



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. Phil Washington Renominated for FAA Administrator Post.

President Biden renewed the nomination of Phillip A. Washington to be Administrator of the Federal Aviation Administration (FAA) for a term of five years. Washington currently is CEO of Denver International Airport and earlier was CEO of the Los Angeles transit system. If confirmed by the Senate, he would replace Stephen Dickson who left last March. Billy Nolen has been Acting Administrator since April.

2. DOT Investigates Southwest Holiday Week Cancellations.

The U.S. Department of Transportation (DOT) stated it is in the initial phase of a rigorous and comprehensive investigation into Southwest Airlines' "holiday debacle" that stranded millions and is determining whether executives scheduled flights that could not realistically be fulfilled, a violation of federal law banning unfair and deceptive practices. DOT added it will leverage the full extent of its investigative and enforcement power to ensure consumers are protected. Southwest canceled more than 16,700 flights from December 21 through December 31, 2022.

3. U.S., Canada Experience NOTAM Outages.

FAA halted flights nationwide following an outage of the Notice to Air Missions (NOTAM) system, which provides airlines with real time safety information. FAA determined that personnel from Bethesda-based contractor Spatial Front unintentionally deleted files while working to correct synchronization between the live primary database and a backup database, and said a preliminary review found no evidence of a cyberattack or malicious intent. . . . Canada's NOTAM system experienced an outage a few hours after FAA's, but there were no delays, said NAV Canada. . . . Peter DeFazio, former Chair of the House Transportation Committee, told Politico he is not confident that FAA wasn't hacked, especially since Canada's system experienced an outage on the same day.

4. U.S. Airlines Request Slot Waivers for China, Tokyo Haneda.

Airlines for America (A4A) asked DOT to extend slot waivers for routes to China and Tokyo Haneda to October 29, since passenger demand in these markets remains severely depressed. Pandemic-related waivers introduced in March 2020 were to expire on March 26, 2023.

5. **United, Emirates File Code Share Request with DOT.**

United and Emirates applied to DOT for expedited authorization to implement planned reciprocal code share services. United will place its code on Emirates flights operating from Dubai to points in the United Arab Emirates (UAE) and beyond, while Emirates will place its code on United and United Express flights operating from certain United U.S. hubs to points in the U.S. and beyond. Both carriers will place their codes on each other's operations between the U.S. and the UAE. Requested authority will be phased in.

6. **Virgin Atlantic Fined for Flying in Iraq Airspace.**

DOT fined Virgin Atlantic \$1.05 million for operating flights carrying Delta's code over restricted airspace in Iraq between September 16, 2020, and September 16, 2021, while an FAA NOTAM was in effect. By carrying the Delta code on flights in airspace in which the FAA prohibits U.S. carriers from flying, Virgin Atlantic operated in violation of the conditions of its statement of authorization and in violation of federal law. Virgin Atlantic corrected the code share flight routings.

7. **IATA Names Potential Risks on the Horizon.**

The International Air Transport Association (IATA) highlighted risks facing the industry in 2023. Airlines will face elevated costs on virtually all fronts, arguably putting a floor under ticket prices. Passenger price sensitivity has been low so far since travel has again been possible, though this can be expected to rise as economies slow and unemployment rates climb again. "The upside potential in our forecasts therefore looks capped, and the balance of risks remains tilted to the downside. The main positive surprises which could produce significant upside in economic activity and air transportation would be an end to the war in Ukraine, and an end to all travel restrictions."

8. **FAA, NTSB Investigate Near-Miss at JFK Runway.**

FAA and the National Transportation Safety Board (NTSB) are investigating a near-miss at New York Kennedy involving a Delta Boeing 737 with 145 passengers and six crew members onboard, and an American Boeing 777 carrying 137 passengers and 14 crew. Warned by air traffic controllers, the Delta crew aborted takeoff about 1,000 feet from where the B777 was crossing. Delta stated it "will work with and assist aviation authorities on a full review of flight 1943 on January 13, regarding a successful aborted take-off procedure at New York-JFK. We apologize to our customers for the inconvenience and delay of their travels."

