 2021 and the new runway would open in 2026. Heathrow is Europe's largest airport, handling 78 million passengers every year and, in 2017, 1.7 million metric tons of cargo. . . . In other news, Heathrow stakeholder Ferrovial plans to move its international headquarters to Amsterdam from Oxford to maintain its EU identity post-Brexit.

2. IATA, ACI Provide Guidance for Airport Privatization.

IATA members called on governments "to prioritize the long-term economic and social benefits delivered by an effective airport ahead of the short-term financial gains provided by a poorly thought-out privatization." The airlines called for governments to establish: robust regulatory safeguards to ensure cost efficiency; expectations for performance improvement to be set in consultation with airport users and consumers; and monitoring of privatization through public consultation, with corrective action taken to ensure benefits are realized for passengers, airlines and cargo consumers. IATA research found that private sector airports are more expensive, "but we could not see any gains in efficiency or levels of investment." About 14% of airports globally have some level of privatization, and, as they tend to be large hubs, they handle about 40% of global traffic. IATA published "Airport Ownership and Regulation" for governments considering public-private partnerships and other forms of privatization programs for airport infrastructure. . . . "Privatization has been shown to be a successful means by which to fund infrastructure development," said ACI World, which released "Creating Fertile Grounds for Private Investment in Airports," providing guidance and principles for governments and regulators looking to adopt privatization as policy.

3. Europe's Airports Report Strong Growth, Rising Costs, Emerging Risks.

Europe's airports handled 2.23 billion passengers in 2017, a record, with volumes up another 6.9% year-to-date, reports ACI EUROPE. But rising oil prices, trade wars and possible economic deceleration are "testing the resilience of our growth dynamic," said Director General Olivier Jankovec during joint ACI Europe & World Annual Congress & General Assemblies. Among his remarks: "90% of Europe's airports offer discounts to attract, retain

and grow air traffic.” “Since 2011, airports’ commercial revenues per passenger have fallen by -4.8%.” “The headwinds we now face in growing these commercial revenues are clearly challenging our business model. Along with the wider impact of the mega digital platforms, this is something airports and airlines should look at together. Not to share the pie—but to look at how we could grow the pie by sharing data and leveraging its content through joint commercial initiatives.” In 2017, Chinese and European Union (EU) airports respectively accounted for 22.8% and 20.4% of global air passenger growth. North American airports (U.S., Canada) 11.2% and ASEAN airports 10.8%.

4. FAA Awarding \$677 Million in AIP Grants.

FAA is awarding \$677 million in airport infrastructure grants, the first of a total \$3.18 billion in Airport Improvement Program (AIP) funding for U.S. airports. The grants will fund 346 infrastructure projects. Recipients include Salt Lake City International (\$16.3 million), Denver International (\$14.2 million), Charlotte/Douglas (\$12.6 million) and San Diego International (\$12.1 million).

5. Radical Changes Recommended for New York Area Airports.

A new report from Regional Plan Association calls for upgrades to New York region airports that would “reduce delays by 33% and allow for a 60% increase in airline passengers.” The upgrades, totaling \$50.8 billion over the next 30-40 years, include two new runways at Kennedy and one new runway at Newark. The report recommends increased preparation for climate change and sea level rise, with eventual phasing out of Teterboro, “which is likely to be partially flooded at one foot of sea level rise (predicted by 2050) and fully flooded at three feet of sea level rise (predicted by end of century or sooner).” The report, “Upgrading to World Class - The Future of the Region’s Airports Revisited,” proposes demolition of Newark Airport in phases over a 40-year period and replacing it with three mid-field concourse terminals.

6. Ginger Evans Resigns; Elon Musk to Build Tunnel Service to O’Hare.

Jamie Rhee was named Commissioner of the Chicago Department of Aviation, which manages O’Hare and Midway. She replaces Ginger Evans who has resigned. Evans previously held executive positions with Metropolitan Washington Airports Authority and Denver International. Rhee currently is Chicago’s Chief Procurement Officer. . . . In other news, Chicago selected Boring Company, owned by Elon Musk, to design, build, finance, operate and maintain an express service between O’Hare and downtown. The Chicago Express Loop will transport passengers in 12 minutes each way via electric vehicles that travel over 100 miles-per-hour through new twin underground tunnels. The project will be funded entirely by Boring, which “aims to alleviate soul-destroying traffic by constructing safe, affordable, and

environmentally-friendly public transportation systems.” Current total daily number of air passengers traveling between O’Hare and the Chicago Central Business District is 20,000 and forecast to grow to 35,000 in 2045. An upcoming expansion will increase O’Hare gate capacity by 25%.

