

EPISODE 206

[00:00:08] IP: Hello, and welcome to episode 206 of AvTalk. I am Ian Petchenik, here, not as always, with our resident number, Gavin – resonant numbers expert, Gavin Werbeloff. Jason is in Japan. Gavin, thank you for taking the chair, and taking the microphone and joining us this week.

[00:00:26] GW: I'm very happy to be here. I feel like this is like a biannual tradition where I have to – I sit in for Jason when he's off doing something fun.

[00:00:34] IP: When we send him halfway around the world to go ride trains and eat fun foods, we call on your expertise. But it actually works out perfectly this week because we've got really an interesting numbers and laws-heavy show as the US Department of Justice has finally filed suit, as expected, to block the JetBlue takeover or merger with Spirit. Call it what you want. We'll talk about that a little bit in just a few seconds. But, yeah, I was traveling. Basically, we hit stop on the record button last week and I took off for a long weekend. A nice little vacation without the kids.

[00:01:09] GW: I am jealous.

[00:01:10] IP: Which was fantastic. First time in eight years to go on vacation without – a non-work trip without kids I should say. That was good. I talked about this in the show last week. But we had a 7879 going out and then a 7878 coming back. Both, I mean, very, very lovely flights. But my love for the 787 window is really a love-hate relationship. Because while I like that bigger window, I really dislike the fact that it's a 50-50 shot whether or not you're going to be able to look out a clear window or it's, at this point, broken in some electrochromatic tint.

[00:01:48] GW: Some shade of blue.

[00:01:49] IP: It's like when you can like do like the warm, cool slider?

[00:01:53] GW: Yes.

[00:01:54] IP: It's like one of the you're either going to get blue or you're going to get yellow. There's no in between if they're stuck.

[00:02:00] GW: I've also find that those windows get very hot when they're dimmed.

[00:02:05] IP: You know what? I've never pressed my face up against a dimmed 787 window. But I would not be surprised. I mean, sending an electrical current through it, that would make sense. But, yeah. Good flights all around.

[00:02:16] GW: The 7878 didn't know that you dislike it? Or it just was –

[00:02:21] IP: I have a feeling that that's what the issue with the window was because it was just my window. Of course, the window that I was sitting at. But, yeah, we had a super eager first officer. I don't know if it was the first time that they had given a PA announcement or if they were just that chipper and cheering normally. But they were very, very excited to be making the PA announcements. I thought that was great.

And then when we landed, we landed touchdown back in Chicago. Touchdown lovely last night. Thrust reverses opened up. We start slowing down, slowing down, slowing down. Everything's normal. And then we slammed on the brakes because we had to make that high-speed turn off. And we made it. Because, otherwise, there was the risk of having to taxi for 463 years to get back to the terminal O'Hare. We made it.

[00:03:09] GW: That's always a risk at O'Hare.

[00:03:11] IP: And we're back. Jason's in Japan. He's going to have an interesting story to tell next week when he's back. I'm going to leave it at that and tease you dear listeners.

[00:03:22] GW: We know how he flew out.

[00:03:22] IP: We know how he flew out. And it'll be interesting to find out how he flies back, which is what I'm looking forward to hearing.

[00:03:28] GW: I have a hunch that we're not going to hear much about the flight out after the flight back.

[00:03:34] IP: You're probably right. You are probably right. We'll talk about that next week. But this week, we're going to talk with Gavin, who has been so nice to join us this week. We're going to talk about the DoJ suit. Some new orders that came out. And fresh trouble for Boeing. Though, this time, it's not really Boeing's fault.

But let's dig in to the suit that the US Department of Justice has filed to block JetBlue's takeover of Spirit. This is not a surprise. It is long expected. The initial announcement was met with, "Okay, when's the DoJ going to get involved?" Every conversation that we have had on this show with anybody, whether it's been just Jason and I, whether it's been guests following back and forth between Spirit and Frontier's possible merger. And then JetBlue coming in and saying, "No. We want to take over Spirit." All of those conversations have been either closed out with or been sandwiched in the middle with all of this is subject to regulatory approval. And now we come to that stage.

