

**EPISODE 171**

[EPISODE]

**[00:00:07] IP:** Hello, and welcome to Episode 171 of AvTalk. I am Ian Petchenik, here, as always with –

**[00:00:17] JR:** Jason Rabinowitz. Hello, Ian. How's it going?

**[00:00:19] IP:** Hello, Jason. It's going very well, sir. How are you?

**[00:00:23] JR:** Good. Fresh. Well, was fresh off a four-day weekend, which was nice. Happy July 4<sup>th</sup> to you and our other American listeners. Sorry, everyone else. You probably didn't have a long weekend, but it was very nice.

**[00:00:37] IP:** Yeah, I mean, we had an enjoyable time. Dealt with the, how did the Simpsons put it, celebrating America's birthday by blowing up a part of it? That's my truly my least favorite part of the celebratory activities. Though, I did grill some delicious meat.

**[00:00:55] JR:** Fantastic.

**[00:00:56] IP:** Now we're back at it. Into the continued chaos of this summer that shows no sign of abating.

**[00:01:03] JR:** We'll get in a little later about how the holiday weekend went travel-wise. A bit later, but spoiler, not that terribly.

**[00:01:12] IP:** Not that terribly. Yeah, it was better than expected. To be fair, I think expectations were so low, that really anything on the positive side of complete and utter meltdown was a win.

**[00:01:28] JR:** Yeah, yeah. Overall. I mean, we will talk about this a little more in detail later, but overall, not too shabby. Good job, everyone.

**[00:01:34] IP:** Not too shabby. All right, let's talk about the things we're going to talk about before we talk about those things. In a not surprise move, but in interesting timing, Airbus received nearly 300 orders from smattering of Chinese airlines late last week. China Eastern Airlines ordered 100 A320neos. Air China, 64. Shenzhen Airlines, 32. And China Southern Airlines, 96, for a total of 292 A320neo family aircraft.

**[00:02:12] IP:** Hey, that's not too shabby.

**[00:02:14] IP:** It's not too shabby at all.

**[00:02:14] JR:** No. We've been expecting an order of this size for quite a long time now. The Chinese market pre-COVID was absolutely bursting at the seams, and they needed as many aircraft as they could get. This was not an unexpected move. What was unexpected, at least from my point of view, was to see a group order like this. Maybe not a group order, but all of these different, pretty unrelated airlines all announcing their order at that same time. I mean, I don't even remember getting a release from any of these airlines. It was broken by Bloomberg, I think. Then eventually, Airbus put out a one-paragraph thing saying, "Yep, that happened." Just very different than here in the US and pretty much anywhere else in the world, where you're going to see multiple airlines like this all announcing massive order at the same time.

**[00:03:05] IP:** I think, one of the things to keep in mind and Jason, you expressed some surprise at the timing of the order, is not on an air show schedule that we would normally expect to see. There was no lead up that you would usually see to an order this big. As our good friend John Walton pointed out, the timing in China was not necessarily surprising. That's one of the things to keep in mind.

The other interesting thing to me about this order is not the size of the order, because we knew that this was coming. What's interesting to me is how soon these aircraft will make it to these airlines.

**[00:03:46] JR:** Yeah. None of those details are actually released by Airbus. They just said, once the relevant criteria are met, these orders will enter the backlog. No commitment, whatsoever, from Airbus on when these orders are coming. What do we know?

**[00:04:00] IP:** What we know from reporting by Reuters, by reporting from Bloomberg and from stock exchange filings from the airlines themselves, we're going to start seeing aircraft from this order, go to the airlines as early as 2023. I believe, the first in-line will be Air China in 2023. Those will go from 2023 to 2027. Shenzhen begins in 24 and goes to 2026. Then the China Southern, which is the order for 96 aircraft, those deliveries will begin in 2024. I mean, for an order that large, the lead time is usually a bit longer.

**[00:04:41] JR:** A bit longer.

**[00:04:42] IP:** Especially when you're dealing with an aircraft order book that is in a significant backlog. I mean, trying to get delivery slots for an A320neo family aircraft right now, you have to know the maitre d, so to speak. This would be very interesting to see how they're going to work this into the order book to get these aircraft out there. This also flows into Airbus's stated goal of increasing their order rate, or their production rate for the A320neos rather quickly, starting at the end of the year and moving into 2023 and into 2024. By 2025, they want to be producing 75 A320neo aircraft per month.

**[00:05:32] JR:** It's a lot.

**[00:05:33] IP:** It's a lot of planes.

**[00:05:34] JR:** At the same time, China has a secret weapon here in the form of Airbus's final assembly line and T engine, which I assume will be running full tilt producing aircraft for this specific order. That's something that Boeing and other manufacturers can't match, except for Comac, of course. Having that final assembly line in Tianjin, in China, which is just outside of Beijing, I'm sure really makes these numbers possible. I'm not sure it would be possible. Otherwise, since I don't think the Tianjin final assembly line and delivery center delivers aircraft outside of China. That line has going to do something, right?

**[00:06:12] IP:** It is busy and will continue to be busy for sure. A note right there, just over 50 now per month, the goal is 64 by Q2 2023. Then by 2025, 75 A320neo family aircraft per month. That'll be spread across what? Toulouse, Hamburg, Tianjin and Mobile.

**[00:06:38] JR:** Yeah. Must be. We don't know that for sure, but it must be, at least for the Chinese orders.

**[00:06:43] IP:** Not necessarily the Chinese orders, but the whole family across the four facilities. That's a lot of planes.