7. \$4.9 Billion Automated People Mover System for LAX.

Bombardier Transportation announced that LAX Integrated Express Solutions (LINXS), of which it holds a 10% share, finalized a contract with Los Angeles World Airports for an automated people mover (APM) system at Los Angeles International. Total contract is valued at \$4.9 billion. Bombardier will be responsible for design and supply of 44 Bombardier Innovia APM 300 vehicles, signaling, and onboard and wayside communication systems, and will lead a joint venture that will provide operations and maintenance services for the system and related facilities for a 25-year period, following completion of construction. The project is the first automated people mover system procured through a public-private partnership in the United States. In addition to Bombardier, the LINXS consortium is comprised of ACS Infrastructure Development, Balfour Beatty Investments, Fluor Enterprises, and Hochtief PPP Solutions North America.

8. Atlanta Names New Hartsfield-Jackson General Manager.

Atlanta Hartsfield-Jackson Deputy General Manager Balram Bheodari was named Interim General Manager. He replaced Roosevelt Council, Jr., who is now Atlanta’s Chief Financial Officer. Bheodari previously was COO of Houston Airport System and General Manager of Bush Houston Intercontinental.

9. \$2.5 Billion Capital Plan Underway at Charlotte-Douglas.

A \$2.5 billion capital plan is underway at Charlotte-Douglas International, to include significant terminal expansions and renovations; added traffic lanes; concourse and airfield expansions; and a proposed fourth parallel runway. CLT handled 44.9 million total passengers in 2015.

10. Construction of New Reagan National Concourse Begins.

Metropolitan Washington Airports Authority authorized Turner Construction to proceed with a new concourse at Reagan National. Part of the airport’s ongoing \$1 billion terminal redevelopment plan, the \$374 million, three-level concourse will have 14 regional aircraft gates, replacing busses with passenger boarding bridges. Turner will also build a two-level connector building with public circulation space, moving walkways and electric vehicle charging stations. Completion is scheduled for 2021.

11. Vancouver Breaks Ground on \$9.1 Billion Expansion.

Vancouver International broke ground on capital construction projects that are part of a 20-year, \$9.1 billion expansion. YVR handled 24.2 million passengers in 2017, forecasts 32 million by 2022, and receives no government funding.

12. London Gatwick to Invest Another £1.11 Billion.

A new five-year Capital Investment Plan for London Gatwick includes £1.11 billion, with £266 million planned for 2018/19 alone, bringing total investment since 2009 to £3.14 billion. Gatwick predicts that passenger numbers will increase to 53 million by 2023. Projects beginning this year include reconfigurations to accommodate the Airbus A380 and a new domestic arrivals facility. The airport is exploring use of robots to park cars.

13. EC Clears London Luton Acquisition.

The European Commission approved the joint acquisition of London Luton by AMP Capital (UK) and Aena Internacional. In April, AMP agreed to acquire 49% of Luton from Ardian on behalf of investors in its Global Infrastructure Equity strategy. Luton handled 15.8 million passengers in 2017.

14. New Jeddah International Begins Trial Operations.

The new King Abdulaziz International Airport (JED) in Jeddah launched a four-phase trial opening, with a Saudia Airbus A320 domestic flight. The airport is expected to be fully operational by March 2019 with 46 terminals, including a Hajj terminal designed for pilgrims. Saudia Cargo is constructing a 75,000 square-meter cargo handling facility.