9. FAA Rule Would Expand SMS Requirements.

FAA proposed a rule that requires charter, commuter and air tour operators and aircraft manufacturers to implement Safety Management Systems (SMS), in which companies identify, monitor and address potential operational hazards early, before they become serious problems. U.S. airlines have been required to have SMS since 2018. The rule addresses recommendations from NTSB and independent review panels. Compliance times would vary between one and two years after the rule takes effect, depending on the operation.

10. FAA Panel to Review Boeing Safety Management Processes.

FAA appointed 24 experts to review Boeing's safety management processes and how they relate to Boeing's safety culture. The panel will have nine months to complete its review and issue findings and recommendations. Individuals from NASA, FAA, labor unions, air carriers, manufacturers with delegated authority, as well as independent engineering and legal experts and others, make up the panel, which addresses a key requirement in the 2020 Aircraft Certification, Safety, and Accountability Act. In September, FAA strengthened its oversight of aviation manufacturers that are authorized as Organization Designation Authorization (ODA) holders by acting to protect aviation industry employees who perform FAA functions from interference by employers. Final policy requires ODA holders to monitor, report and investigate all allegations of interference and report results to FAA; and establishes a clear path for employees to speak freely with FAA certification officials at any time. These employees must be trained on the new policy.

11. Boeing Pleads Not Guilty to Fraud Charge in MAX Arraignment.

Boeing was arraigned in U.S. District Court in Fort Worth, Texas and pleaded not guilty to a charge that it misled regulators who approved the 737 MAX. Family members of victims of the two MAX crashes are challenging the 2021 settlement between Boeing and the U.S. Department of Justice, a right they have, per the judge's earlier ruling, under the Crime Victims' Rights Act.

12. Ethiopian, NTSB, BEA Final Reports on MAX Accident.

Ethiopia's Aircraft Accident Investigation Bureau (EAIB) released its final report on the March 10, 2019, crash of Ethiopian Airlines flight 302, a Boeing 737-800 MAX, attributing the accident to problems related to the Maneuvering Characteristics Augmentation System (MCAS) and related systems. In its final report, the U.S. NTSB said some EAIB findings "are unsupported by evidence — for example, that aircraft electrical problems caused erroneous angle-of-attack (AOA) output. NTSB found the erroneous AOA sensor output was caused by separation of the AOA sensor vane due to impact with a foreign object, which

was most likely a bird.” NTSB also said the EAIB finding about the lack of MCAS documentation for flight crews was misleading, since Boeing had provided the information to all 737 MAX operators four months before the Ethiopian crash. The French Bureau d'Enquêtes et d'Analyses (BEA) and NTSB said their comments related to crew performance were not included in the EAIB final report. BEA said it “shares the analysis and conclusions of the EAIB report regarding the contribution of the MCAS system of the 737 MAX to the accident,” but believes the BEA analysis of the crew's performance and its contribution to the accident scenario would make it possible to draw safety lessons beyond those related to MCAS.

II. AIRPORTS

1. ACI Urges Regulators to Support Economic Sustainability of Airports.

Airports Council International (ACI) World urged regulators “to acknowledge the changed risk profile of airports in some jurisdictions due to the pandemic and to provide regulatory support to restore economic equilibrium for unrecovered costs.” Financial compensation or airport charges are necessary for investing in infrastructure needed to accommodate the growth of air travel and meet decarbonization targets, said ACI World Director General Luis Felipe de Oliveira. “The regulated formula that protects airlines in good times also requires protecting airports in bad times . . . costs incurred for aeronautical services through the pandemic need to be recovered.”

2. Newark’s New \$2.7 Billion Terminal A Opens for Operations.

The new \$2.7 billion Terminal A at Newark Liberty opened, with 21 of 33 gates to be utilized initially by Air Canada, American, JetBlue and United; Delta will move its operations later this year. The one-million square foot terminal features a common-use check-in area and security and baggage claim areas able to handle 13.6 million passengers a year. Munich Airport NJ manages airport operations, maintenance and concession services. The \$3.3 billion Newark Liberty redevelopment program also includes a \$400 million public parking garage with centralized rental car facilities, and \$175 million for south airfield paving. Port Authority of New York and New Jersey said it is “committed to building a brand-new AirTrain Newark system.” The current system provides access to the Northeast Corridor Rail Link Station and the ability to transfer between terminals, parking lots and rental car facilities.