**[00:06:49] JR:** It is a lot of airplanes.

**[00:06:50] IP:** It's still a lot of planes. That'll be interesting to see how that delivery schedule gets.

**[00:06:54] JR:** My favorite part of all this was, I think, when the Chinese state-owned newspaper declared this a big loss for Boeing, like, yeah, but the Chinese state media here, of course, you're going to declare that the loser of this taking a big hit. Yes, this is disappointing.

**[00:07:11] IP:** That also said something about the state of Boeing's – I mean, the 737 MAX has been recertified in China, but it hasn't been approved for commercial aircraft flight. I mean, I think one of the things to note here is that this is Chinese state media rubbing it in Boeing's face still. It is a big loss for Boeing. If I was Boeing, I would be rather upset. There's also not really anything they can do. If I'm Boeing, I'm frustrated to know, because it's like, well, now I'm just a – not just a geopolitical bomb, but now I'm certainly even more of a geopolitical bomb.

**[00:07:49] JR:** Now they're mocking us.

**[00:07:51] IP:** Right, right. It's adding insult to injury.

**[00:07:52] JR:** Yeah. It's not like the MAX wasn't a popular aircraft in China pre-grounding. There were hundreds on order, I believe, from most of the major airlines, especially –

**[00:08:02] IP:** I mean, still are.

**[00:08:03] JR:** Yeah. China Eastern, China Southern, China Airlines, they all had orders. They don't seem to be in too much of a rush to press those back into service though.

**[00:08:12] IP:** Well, I mean, I think the airlines are.

**[00:08:14] JR:** Are they?

**[00:08:14] IP:** Well, I mean, I don't think you want planes sitting around, regardless.

**[00:08:18] JR:** I feel like, if the Chinese airlines really wanted these back in service, they would be back in service at this point. That's just hasn't happened.

**[00:08:25] IP:** That's an interesting segment of an argument.

**[00:08:27] JR:** It's kind like the Qatar thing. Qatar, we know they want those A350s back in service. By the way, I think another one of their A350 orders was cancelled by Airbus this week.

**[00:08:37] IP:** Correct. Yes.

**[00:08:38] JR:** Maybe, I don't know if they wanted them back in service, maybe they would be, since that whole dichotomy between Qatar, the airline and Qatar, the regulatory body is one in the same, sort of, kind of. Not exactly the same in China, but obviously, there's a lot of geopolitical nonsense going on there.

**[00:08:57] IP:** There are fewer degrees of separation between the state and the airlines.

**[00:09:01] JR:** That is what I was attempting to say. Thank you.

**[00:09:04] IP:** Yeah. Then elsewhere. Yes, agreed. Let's stick with Airbus, but talk about something completely different, which is an incident that happened a few days ago. Well, it happened leaving Dubai, but was discovered in its entirety, when the Emirates A380 landed in Brisbane. Backing up, the aircraft made the flight from Dubai to Brisbane, without incident on

the 1<sup>st</sup> of July, and the A380, let's see, registration A6EVK, landed without incident, except they got a low tire pressure warning on the main landing gear.

They said, "Hey, we're going to want to have this looked at after we land." They landed. They follow the proper procedures, which was to stop on the runway and get towed into the gate. Upon landing, it was discovered that the aircraft had a rather large hole in a section of the aircraft. Now, as it was initially reported in non-specialty publications –

**[00:10:12] JR:** Oh, that's a kind way of putting it.

**[00:10:15] IP:** Some specialty publications that deal with the aviation industry, but not necessarily aviation safety. It was reported that there was a gaping hole in the fuselage when the aircraft landed.

**[00:10:27] JR:** I know you had words to say about that on Twitter.

**[00:10:30] IP:** I did have words to say.

**[00:10:31] JR:** Tell me what those words were.

**[00:10:34] IP:** I will. Here's where the actual hole was and where this would be described as the wing fairing, or wing root fairing, which is not a section of the fuselage proper. This is a part of the aircraft that is an aerodynamically significant panel. If you didn't have it, there would be a lot of wind blowing around the landing gear. But it covers up the landing gear well, which is outside of the pressurized vessel of the aircraft. Yeah, it's not great that there's a big hole in the aircraft, but it wasn't the breathless sensationalism that there's a hole in the plane.

**[00:11:26] JR:** A hole in the fuselage.

**[00:11:26] IP:** Or there's a hole in the fuselage.

**[00:11:28] JR:** A hole in the fuselage leads to depressurization. Or in this case, I think, I guess, there would be depressure, or any pressure to depressurize as it would probably occurred on

the departure roll, I assume. Yeah, not great reporting by a lot of people who aren't reporters. They're miles and points bidders. There is a difference, and you shouldn't get your aviation safety news from them.

I guess, if the hole didn't expand, if it didn't impact any critical systems, the worst impact you're going to see from this is increased fuel burn, which I assume occurred, but not enough to be noticed, or certainly, not enough to impact the actual flight.

**[00:12:05] IP:** Right. The flight continued without incident. They flew for 13 and a half hours.

**[00:12:11] JR:** Right. Some of the articles or, let me clarify, blog posts were up in arms, that they continued on all the way to their destination without landing or diverting, when they probably had absolutely no idea this happened, because there's no cockpit indication that there's a hole in the non-critical part of the aircraft. I'm sure if they did get an alert, they would have diverted back to Dubai.