III. SECURITY AND DATA PRIVACY

1. Supreme Court Upholds Travel Ban.

The Supreme Court upheld, in a 5-to-4 vote, the third version of an executive order to ban travel from Iran, Libya, Syria, Yemen, Somalia, Venezuela and North Korea, which has been enforced since December. Widely known as a “Muslim ban,” each iteration of the effort was found to be unconstitutional by lower courts. But Chief Justice John Roberts said Proclamation 9645 is neutral, justified by national security concerns and “expressly premised on legitimate purposes: preventing entry of nationals who cannot be adequately vetted and inducing other nations to improve their practices.” American Civil Liberties Union vowed “to organize, protest, and push Congress to end the ban once and for all.” Other organizations opposed “the dangerous precedent set by this decision” and called for “a reaffirmation of basic values of respect for diversity, pluralism and religious freedom.” U.S. Travel Association urged the Administration to put into place “a coherent and durable set of policies” and make it clear “that legitimate business and leisure travelers are as welcome.” American Society of Travel Agents called for “clear implementation guidelines in short order such that travel disruptions are kept to an absolute minimum.”

2. IATA, WTTC to Harmonize Biometrics.

IATA and the World Travel & Tourism Council agreed to adopt a common approach, exchange information and work together to harmonize use of biometric standards and interoperability.

3. Orlando Deploys CBP Biometric Entry and Exit Program.

Orlando International is the first U.S. airport to fully deploy the Customs & Border Protection (CBP) Biometric Entry and Exit Program, which processes arriving and departing international travelers with facial recognition technology. CBP is testing biometric exit at 13 major U.S. airports, and says the verification process takes less than two seconds, with a 99% match rate; photographs of travelers are compared with those already on file in Department of Homeland Security holdings; and no new data are required. CBP has implemented facial comparison technology for arrival processing at 10 locations, including four Preclearance sites, and has partnerships with Delta, Jet Blue, British Airways, Lufthansa and Air New Zealand. CBP says it safeguards privacy and limits personally identifiable information used in the biometric process, but legislators said DHS should complete a formal rulemaking process to ensure that travelers “know exactly who has access to

their facial recognition data, how their information will be safeguarded, and how they can opt out of the program.” U.S. Travel Association said the initiative, “provides an accurate way to identify individuals while combatting the use of falsified documents,” and allows “a more efficient screening process and shorter wait times.”

4. **Airlines Object to Transporting Migrant Children Separated from Parents.**

United, American and other airlines said they would not knowingly allow the federal government to use their planes to transport migrant children who were separated from their families under a new Administration procedure, that was later reversed. Flight attendants asked airlines for clarification about whether immigrant children would be transported away from their families on their flights, special instructions for care of the children, and how to respond to passengers asking about the airline’s role in transporting children to detention centers away from their parents; they condemned “action to purposefully separate children from their parents” and said some crewmembers were “struggling with the question of participating in a process that they feel is deeply immoral.” DHS accused the airlines of “buckling to a false media narrative” in a way that “puts more children at risk from traffickers.”

5. **TSA Restricts Powders in Carry-On Bags.**

The Transportation Security Administration (TSA) implemented new requirements for powders in carry-on bags for inbound international flights, due to concerns about explosives or debilitating sprays in the cabin. Containers with more than 12 oz. of a powder-based substance will undergo additional screening or will not be allowed on the flight. Airlines are encouraging customers to place containers of powder-like substances that are larger than a standard U.S. can of soda in checked bags. Powders exempt from secondary screening include baby formula and human remains.

6. **Air Cargo Advance Screening Program Goes into Effect.**

The Air Cargo Advance Screening program went into effect, requiring carriers to submit air cargo data to CBP prior to loading cargo on aircraft destined to or transiting through the United States from a foreign location. CBP and TSA said there is no current specific terrorist threat to U.S.-bound cargo.

IV. E-COMMERCE AND TECHNOLOGY

1. Computer Glitch Stalls Regional PSA.

PSA, a wholly owned subsidiary of American Airlines, canceled nearly 3,000 flights over several days, due to computer system problems. The Dayton-based regional operates about 12% of American's 6,700 daily flights.

2. Seamless Air Alliance Aims to Transform Inflight Connectivity.

Nokia, Air France KLM, Aeromexico and GOL joined the Seamless Air Alliance, which aims to enable passengers "to use their own devices to automatically connect to the Internet, with no complicated login process and no paywall to scramble over." Founded by Airbus, Airtel, Delta, OneWeb and Sprint, the alliance "will eliminate the immense costs and hurdles commonly associated with acquisition, installation, and operation of data access infrastructure by streamlining system integration and certification, providing open specifications for interoperability, increasing accessibility for passengers, and enabling simple and integrated billing."