3. Virgin Islands Seeking Public-Private Partnership for Airports.

Virgin Islands Port Authority (VIPA) is seeking qualified firms to engage in a Public Private Partnership project modernizing Henry E. Rohlsen Airport (HERA) on St. Croix and Cyril E. King Airport (CEKA) on St. Thomas. VIPA seeks proposals for infrastructure financing, terminal redevelopment, operations, and maintenance at the airports. Priorities include adding new routes, increasing cargo activity, and accounting for appropriate risk transfer to the selected operator. In January 2024, the VIPA Board of Directors will select the top proposal; notice to proceed with environmental permitting, design, and construction will be issued to the selected firm during first quarter 2024; construction is expected to be completed in early 2027.

4. **New Investment in Final Phase of £1.3 Billion Manchester Project.**

Manchester Airports Group (MAG) announced a £440m investment in the final phase of the £1.3 billion Manchester Airport Transformation Program (MAN-TP), first announced in 2015 “with a 10-year vision to revolutionize the customer experience at the Northern hub and unlock the potential of its two full-length runways.” Upon completion in 2025, around 80% of all passengers will use the expanded Terminal 2, with Terminal 1 set to close.

5. **Schiphol to Remove Capacity Caps in March.**

Amsterdam Schiphol plans to remove the cap on number of departing passengers on March 26. “Additional effort will be required from all parties concerned at several peak moments, especially in the morning, in order to prevent excessively long queues and delays in processing,” said CEO Ruud Sondag. “More travel will be possible again in the May holidays. The decision on the final capacity for that period will be taken in consultation with partners at the airport.” The caps resulted from “problematic queues seen last year,” which have been remediated via several measures including extensive recruitment of security officers; “about half of the additional 850 security officers Schiphol needs have been recruited.”

6. **Vienna Airport to Resume Terminal Expansion.**

Vienna Airport is resuming the South Extension Terminal 3 investment project, suspended during the pandemic, with construction scheduled to start mid-2023 and operations in 2027. The airport handled 23.7 million passengers in 2022, reaching 75% of record level achieved in 2019, and expects 26-27 million in 2023, and profits of €150 million. Vienna Airport is operating CO2-neutrally, said Günther Ofner, CEO of Flughafen Wien.

7. **Beijing Daxing Resumes Outbound Overseas Flights.**

Beijing Daxing International Airport resumed outbound travel after a three-year suspension. All international flights were transferred to Beijing Capital International in March 2020 due to the pandemic.

8. **HAECO Xiamen Builds World’s Largest Single Span Maintenance Hangar.**

HAECO Xiamen is constructing “the largest single span aircraft maintenance hangar in the world” at the new Xiamen Xiang’an International Airport. Currently based at Xiamen Gaoqi International, HAECO Xiamen will relocate to the new airport, which is expected to be completed by 2025, with initial annual passenger capacity of 45 million, to reach 75 million in 2040.

III. SECURITY AND DATA PRIVACY

1. TSA Update.

The newly enacted Fiscal Year 2023 Omnibus Appropriations Bill includes funding to bring Transportation Security Administration (TSA) employee compensation to a level commensurate with other federal agencies. Transportation Security Officers (TSO) generally have been paid up to 30% less than their federal counterparts. The bill also includes funding for expanded collective bargaining rights for non-supervisory TSOs, as well as new computed tomography and credential authentication technology acquisitions for checkpoint screening. . . . TSA screened 761 million passengers and crew in 2022, as travel volumes returned to pre-pandemic levels. The PreCheck enrollment fee was reduced; seven new airlines joined the expedited screening program; 3.3 million people enrolled, bringing total number of active members to 14 million. . . . TSA officers found 6,542 firearms at 262 airports in 2022; 88% were loaded. Hartsfield-Jackson Atlanta topped the list with 448 firearm finds, followed by Dallas-Fort Worth with 385, Houston with 298; Nashville with 213 and Phoenix Sky Harbor with 196. Orlando, Denver, Austin-Bergstrom, Fort Lauderdale-Hollywood and Tampa round out the Top 10. New measures to mitigate firearm threats include enhanced screening for passengers in possession of a firearm at a TSA checkpoint and loss of TSA PreCheck eligibility for up to five years. Maximum civil penalty for firearms violations increased to nearly \$15,000.

