



WASHINGTON AVIATION SUMMARY

AUGUST 2022 EDITION

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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. Biden Nominates Phil Washington as FAA Administrator.

President Biden nominated Phillip A. Washington to head the Federal Aviation Administration (FAA). The 24-year U.S. Army veteran is CEO of Denver International Airport and was CEO of Los Angeles County Metropolitan Transportation Authority. If confirmed, Washington would replace Billy Nolen, who was named Acting Administrator after the departure of Steve Dickson.

2. DOT Announces Consumer Protection Actions.

The U.S. Department of Transportation (DOT) published an Airline Passengers with Disabilities Bill of Rights, a summary of fundamental rights under the Air Carrier Access Act, which “will empower air travelers with disabilities to understand and assert their rights, and help ensure that U.S. and foreign air carriers and their contractors uphold those rights.” It was developed with the Air Carrier Access Act Advisory Committee, which includes disability organizations, air carriers, airport operators, contractor service providers, aircraft and wheelchair manufacturers, and a national veterans organization. . . . The DOT Office of Aviation Consumer Protection (OACP) issued a notice urging U.S. airlines to ensure that children age 13 or younger are seated next to an accompanying adult without additional charge, amid complaints of instances where young children, including a child of 11 months, were not seated next to an accompanying adult. After a review, if airline seating policies and practices are found to be barriers to a child sitting next to an accompanying adult, DOT “will be prepared for potential actions consistent with its authorities.” . . . DOT’s Air Travel Consumer Report for May notes a 15% decline in complaints against airlines from April to May, though complaints remain at 200% above pre-pandemic levels. OACP is monitoring operations to ensure that airlines are not engaging in unrealistic scheduling of flights and are complying with consumer protection requirements. This includes ensuring prompt refunds if customers are no longer interested in continuing their travel when their flights are cancelled or significantly changed.

3. FAA Proposes Rule Requiring Secondary Flight Deck Barrier.

FAA proposed requiring a second barrier to the flight deck on newly manufactured airplanes used in commercial passenger service in the United States, in an effort to prevent intrusion when the flight deck door is open. Manufacturers will be required to install the second door effective one year after the rule is finalized. Air Line Pilots Association, Int’l (ALPA) has lobbied for this rule since the 9/11 attacks, and the 2018 FAA Reauthorization Act directed FAA to issue an order requiring secondary cockpit barriers.

4. DOT Allocates Cape Town Flights to Delta, United.

DOT tentatively allocated three weekly frequencies each to Delta for service between Atlanta and Cape Town, and United for service between Washington, DC, and Cape Town. The U.S.-South Africa Air Transport Agreement provides that U.S. carriers may operate 21 weekly scheduled round-trip combination service frequencies. The South Africa Department of Transportation agreed to two additional extra-bilateral frequencies to enable Delta and United to each operate three flights.

5. Delta to Pay \$10.5 Million to Settle Postal Fraud Allegations.

Delta agreed to pay \$10.5 million to resolve alleged liability for falsely reporting information about the transfer of U.S. mail to foreign posts or other intended recipients under contracts with the U.S. Postal Service (USPS), announced the U.S. Department of Justice. USPS contracted with Delta to take possession of receptacles of U.S. mail at six locations in the United States or at Defense and State Department locations abroad, and then deliver that mail to international and domestic destinations. To obtain payment under the contracts, Delta was required to submit electronic scans of the mail receptacles to USPS reporting the time the mail was delivered at the identified destinations. The contracts specified penalties for mail that was delivered late or to the wrong location. The settlement resolves allegations that scans submitted by Delta falsely reported the time and fact that it transferred possession of the mail. . . . Air France and KLM agreed to pay \$3.9 million to resolve liability for falsely reporting information about the transfer of U.S. mail to foreign posts or other intended recipients under contracts with USPS. This is the seventh civil settlement involving air carrier liability for false delivery scans under USPS International Commercial Air (ICAIR) contracts; collectively the United States has recovered more than \$84 million as a result of its investigation of such misconduct. The claims resolved by the settlement are allegations only and there has been no determination of liability.

6. ALPA Urges DOT to Reject Bids to Change Training Requirements.

ALPA filed formal opposition against separate applications before DOT and FAA from regional airlines Republic Airways and SkyWest, which requested an exemption “from pilot training qualification and experience requirements for aspiring aviators enrolled in their private flight academy.” The regionals argue “that their training program is equal to that of the U.S. military and trainees should be able to operate airline aircraft after 750 flight hours of experience,” said ALPA, which is lobbying heavily against efforts to change the current requirement for 1,500 hours of training. “Republic’s proposal that their academy is equivalent to pilot training provided by the United States military and better than professional pilot training provided by accredited colleges and universities

is just flat-out wrong. Not only is this proposal a solution in search of a problem; it's a solution that would have real life-and-death consequences if approved," said the union.