3. Report: Airline Industry on Cusp of Major Tech Investment Wave.

Spending on connected technologies in the commercial aviation sector will surpass \$500,000 per aircraft in the next five years, according to the new Honeywell Connected Aircraft Report, driven by "demand for solutions that enhance the passenger experience, save airlines money and improve operational efficiency." Included are applications that track fuel usage; aid pilot landing and navigation; give crowd-sourced weather information via mobile device; and analytics that use data from smart sensors, sending it to maintenance personnel or aircraft operators during flight.

4. Airports to Spend \$4.63 Billion on IT by 2023.

Frost & Sullivan's "Digital Transformation in Airports" says airports worldwide will spend \$4.63 billion by 2023 on IT, including biometrics; cybersecurity; and analytics that empower the operator to proactively deal with peak operational periods and disruptions. Artificial Intelligence will increasingly be used in the e-commerce function, and to enable operators to better manage airport spaces and allocate resources according to flow prediction models.

V. **ENERGY AND ENVIRONMENT**

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

The average price of aviation jet fuel on June 15 was \$86.9/barrel, down 6.5% on the month and up 54% compared to a year ago, reports the International Air Transport Association. Jet fuel price average for 2018 was \$84.9/barrel; impact on 2018 fuel bill was \$42.3 billion.

2. **CORSIA First Stage Takes Effect January 1.**

The Air Transport Action Group reminded airlines that they must comply with the first stage of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) by January 1, 2019. All operators with international services must start monitoring and reporting all CO2 emissions by that date; the scheme takes full effect in 2020. IATA said 73 governments have signed on to CORSIA, covering 88% of aviation.

3. **Flight Attendants Have Higher Rates of Many Cancers, Study Says**

New research from Harvard T.H. Chan School of Public Health found that U.S. flight attendants have a higher prevalence of every cancer they studied, especially breast cancer, melanoma and non-melanoma skin cancer. Job-related cancer risk factors identified in the study include exposure to ionizing radiation, jet lag, pesticides, and other onboard chemicals, noted Association of Flight Attendants-CWA.

4. **Norway's First Electric-Powered Flight Takes to the Skies.**

Norway's first electric-powered flight took place at Oslo Airport. "The Norwegian short-leg domestic network is ideal for trialing the first commercial electric-powered flights, which are expected to have a limited range and capacity," said Dag Falk-Petersen, CEO of national airport operator Avinor. Avinor will consider the effect of electric flight on climate and environment and on competition in Norwegian aviation. Project partners include Widerøe, SAS, the Norwegian Association of Air Sports and climate foundation ZERO. Avinor does not intend to charge landing fees for electric-powered light aircraft and will allow them to recharge at no cost until 2025.

5. **Connected Aircraft Reduce CO2 Emissions.**

The connected aircraft, enabled by satellite communications, has the potential to save airlines 21.3 million metric tons of CO2 emissions by 2035, according to research from the London School of Economics and Political Science (LSE) in association with Inmarsat. Additional efficiencies include fuel savings,

reduction in delays, innovations in maintenance processes, air traffic management enhancements, and safety improvements. Based on current connected aircraft numbers, the research finds that these efficiencies can generate up to a 1% reduction in the \$764 billion spent by airlines each year in operating costs worldwide. As adoption of connected aircraft is set to rise exponentially, cost saving is expected to double, saving airlines up to \$15 billion globally by 2035.

6. **Final Environmental Assessment for Cleveland/Detroit Metroplex.**

FAA issued a Final Environmental Assessment and Finding of No Significant Impact/ Record of Decision for the Cleveland/Detroit Metroplex project and is phasing in 71 satellite-based procedures to replace conventional air traffic control procedures. The NextGen project also expands the number of entry and exit points into and out of the Cleveland/Detroit airspace.