**[00:12:33] IP:** Right. The low tire pressure warning is something that they took seriously upon landing. They followed standard procedure for that warning. After landing is when they discovered that the panel was in fact, missing. I understand the inclination to say, well, I see a hole. There's a hole in the plane. I feel like, there's an important distinction to be made here. Maybe I'm in the minority. Maybe this is one of those preaching to the choir moments, where everyone listening to the podcast is like, "I agree." Everyone who's not listening to podcast is like, "I have no idea what you're talking about, and therefore, do not care." If you're going to write about something in such a manner as to indicate that the safety of a very large aircraft was at stake, then you need to get things right. That's just how I feel about it.

**[00:13:26] JR:** If anything, this could have obviously been much, much worse, if whatever sheared off from the landing gear was ingested by the engine, or actually impacted the fuselage, or broke a window. We've seen incidents like that in the not-too-distant past, and we know how that can end and it doesn't end well in all cases. In this circumstance, in this case, could have been a lot worse.

**[00:13:47] IP:** Yeah, absolutely. None of this is to say that this isn't a serious issue, and that the airline investigative authorities should treat it seriously. That's not what I'm saying at all. It is a serious issue. Why the incident occurred is important to understand and investigate, absolutely. If we're writing about it, let's be accurate.

**[00:14:10] JR:** Amen.

**[00:14:11] IP:** All right. Moving on.

**[00:14:13] JR:** Let's talk about our favorite new Alitalia-like airline. I'm not the only one making this comparison recently, by the way.

**[00:14:20] IP:** No, you're not. No, you're not.

**[00:14:22] JR:** I don't know if my boss, hello, Rob, if you're listening, heard me say, or compare SAS to Alitalia, or came to that conclusion on his own, but people are saying it. It's catching on.

**[00:14:32] IP:** People are saying. You may not be the only one, but you were the first, so there you go.

**[00:14:36] JR:** As far as we know.

**[00:14:37] IP:** As far as we know. First things first, so let's just go in chronological order.

**[00:14:42] JR:** Things are bad.

**[00:14:44] IP:** Things are very bad. Last week, we had discussed the SAS pilots' willingness and warning that they would strike. Then there was a brief reprieve, where the mediator said, "Let's take some more time to talk." Everyone said, okay, let's take few more days to talk. They took three days to talk. That didn't work. I don't think anyone thought it would. But it gave them three more days of not on strike. Now, the SAS pilots are on strike. This affects SAS prime flights alone. This doesn't affect subsidiary, or partner flights. Your SAS flight operated by airBaltic is still a go. Have fun with that. Those things are not affected, but the SAS prime flights

are affected. About 50% of total SAS flights have been canceled, nearing I think, 72%, 73% daily, of SAS prime flights, but about 50% of their total schedule.

**[00:15:44] JR:** Yeah. Puts it into perspective that SAS is not that large an airline, where 74% of their flights canceled, there's only about 247 flights. Meanwhile, other airlines have a far smaller percentage of canceled flights get a much higher number of actual flights canceled. A good reminder that SAS, really not that big an airline.

**[00:16:04] IP:** Not that big. No. But their footprint is large, owing to the fact that they are basically the flight carrier for three countries.

**[00:16:11] JR:** Yeah. They punch above their weight.

**[00:16:13] IP:** Exactly. That leads us to the next thing. After the pilots went on strike, SAS filed for Chapter 11 bankruptcy protection in the US. For those unfamiliar, though, if you listen to more than I think five episodes of the podcast, because it's a podcast about aviation, you should be very familiar with bankruptcy by now. In case you're not, chapter 11 bankruptcy protection is not the airlines going out of business. It's they're using the legal system in the United States to restructure their debt, restructure their obligations to their creditors, to secure more favorable rates, so that they can remain an ongoing concern and come out of bankruptcy, which in this case, is basically, a restructuring of how the business operates, and to whom they owe money and how much. They can be a leaner airline with more favorable terms on their debt.

One of the big things that is impacting SAS negatively right now, that they're hoping to change throughout the bankruptcy process are their leasing agreements with various lessors for their newer aircraft, for which the airline says and looking at leasing rates, this backs them up, they're paying over market rates right now for the aircraft that they're leasing. What they want to do is restructure those leases, so that they can pay market rates, or less money for the aircraft.

**[00:17:42] JR:** Yeah. But I bet, pretty much every airline that existed pre-COVID is now paying well over whatever the leasing rates are now for at least wide body aircraft, right?

**[00:17:51] IP:** Yes. I don't want to say that there were poor decisions made on these leasing agreements, but perhaps, they could have negotiated better pre-COVID.

**[00:18:01] JR:** Maybe, maybe. At the end of this, we're looking at more of the same of SAS. They want to break it into four distinct groups. You have SAS Scandinavia, which they say will be a simplified, harmonized Airbus fleet of diversified size by October 2022. With crew bases in Oslo, Stockholm and Copenhagen. Then you'll have the new SAS Kinect, which they claim is a next generation A320 family fleet, which I guess means A320neo, because there is no A320NG. Who wants to focus that on highly competitive markets to secure SAS presence and provide seasonal flexibility.

Then you have the new SAS Link with crew bases in Scandinavia, which I think just started up somewhat recently, right? Yeah, that's a startup. Then you also have what they call external production, which complements their ATR and CRJ fleets. I think, I read that they want to phase out the CRJs entirely.