7. **WHO Declares Monkeypox Global Health Emergency.**

The World Health Organization (WHO) declared Monkeypox a public health emergency of international concern, as reported cases rose to 16,000 from 75 countries and territories, with five deaths, by mid-July. That compares to 3,040 cases from 47 countries a month earlier. "We have an outbreak that has spread around the world rapidly, through new modes of transmission, about which we understand too little," said WHO. "There is a clear risk of further international spread, although the risk of interference with international traffic remains low for the moment." WHO recommends establishing international contact tracing in relation to individuals who developed signs and symptoms compatible with monkeypox virus infection during travel or upon return, and providing materials at points of entry on signs and symptoms consistent with monkeypox; infection prevention and control; and how to seek medical care at destination. . . . As for COVID-19, globally, as of July 22, there had been 565,207,160 confirmed cases, with 6,373,739 deaths, reported to WHO. In the U.S., from January 2020 to July 2022, there were 88,920,929 confirmed cases of COVID-19 with 1,015,897 deaths. After an increasing trend globally, the number of weekly COVID-19 cases in mid-July remained stable, with 6.3 million new cases and 11,000 new fatalities.

II. AIRPORTS

1. FAA Announces \$1 Billion in Airport Funding.

FAA will award nearly \$1 billion from the Bipartisan Infrastructure Law to 85 airports to improve terminals of all sizes. Among projects, Pittsburgh International will receive \$20 million to construct a new 700,000-square-foot landside terminal; and Orlando International will receive \$50 million to construct four gates capable of serving four wide- or eight narrow-body aircraft. Peoria International and Asheville Regional in Asheville, N.C., each will receive a \$15 million grant to build a new air traffic control tower.

2. Atlanta Tops 20 Busiest Airports in 2021.

Hartsfield-Jackson Atlanta reclaimed its number one position as the world's busiest airport in 2021, according to the annual World Airport Traffic Dataset published by Airports Council International (ACI) World. Atlanta, with 75.7 million passengers, was followed by Dallas Fort Worth (62.5 million) and Denver (58.8 million). In 2021, the world's airports handled 4.6 billion passengers, up 28.3% from 2020 and down 49.5% from 2019. Air cargo volumes increased by 15.4% year-over-year (+4.5% versus 2019), to a record 125 million metric tons in 2021. Hong Kong regained top rank from Memphis, which held second position, followed by Shanghai. Compared to pre-pandemic levels, the biggest jump in the top 20 rankings was recorded for Chicago's O'Hare, which rose from 18 in 2019 to 11 in 2021.

3. Construction of \$9.5 Billion New Terminal at JFK Set to Begin.

Ferrovial Airports closed its investment as an equity sponsor in the concessionaire of the 2.5 million-square-foot New Terminal One (NTO) at New York's John F. Kennedy Airport. The lease is expected to run until 2060, said Ferrovial, which will assist in management and oversight of Phase A of construction, with completion date of 2026, and subsequent expansion phases. Construction of the \$9.5 billion facility will move forward this summer now that financial and environmental approvals have been secured, said Port Authority of New York and New Jersey.

4. Spirit Wins Peak-Hour Newark Slots.

DOT reassigned 16 peak-hour runway timings at Newark Liberty to Spirit Airlines. After reviewing applications from Spirit and JetBlue for all 16 timings, and from Alaska for four, DOT found that Spirit is most likely to provide the lowest fares to the most consumers. Concerned about recent cancellations and other operational disruptions, DOT is requiring Spirit, as a condition of accepting the timings, to report additional data on disruptions facing customers and its

ability to provide accommodations. The decision “provides certainty to carriers that have been operating at Newark using temporary, ad hoc timings made available while other carriers reduced service during the COVID-19 pandemic,” said DOT.

5. Charlotte Lobby Expansion Opens.

The first phase of the \$608 million Charlotte Douglas Terminal Lobby Expansion (TLE) west side has opened, providing 90,000 square feet of additional circulation space and access to the west subterranean walkway. The TLE is part of the airport’s \$3.1 billion capital investment program that includes concourse renovations and expansion of roadways, curb front, airfield and terminal. The entire lobby expansion will be completed in 2025.