[00:04:41] GW: Or regulatory disapproval.

[00:04:42] IP: Or regulatory disapproval as the case may be. What is the DoJ saying is the legal problem with this proposed merger?

[00:04:51] GW: They go after a few bits. First of all, the entire first half of the complaint sounds like it was written by Spirit's PR department when they were trying to fend off the JetBlue hostile takeover bid.

[00:05:03] IP: I mean, that was helpful of them to have the pre-write done.

[00:05:06] GW: Exactly. It really centers around market competition and consumer protections. They spend a lot of time talking about the options, the unbundling options and control of their pricing that the Spirit and model offers consumers. And if Spirit gets bought up, and seats get taken out of Spirit aircraft and they get turned into JetBlue aircraft, those options will go away,

which sounds all well and good. But for those of us who look at the wider scope of the airline industry, it sounds like the government's contradicting itself.

It talks about unbundling and how great unbundling is when in the last couple weeks we've seen the president himself talk about junk fees, and seeding fees and the fee-laden way that we all fly now. That was pioneered by Spirit. On one hand, they're bashing it. But, here, they're saying it's a good thing.

I really don't know which one to believe. But also, the way that they speak about the basic economy fares and how they make it sound like JetBlue alone copied Spirit's business model because they wanted to keep up. Whereas we all know that every single Airline went down that route in a bid to show up as the cheapest on the GDS's.

And I dug into an article that I wrote in 2018 for Runway Girl Network where I went into what JetBlue's unbundling looks like. And they actually made it cheaper to buy the stepped-up fare than it was to buy the basic fare and add-on of checked bag.

JetBlue actually did it in a far more consumer-friendly way. And, here, the DoJ's going after them for their bundling versus unbundling and taking seats out of planes and making things more expensive when we're also talking about cabin densities and evacuation testing. And from many perspectives, taking seats out of planes is probably not a – well, it's a good thing because it makes them safer.

You can't really look at the DoJ's arguments without saying they're really contradicting themselves on a lot of these points. But the bigger sense that I get is that this is too little too late. If the DoJ is really worried about cartel-like behavior amongst the airlines, they should have started worrying about it long ago.

We know that more than 80% of the US domestic airline sector is taken up by United, American, Delta and Southwest. Combining Spirit and JetBlue is not going to make them number four. They're still going to be number five. We're still going to have these concentration issues.

And if the DoJ was this concerned about the possibilities of cartel-like behavior and an oligopoly in the airline industry, they should have started by pushing back a lot harder against Delta and Northwest, or United in Continental, or American and US Air, or Southwest and AirTran, or Alaska and Virgin America. This is the sixth potential merger that we've been looking at in the last less than 20 years in the sector. And this is the first time the DoJ has brought up these concerns about competition and consumer protection.

[00:08:57] IP: It's not to say that they're necessarily wrong to consider these issues. And I don't necessarily think they are. But I think your point is well taken, that these aren't new concerns. They just happen to be new to the DoJ when addressing an airline merger. There's always been the sheen of competition concerns where there's been discussion about, "Oh, divest these few slots. Trade these away. Say you'll do this in this market, that in that market. And sure, fine, whatever you guys can merge."

This seems to be the first time that they're actually taking a serious look in making a serious argument whether or not it's fully justified. But spending some time on the consumer, kind of the consumer protection aspect of this particular merger. This seems to be new for the DoJ. Whether or not it should have been a focus all along seems, I guess, at this point, moot because those mergers have already come and gone. And in some cases, un-gone depending on which airlines you're talking about.

[00:10:02] GW: And I think you also have to look at this one against the backdrop of the legal action the government's taking against the North Eastern Alliance that JetBlue has with American. JetBlue, rewinding a number of years, JetBlue lost out to Alaska in acquiring Virgin America.

And so, given their concentrations at JFK and other slot-restricted airports and in highly competitive cities, their growth prospects are a lot more limited than other carriers. You look at Spirit, you look at Frontier, they're going out, in and out of much smaller airports and picking off routes and picking up secondary routes that a lot of other carriers aren't.