2. EU Postpones Entry/Exit System.

The European Union (EU) Entry/Exit System (EES) will not take effect in May as planned, since countries are not ready to implement the biometric technology. In a joint statement, ACI EUROPE, Airlines for Europe (A4E), European Regions Airline Association (ERA) and IATA said several issues must be resolved in order for the system to roll out smoothly without disrupting air passengers, SchengenVisaInfo.com reported.

IV. TECHNOLOGY AND EQUIPMENT

1. **FAA Rule to Require Updated Altimeters as 5G Precaution.**

FAA issued a Notice of Proposed Rulemaking (NPRM) that would require all transport and commuter aircraft to have radio altimeters that meet minimum performance standards by February 1, 2024, citing concern about interference from new 5G networks.

2. **Delta Sync Rolls Out to Offer Personalized Travel.**

Delta Sync is rolling out for SkyMiles members “with a goal of a connected journey from home to destination.” The program will enable a personalized “journey that fits you perfectly and grows more rewarding the more you travel,” said CEO Ed Bastian.

3. **Boom Supersonic Begins Construction on Overture Superfactory**

Boom Supersonic broke ground for its Overture Superfactory at Piedmont Triad International Airport in Greensboro, North Carolina. The 62-acre campus will house the final assembly line, test facility and customer delivery center for supersonic Overture, which will fly at twice the speed of today’s airliners, run on 100% sustainable aviation fuel (SAF) and serve both civil and government markets. Overture’s order book, which includes purchases and options from American, United and Japan Airlines, stands at 130 aircraft. Production launch anticipated in 2024. Kathy Savitt is President of Boom Supersonic.

V. ENERGY AND ENVIRONMENT

1. Fuel Bill for Global Airline Industry.

The average price of aviation jet fuel on January 13 was \$137.17/barrel, up 14.3% on the month and up 33.3% compared to a year ago, reports IATA. Jet fuel price average for 2023 (year to date) was \$131/barrel.

2. Delta Launching Sustainable Skies Lab.

Delta is launching an innovation lab to accelerate research, design and testing for a more sustainable future of air travel. Delta Sustainable Skies Lab will feature ongoing work across Delta today, “inspire disruptive industry innovation, and scale known tech and actions to reach Delta’s goal of net zero emissions by 2050.”

3. Boeing, NASA to Develop Sustainable Flight Demonstrator.

NASA awarded Boeing its Sustainable Flight Demonstrator project, “which seeks to inform a potential new generation of green single-aisle airliners.” Under a Funded Space Act Agreement, Boeing will work with NASA to build, test, and fly a full-scale demonstrator aircraft and validate technologies aimed at lowering emissions. Over seven years, NASA will invest \$425 million, while Boeing and its partners will contribute the remaining \$725 million. The agency also will contribute technical expertise and facilities. “It’s our goal that NASA’s partnership with Boeing to produce and test a full-scale demonstrator will help lead to future commercial airliners that are more fuel efficient,” said NASA Administrator Bill Nelson. NASA plans to complete testing for the project by the late 2020s, so that technologies and designs demonstrated by the project can inform industry decisions about the next generation of single-aisle aircraft that could enter into service in the 2030s.

4. National Blueprint for Transportation Decarbonization Released.

The Biden Administration released the National Blueprint for Transportation Decarbonization, a strategy for cutting all greenhouse emissions from the transportation sector by 2050, developed by the Departments of Energy, Transportation, Housing and Urban Development, and the Environmental Protection Agency. The Blueprint is the first milestone of a memorandum of understanding (MOU) signed by the agencies in September 2022 and will be followed by more detailed sector-specific plans.