6. Amazon Negotiations for Newark Air Freight Terminal Collapse.

Amazon and Port Authority of New York and New Jersey failed to agree on final lease terms for development of existing cargo buildings at Newark, and concluded that further negotiations will not resolve outstanding issues. The Port Authority “will examine options and determine the best future utilization of these cargo facilities.” Nearby communities opposed the project due to environmental and other concerns.

7. European Commission Proposes Return to 80-20 Slot Use Rule.

The European Commission proposed a return to standard slot use rate of 80% from the current 64%, reflecting demand and to prolong use of the ‘justified non-use of slots’ tool created during the pandemic. Relief provisions will apply from start of winter season on October 30, 2022, until March 26, 2024, when air traffic is expected to have reached full recovery. Airlines can use exceptions in situations such as epidemiological emergencies, natural disasters, or widespread political unrest with a disruptive effect on air travel. The Commission also proposed measures to restore eventual air connectivity between the European Union (EU) and Ukraine. . . . International Air Transport Association (IATA) expressed concern that a premature return to pre-pandemic slot use rules risks continuing disruption to passengers, and called for an adjustment to the proposal to a realistic level and flexibility.

8. UK Acts to Reduce Disruption; Heathrow Reduces Capacity.

Amid widespread disruption at airports, the UK government “made clear to the industry it must run realistic summer schedules and alert passengers to any changes to flights as early as possible”; and set out a 22-point plan to support aviation that would, among other things, help recruit and train staff and support passengers when delays and cancellations are unavoidable. A slot amnesty program was implemented. . . . Heathrow reduced capacity from July 12 through

September 11 to alleviate “long queue times, delays for passengers requiring assistance, bags not travelling with passengers or arriving late, low punctuality and last-minute cancellations.” The airport also reopened and moved 25 airlines into Terminal 4 “to provide more space for passengers and grow our passenger service team.” The maximum number of daily departing passengers that airlines, airline ground handlers and the airport can collectively serve over the summer is 100,000, said Heathrow CEO John Holland-Kaye.

9. Schiphol Imposes Summer Capacity Limits.

Amsterdam Schiphol also imposed capacity limits over the summer season to ease disruption, with maximum 73,000 departing passengers per day for August. The airport “continues to work with security companies to fill the number of vacancies. The deployment of so-called ‘security coaches’ will help to optimize the flow in the terminal.”

10. Third Runway Opens at Hong Kong.

Hong Kong International opened its third runway for scheduled commercial operations. An airport expansion program includes development of a new Terminal 2 Concourse, automatic people mover and baggage handling system, targeted for completion in 2024 as scheduled.

III. SECURITY AND DATA PRIVACY

1. **TSA Screened 11 Million Travelers During Fourth of July Weekend.**

The Transportation Security Administration (TSA) screened 11.3 million travelers during the Independence Day holiday, from June 30 through July 4, 93% of volume for same five-day pre-pandemic holiday period in 2019. . . . TSA Officers have prevented more than 3,000 firearms from entering aircraft passenger cabins this year. The full year-record was 5,972 firearms intercepted in 2021. . . . TSA issued a Notice to Participating Airlines regarding compliance with Known Crewmember (KCM) regulations, having seen a steady rate of violations from January 2020 to June 2022. These include bringing loaded firearms through KCM access points. To improve compliance, TSA is adjusting the rate of crewmembers randomly selected for physical screening, among other things. The KCM program allows flight attendants and pilots at many airlines to access sterile areas of the airport through a separate crew portal.

2. **TSA, ACI Europe Agree to Continue Collaboration.**

TSA and ACI (Airports Council International) EUROPE agreed in principle to open architecture for security screening technology throughout Europe. They met in Brussels to endorse continued collaboration, joined by industry stakeholders and the European Organization for Security. Worldwide, transportation security equipment is moving toward a concept of open architecture, which facilitates collaboration, shared resources and an outcome in which common goals are achieved. “Technology and innovation within transportation security is evolving at a rapid pace, and open architecture promises to improve how all transportation security agencies share data, integrate emerging technology at speed, remain cyber resilient and advance our mission,” said TSA Administrator David Pekoske.

IV. TECHNOLOGY AND EQUIPMENT

1. Alaska to Launch Electronic Bag Tag Program.

Alaska Airlines will become the first U.S. airline to launch an electronic bag tag program. The devices, from Dutch company BAGTAG, display the guest's flight information on durable screens and are affixed to baggage. Travelers can activate the devices through a mobile app up to 24 hours before flight, making "the entire check-in process almost all off-airport." The program is expected to reduce time spent dropping-off checked luggage by nearly 40%, said the airline, which in March launched a bag drop system at San Jose International as an incubator for future seamless travel. Phased rollout of the electronic bag tag program will begin with frequent fliers.