JetBlue, their options for expansion are extremely limited. We've seen them dip a toe into Transatlantic and they're starting to get bigger. They've just put up for sale, I think, today their

JFK-Paris flights. They're growing internationally. But you kind of feel for JetBlue going, "What have we done to the government to deserve this?"

[00:11:12] IP: Yeah, it seems like that any Airline merger at this point would be getting this particular bit of scrutiny. Rather than a JetBlue-Spirit merger specifically deserves this type of scrutiny.

[00:11:29] GW: Who knows if Frontier-Spirit would be getting the same sort of scrutiny? Because a lot of the DoJ's argument revolves around the perceived benefits of Spirit's business model and that these will go away if Spirit goes away.

[00:11:43] IP: Right. And the signals were there for a positive – well, maybe not necessarily a positive. But a much more neutral reception to a spirit Frontier merger because of the ultra-low-cost carrier model to both of them.

I think it's really interesting that the DoJ is making these arguments kind of for the first time. And it'll be interesting to see if this comes up in any proceedings whether or not, "Hey, why didn't you say this before?" Why was it not a problem when United and Continental merged? Or Delta and Northwest? Or American and US Airways? Why was it not a problem then? And what the reaction is going to be to that? I don't know if that historical analog carries any weight in these particular proceedings. But it'll be interesting to see whether or not that argument gets made.

[00:12:39] GW: Yeah. I mean, the logistics of that merger actually happening are a whole other headache. Lots of aspirin, and Tylenol and Advil. They should just buy it by the palette and send it to Long Island City if they actually get through the DoJ and finish off the merger. Because that's going to be huge headaches.

[00:13:02] IP: We'll leave that there. And then if this does in fact get approval or some sort of approval, we'll talk about what JetBlue has to give up. Because I'm sure they're going to have to give up something. And then we'll talk about what they're going to do.

Because we've said from the beginning, JetBlue getting Spirit is probably going to be very, very much like the dog catching the car. And so, we'll have to see. What happens when a dog catches a car? But we'll leave that discussion for the moment and come back to it another time.

I want to get that out of the way. And then while we've got everyone's attention, I want to completely segue into something that we normally don't talk about in this program. And that is Flightradar24 itself.

[00:13:46] GW: What? You can't talk about yourself on your podcast. Who would do such a thing?

[00:13:51] IP: I know. Very rarely do we do. But when we do it, we always have a very, very good reason. And I promise you, friends, this is a very, very good reason. We have been working very hard for a very long time now on a new version of the Flightradar24 website.

Some of the changes have already been released in the apps and it's things that are in the app that we're bringing over to the website. And then some of the things are completely brand new that will eventually come over to the app so that everything kind of works together, which is the direction we've been headed for a while now.

But an email went out on Wednesday, and that went out to our newsletter subscribers. If you're not subscribed to our newsletter, go do that as well. Subscribe to the podcast. Because why not be subscribed to both? They're both free.

But an email went out to our newsletter of subscribers with a link to a beta version of the new site. The link is really easy, and we'll put it in the show notes. But it's flightradar24.com/openbeta. All one word. And that gets you access to a beta version of the new website that you can go check out now. You can play around with it.

[00:15:04] GW: Try and break it.

[00:15:05] IP: Yeah, absolutely. Try and break it and let us know what you broke so that we can fix it. A lot of the features either look a little different and have been redesigned. It's a more clean

design. Behind the scenes everything, is a lot faster. And the site uses a lot less network data. We're not sending so much to your computer so it's faster.

[00:15:33] GW: I also really like the hamburger menu in the top right hand corner. It makes me hungry.

[00:15:36] IP: Yeah, we have changed a little bit of the site navigation. We've moved the search bar around. I made it accessible throughout this site. But the big, big, big, big, big change is what we've done with filters.

After so many requests and after me begging our developers as well, we finally implemented category filters. You can filter for passenger aircraft, cargo aircraft, military government aircraft, business touch, general aviation, helicopter, gliders, drones, ground vehicles, what have you, with a single click.

[00:16:14] GW: And also, one that I really like is if you feed data to Flightradar24, you can filter for your own receiver.