**[00:18:56] IP:** Yeah. The idea is that they will pay fewer monies for crews overall, I think, is the one-line summation of what's happening.

**[00:19:12] JR:** I love paying fewer monies for things.

**[00:19:16] IP:** Yes. Well, not many people are these days, but they're using the chapter 11 protections to try and secure some of those things. It'll be interesting to see what happens over the next, well, six weeks, six months to the SAS fleet, to SAS crews. Hopefully, they can all work something out that allows them to move forward in a way that makes sense for the airline that they are, in the airline they want to be, which are different things right now. They have commitments from Denmark. They have a commitment from Norway.

There's, as Jason says, a twinge of Alitalia here. The airlines are not going to go away. How much money the governments are willing to kick in and what the conditions are for those, I guess, open arms, or a leg up. That'll be the kicker, what happens there.

**[00:20:11] JR:** It's important to remember that SAS is not going away. They're not ceasing flights, aside from the strike, which is not coincidental, but forced their hand into chapter 11. Remember, you can still book an SAS flight, it will almost certainly operate strike, whether staffing notwithstanding. Feel free to book your undercut SAS fare to Europe, or to the US, since they're still doing that thing where they're selling fares for way under everyone else. Still think they should raise their fares to try to make some money. It's how they got to this first place, probably. But take advantage of it while you can right now.

**[00:20:45] IP:** This is why we're not revenue management.

**[00:20:47] JR:** No.

**[00:20:49] IP:** Because we would just raise the prices to not be so far below of –

**[00:20:54] JR:** Every other airline in the world has done it this summer. It seems to be working for the most part. Working for them, at least.

**[00:21:01] IP:** Working for them. There you go. Okay, let's get to the point where other airlines, while, they have raised their fares, things aren't necessarily working all that well across the board. A lot of, well, not a lot of, but a continuation of fresh cancellations today, especially Wednesday, the 6<sup>th</sup> of July, British Airways cancelling 10,000 additional flights between August and October. I say 10,000. It sounds like so many flights. When you do the math, it's about 13% of the British Airways schedule during that period.

**[00:21:38] JR:** That's a lot. I've seen the number fluctuate. It's anywhere between 13, maybe 15, depending on who you ask, but it's a lot. I mean, to the individual, a single canceled flight these days is a huge hassle. Because now even more with more of these flights canceled is not many fewer flights to actually rebook passengers on to. This is going to be a really bad summer for BA, now that they're canceling another 13%, maybe 15% of flights. I don't know how they're going to reaccommodate most of these passengers. Maybe they don't. Maybe some people just take the money and run. Remember, you can do that if they cancel on you, you can take the money back. You can take the actual money, get a refund, not a credit. It's bad.

**[00:22:21] IP:** That to me is I guess, the worst of it, where you've already booked and then your flight gets canceled, because they're trimming down the schedule. Fine, I get that. Then that leaves you with even fewer options. Then having even fewer options, if your flight gets canceled the day of, or there's weather and it's just on and on and on and on. I feel like, we're turning into broken records, but severely damaged records at this point. If you don't have to fly, it might not be worth the hassle.

**[00:22:51] JR:** Yeah. Then we have, I'm just going to read straight from here. It says, Air Canada cutting 15% to summer flights, emailed me to apologize that maybe you can explain what that means.

**[00:23:01] IP:** I got an email from the President, Chief Executive Officer of Air Canada. It was a lovely email.

**[00:23:05] JR:** To you personally, or to you as a valued Air Canada past customer?

**[00:23:11] IP:** I assume that it was to me personally, because it says, "Dear, Ian."

**[00:23:15] JR:** Oh, wow.

**[00:23:16] IP:** There's no technological way to put your name at the top of an email, is there?

**[00:23:21] JR:** Nobody has invented mail merge yet. No.

**[00:23:23] IP:** Okay. I don't know what mail merge is. That sounds fancy to me. In any case, the Air Canada sent out an email to, I think it was the Aeroplan members. One of these days I'm going to have to tell you how many frequent flyer plans I am a member of.

**[00:23:37] JR:** It's a lot.

**[00:23:38] IP:** It is a lot. I keep most of my miles with United, just because Chicago and SAS is also Star Alliance and etc., etc. But I don't actually know how many airlines to which I am a

member. Although, I did come across my Air Berlin. I had status on Air Berlin for a year. I think, I was what? An emerald, a OneWorld emerald on Air Berlin. It was a great time.

**[00:24:02] JR:** Yeah. I get emails every now and then from Aerolineas Argentinas. I've never flown them. I think I did a status match back in the day that didn't work. Now I've just been getting emails from them forever.

**[00:24:12] IP:** Now, you'll never get out.

**[00:24:13] JR:** No.

**[00:24:14] IP:** The email from air Canada's president and CEO was lengthy, actually. It was reassuring in a sense, because it was the first time I had seen, and I'm sure that he didn't write it. I'm sure this was crafted by their communications team, and he looked it over and said, "Yeah, I'll say my name." Things like that. The content of the email, if my flight was canceled, I wouldn't be happy about it. I would still be mad. This email would probably do nothing to make that go away. Because I'm not flying Air Canada this summer, I can look at this from, I guess, an outsider's perspective.