2. Delta Unveils Parallel Reality™ at Detroit Metro.

Technology that allows multiple customers to simultaneously see personalized content tailored to their unique journey on a single digital screen was launched at Detroit Metro by Delta, in partnership with Misapplied Sciences. Travelers who want to use the "Parallel Reality" system scan their boarding pass and activate facial recognition with a Delta app. Their individual flight information then appears on the overhead screen as they approach.

3. GE Aviation Rebranded as GE Aerospace.

GE plans to separate into three public companies focused on healthcare, energy, and aviation. The aviation company will be called GE Aerospace. "With an installed base of 39,400 commercial and 26,200 military aircraft engines, the company will continue to play a vital role in supporting the industry through a historic recovery while shaping the future of flight," said officials. Following the separations, GE Aerospace will own the GE trademark and provide long-term licenses to the other companies. H. Lawrence Culp, Jr. is Chairman and CEO of GE, and CEO of GE Aerospace.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel on July 15 was \$146.35/barrel, down 17.3% on the month and up 85.7% compared to a year ago, reports IATA. Jet fuel price average for 2022 was \$143.6/barrel.

2. American Receives First CORSIA-Certified SAF from Neste.

American Airlines took possession of a batch of Neste MY Sustainable Aviation Fuel at San Francisco International, the first time a CORSIA-certified batch of sustainable aviation fuel (SAF) was delivered to a commercial airline. CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) was developed by the International Civil Aviation Organization (ICAO). The pilot project “was a perfect opportunity for proving the feasibility of delivering CORSIA-certified SAF and gaining useful insights into setting up the process and the challenges we need to overcome to enable the implementation of CORSIA,” said officials. Neste-produced SAF is made from sustainably sourced, 100% renewable waste and residue raw materials. As a drop-in fuel, it can be used with existing aircraft engines and airport fuel infrastructure, requiring no extra investment.

3. American Confirms Order for First 50 eVTOLs.

Vertical Aerospace confirmed delivery slots and the commitment of associated pre-delivery payments with American Airlines for the first 50 electric vertical take-off and landing (eVTOL) aircraft. The initial conditional pre-order of up to 250, with an option for an additional 100, was announced in June 2021. The VX4 is projected to be capable of transporting a pilot and up to four passengers, traveling distances of over 100 miles, and achieving top speeds of over 200 miles per hour, while producing minimal noise and zero operating emissions.

4. Alaska Airlines, Microsoft to Advance SAF from Recaptured CO2.

Alaska Airlines and Microsoft are helping to bring E-Jet, a low carbon jet fuel produced from recaptured CO2, water and renewable energy, into commercial use. The SAF is being developed by carbon transformation technology company Twelve. The companies will work toward a demonstration flight using an aircraft powered by E-Jet; after testing, the goal “is to use some of the fuel to reduce the climate impact of Microsoft’s business travel.”

5. Boeing, Alder to Test and Qualify SAF Globally.

Boeing and Alder Fuels will test and qualify Alder-derived SAF, advance policies to expedite the transition to renewable energy in aviation, and grow the amount

of SAF for the global aerospace market. Alder Fuels' proprietary technology enables efficient conversion of abundant, sustainable forest residues and regenerative biomass into a low-negative carbon 'greencrude' for jet fuel conversion. The Alder product is suitable for conversion into drop-in SAF. Alder expects completion of its first plant in 2024. "U.S. forestry and agricultural residues alone could provide enough biomass energy to generate enough SAF jet fuel to displace 75% of U.S. aviation fuel consumption," said Boeing." . . . Boeing became a founding member of the University of Sheffield's Energy Innovation Centre in the UK, which includes a facility that will help test and certify new SAF.

6. Airbus, Airlines to Explore Carbon Capture Technology.

Airbus and airlines including Air Canada, Air France-KLM, easyJet, IAG, LATAM, Lufthansa and Virgin Atlantic intend to explore opportunities for a future supply of carbon removal credits from direct air carbon capture technology. Direct Air Carbon Capture and Storage involves filtering and removing CO₂ emissions directly from the air using high powered fans. The CO₂ then is safely and permanently stored in geologic reservoirs. Carbon removals via direct air capture technology complement other solutions that deliver CO₂ reductions, such as SAF, by addressing remaining emissions that cannot be directly eliminated. The airlines will engage in negotiations on possible pre-purchase of verified and durable carbon removal credits from 2025 to 2028. Credits will be issued by Airbus partner 1PointFive, a subsidiary of Occidental's Low Carbon Ventures business and the global deployment partner of direct air capture company Carbon Engineering. Airbus' partnership with 1PointFive includes pre-purchase of 400,000 tons of carbon removal credits to be delivered over four years.