5. Air France-KLM Launches Corporate SAF.

A new Air France-KLM program, Corporate SAF, “gives customers the opportunity to become players in the reduction of CO2 emissions in the context

of their business trips.” After estimating CO2 emissions associated with their travel, customers determine their annual contribution. All Air France and KLM contributions will be invested in the sourcing and consumption of SAF. . . . Nathalie Stubler was named Special Advisor to Air France-KLM Group's decarbonization strategy, reporting to CEO Benjamin Smith. She was succeeded as Transavia (France) CEO by HOP! CEO Olivier Mazzucchell. New HOP! CEO is Hervé Boury, who was Transavia (France) COO. Appointments became effective January 16. . . . Air France raised fares to pay for increased SAF used on flights, up to €8 in economy and up to €24 in business, depending on distance. French regulations require use of an average of 1% SAF on flights departing France.

6. Airlines Protest France’s Short-Haul Flight Ban.

French and European airlines planned to invoke their right to freedom of movement and protest restrictions on short-haul flights, as the European Commission confirmed in December that a French ban on domestic flights when a rail connection of under two and a half hours is available is legal, if it is “non-discriminatory, does not distort competition between air carriers, is not more restrictive than necessary to relieve [a serious environmental] problem, and has a limited period of validity not exceeding three years, after which it should be reviewed”; three routes are affected—Orly-Bordeaux, Orly-Lyon and Orly-Nantes. The Union of French Airports plans to submit a complaint to France’s Council of State about the ban and says the routes that will be banned represent only 0.23 per cent of France’s emissions caused by air transport, 0.04 per cent of all transport sector emissions and 0.02 per cent of emissions recorded in the air transport sector.

7. Etihad and SATAVIA Sign Contrail Management Contract.

Under a new contract, UK-based SATAVIA will provide contrail management across daily Etihad flight operations and collaborate on the generation of future carbon credits from contrail management activity. Contrails cause surface warming responsible for up to two-thirds of aviation’s climate impact, said the companies, significantly outweighing direct CO2 emissions from aircraft engines. SATAVIA’s contrail management platform implements small routing changes on a minority of flights to avoid formation of persistent warming contrails.

8. Malaysia Aviation Group Joins UN Sustainability Effort.

Malaysia Aviation Group (MAG) has joined the United Nations Global Compact (UNGC), an initiative that promotes responsible business practices and advancement of Sustainable Development Goals (SDGs). The UNGC Ten Principles “outline the business’ core human rights, labor, environment, and

anti-corruption principles,” said MAG, which “will benefit from accessing local and global sustainability tools and resources; and implementation of culture and talent development programs, including the incorporation of the UN Global Compact Academy into the learning syllabus to increase awareness and deepen Group-wide engagements in sustainability.”

VI. U.S. CONGRESS

1. Senators Demand Answers from Southwest Over Holiday Meltdown.

A group of Democratic senators, in a letter, asked CEO Robert Jordan why Southwest canceled thousands more flights than other major airlines in December during a winter storm. Southwest was asked to respond to a list of questions by February 2, with detailed answers regarding “outdated scheduling software, personnel decisions, ticket refund policies, passenger baggage decisions, and shareholder compensation.” Co-authored by senators Edward J. Markey (D-Mass.) and Richard Blumenthal (D-Conn.), other signers were Elizabeth Warren (D-Mass.), Sherrod Brown (D-Ohio), Alex Padilla (D-Calif.), Bernard Sanders (I-Vt.), Raphael Warnock (D-Ga.), Sheldon Whitehouse (D-R.I.), Tammy Duckworth (D-Ill.), Bob Menendez (D-N.J.), Ron Wyden (D-Ore.), Mazie Hirono (D-Hawaii), Tammy Baldwin (D-Wisc.), Cory Booker (D-N.J.) and Ben Ray Lujan (D-N.M).

2. House Committee Vows “Vigorous Oversight” of DOT.

Sam Graves (R-MO), the new Chairman of the House Transportation Committee, Ranking Member Rick Larsen (D-WA), and 120 other members of the 118th Congress in a letter asked DOT Secretary Pete Buttigieg for detailed responses to questions about the causes of the NOTAM system failure, including FAA’s response to the problem, the level of resiliency and redundancy built into the system, the age of the system’s software and hardware, any recent or planned FAA updates to the system, and impacts of flight delays and cancellations on passengers. “Given the significant safety and economic impacts these situations present to the American public, we intend to conduct vigorous oversight of the Department of Transportation’s plan to prevent these disruptions from occurring again. Our constituents deserve nothing less,” they wrote.