I think that the email does a decent job of capturing, yeah, this is not great. Here are some things that we're doing to make it better. We've messed up. We're dealing with other people that have had challenges as well, being the airports and things like that. We're avoiding customer, they call them customer service shortfalls. What's interesting to me is the things that they're introducing with the flexible ticket policies, how you can manage your travel on a more granular level, as well as the things that you're doing if our schedule wise and things like that, like canceling 15% of their summer flights.

I say all of this to question, why weren't airlines doing this before? In the before times. If all of these things are possible to do, like the more flexible travel things, making it easier to manage your own travel and things like that. I'm not talking about things that cost money that are now free. I'm talking about tools that the airline could have rolled out previously to make your experience better. Why weren't they doing these before?

**[00:25:58] JR:** Well, as someone who actually has a day job in this industry, and deals with legacy ancient systems, pretty much every day, I can tell you that what airlines want to do, I'm sure is very different from what they can do due to these legacy systems. It takes a lot of engineering work, a lot of money, a lot of time to get a system you built in 1982 to do what you need it to do in 2022. That being said, Air Canada systems were pretty dated, even for major airline in North America. I know when you had thunderstorms pre-COVID and you had to rebook your flight, it was a pain. You had to know about the specific trans-border rebooking tool that the airline didn't even tell you about. You just have to know about it.

There's a lot of work that needs to be done. Air Canada, thankfully, is picked up on some of those, but a lot of airlines, especially in Europe have a long way to go on self-service tools. Quite frankly, some of them don't have any, or any that actually work worth a damn. Yeah, good to see Air Canada updating some of their legacy systems to make it easier. Yeah, as you said, some of these policies, like letting you switch flights to a longer connection, that's just good for everybody. It should have always been a thing.

I just had my parents do something similar. They were flying Delta KLM out to Europe for a riverboat cruise. They had an hour and 40-minute connection booked in Amsterdam, which is –

**[00:27:24] IP:** No. Sorry.

**[00:27:26] JR:** Yeah. Not great.

**[00:27:29] IP:** It's become reflexive. Whenever you want connection, just no.

**[00:27:32] JR:** Although people have told me that the connecting process at Amsterdam was not terrible right now. And hour 40 minutes is not going to cut it, or at least not when you're trying to connect to a cruise. I had them called travel agency that they booked on to switch to the earlier Delta flight to give them two and a half hours, which is better. Still not great, but I'm sure they'll make it. That's something that had to be handled by the travel agency. If you call up an airline and say, "Hey, I want to switch to an earlier flight to have more time for a connection," they're probably going to tell you no, which is not great, even though it really benefits everyone in that case, doesn't it?

**[00:28:09] IP:** Right. Yeah. Because if you miss your connection, now you're not happy about that. Now it's the airline's responsibility to get you where you need to be.

**[00:28:18] JR:** These days, they could end up having to put you up in a hotel for days, until the next flight.

**[00:28:23] IP:** Yeah. That's where MM plane is trying to find things that are passenger friendly, that in the long run, or not even the long run, but just the run, make it easier for people to get where they're going and make it easier for the airline and the passengers. I like seeing more of these things and I wish more airlines were doing.

**[00:28:43] JR:** You like what Delta did over the holiday weekend, where they said, "You know what? We're throwing in the towel. Weather waiver for everyone, everywhere for all weekend." I want to see more of that.

**[00:28:53] IP:** I mean, I don't want to see more of that. Absolutely not. I like the gesture. I liked that Delta recognized that it was going to be possible for them to experience an issue that would make flying for a large portion of their passengers an unpleasant experience and we're giving them a correct amount. I don't think that blanket waiverness is necessarily good all the time. I feel like, there's tools that you can offer people who are expecting to be disrupted, or where there's the possibility that you'll be disrupted to better get through this thing, so you're not sitting on the phone for two hours, or waiting for a callback for a day, or things like that.

**[00:29:34] JR:** Well, this blends in really well to our next topic, which the header is other headaches. The topic immediately –

**[00:29:41] IP:** There are many.

**[00:29:42] JR:** The topic immediately under that is Heathrow fuel workers are going on strike. When are they going on strike?

**[00:29:48] IP:** Jason, when are you flying through Heathrow?

**[00:29:50] JR:** June 22<sup>nd</sup>.

**[00:29:51] IP:** Then, they'll be on strike – or, you mean July 22<sup>nd</sup>, yes?

**[00:29:55] JR:** July 22<sup>nd</sup>.

**[00:29:56] IP:** You're not flying into the past.

**[00:29:56] JR:** No. Not yet.

**[00:29:57] IP:** You haven't surreptitiously invented a time machine.

**[00:29:59] JR:** No. You've got the Heathrow fuel workers have called for strike starting July 21<sup>st</sup> for 72 hours. Of course, I will be flying out of Heathrow on July 22<sup>nd</sup>. So, yay. Thankfully, I am booked on Delta, which is an airline we just discussed as quite capable tools for rebooking. Though, if there are no flights to rebook me on, because the fuelers are on strike, that'll suck. Watch out for that.

**[00:30:25] IP:** You may be bicycling home.

**[00:30:26] JR:** I mean, Virgin Atlantic still have long-haul flights out of Gatwick, maybe, no. Who can keep track of these things anymore?

**[00:30:34] IP:** Somebody has to.

**[00:30:35] JR:** If only there were an app for that.

**[00:30:37] IP:** If only there were an app for that. I'll let you do your research and get back –

**[00:30:42] JR:** No, they do not. Virgin Atlantic is probably not going to rebook me on the BA flight at a Gatwick. I might have an even more extended stay in London, which is already

extended. I had to stay an extra two days to get what could even be reasonably considered a decent fare to come home.