7. Universal Hydrogen Opens European Headquarters in Toulouse.

Universal Hydrogen opened its engineering design center and European headquarters at Toulouse-Blagnac Airport, and introduced its ATR 72 test aircraft. The company plans to transport hydrogen in modular capsules over the existing freight network from green production sites directly to the airplane anywhere in the world, and is targeting regional and narrowbody/single aisle airplanes as the near-term and most impactful decarbonization opportunities.

8. UK Announces Jet Zero Strategy.

The UK launched a Jet Zero strategy, which commits domestic aviation and all airports in England to achieving net zero emissions by 2040, "so passengers can fly guilt-free." The plan calls for industry to keep carbon emissions from rising above 2019 levels through system efficiencies and new technologies, with progress monitored annually. It ensures at least 10% of jet fuel is SAF by 2030,

with at least five commercial-scale SAF plants under construction in the UK by 2025 and kickstarting a domestic SAF industry, supported by a £165 million Advanced Fuels Fund. The government will provide £3.7 million in 2022 to 2023 to help modernize airspace. Other priority areas include supporting development of zero-emission aircraft, with the aspiration of having zero-emission routes connecting places across the UK by 2030.

VI. U.S. CONGRESS

1. Senators Address Flight Cancellations, Delays.

Senators Edward Markey and Richard Blumenthal sent letters to 10 airlines, urging them “to prioritize the interests of your passengers and address flight schedule issues now and throughout the summer.” They noted that during the first four months of 2022, airlines cancelled 3.5% of flights and delayed another 20%. Roughly 40% of delays were due to circumstances within the airlines’ control, although they blamed the flight disruptions on poor weather and air traffic control issues, said Markey and Blumenthal who have long called on airlines to prioritize consumers. . . . Bernie Sanders sent a letter to DOT Secretary Pete Buttigieg urging immediate action to protect the rights of airline passengers and workers, “as skyrocketing flight delays, cancellations, and outrageously high prices and hidden fees are leaving passengers and crew members frustrated, broke, and stranded.” He called for requiring airlines to promptly refund passengers for flights that have been delayed over an hour; and imposing fines on airlines for flights that are delayed more than two hours and for scheduling flights that they are unable to properly staff. Over the past year, the price of airline tickets has climbed by 38%, while airline delays have increased by 50% and cancellations are up by 18% compared to where they were before the pandemic, wrote Sanders. . . . Elizabeth Warren and Alex Padilla, in a letter to Buttigieg, urged DOT to, among other actions, “promulgate concrete rules requiring airlines to refund passengers for significantly delayed flights—rather than making refund decisions on a case-by-case basis”; “impose fines on airlines for the delays and cancellations that result from their own poor planning in order to protect consumers from avoidable disruptions”; and “use its full statutory authority to more vigorously address increasing consolidation and dwindling competition in our airline industry, including withholding operating certification and certificate transfers from airlines attempting anticompetitive mergers.”

2. Bill Would Raise Retirement Age for Pilots.

The “Let Experienced Pilots Fly Act,” which would raise the mandatory commercial pilot retirement age from 65 to 67, was introduced by Senate Republicans “to address airline flights cancellations caused by a shortage of pilots.” The bill requires pilots over the age of 65 to maintain a first-class medical certification, which must be renewed every six months; requires air carriers to continue using pilot training and qualification programs approved by FAA; and does not change or alter any qualification beyond age to become a commercial airline pilot. The move would “introduce risk into the aviation system,” said Air

Line Pilots Association, while Regional Airline Association said the legislation is critical to help address the pilot shortage.