3. House Passes “NOTAM Improvement Act.”

The House passed the “NOTAM Improvement Act,” which was reintroduced in Committee following the crash of the system in January. H.R. 346 would establish an FAA task force to review and provide recommendations to update and improve safety notifications to pilots and prevent failures of the NOTAM system.

4. House Members Urge DOT to Hold Airlines Accountable for Holiday Cancellations.

Following the flight cancellations by airlines, especially Southwest, over the holiday season, DOT Secretary Pete Buttigieg was urged in a letter “to use the

full weight of your agency to hold Southwest Airlines accountable, provide stronger consumer protections for passengers and help prevent these types of mass cancellations from occurring in the future.” The letter was signed by 26 House members led by Rick Larsen (D-WA), Ranking Member of the Transportation Committee. As the 2023 FAA reauthorization is considered, members asked DOT to “identify and provide for this Committee any additional legal authorities the Department may need in order to further bolster protections for airline passengers.”

5. ALPA Vows to Fight Efforts to Remove Pilots from Flight Deck.

Air Line Pilots Association, Int'l (ALPA) said it will remain resolute in opposing any attempt to reduce the number of crewmembers on the flight deck, as Congress begins work on the next FAA reauthorization. The remarks were made on the 14th anniversary of the US Airways flight 1549 controlled emergency landing into the Hudson. “Capt. Chesley ‘Sully’ Sullenberger and F/O Jeffrey Skiles, working together under extraordinary circumstances, saved the lives of the 155 passengers and crew,” said ALPA. “There is no automated or remotely operated replacement for the collaboration, communication, and airplane feel made possible by having at least two pilots on the flight deck.”

6. “Commercial Cabins for Cabinet Members” Introduced.

A bill that would prohibit the Secretary of Transportation from using charter air transportation until Congress enacts a law reauthorizing FAA was introduced in the House by Nancy Mace (R-S.C.), following the recent Southwest and FAA flight cancellations and technology failures. “In the past six months Sec. Buttigieg has flown private approximately 20 times,” said Mace. “So, until the issues with Southwest and the FAA are investigated and resolved, he and his staff should be required to fly commercial just like every other American.”

7. “Advanced Aviation Act” Introduced in House.

The “Advanced Aviation Act” was introduced in the House by Jeff Van Drew (R-N.J.), who said the legislation would “reform FAA. . . and unleash American technological innovation to create jobs, reduce costs, and compete with China.” H.R. 220 would create an Office of Advanced Aviation within FAA, headed by an Associate Administrator who would coordinate rulemaking and approval processes on matters relating to standardization and certification of advanced aviation systems, among other things. Van Drew wants the bill passed as part of FAA reauthorization legislation that Congress should approve by September 30.

8. “Omnibus Travel and Tourism Act” Passed.

The bipartisan “Omnibus Travel and Tourism Act of 2021,” passed in December, is focused on restoring the U.S. tourism industry and establishes a new Assistant Secretary of Travel and Tourism at the Department of Commerce. “The United States will now join all G20 countries with a senior federal official focused on travel [who] will play an important role as we partner with government to lower visitor visa wait times, modernize security screening and leverage new technologies to make travel more seamless and secure,” said U.S. Travel Association.

VII. BILATERAL AND STATE DEPARTMENT NEWS

1. FAA, Korea to Partner on AAM Certification, Operations.

The Federal Aviation Administration and the Korea Office of Civil Aviation signed a Declaration of Cooperation, under which they will collaborate on future Advanced Air Mobility (AAM) aircraft development and operations, share ideas, information, skills and techniques, and work together to promote safety oversight of AAM, including airworthiness, licensing, and operations. FAA also has partnered with Japan, the UK, Canada, Australia and New Zealand to harmonize certification criteria and integration plans.

2. Emirates to Promote Tourism to The Bahamas via U.S., Canada.

Emirates and the Ministry of Foreign Affairs of The Bahamas sealed an agreement to promote tourism to the Caribbean archipelago. Emirates' customers can connect to Nassau on code share flights with Air Canada via Toronto and from several U.S. airports on interline flights with United. The Bahamas attracts tourists from other international points in Emirates' network, including the UAE, Greece, India, China, the Philippines and Singapore.