**[00:31:00] IP:** Yeah. I've been playing that game myself with trying to find the balance between a decent fare, versus okay, it's this many Euros per night for a hotel room, versus this many euros extra for – Where's that balance for how many days?

**[00:31:15] JR:** It wasn't even close for me. It was like a £1,000 less to stay for an extra two days and pay for the hotel than it was to fly back on Wednesday, as opposed to Friday.

**[00:31:25] IP:** Everything is just bonkers. Yeah, there's our episode title right there.

**[00:31:28] JR:** Everything is bonkers. Write that down.

**[00:31:29] IP:** Everything is bonkers. Then we've got airlines in the US, we have airlines fighting with the FAA, because people are blaming the airlines for all the canceled flights. The airlines are saying, “Whoa, whoa, whoa. It's not us.”

**[00:31:46] JR:** It's not you. It's me.

**[00:31:48] IP:** It's the FAA. Its air traffic control, all these things. On the first of July, before the weekend, Delta CEO, Ed Bastian laid blame at the feet of the FAA saying, FAA related delays and cancellations were up, I think an astronomical percentage. It was over a 100% year on year, which, okay. But using last year as a comparison, interesting choice, given its uniqueness in the historical record. Then, I think it was Seth Miller dug into the reasons for delays in cancellations. As it turns out, there were more airline attributable delays in cancellations, the increase was far larger than the FAA delays and cancellations. Then United got in on it and said, “Hey, it's the FAA, where there's all the things.” Today, the FAA came out, addressing United's claims.

**[00:32:46] JR:** Performance.

**[00:32:48] IP:** Statement from the FAA. “The department and FAA appreciate –” I'm quoting the FAA statement now. “The department and the FAA appreciate airlines taking steps to improve

performance, but clearly, more needs to be done to reduce cancellations and delays. It's unfortunate to see United Airlines conflate weather related air traffic control measures with ATC staffing issues, which could deceptively imply that a majority of those situations are the result of the FAA staffing." I'll skip down a little bit. "On July 3<sup>rd</sup> and 4<sup>th</sup>, there were no FAA staffing related delays at all. Yet, airlines still canceled over 1,100 flights. A quarter of which were United Airlines flights."

**[00:33:27] JR:** Ooh, spicy.

**[00:33:29] IP:** I will say, that that last statement was bolded in the FAA statement. I guess, I use the phrase, emphasis in the original.

**[00:33:37] JR:** Yeah. I mean, let's be honest, everybody sucks right now. The airlines suck. Airport suck. The FAA, you are not immune. You suck, too.

**[00:33:44] IP:** Hold on. Hold on. Wait. Now we need to change the episode title.

**[00:33:47] JR:** Oh, what is it now?

**[00:33:48] IP:** Now, it needs to be everything sucks.

**[00:33:50] JR:** Oh, okay. Yeah. Nobody is innocent here. Everything sucks. Yes, the FAA may not have any staffing issues for July 3<sup>rd</sup> and 4<sup>th</sup>, but maybe they did on the 2<sup>nd</sup>, and maybe the staffing issues on the 2<sup>nd</sup> knocked onto the 3<sup>rd</sup> and 4<sup>th</sup> by means of aircraft being out of position and crew timeouts. You need to look at it more holistically than just what happened today and what happened the day after. What happened the day prior that led to the delays today. Certainly, we've seen over the last few months that the FAA has been understaffed, especially in Florida. They're not hiding that. I mean, they put that in their airspace –

**[00:34:27] IP:** It's very well noted.

**[00:34:29] JR:** It is very well noted that they have had major staffing issues, especially in Jacksonville. At the same time for months, they've been saying, "It's not us. It's the airlines."

Well, then look at your own status. You have staffing issues all over the place, mainly in Florida, where the weather is also the most impactful network wide. Everybody is at fault. Everybody's pointing fingers at each other. It's just that Spider Man meme all over again, where everyone's pointing at everyone else. Everybody loses.

**[00:34:57] IP:** Yeah. The biggest losers are the passengers.

**[00:34:59] JR:** Of course.

**[00:35:01] IP:** The last headache, I think, that we need to talk about, or no, the second to last headache, because the headaches keep on coming. American Airlines had not a unique issue, because apparently, this has happened before. What happened was American Airlines pilot trip system, so this system that assigns schedules to American's pilots allowed American Ireland's pilots to drop 12,000 trips for July.

**[00:35:34] JR:** That's a lot.

**[00:35:36] IP:** That's a lot.

**[00:35:36] JR:** Because that's 12,000 trips. That's not 10,000 flights. Or, what was it? 10 or 12?

**[00:35:40] IP:** I think, it's 12,000 flights. I don't know how many trips. More than 12,000 flights lacked either a captain, first officer or both after the pilots dropped the assignments. The airline reinstated about 80% of those trips. They're looking to find pilots to operate those flights after the system basically dropped them from the roster.

**[00:36:05] JR:** Well, the system didn't drop them. The pilots dropped themselves, because they were able to do so. It's not like the system went rogue and started dropping flights. What happened was the system indicated that pilots were able to drop trips, and they did. They didn't mess. They didn't mess. I have thoughts about this. I'm sure I'll get some hate mail. By the way, this was 18 minutes ago, the Allied Pilots Association just tweeted that triple pay for pilots who are flying in July sequence that were affected by last Saturday's quit. This seems to have come full circle now. Trips have been reinstated and anyone who is impacted is now getting triple pay.