[00:16:23] IP: Yep. We pre-populated that. If you have a receiver connected to the network or more than one as the case may be, all of those are listed under the my receivers tab. And then we've modified some of the custom filters that are existing to make them have more functionality. And then we've added new filters as well.

The airline filters are now searchable by airline name. You can add a bunch of Airlines to it. And when you do, you can choose between what we're calling painted as and operating as. In the US, all of the regional aircraft with, say, American Airlines logos on them, or United Airlines logos on aren't actually operated by American and United. They're operated by smaller regional carries. Sky West, Mesa Airlines, Republic Airlines, what have you.

Now, instead of having to enter each separate call sign, you can just type American Airlines and then choose painted as. And any aircraft painted in the American Airlines livery will show up so that you can filter for those just with one click.

Aircraft filters, the biggest change now is that you can search and then select for specific ICAO codes. Before the biggest complaint was I want to filter for C17s. But if I put C17 in the filter, I see C17s and C172s. No longer is that the case. You'll be able to search for exactly which aircraft filter you want and then choose that and that only. Or you can use – we've added a wildcard filter so you can put a star after anything and see a completed ICAO code for that. If you put B77*, you'll see all of the 777, all the varieties of 777s.

Airport filters, you can now – the biggest change here is that you can now filter for entire countries. If you want to see all flights to and from New Zealand, you can do that. Rather than having to enter each airport in New Zealand that you want to see aircraft flying to and from. And I'll have more to share about airports and, dare I say, root filtering hopefully soon.

Under the advanced tab, call sign is still there for specific call signs, registrations for specific registrations. We've added filter by squawk. Now if you want to see flights that are general aviation flights squawking 1200, you can do that for kind of like a US traffic or 2000nd elsewhere.

And then the other – we also have the speed and altitude. And you can filter by a specific radar. If you have a friend who has a receiver, you can search for – filter by their receiver as well. And then the last one that we added is filter by aircraft age. So, you can see only really new aircraft, only really old aircraft. What have you? However, you want to mix and match all of those filters. And you can combine all of them and save them as one preset filter so that you can modify which aircraft you're interested in. And then you can combine the preset filters that you have as kind of an and filter.

If you've got airline-specific filters that you really like and you have airport-specific filters that you really like, if you check both of those, it becomes an and filter. You're filtering for the airlines and the airports. And then it'll show just those flights. [Flightradar24.com/openbeta](https://flightradar24.com/openbeta). Go check it out.

There's a feedback button on the right-hand side, a blue feedback button so that you can leave us general feedback. Tell us what you like. What you didn't like? What you think we need to change? And if there's something that's not working at all, you can leave us a bug report and let us know what we need to fix before we launch the final version.

[00:20:15] GW: I think all bug reports should come with a BCC to Jason.

[00:20:18] IP: Yeah, we have that in place. It does go to his email. And it auto-generates a cat photo as well. Just to kind of balance things out. But we didn't tell him. And he's not here this week. And he never listens to the podcast. If you're listening this week, file a bug report and we'll see what happens.

But definitely do check that out. And if you have any feedback, leave us the feedback or email us at podcast@fr24.com with things that you like, don't like, and we'll try and get those incorporated into the final version of the site.

And now, back to our regular scheduled programming. This week comes a very sad accident report because it's so unusual. A Bombardier Challenger 300 was flying out of Keene, New Hampshire. And shortly after takeoff, what was first reported as severe turbulence, but now the NTSB is investigating as a possible trim issue on the aircraft, led to one of the passengers experiencing blunt force trauma. And unfortunately, she passed away after – or in the course of receiving medical attention after the aircraft diverted to Windsor Locks.

The NTSB obviously is investigating this incident because of the seriousness of it. But we don't really know much more yet about what happened. Looking at the data, there was a severe increase in the positive vertical rate of the aircraft going from about 2,000 feet per minute in a standard climb. And then there was a sudden spike almost all the way up to 7,500 feet per minute. And then it seemed the upset continued for a short period of time and then the aircraft was recovered and began its diversion. But we don't really know much more than that at this point.