3. Hearing on National Travel and Tourism Strategy.

A hearing titled “Examining the 2022 National Travel and Tourism Strategy” was held by the Senate Subcommittee on Tourism, Trade, and Export Promotion. Chair Jacky Rosen (D-Nev.) said the Commerce Department’s recently published strategy aims to, among other things, promote the United States as a premier travel destination, including broadening marketing efforts to encourage visitation to underserved and underrepresented communities; and attract 90 million international visitors each year by 2027. In 2019, pre-pandemic, nearly 80 million international visitors came to the U.S. each year and contributed about \$239 billion to the U.S. economy. From 2019 to 2020, travel exports decreased nearly 65%, with leisure and hospitality losing just over 8 million jobs between February and April 2020. The decline in travel and tourism to and within the U.S. accounted for 56% of the decline in U.S. gross domestic product. Rosen noted that Harry Reid International in Las Vegas “has had the best capacity recovery from the pandemic of any airport worldwide, with seat capacity in June up 7% from 2019, which had been its best year on record.”

4. Hearing on Health, Environmental Dangers of Leaded Aviation Fuel.

The House Oversight Subcommittee on the Environment planned a hearing on “Health and Environmental Dangers of Leaded Aviation Fuel.” Ro Khanna (D-CA), Chairman of the Subcommittee on Environment, said the hearing will “examine the health harms associated with leaded aviation fuel and impacts on American communities and the environment.”

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. DOT Approves American Airlines U.S.-Cuba Services.

DOT granted authority to American Airlines for scheduled passenger flights between Miami and five Cuban points: Camagüey (daily), Holguín (daily), Matanzas/Varadero (daily), Santa Clara (twice daily), and Santiago de Cuba (daily). The airline is required to begin the new services within 90 days of proposed November startup dates. This is DOT's first approval of a U.S. air carrier seeking to increase scheduled air services to Cuba since the Biden Administration's announcement in May of "new steps to support the Cuban people and strengthen ties between our citizens." In June, DOT revoked certain U.S.-Cuba air services restrictions to make it easier to visit relatives in Cuba, engage with the Cuban people, attend meetings and conduct research. . . . DOT also approved an application by Icelandair to operate up to 31 round trip charter flights weekly between the United States and Cuba on behalf of Florida-based World Atlantic Airlines. The authorization allows Icelandair to operate flights to other Caribbean destinations from the U.S.

2. Saudi Arabia to Open Airspace to All Airlines.

"Within the framework of the Kingdom of Saudi Arabia's keenness to fulfill its obligations under the Chicago Convention of 1944, which stipulates non-discrimination between civil aircraft used in international air navigation," the Saudi General Authority for Civil Aviation (GACA) opened airspace for all carriers that meet requirements, including Israel. The U.S. welcomed the announcement, "which will enhance global air connectivity and help cement the Kingdom's position as a global hub connecting Africa, Asia, and Europe." El Al welcomed the decision, as the flag carrier no longer will incur the expense of diverting around the airspace, and Muslims in Israel will be able to fly directly to Saudi Arabia to perform Hajj. During his visit to the Middle East, Joe Biden became the first U.S. President to fly to Saudi Arabia from Tel Aviv.

VIII. EUROPE AND AFRICA

1. European Airlines Reimburse Over 500,000 Flight Vouchers.

The European Commission said 16 major European airlines reimbursed over 500,000 flight vouchers to consumers, as a result of the dialogue conducted with the Consumer Protection Network in 2021 to address massive and unprecedented flight cancellations in early stages of the COVID-19 pandemic. The airlines committed to measures to bring their practices in line with EU consumer and passenger rights law, including clearing reimbursement backlogs and reimbursing passengers timely; better informing consumers of cancellation-related rights; and allowing consumers to exchange vouchers for money. The airlines cleared most of their reimbursement backlogs and adapted websites, e-mail and other communication to better inform consumers of rights when a flight is cancelled. Airlines also contacted more than 2.5 million consumers holding unused vouchers and more than 500,000 decided opted for a refund. With many travelers currently impacted by delays and cancellations of flights, commitments made during the pandemic by airlines remain relevant and applicable, said the Commission, which “will therefore continue to closely monitor the situation to ensure that it is dealt with in strict compliance with consumer and passenger rights.”

2. SAS Files for Chapter 11; Pilot Strike Ends.

SAS filed for Chapter 11 in the U.S. a day after pilots went on strike. Through the reorganization process, the airline intends “to reach agreements with key stakeholders, restructure debt obligations, reconfigure the fleet, and emerge with a significant capital injection.” Cost reductions of more than \$700 million are planned. . . . The “devastating” strike caused most flights to be canceled, making “an already challenging situation even tougher,” said CEO Anko van der Werff, referring to overall traffic disruptions, but after 15 days collective bargaining agreements were reached. Estimated effect of the strike per day was \$9.5 to \$12.5 million in lost revenue and costs, said the airline; financial impact is expected to exceed \$145 million. Approximately 380,000 passengers were affected by about 3,700 canceled flights. SAS is the national airline of Denmark, Norway and Sweden and a founding member of the Star Alliance.