This will be a big bill for American due to this glitch, which has happened before. The glitch aside, the pilots are not blameless here. If you're suddenly able to drop all of your flights, all your trips for all of July, you think twice about that, that something's probably not right. At the same time, they've done this before. They know what happens and now they get triple pay.

**[00:37:11] IP:** I feel like this is like booking a mistake fair.

**[00:37:13] JR:** Exactly. You think you might get it, you might not. You might get that business class fare. They might cancel it. Maybe they downgrade you. I don't know. You click now and make plans for it later. Just like a mistake fare. Yeah. Pilots are not blameless in this situation, I think. If they suddenly canceled all of their July trips in a time where they know that things are stretched to the absolute breaking point, why would the airline suddenly allow you to drop off your flight?

I mean, I don't blame them for doing it, but to have such malice towards the airline and saying, this is ridiculous. Look what they did. They did such a terrible thing. Well, nobody made you drop those flights. You chose to.

**[00:37:51] IP:** Yeah. I think that's –

**[00:37:53] JR:** Working on the hate mail.

**[00:37:55] IP:** I don't think there's necessarily any hate mail.

**[00:37:57] JR:** Oh, it'll come.

**[00:37:59] IP:** Maybe. Sure. I think there's an important point to be made here, is that this isn't something that was – the mechanics of it weren't that an IT issue unscheduled all these flights. They took these pilots off by itself. It was, they got the green light to drop these trips, and then did. I think that's a very important point to make.

Last thing, I guess, to mention is although this closed out yesterday, Lufthansa did the same thing that KLM had done before it, where they zeroed out the inventory for the airline. In Lufthansa's case, a lot of, if not most of them.

**[00:38:31] JR:** More so than KLM. Yeah, this was all flights within Europe, to the US and Canada and their entire subsidiary, Air Dolomiti, the Italian thing with E-190s, or E-175s, whatever. One of the Embraer jets. They didn't zero out all the flights. They only made available the highest of the highest fare buckets, which again, no one is reasonably going to book, but it protects their operation for re-bookings. Yeah, Lufthansa was that close to the brink of an operational meltdown that they had to stop selling fares.

**[00:39:03] IP:** Let's switch gears and leave some of the headaches behind. We'll talk about some interesting news and some good news that came out this week. Airbus is raising their rates on the wide body aircraft. Earlier in the show, we talked about raising rates on the narrowbody aircraft, which has long been planned. That has been in the works for a long time. They've been gearing up with their suppliers to do that, and that really hasn't changed. They're also planning to now raise rates on their wide body aircraft.

A350 will go from five per month to six per month in 2023. The A330neo will go from two per month to three per month at the end of this year. It'll be interesting to see Airbus's, basically with this, they're signaling that they see strength and recovery of wide body aircraft. Good news in general.

**[00:39:52] JR:** Yeah, nothing general earth-shattering here. Five to six and two to three. An increase is certainly better than a decrease.

**[00:39:57] IP:** An increase is an increase.

**[00:39:59] JR:** Yeah, I'll take it.

**[00:40:00] IP:** Let's talk about Pittsburgh.

**[00:40:01] JR:** What?

**[00:40:02] IP:** A very interesting thing that happened, let's see, a few weeks ago now. On the 21<sup>st</sup> of June, a United Airlines 737-9 MAX was on its way from Chicago to Pittsburgh, when it experienced some interesting things on the flight deck. The long and the short of it is the flight computers didn't work the way they were supposed to. Shortly before landing, the flight displays blanked. They just went blank.

**[00:40:31] JR:** That's not good, but it's not unique to the MAX. We've seen this before. Hell, it happened to me in a 747-400 simulator at British Airways.

**[00:40:40] IP:** That's right. That's right, it did. The result of this, and the result of trying to mitigate those issues on landing was that the aircraft landed on the incorrect runway. They were supposed to land on runway 2-8 center in Pittsburgh. They landed on runway 2-8 left. They're parallel runways, about a 1,000 feet apart from each other, with a taxiway in between. Air traffic control noticed that they were lined up for wrong runway, but because of the amount of traffic at the time and there were no traffic conflicts, they allowed the aircraft to continue to approach and land on runway 2-8 left, because by the time they noticed, they thought that well, no harm will come of them landing on this runway. If we instruct them to go around, it might add to whatever issue they're experiencing.

**[00:41:27] JR:** Yeah. Which raises a couple of questions that if traffic was so late at the airport at the time, why were they switched between runways, I think a couple of times at this point? Nonetheless, very concerning that if the flight computer blinked out, that the crew somehow still landed on the wrong runway, there are some out there that are saying yes, this is another indication that flight crews are way too reliant on automation. They couldn't even do a visual approach to land on the correct runway. Yeah, it seems like they were probably very distracted by the malfunction of the FMC. I think, believe it was the FMC at this point. Very concerning.

I understand, of course, why the air traffic controller would have let them proceed to land on 2-8 left. If there's no conflicting traffic, why not? The harm is done at that point. A lot of questions need to be answered with this incident.

**[00:42:20] IP:** Answered they shall be, because the NTSB is in fact investigating. They pulled the QAR, the Quick Access Recorder. According to the NTSB, they also pulled one of the flight computers. They're investigating and we will know more eventually.