That's it on that one for now. Awaiting the NTSB preliminary report, which we'll have in about two to three weeks. As for NTSB preliminary reports, late last week, the NTSB published its preliminary report on the Southwest FedEx runway incursion, go-around, flyover incident that occurred in Austin on February 4th. Not a whole lot new in the preliminary report.

The NTSB report includes some visuals about some of the things that we've already talked about the overflight. How close they were? They're still working on determining how close the aircraft actually came to each other.

One of the things that I did want to note was that the traffic alert and collision avoidance system, the TCAS, computers have been removed from both airplanes and have been sent to their respective manufacturers for a download of data.

[00:23:06] GW: Oh, wow.

[00:23:07] IP: I didn't know you could do that.

[00:23:09] GW: Neither did I.

[00:23:11] IP: The information from the Southwest aircraft's TCAS unit has been downloaded already and is currently being analyzed by the NTSB. It doesn't say anything about the FedEx system. It sounds like they're still downloading that or they just haven't analyzed that particular set of data yet.

[00:23:25] GW: I also saw in an NTSB press release that they had grabbed both flight data recorders off of both planes and that the data was accessible, which I was pleasantly surprised to hear.

[00:23:40] IP: Yeah. And now let's make that distinction because we've talked about this before over the past couple weeks a lot, is that the digital flight data recorder, those were removed and sent to the NTSB's recording laboratory in Washington, DC where Sean Payne, who's been on the program previously, works. That is just the data from the control surfaces and other information. That's not the separate voice recorder because both of those were overwritten.

We've talked about that a lot. And the NTSB has renewed its call, which has been long-standing for an increase in the time limit or time loop on the cockpit voice recorders. That preliminary report is now available. We'll put a link to that in the show notes so that you can peruse it. But

nothing really that we didn't know already. Just some interesting tidbits about how the NTSB investigation is preceding.

[00:24:42] IP: Now we've got some interesting order information that came out this week. Lufthansa made – I should say the Lufthansa group made a pretty big order, as far as wide body orders are concerned, for both Airbus and Boeing aircraft.

[00:24:58] GW: With Lufthansa group orders, there's always a bit of tea leaf reading to figure out what planes are going to what carrier.

[00:25:04] IP: Where are these planes going?

[00:25:06] GW: Yeah. I think what was interesting to me in the press release is that they said that this order or their impend – their medium term orders would allow them to phase out the 767-300 and 777-200, which means Austrian Airways is getting a whole new fleet. And the Eurowings Discover A33-200s are also on their way out.

[00:25:35] IP: Yeah. And then the A340-600s, A340-300s and 747-400s, all four-engined aircraft, are also going to be phased out. But it sounds like those will go kind of in a second wave. Or it's unclear to me the timeline on that. I guess it all depends on deliveries.

[00:25:56] GW: Yeah. Because the A340-300s are at Lufthansa, Swiss and Edelweiss, which is sort of a subsidiary of Swiss. And Swiss is in the process of sending a fifth 340-300 to Edelweiss. I don't know how long it's going to be before all of those 340s are gone.

I think the more obvious one is the 350-1000s are going to take care of John Walton's beloved A34-600s once and for all. And Lufthansa did note that those planes will come with a first class, which I think many people are cheering for because Lufthansa first-class is a big hit amongst the frequent flyers and well-heeled travelers of the world.

[00:26:44] IP: Yeah. I think it'll be interesting to see when they start taking deliveries because it says expects to start taking deliveries in the mid-2020s. But the other thing I thought was interesting was that the Lufthansa group is also entered into, and this is Ain online reporting,

"advanced negotiations to acquire further long-haul aircraft that Boeing and Airbus could make available at shorter notice". They're keen to get some of these planes in. And if they can take anybody else's delivery slots, it sounds like they're very happy to do so.

[00:27:13] GW: Yeah. I mean, what's interesting is that the first five 7879s that Lufthansa has picked up, which I believe were originally supposed to be for HNA Airlines, all came with GE engines. Even though all other orders for 787s at Lufthansa has made for sort of factory fresh planes from Boeing have been with Rolls Royce.