VIII. EUROPE AND AFRICA

1. Lufthansa Submits Offer to Acquire Stake in ITA.

Lufthansa submitted an offer to the Italian Ministry of Economy and Finance to acquire a minority stake in ITA Airways, with an option to purchase remaining shares. Further negotiations and discussions will be conducted on an exclusive basis and focus primarily on an equity investment, the commercial and operational integration of ITA into the Lufthansa Airline Group, and resulting synergies. If a binding agreement is reached, implementation would be subject to approval by relevant authorities. Italy is the most important market outside of Lufthansa Group home markets and the U.S. for both business and private travel, said the company, due to its strong export-oriented economy and status as one of Europe's top vacation spots.

2. Flybe Ceases Operations.

Flybe, which operated scheduled services from Belfast City, Birmingham and Heathrow to airports across the UK and to Amsterdam and Geneva, ceased trading and cancelled all flights on January 28. Administrators were appointed to help manage the affairs, business and property of the carrier, which pre-pandemic was the largest independent regional in Europe.

3. Ethiopian To Begin Atlanta Service in May.

Ethiopian Airlines will begin four weekly flights from Addis Ababa to Atlanta on May 16, its sixth North American gateway. . . . Ethiopian Airlines Group has partnered with private postal operator MailAmericas (MA) to develop cross border ecommerce services in Africa and the Middle East using Addis Ababa as a hub. As part of the partnership, Ethiopian will gain access to MA's bilateral agreements and private networks. Ethiopian is building an ecommerce hub in Addis Ababa with total annual capacity of 150,000 tons per annum.

IX. ASIA/PACIFIC AND MIDDLE EAST

1. China Reopens Borders.

China reopened its borders on January 8 and ended an international flight cap. . . . In mid-January, China said nearly 60,000 people with COVID-19 had died in hospitals since its zero-COVID policy ended in December. The World Health Organization (WHO) said “the reported data indicate a decline in case numbers, hospitalizations, and those requiring critical care.” . . . The U.S. was among countries initiating stringent entry measures for travelers from China, which said it would reciprocate. “COVID response should not be used as a pretext for political manipulation, should not be discriminatory and should not affect normal cross-border travel and people-to-people exchange and cooperation,” said Chinese officials. COVID-19 testing and other measures for travelers from China are “a knee-jerk reinstatement of measures that have proven ineffective over the last three years,” said IATA. “Let’s not take two steps backwards,” said Airports Council International (ACI) World, urging governments “to take a coordinated and risk-based approach when managing inbound travelers from China.”

2. Delta to Launch Service from Los Angeles to Auckland.

Delta will begin daily nonstop Airbus A350-900 Auckland to Los Angeles service on October 28, and will be the only U.S. carrier to offer service between Los Angeles and Auckland.

3. ATR-72 Crash in Nepal Kills 72.

Nepal's Civil Aviation Authority confirmed that a Yeti Airlines ATR-72 crashed while attempting to land at an airport in Pokhara, killing all 72 people aboard. The flight data and cockpit voice recorders were retrieved.

X. AMERICAS

1. American Returns to Profitability.

American Airlines Group returned to profitability in fourth quarter 2022, with revenues of \$13.2 billion, up 16.6% versus same period 2019 and the highest fourth-quarter revenue in company history driven by the continued strength of the demand environment, achieved while flying 6.1% less capacity. American also produced record revenues of \$49 billion for the full year. The airline will discontinue Miami-Tel Aviv service in March and plans to resume twice weekly flights from Dallas-Fort Worth to Shanghai Pudong when U.S. travel restrictions to China are eased.

2. Delta, Pilots Reach Tentative Agreement.

Delta and its pilots reached a tentative agreement, which includes industry-leading pay rates. If ratified, effective date of contract will be January 1, 2023, amendable on December 31, 2026. . . . Delta reported a \$1.32 billion profit for 2022. “As we move into 2023, the industry backdrop for air travel remains favorable,” said CEO Ed Bastian. “We expect to grow 2023 revenue by 15-20% and improve unit costs year-over-year.” . . . Delta executed options for 12 new Airbus A220-300 aircraft, slated for delivery in 2026 and 2027. Delta currently has 14 A220-300s in service and 60 on order, including these 12 options; and currently operates a fleet of 45 109-seat A220-100 aircraft.