3. Lufthansa Group Returns to Profitability.

Lufthansa Group reported revenue of €8.5 billion in second quarter and a return to profitability. . . . German investor Klaus-Michael Kuehne raised his stake in Lufthansa to 15% from 10%, making him the largest shareholder. . . . Lufthansa ground employees staged a one-day strike, causing the airline to cancel more than 1,000 flights. Trade union Vereinte Dienstleistungsgewerkschaft (ver.di) said the action was meant to pressure management to agree to a significantly

improved final offer in the next round of negotiations, set to take place in early August.

4. **Deutsche Bahn First Intermodal Partner in Star Alliance.**

Deutsche Bahn becomes the first intermodal partner in Star Alliance on August 1, building on the Lufthansa Express Rail program in which the airline's customers can buy a combined ticket in one booking and receive priority baggage handling and other services. In the future, in addition to Lufthansa, all Star member airlines will be able to include Deutsche Bahn trains as flight numbers in their booking engine.

5. **DOT Allocates Cape Town Flights to Delta, United.**

See Section I, item 4.

6. **Saudi Arabia to Open Airspace to All Airlines.**

See Section VII, item 2.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. **Hawaiian Adds Asian Services.**

Hawaiian Airlines resumed three weekly nonstops to Auckland from Honolulu, and a summer season increase in frequency to Seoul. Service between Honolulu and Tokyo Haneda resumes August 1, and weekly flights to Narita and Osaka Kansai Airport increase in August.

2. **Chinese Airlines Order 292 Airbus Aircraft.**

Air China, China Eastern, China Southern, and Shenzhen Airlines ordered a total of 292 A320 Family aircraft, confirmed Airbus, “demonstrating the positive recovery momentum and prosperous outlook for the Chinese aviation market.” By the end of May 2022, the in-service Airbus fleet with Chinese operators totaled over 2,070 aircraft. . . . Civil Aviation Administration of China will inject \$1.6 billion into China Southern, China Eastern and Air China, and further investment will be made in Capital Airports Holding, which operates Beijing Capital International, and other aviation companies.

3. **Emirates, Air Canada Form Strategic Partnership.**

Emirates and Air Canada signed a strategic partnership agreement that will include code sharing. Subject to regulatory approvals, Air Canada customers will be able to travel to Dubai and destinations beyond; and Emirates customers “will also enjoy an enhanced travel experience when travelling to Toronto or to key destinations across the Air Canada network.” The carriers will establish reciprocal frequent flyer and lounge benefits.

4. **Saudi Arabia Launches Aircraft Leasing Company.**

Saudi Arabia’s Public Investment Fund announced the launch of AviLease, which initially will focus on purchase-and-lease-back transactions with airlines, portfolio acquisitions and direct orders from aircraft manufacturers. It will also consider expansion through corporate acquisitions.

5. **Saudi Arabia to Open Airspace to All Airlines.**

See Section VII, item 2.

X. AMERICAS

1. Spirit, Frontier Terminate Merger Agreement; JetBlue to Acquire Spirit.

Spirit Airlines announced that it had terminated the merger agreement with Frontier Group Holdings, parent company of Frontier Airlines. “Moving forward, the Spirit Board of Directors will continue our ongoing discussions with JetBlue as we pursue the best path forward for Spirit and our stockholders,” said President and CEO Ted Christie. . . . Frontier announced the merger agreement was mutually terminated. “Accordingly, Spirit is obligated to reimburse \$25 million of Frontier’s incurred merger-related costs. In the event Spirit enters into an acquisition agreement in the next twelve months with another acquirer and it subsequently consummates the transaction, Frontier will be owed an additional \$69 million, as provided for in the merger agreement.” . . . On July 28, JetBlue and Spirit announced that their boards of directors have approved a definitive merger agreement under which JetBlue will acquire Spirit for \$3.8 billion. The acquisition is subject to customary closing conditions including approval by regulators and Spirit shareholders. The companies hope to close the transaction by December 2023, but no later than the first half of 2024. Each airline will continue to operate independently until after the transaction closes

2. American Reports Record Second Quarter Revenue Results.

American Airlines Group reported second quarter revenue of \$13.4 billion, a 12.2% increase over same period 2019 and a record for any quarter in its history. The company said it expects to be profitable in third quarter, based on demand trends and current fuel price forecast.