7. **Paine Field Commercial Ops Delayed for New Environmental Review.**

FAA is requiring a supplemental review of Paine Field in Everett, north of Seattle, because operations proposed by Alaska, Southwest and United are double those approved in a 2012 environmental impact assessment, reports the *Seattle Times*. Commercial air service at the airport may be delayed from an expected start this fall to the new year.

8. **NASA Technologies Significantly Reduce Aircraft Noise.**

NASA flight tests successfully demonstrated technologies that reduce airframe noise in excess of 70% during landing. Significant reduction in aircraft noise must be realized in order for air transportation growth to maintain its current trend, said NASA; quieter aircraft will benefit communities near airports and foster expanded airport operations.

VI. U.S. CONGRESS

1. Committee Approves \$17.7 Billion in FAA FY19 Funding.

The Senate Appropriations Committee advanced the fiscal year 2019 Transportation, Housing and Urban Development and Related (THUD) Appropriations Act, which includes \$26.6 billion in discretionary appropriations for DOT, \$698 million below FY18 enacted level; with \$17.7 billion in total budgetary resources for FAA, which fully funds all air traffic control personnel, including more than 14,000 air traffic controllers, and more than 25,000 engineers, maintenance technicians, safety inspectors, and operational support personnel. The bill provides \$1 billion for NextGen and not less than \$168 million for the Contract Towers program. The bill also provides \$750 million in additional funding for airport improvements.

2. Homeland Security Appropriations Bill Clears Senate Panel.

Senate appropriators approved a \$55.15 billion FY19 spending bill for DHS, which includes \$4.84 billion for the Transportation Security Administration, \$83 million below FY18 enacted level and \$797 million above FY18 request. The bill includes funding for 1,450 new TSA personnel to staff checkpoints, an additional 50 canine teams and future checkpoint technology, and “fully funds other critical layers of security, from passenger pre-screening and intelligence functions, to the Federal Air Marshal Service and the Federal Flight Deck Officer program.” The measure “continues to carry provisions requiring greater transparency and accountability from the Department of Homeland Security and its components.” Customs and Border Protection is funded at \$14.30 billion, \$239 million above FY18 enacted level.

3. Committee Passes Countering Malicious Drones Bill.

The Senate Homeland Security & Governmental Affairs Committee approved the Preventing Emerging Threats Act of 2018: Countering Malicious Drones. S. 2836 would authorize the Departments of Homeland Security and Justice to protect certain assets and facilities where drones would pose an unacceptable security risk to the public, while protecting recreational drone use. The proposed law has a five-year sunset provision. Committee Chairman Ron Johnson (R-WI) said incidents reported by federal agencies, including drone flights over sensitive areas or suspicious activities, rose from eight in 2013 to an estimated 1,752 in 2016. In a hearing, an FBI official said the threat “could take a number of forms, including illicit surveillance; chemical, biological, radiological attacks; traditional kinetic attacks on large open-air venues (concerts, ceremonies, and sporting events); or attacks against government

facilities, installations and personnel”; drone technology renders traditional, two-dimensional security measures, such as perimeter fences, ineffective, enabling unprecedented, inexpensive and often unobtrusive degrees of access to previously secure facilities and their presence could impede emergency response. S. 2836 language was developed by an interagency committee, which concluded that without changes in the law, federal agencies are prevented from developing, testing and evaluating and deploying counter drone technologies.

4. Security Bills Sent to House.

The House Homeland Security Committee ordered several bills to be reported to the House with a favorable recommendation, including: H.R. 5206, the Office of Biometric Identity Management Authorization Act of 2018; H.R. 5729, the Transportation Worker Identification Credential Accountability Act of 2018; H.R. 5730, the Transportation Security Technology Innovation Reform Act of 2018; and H.R. 5766, the Securing Public Areas of Transportation Facilities Act of 2018.

5. Aircraft Maintenance Outsourcing Disclosure Act Introduced.

The Aircraft Maintenance Outsourcing Disclosure Act of 2018 (H.R. 6028) was introduced in the House; a companion bill was introduced in the Senate (S. 3026). The legislation would require airlines to disclose the most recent location and date that an aircraft underwent airframe heavy maintenance, and post that information on airline websites, ticket purchase confirmations, and boarding documents. The bill addresses “an increasing trend” of periodic airframe heavy maintenance “being outsourced to foreign countries such as El Salvador, China and Mexico,” said bill sponsors. The bill is supported by maintenance, pilot and flight attendant unions.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. FAA-EC Pact Paves Way for Lower Fees for U.S. Manufacturers.