It seems that they are gearing themselves up to be able to very easily handle – and they have Lufthansa technic to lean on who are extremely capable of servicing pretty much anything. But sort of nothing would surprise me at this point. They've taken, I think, four ex-Philippine Airlines A350s. They've got these five 7879s that are being inducted into the fleet. I think they're going to be pretty opportunistic in terms of what they grab and where they can grab it.

[00:28:11] IP: Yeah. And why shouldn't they? I mean, I can only imagine the fuel bill for some of these older model aircraft that they still have, especially as part of the Austrian fleet, where why wouldn't they want to lower that bill overnight?

[00:28:24] GW: Exactly. And I think I would imagine any 350-900s they can pick up quickly will be particularly useful to them because those slot in to replace the 340-300s very well. Because those particular planes, the 340-300s, have better high-altitude takeoff performance than their two-engined brethren, the 330-300, even in its most capable form. And the 350-900 can better match that performance from high-altitude airports and can go farther than the 330 can. I think that's probably the reason that the 340-300s have stuck around so long.

[00:29:08] IP: And, especially, looking at the route network, I think that makes good sense.

Let's switch over to Japan Airlines, which Bloomberg is reporting is nearing a deal with Boeing for about 20 737 MAX. This is an interesting one to me in the sense that I wasn't necessarily following – I guess I'm not following Japanese Airline order books closely enough to know that this was something that Japan Airlines needed at the moment.

[00:29:36] GW: They have a fleet of about – how many do they have? About in the low to mid-40s, I think, of 737s. All of the 800 variety. An order for some MAX's would take care of a bunch of those rather nicely.

Japan, given its size, has a very, very robust domestic network that has required wide bodies for a long time. The notion that they are replacing narrow bodies with fewer narrow bodies and upgauging to wide bodies makes a lot of sense.

[00:30:17] IP: Yeah, I think there's some good sense here. And, obviously, upgrading the fleet never makes a bad bet. I just was interested to see what the timing. And it'll be interesting to know what kind of split it ends up being. It sounds like it's going to be eights and tens. But we'll have to see when that one is finally announced.

[00:30:35] GW: That's really bleeding edge news. That just broke like a couple of hours ago.

[00:30:38] IP: It's helpful when it happens before we record. Very rarely does it happen. But sometimes it does.

We talked last week about Viva Air and Columbia basically shutting down overnight because they couldn't get regulatory approval for Avianca's acquisition of Viva. And now the Colombian Transportation Authority has stepped in and say, "We're going to manage the airline because this is ridiculous. We will manage the airline. And we'll put you through some sort of restructuring plan." Remains to be seen how well that works.

[00:31:14] GW: Viva is going to remain. They're saying no to the merger. Viva, you have to start flying again?

[00:31:20] IP: It sounds like they're not necessarily saying no to the merger in totality or with finality yet. But it does say that we're taking over the airline and you're going to start flying.

[00:31:30] GW: Okay.

[00:31:30] IP: I guess I wouldn't go out of my way to book them at this point.

[00:31:33] GW: Yeah. Unless you want an adventure.

[00:31:36] IP: When it comes to traveling, the less adventure, the better. I like to have my adventures once I'm there.

[00:31:40] GW: Exactly. Let's see. A couple of other things as we near the tail end of the show. One is that Boeing is suffering from fresh quality issues. Though, this time, no fault of their own. This is a story that was broken by John Ostrower this week. An issue with a center fuel tank for the 767 freighter and the KC-46 tanker. KC-46 being based on the 767. The issue with the center fuel tank is that the cleaning and paint adhesion testing protocol had not been followed for the center wing tank structure. And so, now they're having to go back and make sure that those are okay. Because the last thing you want are paint flecks coming off and clogging your fuel lines especially on an aircraft the, A, runs out on of fuel. But also, B, feeds fuel to other aircraft.

[00:32:31] GW: Yeah. And also, and I have to imagine, aircraft with after-burning engines. That's just not, not good.

[00:32:39] IP: Yeah. You don't want any contaminants in your fuel ever, especially paint from the tanks themselves. They're looking at that.

[00:32:46] GW: And it should be noted, this happened subsequent to a change of ownership in the supplier. Boeing is receiving these parts. And remember, they've been building this plane for decades. Boeing deserves criticism for quality control issues, except this one is not their fault.