**[00:42:36] JR:** Yeah, we need to talk to our friend, Sean Payne, at the NTSB to figure out just how quick is the process of removing any of the black boxes on any modern aircraft. Because if they did in fact do that, it happened super quickly, because this aircraft really didn't experience any downtime.

**[00:42:51] IP:** No, they were on the ground for a little over an hour in Pittsburgh and then flew right back to Chicago. I don't know where they removed the recorders. I mean, it is possible that they removed them back in Chicago. I don't know. From the NTSB report, it sounds like they were removed in Pittsburgh.

**[00:43:06] JR:** If you are Sean Payne, feel free to reach out to us and tell us how long does it take to remove the boxes.

**[00:43:12] IP:** Well, we'll reach out to Sean and we'll have an answer for you. Maybe not next episode, but soon. Jason.

**[00:43:19] JR:** Yes.

**[00:43:20] IP:** If you were an airline that had spent a bunch of years trying to get slots at a certain airport, but you were also an airline that was possibly going to be acquired by an airline that said, if you're acquired by that airline, they will divest all of the slots at said airport, how would you feel?

**[00:43:41] JR:** Man, irony is a bitch. In this case, it's rearing its ugly head. Well, they're not slots. They're runway timings, because remember –

**[00:43:49] IP:** Sorry, runway timings.

**[00:43:50] JR:** - for some reason in the infinite wisdom at the FAA, they decided that Newark doesn't need to be slot controlled anymore. They're wrong. It does. It desperately does. They have what's called runway timings at Newark. When Southwest removed itself from Newark in 2019, which itself got slots at the time from the 2010 merger conditions of United and Continental, Southwest got these slots, which became runway timings at Newark. Now, once they left, they needed to go somewhere, eventually. Now we know they ended up at Spirit, after a two-year battle between JetBlue Alaska, Spirit, I think a couple other airlines might have been in there. Spirit turns out to be the winner, which is super ironic, because as you mentioned, Ian, if the merger with JetBlue does become a thing, one of the promises JetBlue made was to divest all of Spirit's holdings in the New York area, which I'm pretty sure probably includes Newark, but we should check the fine print, because Newark is not New York.

**[00:44:50] IP:** Newark is not New York, but I'm fairly certain that –

**[00:44:53] JR:** It is the New York market. Yes.

**[00:44:55] IP:** It is the New York market. Yes.

**[00:44:57] JR:** This might be a short-lived win for Spirit to have quite a number of extra runway timing. 16 peak runway timings at Newark, that we may end up starting this process all over again. I hope they end up with Frontier, just out of spite.

**[00:45:16] IP:** Last, but certainly not least, Boeing is building a new airplane, Jason?

**[00:45:23] JR:** Yeah.

**[00:45:24] IP:** What?

**[00:45:25] JR:** We save the best for last. Boeing is going to build a new airplane. Do you think it's a replacement finally for the 73? Maybe it's a new version of – maybe it's the middle of the market aircraft we've all been pining over for years and years. It's not any of that. It is actually not even going to be built by Boeing, but it's going to be built by Aurora Flight Sciences, which is

a wholly owned subsidiary of Boeing, I believe. Or, at least it's a Boeing company, to build the next generation mothership for Virgin Galactic.

**[00:45:58] IP:** Well, that's at least cool.

**[00:46:00] JR:** That's something. It's the clean sheet aircraft we've all been waiting for from Boeing, I guess. Actually, I'm not even sure. Is it a clean sheet? Or do you think they will take the design from Scaled Composites that they have today. Was it White Knight II? Just build off that? We don't really know. There's not much details. The first two motherships is expected to enter service in 2025, the same year Virgin Galactic's first Delta class spaceship is expected to begin revenue payload flights. I'd like when we get to talk about space stuff.

**[00:46:33] IP:** I have a feeling we're going to be doing more and more of it. Yeah, this is actually really cool. It'll be interesting to see how it all comes together in 202 when it enters service, how they get that all going. Yeah. No, I'm excited. It's good to see things moving forward.

**[00:46:48] JR:** Yeah, quite the headline. Boeing's going to build a new airplane. Then it's just like –

**[00:46:52] IP:** Wait. What?

**[00:46:53] JR:** An airplane that launches spaceships is not really what I had in mind, but I'll take it.

**[00:46:58] IP:** I'll take what I can get. I will take what I can get. Yeah, so we had a lot going on this week. The industry is a mess. Everyone is upset. Everyone's just trying to muddle through as best they can, and make it through to the other side. We thank you for making it through to the other side with us this week on episode 171. If you liked what you heard, I don't want to quite say, like what you heard. But if you enjoyed the discussion –

**[00:47:28] JR:** If you didn't disagree with it.

**[00:47:30] IP:** If you disagreed, not disagree. I don't care whether you disagree with us or not. I think that's healthy. If you enjoyed this discussion, if you thought it was valuable, if you learned something, if you walked away going, "I know a little bit more about what's happening in the world now," by all means, share that with your friends, head over to wherever you get your podcasts. Leave us a rating or review. We truly appreciate that, so that we can keep doing this and keep bringing you the podcast every week.

Thank you all so very much for listening. We will see you next week. I am Ian Petchenik, here, as always with –

**[00:48:00] JR:** Jason Rabinowitz. Thanks for listening.

[END]