The FAA-EU Bilateral Oversight Board Decision 8 (BOB8) was signed, paving the way to lower fees that the European Aviation Safety Agency (EASA) charges U.S. manufacturers to validate their design approvals. A Validation Improvement Roadmap update was also signed, allowing each side to optimize reliance on the other's certification system and eliminate or reduce technical involvement.

2. Elwell Urges Accelerated Brexit Negotiations.

FAA Acting Administrator Daniel Elwell again noted the need for urgency in the pace of bilateral aviation negotiations, as the clock runs down to the Brexit deadline. "We know what agreements we need to have in place to ensure safe and efficient operations," he told the EASA-FAA International Aviation Safety Conference in Washington, DC. "What we need now is focus and clarity. . . to ensure a seamless transition and minimize disruptions." Separately, Elwell noted that FAA is working with international partners to ensure that aircraft flying in controlled U.S. airspace is equipped with Automatic Dependent Surveillance-Broadcast (ADS-B) by the January 1, 2020 deadline, and said about 25% of the U.S. airline fleet is so equipped to date.

3. Airbus Addresses Brexit Issues.

Airbus published an assessment of risks to its business arising from the UK exiting the EU without a withdrawal agreement. "This scenario would force Airbus to reconsider its investments in the UK, and its long-term footprint in the country, severely undermining UK efforts to keep a competitive and innovative aerospace industry.

VIII. EUROPE AND AFRICA

1. All Airlines from Indonesia Removed from EU Air Safety List.

The European Commission cleared all air carriers certified in Indonesia from the EU Air Safety list. They were placed on the list in 2007 due to unaddressed safety concerns, and over the past years seven were removed. In related news, Eurocontrol has deployed a new system to prevent unsafe aircraft from entering European airspace.

2. EU Council Adopts Competition Proposals.

The Council of the EU adopted a general approach on proposed procedures for investigating practices that distort competition between EU and non-EU airlines and for deciding on redress. A single procedure would apply regardless of type of aviation agreement (comprehensive EU or bilateral air transport agreement). Redress in the form of financial duties would be adopted by means of a Commission implementing act, while operational redress will require a Council decision. Traffic rights are explicitly excluded as a possible redress measure. Terms of final text will be negotiated by the Council and the European Parliament.

3. Norwegian Increases Florida-Europe Service.

Norwegian will add twice-weekly flights from Fort Lauderdale to Madrid and Rome, and Orlando to Stockholm in October. Fort Lauderdale flights to Paris will increase from two weekly to four and Los Angeles to Paris from five to daily. Oakland to Paris will decrease from five weekly to three and Oakland to Rome will become summer seasonal service, as will Los Angeles to Stockholm. CEO Bjorn Kjos said several airlines, including British Airways and Lufthansa, have expressed interest in acquiring stakes in Norwegian.

4. Shai Weiss to Succeed Craig Kreeger as Virgin Atlantic CEO.

Virgin Atlantic CEO Craig Kreeger will retire on December 31, to be succeeded by EVP/COO Shai Weiss, who has been with the company since 2012. Virgin Atlantic will participate in an expanded joint venture partnership with shareholders Delta (49%) and Air France-KLM (31%). Founder Richard Branson retains a 20% stake.

5. Ryanair Signs Cabin Crew Pacts with UK, Italian Unions.

Ryanair signed contracts for the first time with cabin crew represented by Unite and Italy's Anpac and Anpav unions. . . . Ryanair was fined €1.85 million by the Italian Competition Authority for initially failing to correctly inform

passengers of rights to financial compensation last year, as 30,000 flights were canceled due to circumstances within the airline's control. . . . Ryanair appealed to the European Commission and European governments "to ensure a full cast among ATC air traffic controllers." Thousands of European flights are affected by delays and cancellations due to ATC staff shortages, said the carrier; "changes are necessary immediately, otherwise flights in the high season, i.e. in July and August will also be disturbed."