[00:33:07] IP: Yeah, it's not to say that this isn't unfortunate or negatively impacting Boeing. But it's certainly not something that they themselves have caused. It's just another headache for them to deal with.

Let's see. Kind of toss this one near at the end of the show because I feel like we're talking about so much of these. And I want to have a conversation in a future episode about kind of

this. But the NTSB is investigating yet another runway incursion. This one happened on the 16th of February between an American Airlines aircraft and an Air Canada Rouge aircraft.

The American Airlines 737 was coming into land from Charlotte to Sarasota Bradenton's Florida airport while the Air Canada Rouge was departing Sarasota for Toronto. There was no contact between the aircraft. They didn't come – in the parlance of the last few weeks, they didn't come particularly close. But it seems to me that the NTSB is going back and looking at things that perhaps previously might not have warranted a full-scale investigation that they're now saying maybe there's something going on here.

It's a conversation we had not at the beginning of the pandemic, but kind of mid-pandemic. When things started to recover. And we talked about it with some pilots. We talked about it with some folks who work on the safety side of the industry about how they're certainly concerned about so many aircraft coming back. Pilots coming back after being away for long. Retraining and how much time does it take to get back up to speed? And are we going to see more incidents like the ones we've been seeing?

Is that part of the problem? Or are we just seeing these more often because the surveillance has gotten better or because we're starting to look for them more now because there have been a few high-profile ones? Are people going back to looking – that's not a question I have an answer to right now. But it's certainly what I'm thinking about and one I'm thinking about how to answer in future episodes of the show.

[00:35:17] GW: I really don't know. All I know is that when my wife starts asking me about runway incursions, I know we've got a problem.

[00:35:23] IP: Yeah, it's definitely something that I'm being asked about more often. I guess the only positive here is that runway incursion has kind of overtaken the near miss, or close call, or things like that as kind of the go-to language. Runway incursion is the proper aviation safety parlance. I know that's not, I guess, cold comfort for those that are experiencing these issues or incidents. But the language, I think, is important.

[00:35:56] GW: Yes. Words matter.

[00:35:58] IP: Words matter. Let's close out the show with a couple things that both of which I think we both saw coming, but it seems like no one else did. The first is Cargojet. And we're using cargo jet as a stand-in for the larger cargo industry. But Cargojet specifically is selling a few of the aircraft that it had acquired in order to turn into cargo aircrafts. Selling passenger aircraft is acquired, but not yet converted. And it's also deferring some of the conversion slots that it had acquired so that it can operate fewer cargo aircraft.

Because as it turns out, the cargo market has begun its decline that it had – by law of what goes up must come down, it was only a matter of time before the cargo market started to decline a bit from its everyone's buying everything online peak pandemic heights.

And Gavin, we were chatting about this before we hit record. Really, it was never a question of if. It was a question of when. And what always struck me is that all of these airlines rushed to secure conversion slots and aircraft. And everyone goes, "Oh, there's a huge boom in air cargo."

But at some point, the numbers never added up because you couldn't convert so many aircraft in time to take advantage of what was clearly a temporary – yeah, a bubble.

[00:37:25] GW: Yeah. What happened? And you kind of have to go back to the financial crisis 15 years ago that, in the lead-up to that, there were a lot more dedicated cargo airlines. And post-financial crisis, a much higher percentage of cargo. It's always been a very high percentage of air cargo. But an even higher one was carried underneath passengers as belly capacity.

And a byproduct of COVID, and the sort of contraction and stasis of the airline industry was that all this cargo capacity in the form of belly capacity went offline. When everyone was ordering everything off Amazon, it looked like everyone needed a lot more dedicated package freighters than we needed before.

But as passenger planes have returned to service and gotten spun back up, that belly capacity has come back online. And therefore, you add the old capacity to all the newly converted capacity and call it the global slowdown. I won't use the R word because it's not an R yet.

But it makes a lot of sense that not only is cargo volume down, but cargo capacity is up, which was completely predictable when you saw as many planes start to be converted as there were.