3. United Takes 10% Stake in Mesa.

United will receive a 10% equity position in Mesa and a seat on the Mesa Board, as part of an agreement reached in late December when the regional concluded a wind-down agreement with American and reached a capacity purchase agreement with United. Mesa will add up to 38 CRJ-900s and begin flying them on behalf of United in March. . . . “Our industry has been changed profoundly by the pandemic,” United CEO Scott Kirby told financial analysts. Among his remarks: An airline that tries to run at pre-pandemic staffing levels is bound to fail and likely to meltdown anytime there are weather or air traffic control stresses in the system. OEMs are behind on aircraft, engines, parts; supply chain constraints limit the ability of airlines to grow. Industry capacity aspirations for 2023 and beyond are simply unachievable. Put it together, we need 10% more pilots and 5% more aircraft to produce the same number of pre-pandemic ASMs. Like it or not, that’s just the new reality and the new math for all airlines.

4. Southwest Pilots Union Calls For Strike Authorization Vote.

Southwest Airlines Pilots Association called for a strike authorization vote beginning May 1, in the wake of the carrier’s “largest meltdown and the utter

lack of meaningful progress on a contract negotiation, with scheduling work rules and information technology asks in particular, that has been ongoing for more than three years.” Vote will be counted at end of May. Southwest Flight Instructors voted in favor of a new contract. Dispatch Employees and Facilities Maintenance Technicians reached tentative agreements. . . . Referring to its 16,700 flight cancellations during the year-end period, Southwest President & CEO Bob Jordan said in mid-January the airline had “returned virtually all of the bags we had on hand from the event, have processed nearly all refunds, and are processing tens of thousands of reimbursement requests a day.” The airline also is offering those most significantly impacted 25,000 Rapid Rewards points. Efforts to reduce the risk of future disruptions include: establishing supplemental operational staffing to quickly mobilize to support crew recovery efforts; enhancing crew engagement technology to efficiently communicate during frequent schedule changes; and updating and upgrading the crew recovery system to provide the ability to optimize schedules as they are revised during irregular operations. Southwest is budgeted to spend \$1 billion on investments, upgrades, and maintenance of our IT systems, said Jordan; “the recent disruption will accelerate our plans to enhance our processes and technology.” . . . Southwest incurred a fourth quarter pre-tax negative impact of \$800 million (\$620 million after-tax). “Based on current revenue and cost trends, we currently expect a first quarter 2023 net loss,” said Jordan. “However, we are encouraged by current booking trends [and] intend to regain our 51-year reputation for operational excellence.”

5. JetBlue Returned to Profitability in 2022.

JetBlue returned to profitability in 2022 with the highest fourth quarter operating revenue, \$2.4 billion, in company history. JetBlue is adding daylight service from New York to London with a morning departure from Kennedy to Heathrow on March 25, due to slot availability. Kennedy to Gatwick service will be reduced from twice daily to once. JetBlue also offers daily service between Boston Logan and both Heathrow and Gatwick.

6. Spirit Airlines Pilots Approve Collective Bargaining Agreement.

Spirit Airlines pilots ratified an amended collective bargaining agreement that provides a significant pay increase and other enhanced benefits. The agreement is effective retroactively to January 1, 2023. “If the JetBlue–Spirit merger does not gain regulatory approval or is otherwise abandoned, Spirit pilots will immediately reenter Section 6 negotiations with Spirit Airlines management,” said Air Line Pilots Association, Int’l (ALPA).

7. **Allegiant President Resigns.**

Allegiant President and COO Scott Sheldon has resigned, effective April 1, 2023. Greg Anderson will serve as President and Keny Wilper will assume the role of interim COO. John Redmond is Allegiant's CEO.

8. **Ethiopian To Begin Atlanta Service in May.**

See Section VIII, item 3.

9. **Delta to Launch Service from Los Angeles to Auckland.**

See Section IX, item 2.