6. IATA, AFRAA to Advance Aviation in Africa.

IATA and African Airline Association signed a memorandum of understanding under which they will exchange information, expertise and capabilities and work jointly to liberate airline funds blocked by governments from repatriation by advising governments on best practices to clear backlogs. "Africa is full of potential," said IATA Director General/CEO Alexandre de Juniac. "Continuous improvement in safety, an effective regulatory framework, and fit-for-purpose infrastructure are essential. To achieve that; strong partnerships are key." Air transport supports 6.8 million jobs and generates \$72.5 billion of economic activity on the continent.

7. Air Namibia Serves West Africa.

Air Namibia launched Airbus A319 service to Ghana and Nigeria, with Windhoek-Lagos-Accra flights. "This much needed service gives our passengers a better alternative travel option, reducing travel times between Namibia and West Africa by more than 60%," said Acting Managing Director Mandi Samson. "It means we are entering Africa's largest regional air travel market," she added. Air Namibia will further transport passengers and cargo on the Lagos-Accra-Lagos route.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. Delta-Korean JV to Add Minneapolis-Seoul, Seattle-Osaka Nonstops.

Delta's joint venture partnership with Korean Air will add Boeing 777-200ER service from Minneapolis/St. Paul to Seoul Incheon and Boeing 767-300ER Seattle-Osaka in 2019. Delta will cease Seattle-Hong Kong service on October 4 but continue to serve Hong Kong from Seattle via Seoul, with Korean.

2. Hawaiian, Japan Airlines Seek Antitrust Immunized Joint Venture.

Hawaiian and Japan Airlines filed applications with DOT and Japan's Ministry of Land, Infrastructure, Transport and Tourism seeking immunity from antitrust laws to create a joint venture, which would give Hawaiian access to 34 destinations in Japan and 11 points beyond in Asia. Japan Airlines would have improved access to Hawaiian's Neighbor Island network and its nonstops to Honolulu from Haneda and Sapporo. The carriers already code share.

3. Air China, Air Canada Sign Joint Venture Agreement.

An Air China-Air Canada joint venture agreement, the first between a Chinese and North American airline, will be phased in over the next six months, enabling the Star Alliance members to expand their code share relationship and increase cooperation on flights between Canada and China and on connecting domestic flights in both countries. The carriers will offer seamless travel, optimized flight schedules, harmonized fares, joint sales, aligned frequent flyer privileges and reciprocal lounge access.

4. Singapore-Newark Will be World's Longest Commercial Flight.

Singapore Airlines (SIA) will introduce the world's longest commercial flight on October 11, with nonstops between Singapore and New York Newark using the new Airbus A350-900ULR (ultra-long-range). The route initially will be served three times a week; daily operations begin October 18 when an additional A350-900ULR enters service. SIA is the launch customer for the A350-900ULR, with seven on firm order with Airbus. Travelling time will be up to 18 hours, 45 minutes. SIA served the Singapore-Newark route until 2013, when services were suspended after A340-500s were returned to Airbus. Singapore-Los Angeles nonstops are planned with the A350-900ULR.

5. Hainan to Sell 20% Stake to Temasek, Others.

A unit of Singapore's Temasek Holdings and other investors are acquiring up to 20% of Hainan Airlines, which will use the proceeds to purchase aircraft and support such operations as maintenance and training. The share placement,

subject to shareholder and regulatory approval, could raise as much as US\$1.6 billion. . . . Hainan is selling its stake in Azul and will no longer appoint directors to the Brazilian airline's Board.

6. Emirates Begins Direct Dubai-Newark Service.

Emirates Dubai-Newark Boeing 777-300ER direct service begins June 1; existing service on the route is operated via Athens. Emirates will reduce Dubai-New York Kennedy services to three daily, retaining two nonstops and one via Milan, in March, and return to daily services at Fort Lauderdale and Orlando from a current two weekly at each. Santiago, Chile becomes the carrier's fourth South American passenger route in July; five weekly flights to be operated with a refurbished Boeing 777-200LR. . . . At the IATA AGM in Sydney, Emirates President Tim Clark said he would not rule out adding more nonstop Europe-U.S. routes, despite the recent understanding with the U.S. to the contrary. Clark also said the carrier has grounded about 20 aircraft and plans to re-deploy them by September or October. . . . Emirates' Spanish authority to fly to Mexico from Dubai via Barcelona may be challenged by Aeromexico, which has dropped plans for Barcelona-Mexico flights. . . . Etihad plans to secondment pilots to Emirates, which is experiencing a pilot shortage. Under the agreement, Etihad pilots would be placed on a leave of absence for two years, retaining seniority, and receive salary and benefits from Emirates.