But in the long term, what was fascinating to me was that, if we go back a few years, IAI, Israel Aircraft Industries, is a very experienced converter of cargo planes. They were officially licensed by Boeing to convert 747-400s into freighters. Anything that you say is a BDSF. A 747-400 BDSF is an IAI Bedek product.

They gave their blessing for IAI to start these conversions of the 777-300ER a couple years prior in the pits of all the 767 tanker problems for the US Air Force. IAI had also wanted to start converting 767s into tankers both for the Israeli Air Force and for export and they were denied by Boeing.

I think, in the long term, this is something that Boeing does want. And I think we really do need to separate between the glut of 767 passenger conversions that happened and the over-buying of 777-300ERs for freighter conversion versus the 5, to 10, to 15-year prospects of how this is going to play out.

[00:40:12] IP: Yeah, I think there's no – I won't say no. But I would say there's little doubt that the air cargo market continues to increase just purely based on the growth of e-commerce writ large and how cargo is being moved. But I think it remains an open question about how many of these actually need to be converted. And of course, Boeing and Airbus are in the cargo market themselves. Boeing with the 777X freighter and Airbus still, but slightly less, with the A350 pure freighter.

[00:40:49] GW: Yeah. I think the addressable market for the 7778 freighter and the addressable market for the 300ER, I don't know how we refer to it, the big converted freighter, is slightly different. I think if you look at the capabilities of the converted freighter, it matches up very well with 747 dedicated freighters for anything that does not need a nose door.

And so, I think what we saw is anyone who really needed a nose door and knew they were going to need a nose door in the next 20 years bought 7478 freighters. And anyone who doesn't need a nose door is going to be perfectly happy to trade their 747-400 for a 777-300ER converted freighter whenever that older airframe reaches the end of its life.

[00:41:40] IP: Yeah, I think that's an interesting point as well. And the nose door issue has always been one that's been kind of forefront in my mind. But I think you make a very good point. Anybody who knew they were going to need one bought one.

[00:41:52] GW: And let's not forget, the nose door with the war in Ukraine that we're on its first anniversary. We've just past the first anniversary. Antonov is not building any more AN-124s and hasn't for a while. And who knows when they will be able to even think about building more freighters? And so, now we're entering an era where there are no planes in production with that outsized cargo capability.

[00:42:18] IP: Yeah. Still plenty floating around there for now. But certainly, no more being built. That's something – I guess we're going to have to get on that. Maybe we can design and build one.

[00:42:27] GW: Petchmoair. Petchmoair Cargo.

[00:42:31] IP: Let's close out the show with congratulations to Air Baltic for turning a full-year profit. But they're also going to pick up four A320s from Avion Express for wet lease in the summer season. I bring this up because Air Baltic's done a very interesting job of nimbly kind of stepping around over-capacity and under-capacity using their switch to the all A220 fleet and kind of bringing that capacity for such a small airline to other places where they've been operating flights for other airlines. But also, sometimes bringing extra capacity into their airline so they have aircraft operating flights for them.

This summer, who knows if you're flying an Air Baltic A220? It could be very interesting you know how you bought that ticket and how you end up on an Air Baltic A220. Keep an eye out for that.

[00:43:23] GW: You're saying you could have an Avion Express A320 wet leased to Air Baltic operating for Air Dolomiti on a Lufthansa co-chair?

[00:43:33] IP: And it's an actual Finnair flight. Yes. Entirely possible. That's something to watch out for what's going to shape up to be what sounds like another very, very busy summer season.

[00:43:45] GW: For what it's worth, I've already gotten a notification from British Airways that a short-haul flight that I have a ticket on will be actually on a Finnair plane.

[00:43:55] IP: Well, I mean, that's probably good for you. I mean, from a passenger perspective. But we'll see. We'll see how things go this summer.

This has been episode 206 of AvTalk. I am Ian Petchenik and here infrequently, sometimes with
—

[00:44:11] GW: Every once in a while to punch my sandwich card.

[00:44:14] IP: There you go. Gavin Werbeloff, our resident numbers expert. Thank you so much for joining us. And thank you all so very much for listening. We'll see you next week.

[END]