3. Delta Reports Second Quarter Operating Revenue of \$13.8 Billion.

Delta reported second quarter operating revenue of \$13.8 billion. Domestic passenger revenue was 3% higher and international was 19% lower compared to second quarter 2019. Recent corporate survey results show positive expectations for business travel in September quarter, including optimism around international travel. CEO Ed Bastian said “meaningful full year profitability” is expected. . . . Delta ordered 100 Boeing 737-10s, with options for an additional 30, and contracted with Boeing Global Services for a full interior reconfiguration of 29 of its Next Generation 737-900ERs by 2025 summer schedule. Delta also exercised purchase rights for 12 additional Airbus A220-300s, slated for delivery beginning in 2026.

4. United, Air Canada Plan Joint Business Agreement.

Air Canada and United plan to expand current cooperation with a joint business agreement, which, subject to regulatory and antitrust requirements, will allow

them to coordinate networks and schedules; enhance code sharing; sell seats on each other's transborder flights; share revenue on flights between hub markets; align customer policies; and establish airport co-locations. The carriers are founding members of Star Alliance and a transatlantic joint business agreement with Lufthansa Group. In 2019, the U.S.-Canada transborder market was the second largest international passenger air transportation market in the world and the largest international market for both Canada and the U.S., as measured by seats. . . . United reported second quarter 2022 total operating revenue of \$12.1 billion, up 6% over same period 2019 and its highest second quarter revenue ever. The company expects to be profitable for full year, but, said CEO Scott Kirby, "we must confront three risks that could grow over the next 6-18 months. Industry-wide operational challenges that limit the system's capacity, record fuel prices, and the increasing possibility of a global recession."

5. Alaska Delivers Record Second Quarter Results.

Alaska Air Group reported \$2.7 billion in operating revenues for second quarter, the highest revenue-generating quarter in company history. Revenue in June topped \$1 billion, the highest single month in the airline's history. . . . Alaska Air Group ordered eight additional Embraer E175 jets and options for 13 more. The new 76-seat aircraft will fly exclusively for Alaska Airlines under a Capacity Purchase Agreement with Horizon Air and will be delivered in Alaska's livery and three-class configuration over the next four years starting in Q2 2023.

6. Southwest Employee Count Exceeds Pre-Pandemic Levels.

Southwest added 10,000 employees in first half 2022, bringing total, active, full-time equivalent base to more than 61,000, more than pre-pandemic figures. The company expects to add and train thousands more employees throughout the year, with the majority hired into operational roles such as flight attendants, pilots, ground operations, technical operations and customer support and services.

7. Spirit Opening Crew Base in Houston.

Spirit Airlines will add a new crew base at Houston George Bush Intercontinental, with plans to locate about 150 pilots and 300 flight attendants there starting this fall, and additional crew, supervisors and support functions to follow. Spirit earlier announced the addition of an aircraft maintenance facility in Houston. In other news, Spirit has partnered with Thales to install the high-speed connectivity solution FlytLIVE on its Airbus A320s and A321s. Spirit "expects to provide the fastest Wi-Fi service of any U.S.-based airline when all FlytLIVE-enabled planes are connected to the new, very high-throughput SES-17 satellite by September 2022."

8. **Regional Startup Connect Receives Certification.**

DOT issued Connect Airlines its certificate of convenience and necessity allowing the regional to engage in interstate scheduled air transportation once it has completed FAA-required proving runs now underway. DOT tentatively approved a certificate authorizing foreign scheduled air transportation, and Connect will also apply for Canadian authorizations before beginning scheduled service between Toronto Billy Bishop and Chicago O'Hare and Philadelphia. CEO John Thomas said Connect is recruiting up to 30 U.S. captains and will offer a "salary of more than a quarter million dollars per year, plus sought-after quality of life benefits." Connect Airlines is a unit of Waltzing Matilda Aviation, a Boston-based Part 135 charter operator. . . . Connect placed a firm order with Universal Hydrogen to convert 75 ATR 72-600 airplanes to hydrogen powertrains, with purchase rights for an additional 25 conversions. Deliveries start in 2025.

9. **DOT Allocates Cape Town Flights to Delta, United.**

See Section I, item 4.

10. **DOT Approves American Airlines U.S.-Cuba Services.**

See Section VII, item 1.

11. **Saudi Arabia to Open Airspace to All Airlines.**

See Section VII, item 2.

12. **Hawaiian Adds Asian Services.**

See Section IX, item 1.

13. **Emirates, Air Canada Form Strategic Partnership.**

See Section IX, item 3.