7. All Airlines from Indonesia Removed from EU Air Safety List.

See Section VIII, item 1.

X. AMERICAS

1. American Honors Bob Crandall.

American has named its new Fort Worth headquarters, to open next summer, the Robert L. Crandall Global Support Campus. Crandall led the airline from 1985 to 1998 and is credited with creating the Sabre reservation system and AAdvantage frequent flyer program. . . . American agreed to cooperate in a consumer antitrust lawsuit and will pay \$45 million to avoid continued costly litigation, while denying the allegations; Southwest is also cooperating. United and Delta are also charged with colluding to limit capacity and drive up domestic airfares, in the three-year-old suit; both maintain they did not engage in illegal behavior.

2. Expanded Delta-GOL Code Share Connects Florida to Brasilia, Fortaleza.

Delta and GOL announced four daily code share flights connecting Miami and Orlando with Fortaleza and Brasilia, “the next step as we grow our alliance partnership.” The route will be serviced with GOL's Boeing 737 MAX 8 aircraft. . . . Delta agreed to purchase 20 CRJ900s from Bombardier to replace older regional jets flown by Delta Connection operators; deliveries from late 2018 through 2020. The aircraft will be configured in three classes with 70 total seats and will fly on small market routes from Delta's domestic hubs. . . . Delta updated its service and support animal policy, limiting customers to one support animal effective July 10 and banning pit bull type dogs. The changes follow incidents in which several employees were bitten. An 84% increase in reported incidents involving service and support animals has occurred since 2016, including urination/defecation, biting and an attack by a 70-pound dog.

3. JetBlue Returns to Pre-Hurricane Levels of Puerto Rico Service.

JetBlue returned to its full schedule on Puerto Rico, as the island “continues to recover from Hurricane Maria and welcomes new visitors.” Nearly 500 JetBlue crewmembers based in Puerto Rico, plus 50 new hires, will support up to 48 daily flights between San Juan Luis Muñoz Marín International and 13 cities in the U.S. and the Caribbean. JetBlue initiatives served immediate needs of the island after the hurricane, and the airline has developed long-term partnerships with entities such as the Puerto Rico Tourism Company to encourage the return of tourism, contribute to the local economy and invest in the island's future; the JetBlue Foundation pledged \$100,000 worth of grants to education programs on the island. . . . Updated policy requires JetBlue customers to submit advanced notice and documentation when traveling with an emotional support or psychiatric service animal; policy for non-psychiatric

service animals trained to perform tasks to provide disability mitigation directly to traveling customers is unchanged.

4. **Spirit to Offer Latin America, Caribbean Service from Orlando.**

Spirit will begin offering international service from Orlando International, on October 4, with flights to 11 destinations in Latin America and the Caribbean.

5. **Neeleman to Start New U.S. Airline.**

JetBlue founder David Neeleman reportedly is raising capital to start a new U.S. airline in 2020. The carrier, tentatively called Moxy Airways, would fly point-to-point between secondary airports with Bombardier CS300s. Brazilian-American Neeleman also was a founder of Morris Air, WestJet and Azul, and is co-owner of TAP Air Portugal.

6. **Norwegian Increases Florida-Europe Service.**

See Section VIII, item 3.

7. **Delta-Korean JV to Add Minneapolis-Seoul, Seattle-Osaka Nonstops.**

See Section IX, item 1.

8. **Hawaiian, Japan Airlines Seek Antitrust Immunized JV.**

See Section IX, item 2.

9. **Air China, Air Canada Sign JV Agreement.**

See Section IX, item 3.

10. **Singapore-Newark Will be World's Longest Commercial Flight.**

See Section IX, item 4.

11. **Emirates Begins Direct Dubai-Newark Service.**

See Section IX, item 6.